



N E X T B I O M E T R I C S G R O U P A S A

Q U A R T E R L Y R E P O R T - Q 3 2 0 2 2

One Touch.
One You.
NEXT Biometrics

NEXT Biometrics Group ASA

Quarterly report – Q3 2022

Highlights

- Revenue of NOK 14.4 m (NOK 12.4 m Q3 2021)
- Gross margin of 38%
- 33 accumulated design wins by end Q3 2022
- Adjusted EBITDA¹ of NOK -8 m in Q3 2022
- Cash position of NOK 72,5 m per 30 September 2022

CEO Statement

We secured 3 design-wins (new customers) during third quarter and are on track towards our target to deliver 12 new design wins in 2022. Adding design-wins in combination with increased FAP20 shipments and improved gross margin are the main highlights of this report.

NEXT's suppliers increased their shipments to NEXT towards the end of the third quarter. Hence, our supply-chain situation has improved. Moreover, we are prepared to increase shipment volumes when customers start committing to additional volumes. Still, in the short-term, some of our customers remain affected by the global semiconductor shortages. We expect them to return with new and additional orders once they also have sufficient components to build their end products.

For Q3 we report 38% gross margin. Even though we have been pointing out that NEXT's gross margin will continue to fluctuate quarter over quarter based on product mix, we see that our gross margin is trending higher.

We shipped a USD 0.6 m FAP20 order to a new distributor late in the quarter. The order is connected to the India-based OEM. We have during the third quarter signed contracts with additional new distributors in several strong biometric regions. This will increase our market reach within defined market segments and provide us with additional new customers, scaling up our business.

On another positive note, we have also started implementing an updated business model that better reflects our fingerprint products containing software, algorithms, and hardware. The first NEXT customers have already signed this new agreement. With this new set-up customers sign a complete customer agreement for fingerprint sensors as well as a linked support and maintenance agreement with NEXT. This will help us to better prioritize customer support as well as long-term improve our gross margins even further.

The biometric market in India is important for NEXT, and the launch of next-generation Aadhaar security framework is critical for the uptake of NEXT FAP20 sensors in India. As previously communicated; this launch has been delayed by the regulatory authorities. This affects the short-term order volume from the Tech Giant as well as our Indian OEM. Still, we see the medium and long-term prospects to be intact, and that when the Indian market finally opens, NEXT is in a good position with our secured partners.

Despite these short-term external headwinds, we have continued to increase our accumulated number of design-wins and important partners. We are now focused on delivering increased volumes and revenues for our shareholders.

I am looking forward reporting progress related to our growth agenda in the coming quarters.

Peter Heuman, CEO of NEXT Biometrics Group ASA

(amounts in NOK million)	Q3 2022	Q3 2021	9 months 2022	9 months 2021	Full year 2021
Total revenues	14,4	12,4	36,3	37,1	50,8
Gross margin (%)	38 %	24 %	33 %	25 %	20 %
Adjusted EBITDA ¹⁾	-8,0	-9,2	-29,8	-23,8	-32,0
Cash and cash equivalents - closing balance	72,5	116,9	72,5	116,9	102,7

1) See definition on page 15 and note 5 regarding change in cost classification

Operational review

The quarterly volume of shipped FAP20 sensors increased relative to Q2 2022 and Q3 2021. Still, several of our customers continued to experience supply chain delays related to receiving enough microchips to build their products. NEXT continues its dialogue with current and prospective customers to introduce the FAP20 sensor technology for Point of Sales (POS), Government ID and Access control and Fintech applications.

Q3 PC-sensor revenues were higher than Q2 and Q1 2022. NEXT has been impacted by the semi-conductor industry's shortage of microchips during 2022. The situation has started to improve towards the end of quarter three providing sufficient supply to increase production towards year-end and 2023. The underlying order volume from our main PC customers remains strong.

NEXT's Q3 2022 gross margin was 38%, vs 24% in Q3 2021. The gross margin was higher than Q3 2021 and Q2 2022 due to a more favorable product mix in Q3 2022.

