



ANNUAL REPORT

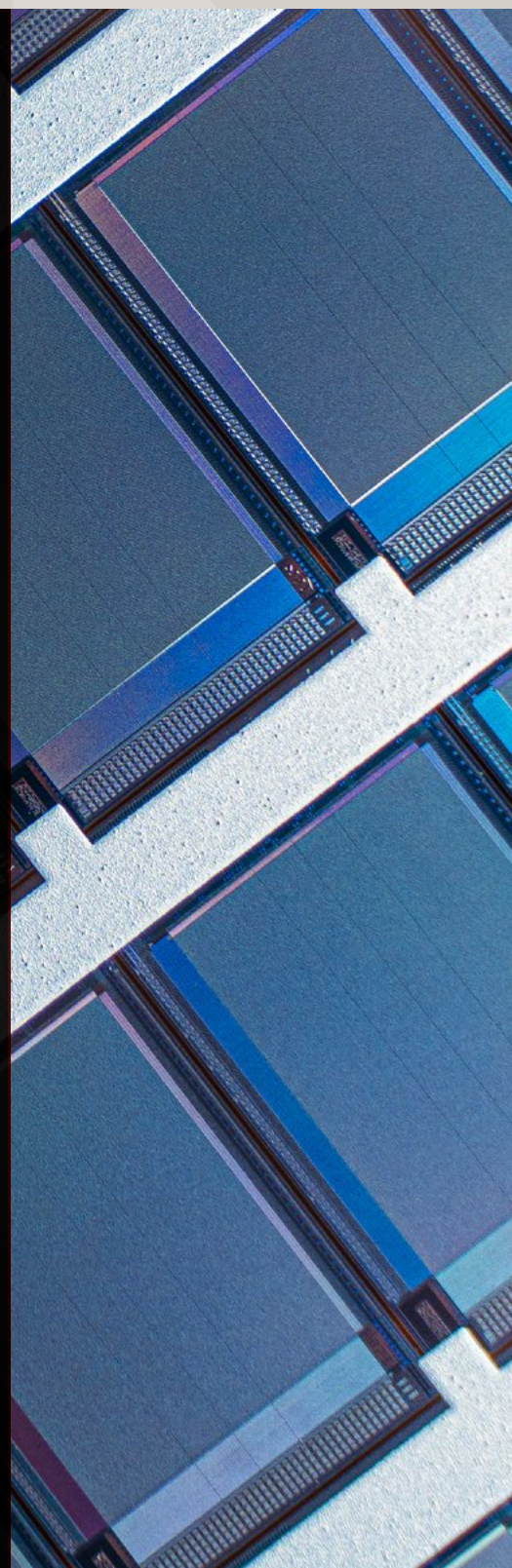
NEXT BIOMETRICS GROUP ASA



[NEXTBIOMETRICS.COM](https://nextbiometrics.com)

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Letter from the CEO

DEAR SHAREHOLDER,

As announced earlier, starting October 1, 2023, I was appointed the new CEO of NEXT Biometrics. As communicated on our capital markets day in February, I look forward to driving and developing our operations further as we have now entered our scale-up phase. We have strengthened our management and our sales and marketing team, and I am excited that we are progressing in terms of new design-wins, contracts and purchase orders from customers and partners. I believe we are well prepared to take on the challenges ahead of us.

During 2023, our high-security fingerprint sensors based on NEXT Active Thermal® technology resulted in contracts with demanding customers in the world's largest biometric markets. And we will continue our quest to develop our technology. This year we will focus on further product development based on our successful, flagship sensor FAP20; product development which includes innovative technical coating and further improved Anti-Spoofing capabilities. Moreover, we will be working on NEXT's prospective FAP30 product, which already has gathered strong interest from partners. NEXT can offer the FAP30 sensor at a competitive price and we are targeting to have the FAP30 product ready during 2024.

As a rather small player on a large, global market – sales and marketing is crucial. Thus, in 2023, we initiated projects to further strengthen the knowledge of NEXT and what our brand stands for, but perhaps most of all, we also focused on explaining our technology. We have a unique technology – but for the world and our customers to understand the perks of using it, we have to

explain it in a way that is easy to understand as well. We see this as one of our clear missions during 2024.

NEXT's revenues were lower in 2023 compared to 2022. Rebuilding a company with long sale cycles requires patience. The main factors contributing to the revenue development in 2023 were the delayed market launch in India, lower PC shipments due to inventory adjustment and lastly, also a lower end-user PC demand; following the higher volumes experienced during the pandemic. Still, I would like to highlight the significant progress that was made by NEXT during 2023 on the markets in India and China.

In India, our partner ACPL received its L1 certificate in the second half of 2023, and we have two other partners that are applying for the same certificate. Hence, we have a total of three, India-based OEMs planning to produce their products with NEXT's sensors integrated. Moreover, we signed a five-year commercial agreement with our new OEM partner in India and received a minimum purchase order worth more than NOK 65 million. Following several years of delays, the Indian authorities also communicated the generational upgrade of India's national Aadhaar program. In short, all current so called "L0 devices" would need to be upgraded to the next security level, the so-called "L1 level". The volume of tenders in India is increasing and we expect to see a strong increase in end-customer demand, which will cascade through the supply chain, resulting in more NEXT orders.

If you have followed us, you already know this announcement has been important to us all throughout 2023. Implementation of the generational upgrade initially moved

slowly, but several tenders in combination with banks and other large players beginning to accept L1 devices during the second half of 2023 increased the speed. All L0 devices must be replaced by the end of June 2024, thus this is a generational upgrade which creates strong momentum for NEXT.

We made significant progress in China as well. In China, security remains a strong market driver and being the world's most biometrics enabled country, the interest for our FAP20 sensor including the anti-spoofing feature has been strong. We announced our breakthrough contract with the Asian distributor in May 2023 and the first purchase order in December. We started delivering on this order in Q4 and will continue in the first half of 2024. In January 2024, we announced that one of our other partners also got awarded the prestigious China ID certification for the FAP20 sensor. Now that we have the certification in place, we expect to receive more orders from China.

We remain confident in our outlook: NEXT is well positioned for success in the high-end fingerprint sensor market. With multiple new customers and strategic design-wins, we have a strong market position. NEXT provides its customers and ecosystem partners a very attractive, and increasingly holistic, offering within the domain of secure, biometric authentication across all our main market areas.

Our team has entered 2024 with high energy, a well-known agenda, and crystal-clear targets. I look forward to continuing our joint journey towards profitable growth.

Thank you.
Ulf Ritsvall, CEO

NEXT Biometrics at a glance

NEXT provides secure easy-to-use fingerprint sensor technology for authentication in four different market segments Public Security, Access control, Office and Notebooks, Payments and Fintech. The Group's patented NEXT Active Thermal® principle allows the development of large, high quality fingerprint sensors in both rigid and flexible formats.

Product development

Historically, NEXT has had a strong R&D focus and has made significant progress with its' product and technology development roadmaps. The Group has developed products for the four different market segments. The products are used in various applications such as point of sales terminals, Notebooks and Access solutions.

The Group has the following main products:

Notebook sensor products:

- NEXT standard Notebook sensors

FAP20 sensor products used in a variety of applications such as point of sales terminals, ID devices and digital wallets within Fintech applications:

- Readers
- Sensor Modules

Aadhaar India products connected to the worlds' largest biometric market:

- Sensor Modules

NEXT is engaged in R&D activities with the target to develop improved and enlarged fingerprint sensors. In 2024, the company started development activities with the target to launch a new FAP30 fingerprint sensor.

Sales and marketing

The Group has a dedicated sales force that has established relationships with major OEMs active in selected market segments. Historically, the company has shipped most of its sensor products to Notebook OEMs. The company has a diversified customer base, which includes Biometric technology companies, POS manufacturers, biometric HW manufacturers and Government ID providers.

The Group has established partner agreements with a number of players in different target markets to leverage the Group's large-size, highly secure, easy-to-use and cost-effective sensor products to drive increased revenue. NEXT's ongoing business development efforts are expected to bring additional volumes from new use cases and targeted niche applications.

Manufacturing

NEXT has established outsourced production with strong partners in Asia with proven ability to produce large volumes of high quality and robust sensors at very high yield rates for mass-market deployment which is highly recognized and appreciated by existing and potential new customers. The Group can increase production capacity rapidly when needed.



Report from the board of directors

A global leader in fingerprint sensor technology

NEXT Biometrics Group ASA ("Parent Company") is a public limited liability company incorporated and domiciled in Norway, with headquarters in Apotekergata 10B, 0180 Oslo, Norway. The Parent company and its subsidiaries ("NEXT" or "the Group") provides advanced fingerprint sensor technology that delivers uncompromised security and accuracy for the best possible user experience in the market segments Payment & Fintech, Public Security, Access Control, Office and Notebooks.

NEXT's fingerprint sensors are unique, using active thermal conductivity to read the fingerprint image, as opposed to capacitive or optical sensing. This patented sensing principle allows designs uniquely compatible with low temperature polysilicon production processes ("LTPS") used in high-end display factories. This enables significantly lower production costs for the Group's fingerprint sensors compared to competing sensor technologies. The Group has developed and markets a portfolio of fingerprint sensor modules, readers, and flexible biometric subassemblies, which may be incorporated into a wide range of products and solutions.

