Nanox Announces Third Quarter 2022 Financial Results and Provides Business Update

November 10, 2022

Reports progress towards global supply chain development

Ended the third quarter of 2022 with cash, cash equivalents and marketable securities of $117.1 million

Management to host conference call and webcast Thursday, November 10, 2022 at 8:30 AM ET

NEVE ILAN, Israel, Nov. 10, 2022 (GLOBE NEWSWIRE) -- NANO-X IMAGING LTD (NASDAQ: NNOX) ("**Nanox**" or the " **Company**"), an innovative medical imaging technology company, today announced results for the third quarter ended September 30, 2022 and provided a business update.

Third Quarter 2022 Highlights and Recent Developments:

- Generated $2.4 million in revenue in the third quarter of 2022 compared to $2.2 million in the second quarter of 2022 and $1.8 million in the first quarter of 2022.
- Submitted a 510(k) premarket notification to the U.S. Food and Drug Administration as part of the Company's 510(k) application process for the multi-source Nanox.ARC system
- Received a Helsinki permit to conduct clinical trials at Shamir Hospital, Israel using the multisource Nanox.ARC system, with a goal of generating sample images in the fourth quarter of 2022.
- Engaged a Notified Body to work with during the CE marking process.

"As we report third quarter results, I am proud of the Nanox team's progress across multiple fronts. We continue to generate revenues from our AI and teleradiology businesses and advance toward the deployment of our Nanox.ARC multi-source imaging system," said Erez Meltzer, Nanox Imaging Chief Executive Officer. "It's an exciting time at Nanox, and we look forward to sharing more updates on our progress in the months ahead."

Financial results for three months ended September 30, 2022

For the three months ended September 30, 2022, the Company reported a net loss of $19.1 million, compared to a net loss of $13.5 million in the comparable period, which increase was largely due to the consolidation of Nanox.AI and USARAD with the Company since the fourth quarter of 2021, an increase in the Company's research and development expenses, an increase in the Company's general and administrative expenses, which was mitigated by a decrease in the Company's sales and marketing expenses and a $1.0 million expense due to change in the Company's obligation in connection of acquisitions.

For the three months ended September 30, 2022, the Company reported revenue of $2.4 million, compared to none for the three months ended September 30, 2021 (which is referred to as the "comparable period"). During the three months ended September 30, 2022, the Company generated revenues through the sales of teleradiology services and AI solutions. The Company's gross loss during the three months ended September 30, 2022 totaled $1.5 million on a GAAP basis. The Company's revenue from teleradiology services for the three months ended September 30, 2022 was $2.4 million with a gross profit of $0.6 million on a GAAP basis. The increase in the Company's revenue represents a growth of more than 11.2% in its sales of teleradiology services from the previous quarter which is attributable to revenues from a data monetization project in the amount of $0.3 million. The Company's revenue from its AI solutions for the three months ended September 30, 2022 was $0.1 million with a gross loss of $2.1 million on a GAAP basis. Non-GAAP cost of revenue of the Company's teleradiology services for the three months ended September 30, 2022 was $1.2 million, as compared to none in the comparable period, resulting in a non-GAAP gross profit of $1.2 million for the three months ended September 30, 2022, which represents a gross profit margin of approximately 49.4 % on a non-GAAP basis. The Company's non-GAAP gross loss from its AI solutions for the three months ended September 30, 2022 was $0 million. In total, non-GAAP cost of revenue for the three months ended September 30, 2022 was $1.3 million, as compared to none in the comparable period, resulting in a non-GAAP gross profit of $1.1 million for the three months ended September 30, 2022, which represents a gross profit margin of approximately 46.0% on a non-GAAP basis.

Research and development expenses for the three months ended September 30, 2022 were $6.1 million, as compared to $3.7 million in the comparable period. The increase of $2.4 million was mainly due to the consolidation of Nanox.AI with the Company since the fourth quarter of 2021 and the balance due to the development of the multi-source Nanox.ARC and the Nanox.CLOUD and share-based compensation.

Sales and marketing expenses for the three months ended September 30, 2022 were $0.7 million, as compared to $1.5 million in the comparable period. The decrease of $0.8 million was mainly due to a decrease in the cost of employees and in share-based compensation.

General and administrative expenses for the three months ended September 30, 2022 were $10.6 million, as compared to $8.2 million in the comparable period. The increase of $2.4 million was mainly due to the consolidation of Nanox.AI and USARAD with the Company since the fourth quarter of 2021, an increase in the Company's head count and the overall organization infrastructure and an increase in the Company's legal fees due to the U.S. Securities and Exchange Commission ("SEC") inquiry and class-action litigation, as described in the Company's Form 20-F for the year ended December 31, 2021 filed on May 2, 2022.