The Group reached an OPEX ex. options of NOK 4.5 million per month for Q3 2022.

Interim condensed financial statements as of 30 September 2022 (unaudited)

Statement of comprehensive income

Revenues for Q3 2022 were NOK 14.4 million compared to NOK 12.4 million in Q3 2021. The increase in revenues from Q3 2021 was mainly due to higher FAP20 sensor shipment volumes and an increase in the USD/NOK exchange rate.

Payroll expenses excluding stock option costs were NOK 8.1 million in Q3 2022 compared to NOK 7.2 million in Q3 2021. Net employee stock option and option social security costs were NOK 1.3 million in Q3 2022 compared to NOK 4.8 million in Q3 2021. See note 4 for further information on stock option cost.

Other operating expenses were NOK 5.3 million in Q3 2022 compared to NOK 4.7 million in Q3 2021. Other operating expenses in Q3 2021 was favorably impacted by a NOK 0.3 million negative stock option cost (gain) due to cancellation of option grants.

Depreciation and amortization were NOK 1.8 million in Q3 2022 compared to NOK 1.8 million in Q3 2021.

Net financial items were positive NOK 0.6 million in Q3 2022 compared to positive NOK 1.2 million in Q3 2021.

Income tax expense was NOK 0.1 million in Q3 2022, compared to NOK 1.3 million in Q3 2021.

Loss after taxes for Q3 2022 were NOK 10.6 million compared to a loss of NOK 15.6 million for Q3 2021.

Statement of financial position and cash flow

Cash and cash equivalents amounted to NOK 72.5 million per 30 September 2022, compared to NOK 116.9 million per 30 September 2021.

Net cash flow from operating activities was negative NOK 10.1 million in Q3 2022, compared to negative NOK 1.7 million in Q3 2021. The negative cash flow in Q3 2022 is mainly due to operating losses and an increase in working capital. NEXT continued to selectively increase its inventory in Q3 2022 with a focus on critical components and microchips in order to improve its ability to ship higher volumes of sensor modules in future periods.

Net cash flow from investing activities was positive NOK 0.2 million in Q3 2022, compared to NOK 0.2 million in Q3 2021.

Net cash flow from financing activities was NOK 0.0 million in Q3 2022 compared to negative NOK 0.5 million in Q3 2021.

Going concern

The Group's financial statements for Q3 2022 have been prepared on the basis of a going concern assumption.

Outlook

NEXT Notebook sensor orders have been strong in 2022, and orders for 2023 are expected to be at similar levels or higher. The FAP20 shipment volumes increased in Q3. We are expecting further growth in FAP20 shipments from Q4 onwards.

We expect to receive additional orders from the Tech Giant and the India-based OEM. We have also identified a few more companies with high volume potential. We anticipate more orders relating to these specific customers, but also from others that have identified the benefits of NEXT Active Thermal technology. The company's principal focus is to increase the number of customers choosing to design-in NEXT FAP20 sensors in all our main market segments.

The market for NEXT's fingerprint sensor technology is expected to grow in 2023 and beyond. The management's view is that NEXT's unique products and patented technology have great long-term revenue potential. Sales of the NEXT FAP20 sensor have the highest priority, due to its many competitive advantages. Towards the end of Q3, NEXT received additional supplies of semiconductor components and micro-chips, which will improve NEXT's ability to deliver and ship products towards the end of 2022 and early 2023. Still, many of NEXT's customers have continued to be impacted by semiconductor and COVID-19 supply chain delays during 2022, which have delayed their decision to start mass production and therefore delayed their orders to NEXT. This situation is expected to continue to impact NEXT's revenue growth in the short term but is likely to be resolved in the medium term.

The company's accumulated 33 design wins from Q4 2019 up to end of Q3 2022 will contribute to future revenue growth. We believe some design wins will develop into successes in their respective market segments. The India-based OEM FAP20 purchase order announced in February 2022 that amounts to USD 2.2 m is an example of a likely high-growth design win. The existing portfolio of design-wins alone has the potential to make NEXT profitable. We see increased customer activity across a wide range of industries, improving the funnel. This will lead to further design-wins in the coming quarters, forming the basis for solid revenue growth.