The Group has five wholly owned subsidiaries: NEXT Biometrics AS (Norway) and its subsidiaries 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).

NEXT Biometrics Group ASA's shares are listed on the Oslo Stock Exchange.

Highlights 2023

Key 2023 developments in NEXT:

- Revenues for 2023 of NOK 34.4 million compared to NOK 48.3 million in 2022
- Gross margin of 21% for 2023 compared to 31% in 2022
- Adjusted gross margin¹ of 33% for 2023 compared to 30% in 2022
- Adjusted EBITDA¹ of NOK -43.7 million in 2023 compared to NOK -38.8 million in 2022
- Commercial breakthrough in China and strong progress in the market in India
- 10 new design-wins in 2023 and accumulated 46 design-wins as per December 2023, which will contribute to future revenues

¹ Please see section [Alternative Performance measures](#) on page 78 for further details



Business overview

Biometric fingerprint sensing technology continues to gain traction across the world. Biometric technology is used in Notebooks and Governmental projects and businesses have deployed the technology in medical services, devices for financial inclusions such as pension payments, point of sale devices (POS), Office and facility access, voting registration and Time and Attendance solutions.

The Group has developed products, established its manufacturing platform and sales and marketing to establish a business with a significant footprint and customers in key markets such as Payment & Fintech, Public Security, Access control, Office and Notebooks. The Group has shipped over 10 million units to its customers since the initiation of the company. The Group has a unique proven technology that outperforms competitive solutions in key markets from form factor (size and thickness), biometric performance (higher security), quality, standard compliance and unit cost.

NEXT continues to expand its global biometric distributor and partnership network. As per end of 2023, NEXT has biometrics distributors with a presence in the Americas, Asia, Europe and Africa. NEXT is represented in major large and growing biometric markets with high-security needs and extensive use of biometrics.

In India, the Aadhaar program holds more than one billion people's fingerprints registered. This provides access to different governmental services and benefit systems. The new generation of India's biometric standard has been launched. Our partner ACPL has already received its L1 certificate, and we have two additional partners who are applying for the same certificate. The new local partners will certify its' own products, which include NEXT's FAP20 sensors. Hence, the Indian authorities' generational upgrade of India's national Aadhaar program and our local partners are expected to trigger strong demand for NEXT sensors in 2024 and later years.

In China, security remains a strong market driver, being the world's most biometrics enabled country, the interest in our FAP20 sensor, including our liveness feature, has been very strong. In line with our strategy, we have continued to make progress in the rapidly evolving Asian biometric market. We announced NEXT's breakthrough contract with the Asian distributor in May 2023, and the first purchase order towards the end of the year. Early 2024, we announced that one of our other partners was awarded the China ID certification for the FAP20 sensor. Now that we have the certification in place, we expect to receive additional orders from China.

In the Americas, NEXT has two distributors covering the US, Mexico and Brazil. The focus in these markets is to replace current installed base of optical fingerprint products.

In the Notebook market, the Group is working to increase the run rate revenues from existing clients. The Group is also working on new business opportunities with additional laptop manufacturers, focusing both on developing new opportunities with standard sensors and the FAP20 higher security implementations.

Sustainability and transparency

NEXT meets the authorities' requirements for sustainability reporting and further information can be found in Corporate Social Responsibility Report (see [page 21](#)). Reporting required by the Norwegian Transparency Act for the 2022 financial year was published in the 2022 financial reporting section on the company's website in June 2023. (www.nextbiometrics.com/investors/financial_reports_presentations/). Transparency act reporting for 2023 will be published at the latest on 30 June 2024 at the same web site location.



Financial summary – The Group

Comprehensive income

Revenues were NOK 34.4 million in 2023 compared to NOK 48.3 million in 2022.

Gross margin was NOK 7.4 million (21%) in 2023 compared to a gross margin of NOK 14.8 million (31%) in 2022.

Adjusted Gross margin was NOK 11.4 million (33%) in 2023 compared to an adjusted gross margin of NOK 14.7 million (30%) in 2022.

Payroll expenses were NOK 42.4 million in 2023, compared to NOK 33.4 million in 2022. Average number of employees were 24 in 2023 compared to 27 employees in 2022. The Group had 23 employees at the end of 2023, compared to 27 employees at the end of 2022. Share-based remuneration, including related accrued social security tax, included in payroll expenses was, NOK 10.3 million in 2023, compared to NOK 2.1 million in 2022. The increase in share based remuneration cost in 2023 is due to the increased number of options awarded in 2023 and stock option social security cost resulting from the increase in the company's stock price. Research and development (R&D) expenses included in payroll expenses were NOK 6.4 million in 2023 compared to NOK 5.7 million in 2022.

Other operating expenses were NOK 23.2 million in 2023, compared to NOK 22.2 million in 2022. R&D expenses included in other operating expenses were NOK 2.6 million in 2023, compared to NOK 5.5 million in 2022.

Total R&D expenses, included in both payroll and other operating expenses, were NOK 9 million in 2023, a decrease from NOK 11.2 million in 2022.

Depreciation, amortization and impairment were NOK 8.2 million in 2023, compared to NOK 7.2 million in 2022. The increase in 2023 is mainly related to impairment losses amounting to NOK 1.1 million.

Net financial items amounted to a net gain of NOK 0.9 million in 2023, compared to a net gain of NOK 1.7 million in 2022. The gains in 2023 were mainly related to interest income.

Income tax cost was NOK 0.2 million in 2023, compared to NOK 0.1 million gain in 2022.

EBITDA for the Group was negative NOK 58.2 million in 2023, compared to negative NOK 40.8 million in 2022.

Adjusted EBITDA for the Group was negative NOK 43.7 million in 2023, compared to negative NOK 38.8 million in 2022. Loss after taxes for the Group was NOK 65.7 million in 2023, compared to NOK 46.3 million in 2022.

In the outlook section of NEXT's 2022 annual report it was stated that the company expected increased number of design-wins, increased revenues, and improved profitability. During 2023 NEXT increased its number of design-wins slightly lower than expected, revenues was lower than anticipated due to project and governmental approval delays from key customers and the loss after taxes was increased.

Changes in accounting policies

The accounting policies applied in preparation of the financial statements for 2023 are consistent with those applied in the preparation of Annual Report for 2022.

Financial position and cash

Total assets as of 31 December 2023 amounted to NOK 118.9 million, compared to NOK 121.9 million as of 31 December 2022.

Total equity was NOK 94.4 million at the end of 2023 compared to NOK 96.0 million at the end of 2022.

The Group had non-current liabilities of NOK 0.2 million and current liabilities of NOK 24.4 million at the end of 2023, compared to non-current liabilities of NOK 1.3 million and current liabilities of NOK 24.6 million at the end of 2022.

Cash amounted to NOK 67.8 million at the end of 2023 compared to NOK 69.3 million at the end of 2022.

Cash flow

Net cash flow from operating activities was negative with NOK 56.3 million in 2023 compared to negative NOK 32.4 million in 2022. The decline in cash flow in 2023 relative to 2022 is mainly due to lower sales.

Net cash flow from investing activities was negative NOK 0.05 million in 2023 compared to positive NOK 0.6 million in 2022.

Net cash flow from financing activities was positive NOK 54.9 million in 2023 as a result of the share issue that was performed in Q3 2023. Net cash flow from financing activities was negative NOK 2.0 million in 2022.

Financial summary – The Parent Company

Comprehensive income

Total revenues for the parent company were NOK 8.9 million in 2023 compared to NOK 9.5 million in 2022. The revenues were mainly resulting from management fees and royalties charged to the subsidiary NEXT Biometrics AS.

Payroll expenses including share-based remuneration for the parent company were NOK 21.1 million in 2023, an increase from NOK 13.7 million in 2022. The increase is mainly resulting from increased share-based remuneration and option costs in 2023 relative to 2022. There were 4 employees in the parent company at year-end 2023, compared to 5 employees at the end of 2022.

Other operating expenses for the parent company was NOK 6.7 million in 2023 compared to NOK 6.7 million in 2022.

Depreciation and amortization for the parent company was NOK 1.3 million in 2023 compared to NOK 1.2 million in 2022.

Net financial income was NOK 1.9 million in 2023 compared to a net financial income of NOK 2.0 million in 2022.

The parent company had a loss before taxes in 2023 and 2022. Hence, no payable taxes incurred. No deferred tax assets have been recognized during 2023 and 2022.

Loss after taxes for 2023 was NOK 18.2 million compared to NOK 10.0 million in 2022.

Financial position and cash

Total assets as of 31 December 2023 amounted to NOK 313.7 million, compared to NOK 268.1 million as of 31 December 2022.

The parent company had NOK 10.6 million in current liabilities at the end of 2023, compared to NOK 7.8 million at the end of 2022.

Cash amounted to NOK 40.1 million at the end of 2023 compared to NOK 37.5 million at the end of 2022.

Cash flow

Net cash flow from operating activities was negative NOK 10.9 million in 2023, compared to negative NOK 8.2 million in 2022. Net cash flow from investments was negative NOK 43 million in 2023 compared to negative NOK 31.1 million in 2022. Net cash flow from financing was positive NOK 56.5 million in 2023 compared to negative NOK 0.7 million in 2022.

Equity and allocation of profit (loss) after taxes

Equity for the parent company was NOK 303.2 million at the end of 2023 compared to NOK 259.8 million at the end of 2022.