Change in obligation in connection of acquisitions was $1.0 million, as compared to none in the comparable period, due to the decrease in the

Company's contingent earnout liability.

Non-GAAP net loss applicable to ordinary shares for the three months ended September 30, 2022 was $8.1 million, as compared to $8.4 million in the comparable period. Non-GAAP gross profit for the three months ended September 30, 2022 was $1.1 million, as compared to none the comparable period. Non-GAAP research and development expenses for the three months ended September 30, 2022 were $5.0 million, as compared to $3.0 million in the comparable period. Non-GAAP sales and marketing expenses for the three months ended September 30, 2022 were $0.4 million, as compared to $1.0 million in the comparable period. Non-GAAP general and administrative expenses for the three months ended September 30, 2022 were $4.5 million, as compared to $4.4 million in the comparable period.

A reconciliation between GAAP and non-GAAP financial measures for the three-month periods ended September 30, 2022 and 2021 is provided in the financial results that are part of this press release. The difference between the GAAP and non-GAAP financial measures above is mainly attributable to amortization of intangible assets, share-based compensation, secondary offering expenses, goodwill impairment, change in obligation in connection of acquisitions and legal fees in connection with class-action litigation and the SEC inquiry.

Liquidity and Capital Resources

The Company ended the third quarter of 2022 with total cash, cash equivalents and marketable securities of $117.1 million. As of September 30, 2022, the Company had $88.1 million of cash, cash equivalents and short-term marketable securities and $29.0 million of long-term marketable securities. As of September 30, 2022, the Company had total current assets of $90.6 million and total current liabilities of $43.6 million, creating a working capital of $47.0 million**.**

As of December 31, 2021, the Company had $88.7 million of cash, cash equivalents and short-term marketable securities and $67.9 million of long-term marketable securities and in total, $156.6 of cash and marketable securities. As of December 31, 2021, the Company had total current assets of $94.9 million and total current liabilities of $52.8 million, creating a working capital of $42.1 million.

The decrease in the Company's cash, cash equivalents and marketable securities of $39.5 million during the nine-month period ended September 30, 2022 was primarily due to negative cash flow from operations of $30.5 million and purchase of property and equipment of $7.4 million for the Company's fabrication facility in South Korea and long lead items for the Company's multi-source systems.

Other Assets

As of September 30, 2022, the Company had property and equipment, net of $44.1 million as compared to $37.4 million as of December 31, 2021. The increase is mainly attributed to the completion of the construction of the Company's fabrication facility in South Korea and purchase of machinery and equipment.

As of September 30, 2022, the Company had intangible assets and goodwill of $137.8 million as compared to $160.1 million as of December 31, 2021. The decrease is attributable to the periodic amortization of intangible assets and impairment of goodwill.

Shareholders' Equity

As of September 30, 2022, the Company had approximately 52.3 million shares outstanding as compared to 51.8 million shares outstanding as of December 31, 2021. The increase was mainly due to the exercise of 192,927 warrants and the exercise of 192,820 options. The Company generated approximately $0.7 million in gross proceeds from the exercise of such options and warrants. In addition, during the nine-month period ended September 30, 2022, the Company issued 89,286 shares to the former equity holders of Nanox.AI due to the achievement of a milestone pursuant to the terms of the Agreement and Plan of Merger, dated August 9, 2021, as amended, among the Company, Nanox.AI and Perryllion Ltd., as representative of Nanox.AI's equity holders.

Conference Call and Webcast Details

Thursday, November 10, 2022 @ 8:30am ET

Individuals interested in listening to the conference call may do so by joining the live webcast on the Investors section of the Nanox website under Events and Presentations. Alternatively, individuals can register online to receive a dial-in number and personalized PIN to participate in the call. An archived webcast of the event will be available for replay following the event.

About Nanox:

Nanox (NASDAQ: NNOX) is focused on applying its proprietary medical imaging technology and solutions to make diagnostic medicine more accessible and affordable across the globe. The vision of Nanox is to increase the early detection of medical conditions that are discoverable by medical image technologies based on X-rays, which Nanox believes is key to increasing early prevention and treatment, improving health outcomes, and, ultimately, saving lives. Nanox is developing a holistic imaging solution, which includes the Nanox System, comprised of the Nanox.ARC using its novel MEMs X-ray source technology, and the Nanox.CLOUD, a companion cloud software, integrated with AI solutions and teleradiology services. For more information, please visit www.nanox.vision.