Oslo, 1 November 2022
CEO and Board of Directors
NEXT Biometrics Group ASA

Peter Heuman (CEO)

Petter Fjellstad (Chairman)

Emine Lundkvist (Board member)

Odd Harald Hauge (Board member)

Siri Børsum (Board member)

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Interim condensed consolidated statement of comprehensive income (unaudited)

(amounts in NOK 1 000)	Notes	Q3 2022	Q3 2021	9 months 2022	9 months 2021	Full year 2021
Operating revenues	2	14 402	11 681	35 031	36 187	49 788
Other revenues		19	756	1 237	869	967
Cost of goods sold	5	-9 012	-9 455	-24 430	-27 635	-34 431
Inventory write downs		-	-	-	-	-6 251
Gross margin		5 408	2 982	11 838	9 421	10 073
Payroll expenses	3,4	-9 412	-11 972	-26 161	-35 059	-45 983
Other operating expenses	3,4,5	-5 325	-4 651	-16 268	-9 373	-15 272
EBITDA		-9 328	-13 640	-30 591	-35 012	-51 182
Depreciation and amortization		-1 829	-1 811	-5 395	-5 285	-7 069
Impairment losses		-	-	-	-	-
Operating profit (loss)		-11 157	-15 452	-35 987	-40 297	-58 250
Net financial items		645	1 156	1 785	1 396	-143
Profit (loss) before taxes		-10 512	-14 295	-34 201	-38 901	-58 394
Income tax expenses		-126	-1 278	-201	-1 307	-1 621
Profit (loss) after taxes		-10 638	-15 573	-34 402	-40 208	-60 014
<i>Other comprehensive income (loss) that may be reclassified subsequently to profit and loss:</i>						
Translation differences on net investments in foreign operations		2 805	375	6 296	258	1 593
Other comprehensive income (loss)		2 805	375	6 296	258	1 593
Total comprehensive income (loss)		-7 833	-15 197	-28 106	-39 950	-58 422
Profit (loss) after taxes attributable to:						
Owners of the parent company		-10 638	-15 573	-34 402	-40 208	-60 014
Total comprehensive income (loss) attributable to:						
Owners of the parent company		-7 833	-15 197	-28 106	-39 950	-58 422
Earnings per share (in NOK):						
Basic and diluted		-0,12	-0,17	-0,38	-0,45	-0,67

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Interim condensed consolidated statement of financial position (unaudited)

(amounts in NOK 1 000)	Notes	30 Sep 2022	30 Sep 2021	31 Dec 2021
Deferred tax assets		42	37	32
Intangible assets		3 007	4 385	3 983
Property, plant and equipment		13 642	17 672	16 447
Other non-current assets		-	163	-
Total non-current assets		16 691	22 257	20 462
Inventories		24 046	22 471	18 987
Accounts receivables		14 896	7 823	11 801
Other current assets		8 881	8 592	7 699
Cash and cash equivalents		72 540	116 927	102 706
Total current assets		120 363	155 813	141 193
Total assets		137 054	178 070	161 655
Share capital	4	91 981	91 681	91 681
Share premium		47 762	127 576	47 335
Other reserves		75 426	70 237	71 442
Accumulated losses		-104 311	-137 977	-76 205
Total equity		110 858	151 516	134 253
Deferred tax liabilities		-	70	-
Non-current interest-bearing loans		-	-	-
Other non-current liabilities		1 232	2 562	2 027
Total non-current liabilities		1 232	2 632	2 027
Current interest-bearing loans		-	-	-
Accounts payables		7 301	7 250	6 786
Income tax payables		346	5	317
Other current liabilities		17 317	16 668	18 273
Total current liabilities		24 965	23 922	25 376
Total equity and liabilities		137 054	178 070	161 655