The Board of Directors proposes that the loss after taxes of the parent company of NOK 18.2 million to be booked to the share premium account.

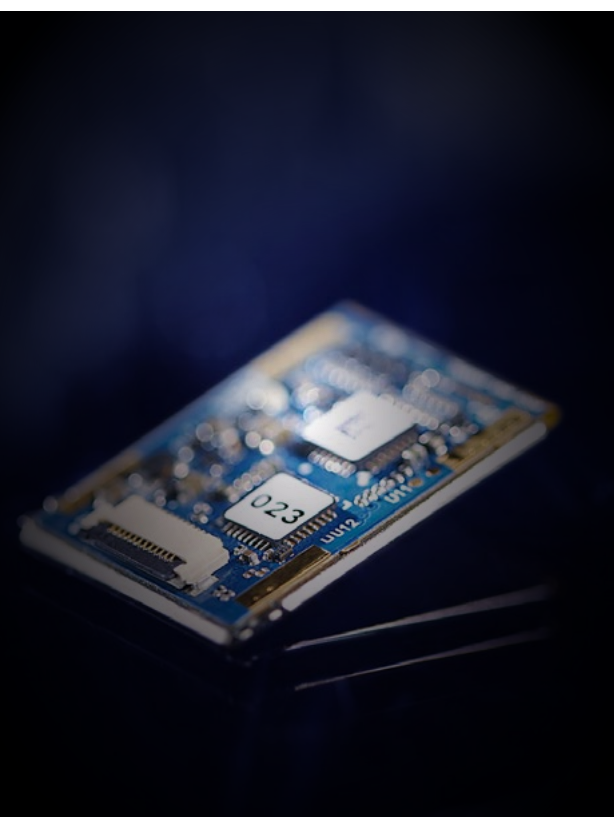
NEXT shares and share capital

NEXT ASA's shares are listed at Oslo Stock Exchange's main list with ticker NEXT. The 2023 year-end closing price was NOK 71, up from NOK 4.5 at the end of 2022. During 2023, the shares traded in the range of NOK 4.0 to NOK 71.

The issued share capital of the parent company at the end of 2023 amounted to NOK 104.0 million consisting of 104,024,929 ordinary shares, each share having a par value of NOK 1. At the end of 2023, there were a total of 4,079 registered shareholder accounts, compared to 4,392 at the end of 2022.

NEXT raised gross proceeds of NOK 60 million in a private placement that was completed in September 2023. NEXT also issued new shares in relation to exercise of employee share options in 2023, which resulted in total gross proceeds of NOK 0.15 million. Please see [note 18](#) in group consolidated financial statement for further details.

The Group has entered into, and plan to continue to enter into, stock option agreements to attract talented, experienced and highly valued employees. As per 31 December 2023, NEXT has 14,048,519 share options outstanding. Please see [note 18](#) in group consolidated financial statement for further details.



Financial risk, capital management

NEXT is exposed to certain financial risks related to exchange rates and interest levels. These are, however, insignificant compared to the business risk. NEXT's business risk may be summarized in:

- (a) NEXT currently has higher costs than revenues and has negative cash flow from operations.
- (b) NEXT's business plan assumes additional revenue from existing and new products under development.
- (c) Revenue from NEXT's products depends, among other things, on market factors which are not controlled by NEXT.
- (d) Competing companies' products have entered the commercial stage, and the competitive situation for NEXT's products is constantly changing.
- (e) NEXT's intended markets are undergoing rapid technological changes.

NEXT manages its liquidity passively, which means that funds are placed in floating-interest bank accounts. The majority of cash is held in Norwegian kroner at parent company level and is distributed when appropriate to the affiliates. This is both to have control of the overall liquidity situation and to manage expense levels in the affiliates.

NEXT has financial liabilities related to office leases in multiple locations as per 31 December 2023.

NEXT's sales and production cost are in US dollars. Other operating expenses are mainly in Norwegian kroner (NOK) and US dollars (USD), depending on the location. Equity transactions are in NOK. In the parent company, the majority of the cost and all equity transactions are in NOK. NEXT does not use financial instruments to hedge this risk.

The Group is exposed to credit risk, although this has historically not resulted in significant losses. NEXT sells its sensors to leading international distributors and original equipment manufacturers of electronic components, primarily based in Asia, Europe and North America. The Group's receivables are not credit insured, but credit monitoring routines are in place for setting up credit lines and demanding advance payments when required.

Liability insurance

The Group has directors and officer's liability insurance with a NOK 50 million total coverage, and it covers legal costs, emergency costs and multiple other types of contingency costs.

Employees

At the end of 2023, the Group had 23 employees (2022: 27), of which 5 are women (2022: 5). Additionally, the Group has individual technical/scientific specialists working at its premises on a contract basis. The average female proportion of group employees was 20.7% in 2023 (2022: 18.7%).

The parent company had 4 employees by the end of 2023. There were 3 male employees and 1 female employee at year-end. The average female proportion of parent company employees was 21% in 2023 (2022: 22%). There are currently 4 members of the board, of which 2 are women.

The parent company had no long-term leave of absence due to illness or any work-related incidents or accidents resulting in material damage or personal injury during 2023. The average sickness absence rate in the parent company was 0% in 2023 compared to 0% in 2022.

Corporate governance

NEXT's guidelines for corporate governance are in accordance with the Norwegian Accounting Act §3-3b and seek to comply with the Norwegian code of Practice for Corporate Governance, dated 14 October 2021. Please see annual report section "[Corporate Governance Report](#)".

Social responsibility

NEXT's guidelines for social responsibilities are in accordance with the Norwegian Accounting Act §3-3c. Please see separate annual report section "[Corporate Social Responsibility Report](#)" for more information.

Going concern

In accordance with § 3-3a of the Norwegian Accounting Act, the Board of Directors confirms that the financial statements have been prepared under the assumption of going concern.

Subsequent events

Between 31 December 2023 and the resolution of these financial statements, there has not been any event which have had any noticeable impact on the Group's or the parent company's result for 2023 or the value of the Group or the parent company's assets and liabilities as of 31 December 2023.

Outlook

Based on signed orders and the further market opportunities we see in India, China and the rest of the world; we expect strong growth in FAP20 revenues and total revenues in 2024. NEXT's PC sensor shipment volumes in 2024 is expected to be similar to 2023.

The FAP20 share in the product mix is expected to increase and NEXT's gross margin is expected to improve as a result of this. Moreover, FAP20 revenues from India and China will be significantly higher in 2024 compared to 2023.

We expect revenues for 2024 to grow by at least 250% compared to 2023. The Group is targeting a positive EBITDA in 2024.