Forward-Looking Statements:

This press release may contain forward-looking statements that are subject to risks and uncertainties. All statements that are not historical facts contained in this press release are forward-looking statements. Such statements include, but are not limited to, any statements relating to the initiation, timing, progress and results of the Company's research and development, manufacturing and commercialization activities with respect to its X-ray source technology and the Nanox.Arc, the ability to realize the expected benefits of its recent acquisitions and the projected business prospects of the Company and the acquired companies. In some cases, you can identify forward-looking statements by terminology such as "can," "might," "believe," "may," "estimate," "continue," "anticipate," "intend," "should," "plan," "should," "could," "expect," "predict," "potential," or the negative of these terms or other similar expressions. Forward-looking statements are based on information the Company has when those statements are made or management's good faith belief as of that time with respect to future events and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Factors that could cause actual results to differ materially from those currently anticipated include: risks related to (i) Nanox's ability to complete development of the Nanox System; (ii) Nanox's ability to

successfully demonstrate the feasibility of its technology for commercial applications; (iii) Nanox's expectations regarding the necessity of, timing of filing for, and receipt and maintenance of, regulatory clearances or approvals regarding its technology, the Nanox.Arc and Nanox.CLOUD from regulatory agencies worldwide and its ongoing compliance with applicable quality standards and regulatory requirements; (iv) Nanox's ability to realize the anticipated benefits of the recent acquisitions, which may be affected by, among other things, competition, brand recognition, the ability of the acquired companies to grow and manage growth profitably and retain their key employees; (v) Nanox's ability to enter into and maintain commercially reasonable arrangements with third-party manufacturers and suppliers to manufacture the Nanox.Arc; (vi) the market acceptance of the Nanox System and the proposed pay-per-scan business model; (vii) Nanox's expectations regarding collaborations with third-parties and their potential benefits; and (viii) Nanox's ability to conduct business globally; (ix) changes in global, political, economic, business, competitive, market and regulatory forces; and (x) risks related to business interruptions resulting from the COVID-19 pandemic or similar public health crises, among other things.

For a discussion of other risks and uncertainties, and other important factors, any of which could cause Nanox's actual results to differ from those contained in the Forward-Looking Statements, see the section titled "Risk Factors" in Nanox's Annual Report on Form 20-F for the year ended December 31, 2021, and subsequent filings with the U.S. Securities and Exchange Commission. The reader should not place undue reliance on any forward-looking statements included in this press release.

Except as required by law, Nanox undertakes no obligation to update publicly any forward-looking statements after the date of this report to conform these statements to actual results or to changes in the Company's expectations.

Non-GAAP Financial Measures

This press release includes information about certain financial measures that are not prepared in accordance with generally accepted accounting principles in the United States ("GAAP"), including non-GAAP net loss attributable to ordinary shares, non-GAAP cost of revenue, non-GAAP gross profit, non-GAAP research and development expenses, non-GAAP sales and marketing expenses, non-GAAP general and administrative expenses and non-GAAP gross loss. These non-GAAP measures are not based on any standardized methodology prescribed by GAAP and are not necessarily comparable to similar measures presented by other companies. Non-GAAP net loss attributable to ordinary shares, non-GAAP cost of revenue, non-GAAP gross profit, non-GAAP research and development expenses, non-GAAP sales and marketing expenses, non-GAAP general and administrative expenses and non-GAAP gross loss adjusts (as applicable) for amortization of intangible assets, stock-based compensation expenses, secondary offering expenses, goodwill impairment, change in obligation in connection of acquisitions and legal fees in connection with class-action litigation and the SEC inquiry. The Company's management and board of directors utilize these non-GAAP financial measures to evaluate the Company's performance. The Company provides these non-GAAP measures of the Company's performance to investors because management believes that these non-GAAP financial measures, when viewed with the Company's results under GAAP and the accompanying reconciliations, are useful in identifying underlying trends in ongoing operations. However, non-GAAP net loss attributable to ordinary shares, non-GAAP cost of revenue, non-GAAP research and development expenses, non-GAAP sales and marketing expenses and non-GAAP general and administrative expenses are not measures of financial performance under GAAP and, accordingly, should not be considered as alternatives to GAAP measures as indicators of operating performance. Further, non-GAAP net loss attributable to ordinary shares, non-GAAP cost of revenue, non-GAAP research and development expenses, non-GAAP sales and marketing expenses and non-GAAP general and administrative expenses should not be considered measures of the Company's liquidity. A reconciliation of certain GAAP to non-GAAP financial measures has been provided in the tables included in this press release.