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Interim condensed consolidated statement of cash flow (unaudited)

(amounts in NOK 1 000)	Q3 2022	Q3 2021	9 months 2022	9 months 2021	Full year 2021
Profit (loss) before taxes	-10 512	-14 295	-34 201	-38 901	-58 394
Share based remuneration	1 424	3 967	3 984	7 600	8 805
Accrued share option social security cost	-131	453	-3 148	3 304	4 207
Income taxes paid	-4	1 967	9	1 922	2 386
Depreciation and amortization	1 829	1 811	5 395	5 285	7 069
Impairment losses	-	-	-	-	-
Change in working capital items and other	-2 756	4 353	-761	-14 303	-11 755
Net cash flow from operating activities	-10 151	-1 745	-28 722	-35 093	-47 681
Proceeds from disposal of property, plant and equipment and intangible assets	-	2	-	2	2
Purchases of property, plant and equipment and intangible assets	-1	-2	-36	-149	-204
Proceeds from lease receivables	181	170	535	518	691
Net cash flow from investing activities	181	171	499	372	489
Net proceeds from issue of shares	727	739	727	86 679	86 681
Proceeds from interest-bearing loans	-	-	-	-	-
Repayments of interest-bearing loans	-	-626	-	-626	-626
Payments of lease liabilities	-712	-596	-2 051	-2 313	-2 787
Net cash flow from financing activities	15	-483	-1 324	83 740	83 269
Net change in cash flow	-9 955	-2 056	-29 546	49 019	36 076
Cash balance at beginning of period	82 544	118 991	102 706	67 950	67 950
Effects of exchange rate changes on cash and cash equivalents	-49	-7	-621	-42	-1 320
Cash balance at end of period	72 540	116 927	72 540	116 927	102 706
Comprising of:					
Cash and cash equivalents	72 540	116 927	72 540	116 927	102 706

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Interim condensed consolidated statement of changes in equity (unaudited)

(amounts in NOK 1 000)	Notes	Share capital	Share premium	Other reserves	Accumulated losses	Total equity
As of 1 January 2022		91 681	47 335	71 442	-76 205	134 253
Profit (loss) after taxes					-34 402	-34 402
Other comprehensive income (loss)					6 296	6 296
Total comprehensive income (loss)		-	-	-	-28 106	-28 106
Share issues net	4	300	427			727
Share based remuneration	4			3 984		3 984
As of 30 September 2022		91 981	47 762	75 426	-104 311	110 858
As of 1 January 2021		75 944	56 633	62 637	-98 027	97 188
Profit (loss) after taxes					-40 208	-40 208
Other comprehensive income (loss)					258	258
Total comprehensive income (loss)		-	-	-	-39 950	-39 950
Share issues net		15 736	70 943			86 679
Share based remuneration				7 600		7 600
As of 30 September 2021		91 681	127 576	70 237	-137 977	151 516

Notes to the interim consolidated financial statements

Note 1 – General information and accounting principles

NEXT (the Group) consist of NEXT Biometric Group ASA (the parent company) and its subsidiaries. NEXT Biometrics Group ASA is a public limited liability company incorporated and domiciled in Norway and is listed at Oslo Stock Exchange under the ticker NEXT.

The Group's operations are carried out by the operating subsidiaries. The Group has five wholly owned active operating subsidiaries: NEXT Biometrics AS (Oslo, Norway), NEXT Biometrics Inc. (Seattle, USA), NEXT Biometrics China Ltd. (Shanghai, China), NEXT Biometrics Taiwan Ltd. (Taipei, Taiwan) and NEXT Biometrics Solutions India Pvt. Ltd. (Bengaluru, India).

The Group provides advanced fingerprint sensor technology that delivers uncompromised security and accuracy for the best possible user experience in the smart card, government ID, access control and notebook markets.