Oslo, 23 April 2024

The Board of directors of NEXT Biometrics Group ASA

/Sign/

Petter Fjellstad
Chairman

/Sign/

Siri Børsum
Board member

/Sign/

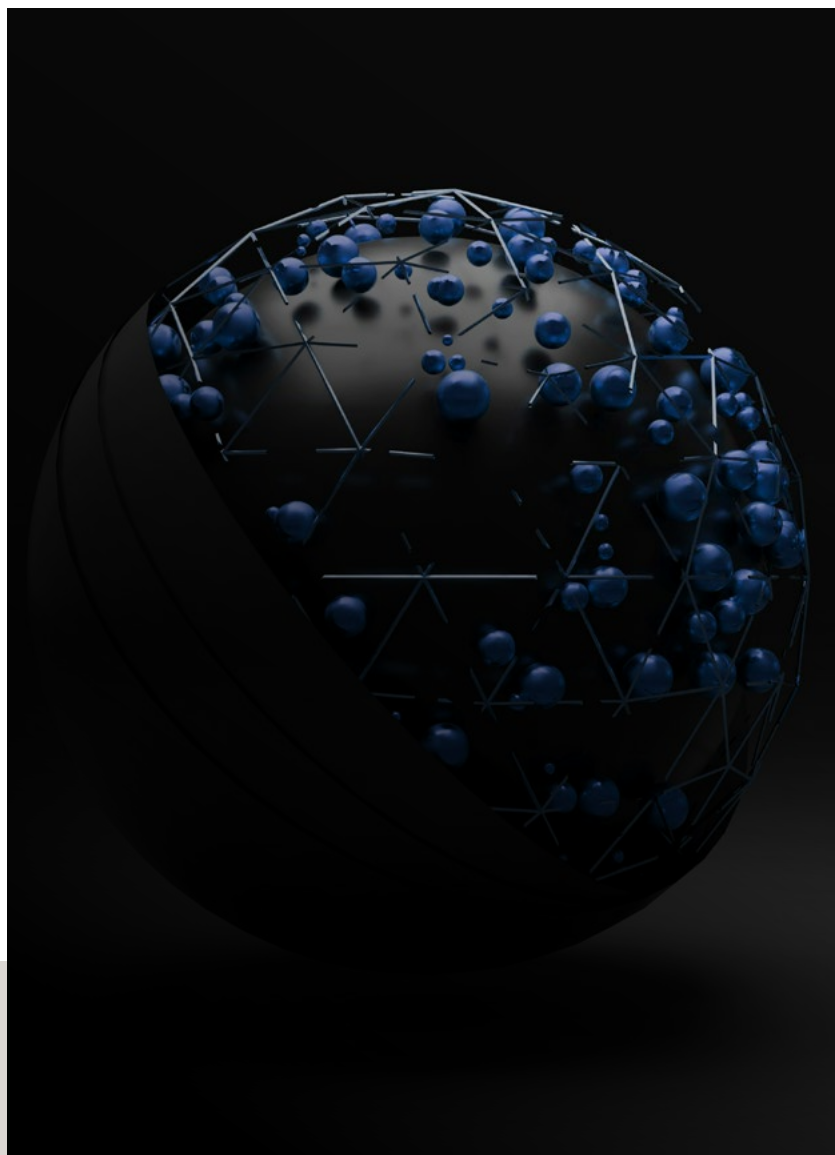
Emine Lundkvist
Board member

/Sign/

Odd-Harald Hauge
Board member

/Sign/

Ulf Ritsvall
CEO



Corporate Governance Report

1. INTRODUCTION

For NEXT Biometrics Group ASA ("NEXT" or the "Company"), good corporate governance is about doing the right things, and doing the things right. The manner in which the Company is managed is vital to the development of the Company's value over time. The Company's corporate governance framework has been designed to provide a foundation for value creation, business risk reduction, and to ensure good control mechanisms. NEXT believes in open and honest communication with the shareholders, and interaction between shareholders, the board of directors and the Company's management. NEXT aims to show respect and responsibility for shareholders as well as with all stakeholder groups, such as co-operating partners, customers, suppliers, employees and authorities. NEXT is subject to corporate governance reporting requirements according to section 3-3b of the Norwegian Accounting Act and the continuing obligations of stock exchange listed companies at Oslo Stock Exchange. Further, NEXT's board of directors endorses "The Norwegian Code of Practice for Corporate Governance" (the "Code"), most recently revised in October 2021 and issued by the Norwegian Corporate Governance Policy Board. The Code is available at <http://www.nues.no/>.

2. NEXT'S IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

NEXT aspires to comply with the recommendations of the Code. Taking into account the size and maturity of the Company, there may be deviations from the Code. If the Code is deviated from, the deviation is described and explained in the relevant section of this report. The Company's policies, instructions and internal processes are continuously developed. A review of the Company's corporate governance policy is performed annually to ensure continued compliance with the Code.

3. BUSINESS

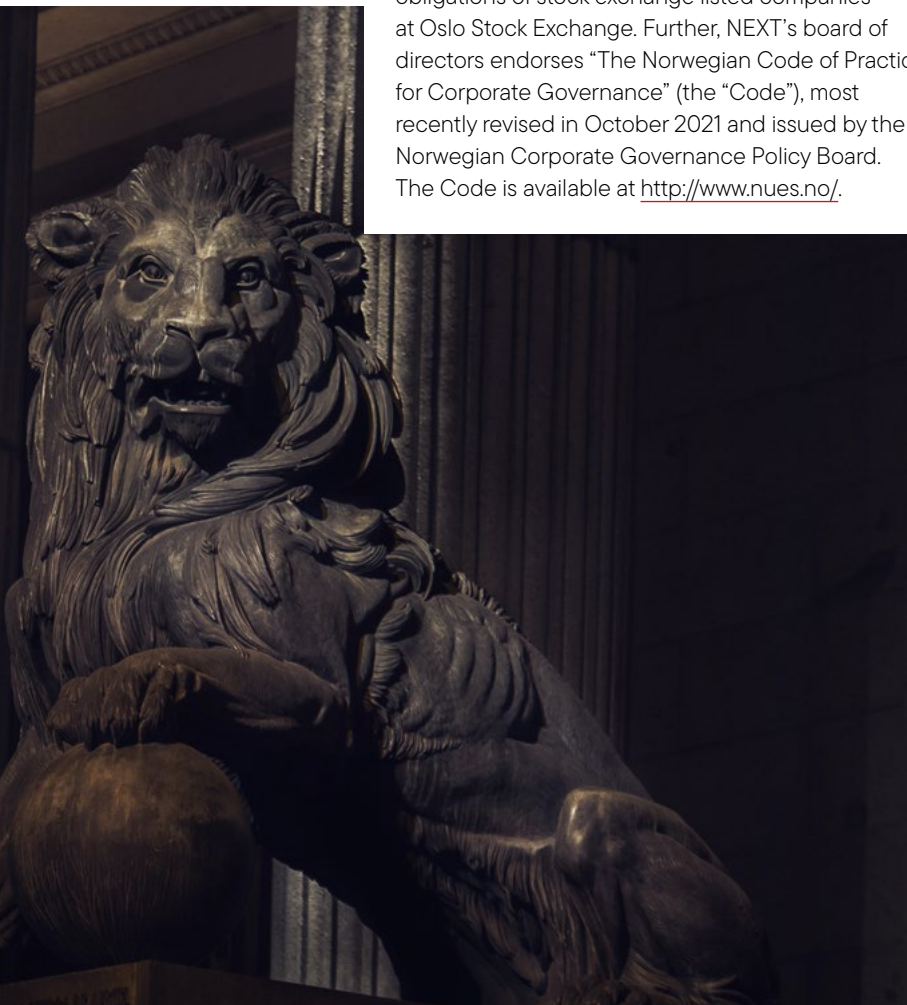
NEXT's business is clearly described in the Company's articles of association: "The objective of the company is to conduct research, development and commercialization of security products, participation and investment in companies conducting similar activities as well as other activities that will naturally fall under this". The Company's articles of association are available at the Company's homepage, www.nextbiometrics.com.

Basic corporate values

The Company has formulated three basic corporate values to form a guideline for the Company's business operations: (i) innovative business models, (ii) close client relationship and (iii) global reach. "The ethical and corporate social responsibility guideline" has been set out in accordance with these values.

Ethics and corporate social responsibility

The Company has implemented ethical and corporate social responsibility guidelines, in accordance with its basic corporate values. Moreover, the Company promotes and ensures sustainable business operations and supply chain. Additional information is included in the sections related to specific Environmental, Social, and Governance matters in this report.



4. EQUITY AND DIVIDENDS

Capital structure

The board of directors and the management of the Company seek, at all times, to have a sound relation between the Company's capital structure and the Company's objectives, strategies and risk profile. The board shall immediately take adequate steps should it be apparent at any time that the Company's equity or liquidity is less than adequate.

Dividend policy

It is a long-term objective of the Company to generate returns to shareholders in the form of dividends and capital appreciation, at a level which is at least equal to other investment possibilities with comparable risk.

Since NEXT is in a growth-phase, no dividend has been paid so far. Further, no dividend has been proposed for the coming year. When the Company reaches a steady state position, NEXT intends to establish a clear and predictable dividend policy, which will form the basis for any proposals on dividend payments to be resolved by the general meeting.

Authorizations to the board of directors

The annual general meeting, held on 12 May 2023, gave the board authorization to increase the Company's share capital by up to NOK 18,396,000 to enable the Company to conduct share issues in an effective manner. The board of directors was also granted authorization to deviate from the shareholders' preferential rights when using the authorization.

Moreover, the board of directors was given an authorization to increase the Company's share capital for the option program by up to NOK 10,900,558, out of which NOK 1,660,000 can be used to issue shares to board members under options granted to board members in 2019, 2020 and 2022. The authorization covers capital increases by way of contributions in kind but does not cover capital increases in connection with mergers, and the board may decide that the shareholders' pre-emption right to the new shares can be deviated from. The authorization is limited in time until the 2024 general meeting or 30 June 2024, whichever comes first.

As of 31 December 2023, there are no further authorizations granted to the board of directors, neither to increase the share capital by issuing new shares, nor to the Company to purchase its own shares. Any future authorizations given will be limited in time until the next general meeting, in accordance with the Code.

5. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

Class of shares

The Company has one class of shares and there are no voting restrictions. Each share represents one vote and equal rights at the Company's general meeting. The par value per share is NOK 1.00.

Pre-emption rights of existing shareholders

NEXT's existing shareholders have pre-emption rights to subscribe for shares in the event of a share capital increase, unless otherwise indicated by special circumstances. Any decision to deviate from the pre-emption rights of existing shareholders shall be justified. The justification for such decisions shall be publicly disclosed in a stock exchange announcement issued in connection with the increase in share capital.

Transactions with close associates

The Company's significant shareholders, a shareholder's parent company, board members, executive personnel and close associates of any such parties are considered to be related parties. All transactions with related parties will be carried out in accordance with the arm's length principle.

All transactions with related parties that are not immaterial will be publicly disclosed by NEXT. In the event that such a transaction occurs, the board will arrange for a valuation to be obtained from an independent third party. This will not apply if the transaction requires the approval of the general meeting pursuant to the requirements of the Norwegian Public Limited Companies Act.

If NEXT should carry out any transaction in its own shares, this will be carried out either through the stock exchange or at prevailing stock exchange prices to ensure equal treatment of all shareholders.

Other than this, the board is not aware of any transactions in 2023 between the Company and the shareholders, a shareholder's parent company, directors, executive personnel or parties closely related to such individuals that qualify as material transactions.

6. SHARES AND NEGOTIABILITY

The shares in the Company are freely transferable, and the Company's articles of association contain no restrictions on transferability, ownership, trading or voting.

7. GENERAL MEETINGS

The general meeting is the Company's supreme governing body, and all shareholders are guaranteed participation and the opportunity to exercise their rights.