NANO-X IMAGING LTD.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(U.S. dollars in thousands except share and per share data)

	September 30, 2022	December 31, 2021
Assets		
CURRENT ASSETS:		
Cash and cash equivalents	$ 40,331	$ 66,645
Marketable Securities - short term	47,706	22,066
Accounts receivables net of allowance for credit losses of $16 and $137 thousand as of September 30, 2022 and December 31, 2021, respectively.	1,121	1,051
Prepaid expenses	103	3,129
Other current assets	1,349	1,966
TOTAL CURRENT ASSETS	90,610	94,857
NON-CURRENT ASSETS:		
Restricted cash	65	127
Property and equipment, net	44,079	37,435
Operating lease right-of-use asset	1,288	1,725
Marketable Securities - long term	29,023	67,845
Intangible Assets	93,868	101,826
Goodwill	43,960	58,298
Other non-current assets	2,793	1,057
TOTAL NON-CURRENT ASSETS	215,076	268,313
TOTAL ASSETS	305,686	363,170
Liabilities and Shareholders' Equity		

CURRENT LIABILITIES:		
Accounts payable	5,588	3,134
Accrued expenses	2,628	3,611
Loan from a Government Agency	145	145
Deferred revenue	626	247
Contingent short term earnout liability	30,654	42,471
Current maturities of operating leases	281	881
Other current liabilities	3,670	2,262
TOTAL CURRENT LIABILITIES	43,592	52,751
NON-CURRENT LIABILITIES:		
Non-current operating lease liabilities	1,008	950
Long-term loan	3,481	3,796
Non-current deferred revenue	6	415
Contingent long-term earnout liability	5,375	5,814
Deferred tax liability	4,338	7,063
Other long-term liabilities	54	233
TOTAL NON-CURRENT LIABILITIES	14,262	18,271
TOTAL LIABILITIES	57,854	71,022
SHAREHOLDERS' EQUITY:		
Ordinary Shares, par value NIS 0.01 per share, 100,000,000 authorized at September 30, 2022 and December 31 2021, 52,266,474 and 51,791,441 issued and outstanding at September 30, 2022 and December 31 2021, respectively	150	149
Additional paid-in capital	456,761	438,820
Accumulated other comprehensive deficit	(2,459)	(607)
Accumulated deficit	(206,620)	(146,214)
TOTAL SHAREHOLDERS' EQUITY	247,832	292,148
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	305,686	363,170

NANO-X IMAGING LTD.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(U.S. dollars in thousands except share and per share data)

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2022	**2021**	**2022**	**2021**
REVENUE	6,446	-	2,438	-
COST OF REVENUE	11,579	-	3,897	-
GROSS LOSS	(5,133)	-	(1,459)	-
OPERATING EXPENSES:				
Research and development	19,412	10,760	6,089	3,708
Sales and marketing	2,882	5,093	698	1,529
General and administrative	33,069	23,790	10,630	8,238
Goodwill impairment	14,338	-	-	-
Change in obligation in connection of acquisitions	(11,303)	-	953	-
Other expense	423	-	-	-
TOTAL OPERATING EXPENSES	58,821	39,643	18,370	13,475
OPERATING LOSS	(63,954)	(39,643)	(19,829)	(13,475)
FINANCIAL INCOME (EXPENSES), net	902	(120)	305	6
OPERATING LOSS BEFORE INCOME TAXES	(63,052)	(39,763)	(19,524)	(13,469)
INCOME TAX BENEFIT	2,646	-	398	-
NET LOSS	(60,406)	(39,763)	(19,126)	(13,469)
BASIC AND DILUTED LOSS PER SHARE	(1.16)	(0.84)	(0.37)	(0.28)

Weighted average number of basic and diluted shares of common stock outstanding (in thousands)	52,180	47,486	52,276	47,851
Comprehensive Loss:				
Net Loss	(60,406)	(39,763)	(19,126)	(13,469)
Other comprehensive loss:				
Unrealized loss from available- for-sale securities	(1,852)	(190)	(254)	(74)
Total comprehensive loss	(62,258)	(39,953)	(19,380)	(13,543)

NANO-X IMAGING LTD.
UNAUDITED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(U.S. dollars in thousands, except share and per share data)