This report contains forward-looking statements that are based on, among other things, the management current expectations, estimates and projections about global economic conditions, the economic conditions of the regions and industries that are major markets for the Group. All such forward-looking statements are subject to inherent risks and uncertainties, and many factors can cause substantially deviations from what has been expressed or implied in such statements.

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 "Interim financial reporting". The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for 2021 (Annual Report for 2021). The Annual Report for 2021 is available at www.nextbiometrics.com.

The accounting policies applied in preparation of the interim financial statements are consistent with those applied in the preparation of Annual Report for 2021 with the exception of the reclassified expenses that are described in note 5 below. There are no other new standards and interpretations effective from 1 January 2022 that had a significant impact on the Group's consolidated interim financial statements.

As a result of rounding differences, numbers or percentages may not add up to the total.

The Group's interim financial statements for Q3 2022 have been prepared on the basis of a going concern assumption.

This interim financial report has not been subject to audit.

The Board of Directors approved the report on 1 November 2022.

Note 2 – Revenue and segment reporting

(amounts in NOK 1 000)	Q3 2022	Q3 2021	9 months 2022	9 months 2021	Full year 2021
Fingerprint sensor technology	14 402	11 681	35 031	36 187	49 788
Total operating revenues	14 402	11 681	35 031	36 187	49 788

NEXT targets four markets for the technology;

- (i) Smart cards
- (ii) Government ID
- (iii) Access control
- (iv) Notebooks

The available technology is generic into the four markets. Most of NEXT's key IP, including our *NEXT Active Thermal™* is shared and used in all four markets.

Note 3 – Operating expenses

(amounts in NOK 1 000)	Q3 2022	Q3 2021	9 months 2022	9 months 2021	Full year 2021
Salaries, fees	-6 631	-6 205	-20 797	-20 397	-28 563
Share based remuneration (salary part)	-1 424	-4 287	-3 984	-7 683	-8 471
Share based remuneration (employer's tax)	131	-489	3 148	-3 585	-4 495
Social security taxes	-1 071	-629	-3 163	-2 253	-3 002
Other personnel expenses	-417	-362	-1 365	-1 142	-1 453
Total payroll expenses	-9 412	-11 972	-26 161	-35 059	-45 983

(amounts in NOK 1 000)	Q3 2022	Q3 2021	9 months 2022	9 months 2021	Full year 2021
Product and marketing costs	-1 058	-13	-2 293	-1 142	-1 796
R&D and business services costs	-3 220	-3 526	-9 420	-11 355	-14 937
R&D and government grants	307	630	1 012	9 694	10 505
Fees to auditors, consultants, lawyers and others	-726	-1 459	-3 196	-4 488	-6 124
Other expenses	-627	-603	-2 371	-2 165	-2 957
Share based remuneration (operating part)	0	320	-	83	36
Total other operating expenses	-5 325	-4 651	-16 268	-9 373	-15 272

Note 4 – Shares and incentive options

Numbers of shares outstanding

As of 1 January 2022	91 680 763
Share issues	300 000
As of 30 September 2022	91 980 763

In August 2022, 300,000 share options were exercised at an average subscription price of NOK 2.49 per share, corresponding to gross proceeds of NOK 0.7 million. Direct expenses related to the share issue were NOK 0.0 million.

Share options:

NEXT has entered into and plans to continue to enter into stock option agreements in order to attract talented and experienced employees.

During the quarter, NEXT booked NOK 1.4 million in stock option cost relating to employees and contractors. The Group's stock option social security cost was negative NOK 0.1 million due to the decrease in the parent company's stock price during Q3 2022. The net costs related to stock options and option social security costs were 1.3 million for Q3 2022.

The number of outstanding options decreased by net 507,583 options during Q3 2022. The decrease is principally due to options that were exercised in August 2022 and cancellation of options for former employees holding option grants. The Group had 11,632,228 options outstanding as per 30 September 2022.