The Company's board takes steps to ensure that the shareholders can participate in the general meetings of the Company. The board of directors will ensure that:

- the resolutions and any supporting information distributed are sufficiently detailed, comprehensive and specific to allow shareholders to form a view on all matters to be considered at the general meeting;
- members of the board of directors, the chairman of the nomination committee and the auditor (if the items to be considered are of such a nature that the auditor's attendance must be regarded as essential) are present at the general meeting;
- the general meeting is able to elect an independent chairperson for the general meeting; and
- that shareholders are able to vote on each independent matter, including on each individual candidate nominated for election.

Shareholders are encouraged to give notice of their intention to attend the AGM, with a deadline as close to the date of the General Meeting as possible, typically one day in advance.

Shareholders who are unable to attend the general meeting in person will be given the opportunity to, and encouraged to, vote by proxy or through written voting in a period prior to the general meeting. The Company will in this respect provide information on the procedure for representation at the general meeting and prepare a proxy form/written voting form that makes voting on each individual matter possible. The Company will nominate a person to act as a proxy for the shareholders.

8. NOMINATION COMMITTEE

Article 6 of the Company's articles of association sets out the requirements for the nomination committee.

Composition

The nomination committee shall consist of two to three members, where all members, including the chairman, are elected by the general meeting, which also have approved guidelines for the duties and remuneration of the nomination committee. The nomination committee members shall be independent of the board of directors and executive management. The members are elected for a period of up to two years.

The current nomination committee was elected at the annual general meeting on 12 May 2023 for the period until the annual general meeting in 2024. All of the members of the nomination committee have been selected to consider the interests of shareholders in general and are independent from both the Company's executive management and the Company's board of directors. As of 31 December 2023, the nomination committee consisted of Jon Frode Vaksvik (chairman), Haakon M. Sæter and Hans Herman Horn.

NEXT is not aware of the existence of any agreements or business partnerships between the Company and any third parties in which members of the nomination committee have direct or indirect interests.

Instructions and work

Instructions to the nomination committee were last revised by the general meeting held on 16 May 2014. The nomination committee is responsible for seeking out and nominating qualified candidates for the board of directors and the nomination committee, and for proposing the remuneration to be paid to the board of directors and the nomination committee, including an explanation of how it came to its recommendations. The nomination committee has contact with shareholders, the board of directors and the Company's executive personnel as part of its work on proposing candidates for election to the board.

The Company provides information on the membership of the committee.

9. THE BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

Composition of the board of directors

The articles of association state that the Company's board of directors should comprise three to nine board members elected by the general meeting. The chairman of the board is elected by the general meeting and among the Company's board.

NEXT emphasizes that the board shall have requisite competency to independently evaluate the cases presented by the executive management team as well as the Company's operation. It is also considered important that the board can function well as a body of colleagues.

As of 31 December 2023, the board of directors comprises the following four members:

- Petter Fjellstad
- Odd Harald Hauge
- Emine Lundkvist
- Siri G. Børsum

All of the abovementioned board members are elected for the period until the annual general meeting in 2024.

A presentation of the board can be found on the Company's website.

The board's independence

NEXT believes that it is in the best interests of the Company and its shareholders to have independent directors and applies the Code's list of criteria for evaluating whether a director is considered independent.

Two out of the four board members are women, and none of the members of the Company's executive management or main business connections are

members of the board of directors. The members of the board of directors are independent of the Company's main shareholders. The composition of the board ensures that it can attend to the common interests of all shareholders and meet the Company's need for expertise, capacity and diversity, and that it can operate independently of any special interests.

Each independent director who experiences a change in circumstances that could affect such director's independence is obligated to deliver a notice of such change to the chairman of the board.

Members of the board are encouraged to own shares in the Company.

Election of the board of directors

The general meeting appoints the members of the board of directors based on the proposal from the Company's nomination committee. The chairman of the board is elected by the general meeting.

It is the Company's view that directors who have developed a valuable insight into the Company and its operations over time make an important contribution to the board as a whole. On this background, the Company does not wish to establish time limits in relation to the term of office for board members, however, directors are elected each year.

To ensure that the board continues to generate new ideas and operate effectively, the board evaluates and assesses their performance annually, and takes necessary steps in order to continue their service as directors.

A member of the board is entitled to retire prior to the end of his or her term of appointment if special circumstances arise. If possible, the board and the nomination committee shall be given reasonable prior notice thereof.



10. THE WORK OF THE BOARD OF DIRECTORS

The board's responsibilities

Norwegian law lays down the tasks and responsibilities of the board of directors. These include the overall management and supervision of the Company. This means that the board bears the ultimate responsibility for managing the Company and for monitoring its administration and business activities. The board is responsible for establishing internal control systems and for ensuring that the Company operates in compliance with the adopted value platform and Code of Ethics. The directors of the board shall discharge their duties in a loyal manner.

The fundamental responsibility of the directors is to oversee day-to-day management and evaluate strategy, to exercise their business judgment to act in what they reasonably believe to be the best interests of the Company and its shareholders. The board is also to oversee such matters as are required by statutory law, the Company's articles of association, policies, instructions and procedures as well as resolutions of the general meeting. It is the duty of the board to oversee the management's performance to ensure that the Company operates in an effective, efficient and ethical manner in order to produce value for the Company's shareholders. The board also evaluates the Company's overall strategy and monitors the Company's performance against its operating plan.

The board is responsible for supervising strategic, financial and execution risks and exposures associated with the Company's business strategy, product innovation and sales road map, policy matters, significant litigation and regulatory exposures, and other current matters that may present material risk to the Company's financial performance, operations, infrastructure, plans, prospects or reputation, acquisitions and divestitures. Further, the board shall ensure that the ongoing activities of the Company are subject to adequate control.

Annual plan

The board of directors sets an annual plan for its work, with particular emphasis on financial objectives, strategy and implementation. This plan covers the follow-up of the Company's operations, internal control, strategy development and other issues.

Instructions for the board of directors

The board of directors has implemented instructions for its own work. The board's instructions are subject to review every second year and are revised as needed. The current instruction was revised 6 December 2023.

The instructions cover the following items: appointment of the board of directors; board member independence; tenure and retirement; by-election; the duties of the board; committees; takeovers; allocation of the work within the board; the working procedures of the board; meeting – including meeting plan; quorum; disqualification; majority requirements; categories of decision; minutes; safety procedures and duty of confidentiality; information concerning the work of the board; evaluation of the work of the board and board committees; directors' liability insurance; liability for damages; new board members or CEO awareness of instructions; waiver and amendment; approval of transactions with related parties and communications with shareholders.

Instruction for the CEO

There is a clear segregation of duties between the board of directors and the executive management. The board has prepared a set of instructions for the CEO. The current instruction was revised 6 December 2023.

The CEO shall follow the guidelines and instructions issued by the board of directors. The CEO is responsible for the day-to-day management of the Company, pursuant to section 6-14 in the Norwegian Public Limited Companies Act. The CEO ensures that the board receives relevant information in an accurate, sufficient, and timely manner in order to allow the board to carry out its duties. The CEO represents the Company externally in matters that form part of the day-to-day management. The day-to-day management does not cover matters of extraordinary nature or of major importance. However, the CEO is authorized to decide on matters of extraordinary nature or major important cases, where the decisions of the board of directors cannot be awaited without serious detriment to the Company. The board of directors must be notified of the decision as soon as possible.

Financial reporting

The board is responsible for ensuring the integrity of financial information. The board evaluates the integrity of the Company's accounting and financial reporting systems, including the audit of the Company's annual financial statements by the independent auditors, and that appropriate disclosure controls and procedures and systems of internal control are in place.

Quarterly and annual financial reports are reviewed and approved at board meetings and form the basis for external financial reporting.

In connection with the presentation of the year-end financial statements, the CEO and the CFO declare that the accounts have been prepared in accordance with generally accepted accounting principles, and that to the best of their knowledge all information is accurate and no material information has been omitted.

Board meetings

The board shall deliberate matters and make decisions in meetings, unless the chairman of the board finds that the matter may be presented in writing or be dealt with in another satisfactory manner.

The directors are free to consult the Company's executives as needed. Any board member or the CEO can require specific matters to be deliberated on by the board. The CEO shall, in consultation with the chairman of the board, prepare matters to be deliberated by the board. Any matter shall always be prepared and presented in such a manner as to provide the board with a satisfactory basis for making a decision.

The CEO has a right and a duty to attend the board's deliberation of matters, unless otherwise determined by the board with respect to each individual matter. The CEO is not entitled to cast votes. Other participants are called in as needed.

Conflicts of interest and disqualification

The board of directors ensures that members of the board of directors and executive personnel make the Company aware of any material interest that they may have in items to be considered by the board of directors.