	Ordinary shares		Additional	Accumulated other		
	Number of shares	Amount	paid-in capital	comprehensive deficit	Accumulated deficit	Total
	U.S. Dollars in thousands					
BALANCE AT JANUARY 1, 2022	51,791,441	149	438,820	(607)	(146,214)	292,148
Changes during the period:						
Issuance of ordinary shares upon exercise of options under the ESOP Plan	192, 820	*	280	-	-	280
Other comprehensive loss	-	-	-	(1,852)	-	(1,852)
Issuance of ordinary shares upon achievement of a milestone	89,286	*	953	-	-	953
Issuance of ordinary shares upon exercise of warrants	192,927	1	369	-	-	370
Share-based compensation	-	-	16,339	-	-	16,339
Net loss for the period	-	-	-	-	(60,406)	(60,406)
BALANCE AT SEPTEMBER 30, 2022	52,266,474	150	456,761	(2,459)	(206,620)	247,832

* Less than $1.

	Ordinary shares		Additional	Accumulated other		
	Number of shares	Amount	paid-in capital	comprehensive deficit	Accumulated deficit	Total
	U.S. Dollars in thousands					
BALANCE AT JULY 1, 2022	52,214,721	150	451,825	(2,205)	(187,494)	262,276
Changes during the period:						
Issuance of ordinary shares upon exercise of options under the ESOP Plan	51,753	-	125	-	-	125
Other comprehensive loss	-	-	-	(254)	-	(254)
Share-based compensation	-	-	4,811	-	-	4,811
Net loss for the period	-	-	-	-	(19,126)	(19,126)
BALANCE AT SEPTEMBER 30, 2022	52,266,474	150	456,761	(2,459)	(206,620)	247,832

NANO-X IMAGING LTD.
UNAUDITED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)
(U.S. dollars in thousands, except share and per share data)

	Ordinary shares		Additional	Accumulated other		
	Number of shares	Amount	paid-in capital	comprehensive deficit	Accumulated deficit	Total
	U.S. Dollars in thousands					

BALANCE AT JANUARY 1, 2021	46,100,173	131	315,031	-	(84,416)	230,746
Changes during the period:						
Issuance of ordinary shares upon exercise of options under the ESOP Plan	1,073,413	3	3,271	-	-	3,274
Issuance of ordinary shares upon exercise of warrants	704,133	2	118	-	-	120
Share-based compensation	-	-	13,963	-		13,963
Other comprehensive income	-	-	-	(190)	-	(190)
Net loss for the period	-	-	-	-	(39,763)	(39,763)
BALANCE AT SEPTEMBER 30, 2021	47,877,719	136	332,383	(190)	(124,179)	208,150

* Less than $1.

	Ordinary shares		Additional	Accumulated other		
	Number of shares	Amount	paid-in capital	comprehensive deficit	Accumulated deficit	Total
			U.S. Dollars in thousands			
BALANCE AT JULY 1, 2021	47,834,457	136	327,854	(116)	(110,710)	217,164
Changes during the period:						
Issuance of ordinary shares upon exercise of options under the ESOP Plan	7,790	*	45	-	-	45
Issuance of ordinary shares upon exercise of warrants	35,472	*	47	-	-	47
Share-based compensation	-	-	4,437	-		4,437
Other comprehensive income	-	-	-	(74)	-	(74)
Net loss for the period	-	-	-	-	(13,469)	(13,469)
BALANCE AT SEPTEMBER 30, 2021	47,877,719	136	332,383	(190)	(124,179)	208,150

* Less than $1.

NANO-X IMAGING LTD.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(U.S. dollars in thousands)

	Nine Months Ended September 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss for the period	(60,406)	(39,763)
Adjustments required to reconcile net loss to net cash used in operating activities:		
Share-based compensation	16,339	13,963
Amortization of intangible assets	7,958	-
Impairment of goodwill	14,338	-
Depreciation	626	390
Interest income due to a long-term loan	(315)	-
Deferred income taxes	(2,725)	-
Interest income net of amortization of premium on marketable securities, net	(568)	(117)
Impairment of property and equipment	133	174
Changes in Operating Assets and Liabilities:		
Accounts receivable	(70)	-
Prepaid expenses and other current assets	3,663	5,184
Other non-current assets	(726)	155
Accounts payable	2,438	807
Accrued expenses and other liabilities	425	768
Operating lease assets and liabilities	(105)	(16)
Change in contingent earnout liability	(11,303)	-
Deferred revenue	(30)	-