Note 5 – Cost classification

The company changed its accounting policy on the classification of certain types of transport and logistic costs connected to intra-factory movements in Asia with effect from January 2022. Prior to January 2022, these costs were included in the costs of goods sold cost category. These costs have now been reclassified to other operating expenses. As a result of the change in accounting policy, the company has made the following restatements for the comparative accounting periods in 2021. As a result of the changed cost classification, NEXT costs of goods sold was reduced by NOK 0.3 million for Q3 2021 and reduced by NOK 0.7 million for YTD Q3 2021 while other operating costs was increased by the same amounts in Q3 2021 and YTD Q3 2021. See table below for further details.

Restatement Q3 2021

(amounts in NOK 1 000)	Q3 2021	Adjustment	Restated Q3 2021
Operating revenues	11 681		11 681
Other revenues	756		756
Cost of goods sold	-9 755	300	-9 455
Inventory write downs	0		0
Gross margin	2 682	300	2 982
Payroll expenses	-11 972		-11 972
Other operating expenses	-4 351	-300	-4 651
EBITDA	-13 640	0	-13 640
Gross margin (%)	22 %		24 %
Adjusted Gross margin (%)	22 %		24 %

Restatement YTD Q3 2021

(amounts in NOK 1 000)	9 months 2021	Adjustment	Restated 9 months 2021
Operating revenues	36 187		36 187
Other revenues	869		869
Cost of goods sold	-28 335	700	-27 635
Inventory write downs	-		-
Gross margin	8 721	700	9 421
Payroll expenses	-35 059		-35 059
Other operating expenses	-8 673	-700	-9 373
EBITDA	-35 012	0	-35 012
Gross margin (%)	24 %		25 %
Adjusted Gross margin (%)	24 %		25 %

Restatement Full Year 2021

(amounts in NOK 1 000)	2021	Adjustment	Restated 2021
Operating revenues	49 788		49 788
Other revenues	967		967
Cost of goods sold	-35 531	1 100	-34 431
Inventory write downs	-6 251		-6 251
Gross margin	8 973	1 100	10 073
Payroll expenses	-45 983		-45 983
Other operating expenses	-14 172	-1 100	-15 272
EBITDA	-51 182	0	-51 182
Gross margin (%)	18 %		20 %
Adjusted Gross margin (%)	30 %		32 %

Note 6 – Subsequent events

Between 30 September 2022 and the resolution of these condensed consolidated interim financial statements, there has not been any other event which would have had any noticeable impact on NEXT's result for the Q3 2022 period nor on the value of the Group's assets and liabilities as per 30 September 2022.

Alternative performance measures

NEXT's financial information has been prepared in accordance with International Financial Reporting Standards (IFRS). In addition, it is management's intent to provide alternative performance measures that are regularly reviewed by management to enhance the understanding of NEXT's performance, but not instead of, the financial statements prepared in accordance with IFRS. The alternative performance measures presented may be determined or calculated differently by other companies.

Definitions

Most of these key figures are alternative performance measures according to ESMA's definition. How these key figures are used is described below, as is how they are calculated. The alternative performance measures are used to provide a more comprehensive description of how the operational activities are developing, such as gross margin and EBITDA ex options.

Revenues adjusted for unfulfilled order backlog

Revenues for the period adjusted for unfulfilled order backlog (orders booked) is defined as revenues for the period plus unfulfilled purchase orders received by the company with requested customer delivery in the same period or in prior periods/year(s). In most cases such unfulfilled orders were not delivered due to supply chain delays.

Gross margin/Adjusted Gross margin / Adjusted Gross margin (%)

Gross margin is defined as operating revenue plus other income less cost of goods. Gross margin (%) is expressed as a percentage of operating revenue and other income.

(amounts in NOK 1 000)	Q3 2022	Q3 2021	9 months 2022	9 months 2021	Full year 2021
Operating revenues	14 402	11 681	35 031	36 187	49 788
Other revenues	19	756	1 237	869	967
Cost of goods sold	-9 012	-9 455	-24 430	-27 635	-34 431
Inventory write-downs	-	-	-	-	-6 251
Gross margin	5 408	2 982	11 838	9 421	10 073
Gross margin	5 408	2 982	11 838	9 421	10 073
Divided by operating revenues and other revenues	14 421	12 437	36 268	37 056	50 755
Gross margin (%)	38 %	24 %	33 %	25 %	20 %

Adjusted Gross margin is defined as operating revenue plus other income less cost of goods sold plus inventory write-downs. Adjusted Gross margin (%) is expressed as a percentage of operating revenue and other income.