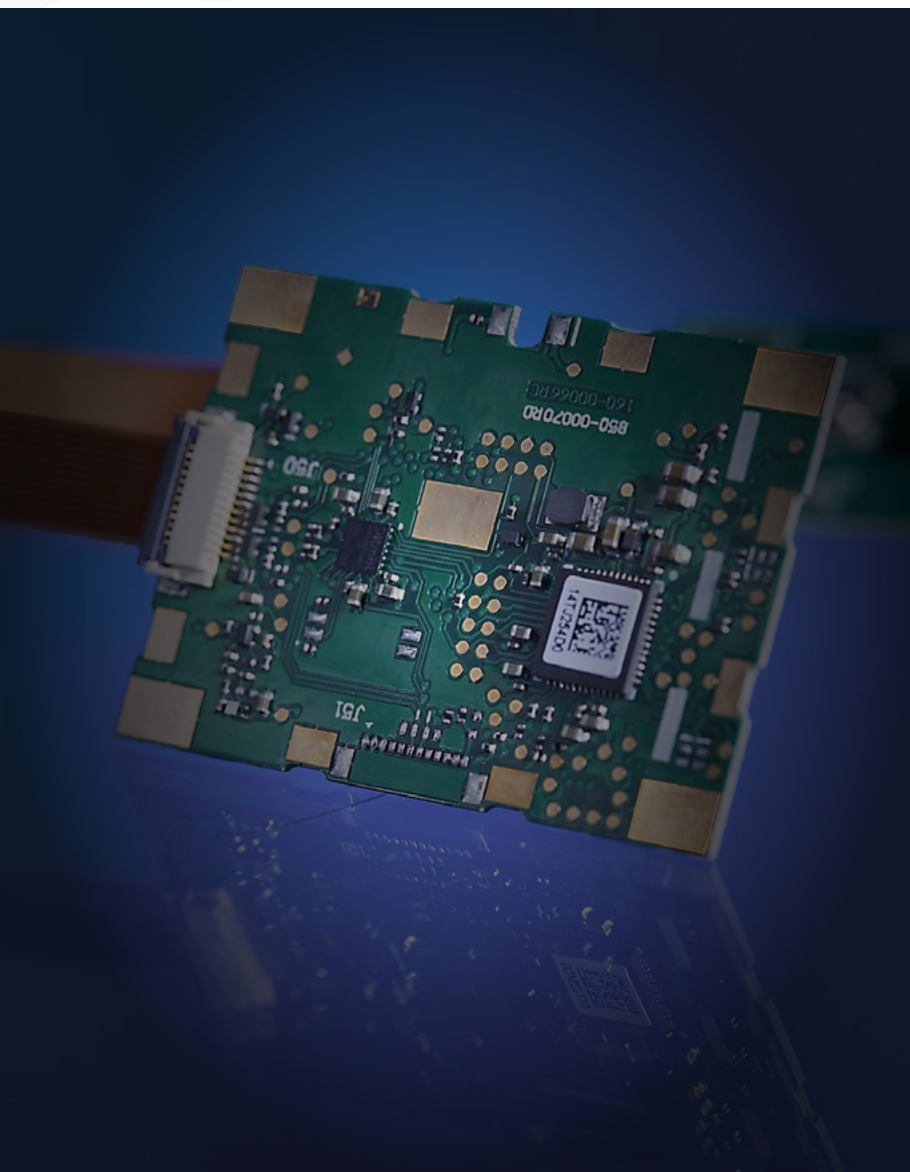
A member of the board or the executive management may not participate in the discussion or decision of issues of such special and prominent interest to the person in question, or to any closely related party of said person, that the board member or member of the executive management must be regarded as having a distinct personal or financial interest in the matter. This is in compliance with section 6-27 of the Norwegian Public Limited Companies Act.

Chairman of the board of directors

The chairman of the board of directors ensures that the board of directors operates well and carries out its duties. In addition, the chairman of the board of directors also has certain specific duties in respect of the general meeting. Matters to be considered by the board are prepared by the chief executive in collaboration with the chairman, who chairs the meetings of the board.

Board Committees

The board has appointed a separate audit committee. The committee shall prepare, draw up and present items for consideration by the board as a whole.



Audit Committee

The Company's audit committee is governed by the Norwegian Public Limited Companies Act and a separate instruction adopted by the board. A majority of the members shall have qualifications in accounting or auditing. The principal tasks of the audit committee are:

- prepare the board of directors' supervision of the Company's financial reporting process;
- monitor the systems for internal control and risk management;
- have continuous contact with the Company's auditor regarding the audit of the annual accounts;
- review and monitor the independence of the Company's auditor, including in particular the extent to which services other than auditing provided by the auditor or the audit firm represent a threat to the independence of the auditor;
- monitor the Company's compliance with applicable legal and regulatory requirements;
- handle and investigate concerns raised by the Company's employees related to the internal revision or audit; and
- evaluate the audit committee's activities.

The audit committee consists of Petter Fjellstad (Chair) and Emine Lundkvist.

Remuneration Committee

The remuneration committee draws up guidelines and proposals for senior executive remuneration. The Company's remuneration policy, including remuneration to the CEO and the senior executives, are dealt with at one of the board meetings and accounted for in the Board's annual report.

The remuneration committee consists of Odd Harald Hauge (Chair) and Siri G Børsum.

The board of director's evaluation of its own work

The board shall annually evaluate its activities, performance and competence, and has adopted a self-assessment questionnaire for the purpose thereof. The assessment results shall be submitted to the nomination committee.



11. RISK MANAGEMENT AND INTERNAL CONTROL

It is ultimately the responsibility of the board of directors to ensure that NEXT has sound internal controls and risk management systems appropriate to the Company's size and business. The board, and the management, have increased focus on risk management and internal controls. The board of directors forms its opinion on the Company's internal controls and risk management systems based on the information presented to it by the management.

The executive management closely monitors the main risk factors, to ensure the Company has proper guidelines, processes and internal controls in place. The board of directors conducts annual reviews of the Company's most important areas of exposure to risk and such areas' internal control arrangements.

NEXT has experienced finance and accounting personnel, who continuously strive to improve routines and internal control systems. Initiatives are ongoing to ensure risks are efficiently managed, and that key controls are in place to achieve financial goals, operational goals, and compliance with regulations. The Company's internal controls and systems also cover the Company's corporate values, ethical guidelines and principles of corporate social responsibility.

The size of the Group's operations and limited staff size necessarily lead to dependence on key individuals and a limitation on the possible implementation of internal control risk reduction measures.

The Norwegian entities of NEXT have an internal risk management, finance and accounting function. The board presents an in-depth review of NEXT's financial status in the "Report from the board of directors" as part of this annual report.

12. REMUNERATION OF THE BOARD OF DIRECTORS

The remuneration of the board reflects the board's responsibility, expertise, time commitment and the complexity of the Company's activities.

The general meeting approves the remuneration paid to the board of directors each year. The nomination committee prepares the proposed remuneration to the general meeting.

The remuneration of the board of directors is not linked to the Company's performance. The current board members were granted share options in 2019, 2020 and 2022, which were approved at the annual general meetings held in 2019, 2020 and 2022. Moreover, the board members' options awarded in the 2019 and 2020 options were extended to June 2026 at the 2023 annual general meeting. The Company deviates from the Code by granting options to board members.

For more details on the remuneration to the board, please refer to [note 19](#) in the annual financial statements. Except for the one deviation above, the Company does not deviate from the Code in relation to remuneration of the board of directors.

13. REMUNERATION OF EXECUTIVE MANAGEMENT

The board establishes guidelines for the remuneration of the executive management team setting out the main principles applied in determining the salary and other remuneration of the executive management team. The general meeting approved the remuneration guidelines in May 2023. The guidelines are available on the Company's website.

The main principle in the Company's policy for remuneration is that the leading employees should be offered competitive terms to attract and retain the competence that the Company needs.

The general meeting has approved the Company's share option programs.

For details regarding remuneration to the executive management, see [note 19](#) in the annual financial statements, and for details regarding share option arrangements, see [note 18](#) in the annual financial statements.

The Company deviates from the Code by not having a cap on the performance-related remuneration.



14. INFORMATION AND COMMUNICATIONS

NEXT believes in open and honest communication with the shareholders, and interaction between shareholders, the board of directors and the Company's management. The board of directors and the executive management team assign considerable importance to giving the shareholders and other stakeholders relevant and current information about the Company and its activity areas.

Regular information is published through annual reports, quarterly reports, press releases, notices to the stock exchange and investor presentations in accordance with what is deemed appropriate from time to time. Information on value drivers and risk factors is provided through the interim reporting, which will enable investors to evaluate NEXT's performance and risk.

The CEO is responsible for investor relations and is the main contact person of the Company for the capital market. All communication is done solely in the English language.

All reports and notices are issued and distributed according to the rules and regulations of the Oslo Stock Exchange. Information relevant to investors is published at Oslo Stock Exchange and made available on the Company's website. Shareholder information, including a financial calendar and information about webcasts, is available on www.nextbiometrics.com/investors.

15. TAKE-OVERS

The Company has established guidelines for the board on how it will act in the event of a take-over bid. The board will handle take-over bids in accordance with Norwegian law, including the Norwegian Securities Trading Act and the Code. The Company has not been subject to any take-over bids in 2023.

There are no defense mechanisms against take-over bids in the Company's articles of association nor any underlying steering document. In corporate take-over or restructuring situations, the board shall exercise due and proper care so that all shareholder values and interests are preserved. During the course of a take-over process, the board and management shall ensure that the shareholders are treated equally, and that the Company's business activities are not disrupted unnecessarily. The board has a particular responsibility to ensure that shareholders are given sufficient information and time to form a view on the offer. The board of directors otherwise concurs with what is stated in the Code regarding this issue.

16. AUDITOR

The Company's auditor is elected by the general meeting and is fully independent from the Company. PricewaterhouseCoopers AS is the Company's auditor. NEXT represents a small share of the auditor's business. NEXT does not obtain significant business or tax planning advice from its auditor. For further information, see [note 19](#) to the group financial statements.