Other long-term liabilities	(179)	(298)
Net cash used in operating activities	(30,507)	(18,753)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(7,387)	(17,246)
Investment in marketable securities	-	(102,813)
Proceeds from the sale of marketable securities	11,898	-
Cash paid in advance for business combinations		(3,750)
Investment in equity securities	(1,010)	-
Net cash provided by (used in) investing activities	3,501	(123,809)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long term loan	-	2,954
Proceeds from issuance of ordinary shares upon exercise of warrants	370	120
Proceeds from issuance of ordinary shares upon exercise of options	260	3,261
Net cash provided by financing activities	630	6,335
NET CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(26,376)	(136,227)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF THE PERIOD	66,772	213,784
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF THE PERIOD	40,396	77,557
SUPPLEMENTARY INFORMATION ON ACTIVITIES NOT INVOLVING CASH FLOWS -		
Purchase of property and equipment, not yet paid	16	60
Operating lease liabilities arising from obtaining operating right-of use assets	-	226
Ordinary shares issued due to exercise of warrants and options	20	13

UNAUDITED RECONCILIATION OF GAAP AND NON-GAAP RESULTS

(U.S. dollars in thousands (except per share data))

Use of Non-GAAP Financial Measures

The unaudited condensed consolidated financial information is prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Company uses non-GAAP net loss attributable to ordinary shareholders. Non-GAAP net loss attributable to ordinary shareholders is net loss attributable to ordinary shareholders excluding change in obligation in connection of acquisitions, impairment of goodwill, amortization of intangible assets, share-based compensation expenses, legal fees in connection with class-action litigation and the SEC inquiry and secondary offering expenses. The Company believes that separate analysis and exclusion of the one-off or non-cash impact of the above reconciling items (as applicable) adds clarity to the constituent parts of its performance. The Company reviews these non-GAAP financial measures together with GAAP financial measures to obtain a better understanding of its operating performance. It uses the non-GAAP financial measures for planning, forecasting and measuring results against the forecast. The Company believes that the non-GAAP financial measures are useful supplemental information for investors and analysts to assess its operating performance.

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2022	**2021**	**2022**	**2021**
GAAP net loss attributable to ordinary shares	60,406	39,763	19,126	13,469
Non-GAAP adjustments:				
Less: Class-action litigation and SEC inquiry	5,225	665	2,642	604
Less: Amortization of intangible assets	7,958	-	2,654	-
Less: Impairment of goodwill	14,338	-	-	-
Add: Change in obligation in connection of acquisitions	(11,303)	-	953	-
Less: Secondary offering expenses	-	981	-	-
Less: Share-based compensation	16,339	13,963	4,811	4,437
Non-GAAP net loss attributable to ordinary shares	27,849	24,154	8,066	8,428
BASIC AND DILUTED LOSS PER SHARE	0.53	0.51	0.15	0.18
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES (in thousands)	52,180	47,486	52,276	47,851

Reconciliation of GAAP cost of revenue to Non-GAAP cost of revenue (U.S. dollars in thousands)

GAAP cost of revenue	11,579	-	3,897	-
Non-GAAP adjustments:				
Amortization of intangible assets	7,668	-	2,557	-
Share-based compensation	81	-	25	-
Non-GAAP cost of revenue	3,830	-	1,315	-

Reconciliation of GAAP research and development expenses to Non-GAAP research and development expenses (U.S. dollars in thousands)

GAAP research and development expenses	19,412	10,760	6,089	3,708
Non-GAAP adjustments:				
Share-based compensation	3,879	2,257	1,093	702
Non-GAAP research and development expenses	15,533	8,503	4,996	3,006

Reconciliation of GAAP sales and marketing expenses to Non-GAAP sales and marketing expenses (U.S. dollars in thousands)

GAAP sales and marketing expenses	2,882	5,093	698	1,529
Non-GAAP adjustments:				
Amortization of intangible assets	290	-	97	-
Share-based compensation	663	1,933	229	525
Non-GAAP sales and marketing expenses	1,929	3,160	372	1,004

Reconciliation of GAAP general and administrative expenses to Non-GAAP general and administrative expenses (U.S. dollars in thousands)

GAAP general and administrative expenses	33,069	23,790	10,630	8,238
Non-GAAP adjustments:				
Class-action litigation and SEC inquiry	5,225	665	2,642	604
Secondary offering expenses	-	981	-	-
Share-based compensation	11,716	9,773	3,464	3,210
Non-GAAP general and administrative expenses	16,128	12,371	4,524	4,424

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Source: NANO-X IMAGING LTD

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