(amounts in NOK 1 000)	Q3 2022	Q3 2021	9 months 2022	9 months 2021	Full year 2021
Operating revenues	14 402	11 681	35 031	36 187	49 788
Other revenues	19	756	1 237	869	967
Cost of goods sold	-9 012	-9 455	-24 430	-27 635	-34 431
Inventory write-downs	-	-	-	-	-6 251
Added back inventory write-downs	-	-	-	-	6 251
Adjusted gross margin	5 408	2 982	11 838	9 421	16 324
Adjusted Gross margin	5 408	2 982	11 838	9 421	16 324
Divided by operating revenues and other revenues	14 421	12 437	36 268	37 056	50 755
Adjusted gross margin (%)	38 %	24 %	33 %	25 %	32 %

EBITDA / Adjusted EBITDA

EBITDA is earnings before interest, taxes, depreciation, amortization and impairment losses.

Adjusted EBITDA is equal to EBITDA excluding “share-based remuneration” (salary part, employer’s part and operating part) and inventory write-downs.

(amounts in NOK 1 000)	Q3 2022	Q3 2021	9 months 2022	9 months 2021	Full year 2021
Operating profit (loss)	-11 157	-15 452	-35 987	-40 297	-58 250
Added back depreciation and amortization	1 829	1 811	5 395	5 285	7 069
Added back impairment losses	-	-	-	-	-
EBITDA	-9 328	-13 640	-30 591	-35 012	-51 182
Added back share-based remuneration (salary part)	1 424	4 287	3 984	7 683	8 471
Added back share-based remuneration (employer's tax)	-131	489	-3 148	3 585	4 495
Added back share-based remuneration (operating part)	-	-320	-	-83	-36
Added back inventory write-downs	-	-	-	-	6 251
Adjusted EBITDA	-8 036	-9 184	-29 755	-23 827	-32 001

Cost of goods sold (COGS)

Cost of goods sold (COGS) is cost of materials and production service expenses.

Inventory write-downs

Inventory write-downs are costs related to excess inventory in relation to raw materials, semi-finished goods, products and product lines that are discontinued and/or in the process of being discontinued.

Operating expenses (OPEX)

Operating expenses (OPEX) consist of salaries and personnel cost and other operating expenses.

Operating expenses ex. options (OPEX ex. Options)

Operating expenses excluding options (OPEX ex options) is defined as salaries and personnel cost and other operating expenses excluding share based remuneration.

(amounts in NOK 1 000)	Q3 2022	Q3 2021	9 months 2022	9 months 2021	Full year 2021
Operating expenses (OPEX)	14 736	16 623	42 429	44 433	61 255
Deducted share-based remuneration (salary part)	-1 424	-4 287	-3 984	-7 683	-8 471
Deducted share-based remuneration (employer's tax)	131	-489	3 148	-3 585	-4 495
Deducted share-based remuneration (operating part)	-	320	-	83	36
Operating expenses ex. options (OPEX ex. options)	13 444	12 166	41 593	33 248	48 326



Visit **www.nextbiometrics.com** or contact us:

ABOUT NEXT BIOMETRICS:

NEXT provides advanced fingerprint sensor technology that delivers uncompromised security and accuracy for the best possible user experience in the smart card, government ID, access control and notebook markets. The company's patented *NEXT Active Thermal™* principle allows the development of large, high quality fingerprint sensors in both rigid and flexible formats. NEXT Biometrics Group ASA (www.nextbiometrics.com) is headquartered in Oslo, with sales, support and development operations in Seattle, Taipei, Bengaluru and Shanghai.

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