The board of directors is responsible for ensuring that the board and the audit committee are provided with sufficient insight into the work of the auditor. In this regard, the board of directors ensures that the auditor submits the main features of the plan for the audit of the Company to the audit committee annually. The board of directors invites the auditor to participate in board meeting(s) that deal with the annual accounts. At these meetings, the auditor (i) reports on any material changes in the Company's accounting principles and key aspects of the audit, (ii) comments on any material estimated accounting figures, and (iii) reports all material matters on which there has been disagreement between the auditor and the executive management of the Company.

The audit committee shall at least once a year perform a review of the Company's internal control procedures with the auditor, including weaknesses identified and proposals for improvement. The board and the audit committee shall review periodically the use of the auditor for services other than the audit. At least once a year, the audit committee and the board will meet the auditor without the presence of the CEO or other members of executive management.

At the annual general meeting, the board shall present a review of the auditor's compensation as paid for audit work required by law and remuneration associated with other assignments.

In connection with the auditor's presentation to the board of the annual work plan, the board considers if the auditor to a satisfactory degree also carries out a control function.

ARTICLES OF ASSOCIATION FOR NEXT BIOMETRICS GROUP ASA

Per 31 December 2023

§ 1 – The Company name

The name of the company is NEXT Biometrics Group ASA. The company is organised as a public limited liability company.

§ 2 – Business office

The company's registered office is in Oslo municipality.

§ 3 – Business Activities

The objective of the company is research and development, and commercialisation of safety products, trade and investment in such companies and what is connected with such business.

§ 4 – Share capital

The company's share capital is NOK 104,024,929, divided into 104,024,929 shares, each with a nominal value of NOK 1. The company's shares shall be registered in the Norwegian Central Securities Depository.

§ 5 – Board of Directors

The Company's board of directors shall consist of 3 – 9 members as appointed by the general meeting.

§ 6 – Nomination Committee

The company shall have a nomination committee. The nomination committee shall consist of two or three members appointed by the general meeting. The members of the nomination committee, including the director, shall be elected by the general meeting. The nomination committee shall be elected for a period of two years, if not other period is decided upon by the general meeting.

The nomination committee makes recommendations to the general meeting regarding election of board members and members to the nomination committee, and regarding remuneration to the board members and members of the nomination committee. The general meeting shall resolve the remuneration to the members of the nomination committee. The general meeting may lay down guidelines for the nomination committee.

§ 7 – Signatory Rights

Two board members jointly have the right to sign on behalf of the company. The board of directors may give power of procurator.


§ 8 – General Meeting

Documents regarding matters to be discussed at the general meeting of the company, also applying documents that, pursuant to law, shall be included in, or attached to the notice of the general meeting of shareholders, can be made available at the company's website. The requirement regarding physical distribution shall then not apply. A shareholder may in any case request to be sent documents that shall be discussed at the general meeting.

The shareholder may vote in writing, including by way of electronic communication in advance in a period prior to the general meeting. The board of directors may establish guidelines for such advanced voting. It shall be stated in the notice for the general meeting the guidelines laid down. At the ordinary general meeting the following matters shall be addressed and decided upon:

1. Approval of the annual accounts and annual report, including the distribution of dividends.
2. Other matters that pursuant to law or the articles of association must be dealt with at the general meeting

Corporate Social Responsibility Report



This review of NEXT Biometrics Group ASA ("NEXT" or the "Group")'s corporate social responsibility principles and practice is prepared in compliance with Section 3-3c of the Norwegian Accounting Act.

NEXT's business consists of research & development, commercialization and manufacturing of fingerprint technology and products for a variety of uses. NEXT works closely with world class manufacturing subcontractors and distribution partners. NEXT is committed to be a good corporate citizen and demonstrate integrity and high ethical standards in all its business dealings.

NEXT's board and management are committed to maintaining high ethical standards and have implemented guidelines with regards to values and ethics. The purpose of these standards and guidelines is to create a sound corporate culture and to preserve the integrity of NEXT by helping employees to promote standards of good business practice. NEXT's Ethical and Social Responsibility Guidelines were last approved by the board on 6 December 2023 and applies to all employees of the Group. They also apply to anyone who holds a position of trust in the Group (including membership of boards) and hired consultants acting on behalf of the Group. They aim to provide guidance to our people for a common platform.

NEXT has also established a Supplier Code of Conduct that requires NEXT Biometrics Group suppliers to conduct business in a responsible manner, based on the duty to respect human rights, labor rights, protect health, safety and the environment, prevent corruption and in general, apply sound business practices. NEXT's Supplier Code of Conduct was last updated and approved by the Board on 6 December 2023.

The Group strives for a business culture characterized by openness. Openness is a prerequisite for motivation, trust, confidence and safety at work. Everyone shall feel confident to raise any concern, small or large, with their manager or another colleague.

The Ethical and Corporate Social Responsibility Guidelines support NEXT's vision, core values and principles. The guidelines are instrumental for NEXT's approach to human rights, fair working environment and equal rights, health and safety, environment, business ethics and anti-corruption. The Group regularly reviews the guidelines and take steps to update and educate the organization.

Human rights

In addition to following national rules and regulations, NEXT conducts its business in line with fundamental international rules. Including those described in international human rights conventions such as the UN Convention on Human Rights and the labour rights conventions of the International Labour Organization (ILO).

The Group respects the right to freedom of association and opposes any form of child labour, forced labour or discrimination. NEXT practices equal opportunities and rights and encourage all business relations to follow the same principles. Any violations of basic human rights are unacceptable to the Group.

It is our goal to have no form of human rights abuse or labor issue at any stage related to production of our products.

Fair working environment

NEXT has a personnel policy designed to prevent discrimination on the grounds of race, color, gender, sexual orientation, age, disability, language, religion, legitimate political or other opinions, national or social origin, property, birth or other status.

The Group employs many different nationalities from a diversity of cultures and has built an international mindset for years. Employees are encouraged to treat each other and business contacts with respect and act according to local laws and regulations, as well as to pay attention to local values and norms for social conduct.

The Group does not tolerate degrading treatments towards any employee. The Group's employees are encouraged to report any incident of discrimination to their nearest leader or through the applicable whistle-blow channels through our HR department.

NEXT's board and management seek to create a working environment that is pleasant, stimulating, safe and beneficial to all employees. The working environment complies with the existing rules and regulations. The board has not found reason to implement special measures. No employee in the group has suffered work-related injury resulting in sick leave. No accidents nor incidents involving the assets of the Group have occurred. The parent company had no long-term leave of absence due to illness or any work-related incidents or accidents resulting in material damage or personal injury during 2023. The average sickness absence rate in the parent company was 0% in 2023 compared to 0% in 2022.

Equal rights

All facilities are equally well equipped for females and males. Traditionally, fewer women than men have graduated in NEXT's fields of work, and the candidates available for recruiting have often predominantly been males. The management structure reflects the composition of the technical staff. Of the 23 employees in the NEXT group at the end of 2023, 5 are women. At year-end 2023, the parent company has 4 board members, of which 2 are women. The parent company complies with Norwegian legal requirement with respect to gender representation in the board of directors.

Raising awareness of employees on human rights and labor principles and relevant issues are regularly done by internal training and as part of the introduction program for new employees.

Health and Safety

Health and safety are an indispensable component in all the Group's activities. All hazards and risks to health and safety must be avoided. Generally, NEXT's business involves low safety risk in the day-to-day activities, without use of heavy machinery or equipment that can cause damage or injuries. As a fables biometrics company, production has been outsourced to specialized manufacturers. NEXT is concerned for safety of employees in third party factories and it is an integral part of the evaluation criteria which the Group applies ahead of being classified as a "NEXT certified vendor/partner".

None of the processes in use by the suppliers are known to be of particular hazard to the staff.



Environment and climate impact

NEXT does not own or operate manufacturing facilities. Manufacturing is done through third parties that comply with the ISO 14001 environmental standard, among others. Consequently, there is little pollution associated with the Group's operations. NEXT seeks to limit resource consumption, prevent unnecessary environmental pollution including optimizing transportation of goods, and manage waste in an environmentally friendly and resource efficient manner.

NEXT climate impact and potential risk is low in the short to medium term. The Group is not impacted by physical climate risk such as potential flooding or general increase in the sea level. Moreover, NEXT does not face any potential liabilities due to damage caused by climate change. Still, NEXT is likely to be impacted by the regulatory and technological changes that are to be implemented (in the future) to reach a carbon neutral society, which may lead to long term increased electronic component purchase and manufacturing costs.

Business ethics & anti-corruption

The Group's operations depend on the trust of contractual parties, the authorities, shareholders, employees and society in general. In order to gain trust, the Group is dependent upon professionalism, expertise and high ethical standards in all aspects of the Group's work. This applies to the way the Group operates and to the conduct of each individual. All employees are therefore expected to behave with care, integrity and professionalism and abstain from actions that may weaken trust in the Group.

The NEXT Biometrics' Ethical and Corporate Social Responsibility Guidelines contain guidelines for ethical behaviour in business relations. These clearly states that NEXT strongly oppose all forms of corruption or bribery. NEXT encourages reporting of suspected misconduct; a «whistle-blower» communication channel. NEXT adheres to national and foreign antitrust laws.

No one may receive benefits for themselves or for others from the Group's business contacts if such benefits are based on the employment relationship. Correspondingly, no one shall give such benefits to the Group's business contacts. The guidelines explicitly govern conflict of interests, gifts and money laundering. Business courtesies of modest value, conforming to normal social customs and not

intended for influence, are not considered bribes. All gifts with an estimated value of more than NOK 1,000 must be reported to the Group's CFO, who will keep a log over such gifts and assess whether the relevant gift can be retained or provided, based on a case-by-case evaluation.

NEXT has to date not been accused of, or involved in, any cases pertaining to any form of corruption or bribery. NEXT encourages each employee to report on possible censurable incidents. NEXT's employees have an obligation to report on criminal activity and on incidents which could endanger life or health. The board of directors and management are not aware of any breach of our code of conduct.

Raising awareness of the guideline has been the Group's main action with regard to this area. The Group is not aware of any breach of the implemented guideline. The Group does not have any other guidelines or actions regarding Corporate Social Responsibility due to the limited size and resources of the parent company. The Group will continue to have focus on these guidelines and incorporate them into our company culture. The Group will do this by updating and educating the organization.

Financial Statements Group



Group Consolidated statement of comprehensive income		1 January – 31 December	
(amounts in NOK 1,000)	Notes	2023	2022
Operating revenues	<u>3</u>	33,717	46,508
Other revenues	<u>3</u>	666	1,784
Cost of goods sold	<u>12</u>	-22,962	-33,593
Inventory write-downs	<u>12</u>	-4,042	52
Gross margin		7,379	14,752
Payroll expenses	<u>4</u>	-42,370	-33,385
Other operating expenses	<u>5,6,18</u>	-23,218	-22,207
Depreciation and amortization	<u>10,11</u>	-7,068	-7,229
Impairment losses	<u>10,11</u>	-1,139	-
Total operating expenses		-73,795	-62,822
Operating profit (loss)		-66,416	-48,070
Financial income	<u>7</u>	1,054	712
Financial expenses	<u>7</u>	-62	-118
Net currency gains (losses)	<u>7</u>	-74	1,082
Net financial items		918	1,676
Profit (loss) before taxes		-65,498	-46,394
Income tax expenses	<u>8</u>	-234	60
Profit (loss) after taxes		-65,732	-46,333
Earnings per share (in NOK)			
Basic and diluted	<u>9</u>	-0.69	-0.50
Other comprehensive income (loss) that may be reclassified subsequently to profit and loss:			
Translation differences on net investments in foreign operations			
Other comprehensive income (loss)		1,170	2,610
Total comprehensive income (loss)		-64,562	-43,723
Profit (loss) after taxes attributable to:			
Owners of the parent company		-65,732	-46,333
Total comprehensive income (loss) attributable to:			
Owners of the parent company		-64,562	-43,723

The consolidated financial statements should be read in conjunction with the accompanying notes.

Group Consolidated statement of financial position		As of 31 December	
(amounts in NOK 1,000)	Notes	2023	2022
Deferred tax assets	<u>8</u>	-	38
Intangible assets	<u>10</u>	1,530	2,579
Property, plant and equipment	<u>11</u>	6,738	12,347
Total non-current assets		8,268	14,964
Inventories	<u>12</u>	23,126	22,935
Accounts receivables	<u>13</u>	12,303	6,261
Other current assets	<u>14</u>	7,451	8,387
Cash	<u>15</u>	67,753	69,302
Total current assets		110,632	106,886
Total assets		118,900	121,850
Share capital	<u>18</u>	104,025	91,981
Share premium		30,858	4,049
Other reserves		31,965	26,069
Retained earnings		-72,498	-26,099
Total equity		94,351	96,000
Non-current lease liabilities	<u>17</u>	194	1,218
Other non-current liabilities		-	61
Total non-current liabilities		194	1,279
Accounts payables		5,984	7,776
Income tax payables	<u>8</u>	33	143
Current lease liabilities	<u>17</u>	1,745	1,748
Other current liabilities	<u>16</u>	16,594	14,904
Total current liabilities		24,355	24,571
Total equity and liabilities		118,900	121,850

The board of directors
of NEXT Biometrics
Group ASA

Oslo, 23 april 2024

/Sign/

Petter Fjellstad
Chairman

/Sign/

Emine Lundkvist
Board member

/Sign/

Siri Børsum
Board member

/Sign/

Odd-Harald Hauge
Board member

/Sign/

Ulf Ritsvall
CEO

Group Consolidated statement of cash flow		1 January – 31 December	
(amounts in NOK 1,000)	Notes	2023	2022
Profit (loss) before taxes		-65,498	-46,394
Share based remuneration	<u>4,5</u>	5,896	4,733
Share based payments social security expense	<u>18</u>	4,611	-2,663
Income taxes paid	<u>8</u>	-26	56
Depreciation and amortization	<u>10,11</u>	7,068	7,229
Impairment losses	<u>10,11</u>	1,139	-
Inventory write-downs	<u>12</u>	4,042	-52
Change in inventories		-190	-3,949
Change in accounts receivables		-6,042	5,540
Change in accounts payables		-1,792	990
Change in other working capital items and other		-6,590	824
Interests received		1,054	693
Interests paid		-303	-131
Net cash flow from operating activities		-56,630	-33,123
Purchase of property, plant and equipment and intangible assets	<u>10,11</u>	-13	-70
Proceeds from lease receivables	<u>17</u>	-	696
Net cash flow from investing activities		-13	626
Net proceeds from issue of shares	<u>18</u>	60,150	747
Payments of transaction costs equity transactions	<u>18</u>	-3,134	-9
Payment of lease liabilities	<u>17</u>	-2,078	-2,738
Net cash flow from financing activities		54,938	-2,000
Net change in cash flow		-1,705	-34,496
Cash balance as of 1 January		69,302	102,706
Translation differences from subsidiaries		334	744
Effects of exchange rate changes on cash and cash equivalents		-178	347
Cash balance as of 31 December		67,753	69,302
Comprising of:			
Cash	<u>15</u>	67,753	69,302

Group Consolidated statement of changes in equity				1 January - 31 December		
		Attributable to owners of the parent company				
(amounts in NOK 1,000)	Notes	Share capital	Share premium	Other reserves	Accumulated losses	Total equity
As of 1 January 2023		91,981	4,049	26,069	-26,099	96,000
Profit (loss) after taxes					-65,732	-65,732
Other comprehensive income (loss)					1,170	1,170
Total comprehensive income (loss)		-	-	-	-64,562	-64,562
Share issues	19	12,000	48,000			60,000
Share issues, options to employees	19	44	106			150
Share issue costs	19		-3,134			-3,134
Share based remuneration	19			5,896		5,896
Transfer of loss to share premium			-18,163		18,163	-
As of 31 December 2023		104,025	30,858	31,965	-72,498	94,351
As of 1 January 2022		91,681	47,335	71,442	-76,205	134,253
Profit (loss) after taxes					-46,333	-46,333
Other comprehensive income (loss)					2,610	2,610
Total comprehensive income (loss)		-	-	-	-43,723	-43,723
Share issues						
Share issues, options to employees		300	447			747
Share issue costs			-9			-9
Share based remuneration	19			4,733		4,733
Share-based remuneration reclassification	19			-50,106	50,106	-
Transfer of loss to share premium	19		-43,723		43,723	-
As of 31 December 2022		91,981	4,049	26,069	-26,099	96,000

Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

Notes to financial statement – Group

Note 1 – general information

NEXT Biometrics Group ASA (“Parent company”) is a public limited liability company, incorporated and domiciled in Norway, with headquarter in Apotekergata 10B, 0180 Oslo, Norway. The Parent company and its subsidiaries (“NEXT” or “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.

The Group has five operating subsidiaries (all are 100% owned): NEXT Biometrics AS (Norway) and its subsidiaries 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).

NEXT ASA's shares are listed on the Oslo Stock Exchange.

The purpose of the company as stated in the articles of association is to conduct research, development and commercialization of security products, as well as other activities that will naturally fall under this.

The financial statements have been approved for issuance by the Board of Directors on 23 April 2024 and is subject to approval by the Annual General Meeting on 16 May 2024.

Changes in accounting policies

The accounting policies applied in preparation of the financial statements for the year ended 31 December 2023 are consistent with those applied in the preparation of the prior year financial statements.

New and amended standards and interpretations adopted by the Group as of 1 January 2023

There are no new amendments applicable for the first time for the annual reporting period commencing 1 January 2023 have been adopted by Next Biometrics Group.

New and amended standards and interpretations not yet adopted

There are no new and amended standards and interpretations that have been published (and not mandatory for financial statements as of 31 December 2023) that have been early adopted by the Group. The new and amended standards are not expected to have a material impact on the Group.



Note 2 – summary of material accounting policies

Basis of preparation

These financial statements have been prepared in accordance with IFRS® Accounting Standards as adopted by the EU per 31 December 2023.

Going concern

The Board of Directors confirms that the financial statements have been prepared under the assumption of going concern.

Currency

These financial statements are presented in Norwegian kroner, which is also the Parent company's functional currency. Each entity in the Group uses the local currency of where it is domiciled and has its operations as functional currency.

Property, plant and equipment

Property, plant and equipment are held at cost less accumulated depreciation and impairment losses. When assets are sold or disposed, the gross carrying amount and accumulated depreciations are reversed. Any gain or loss on the sale or disposal is recognized in the profit and loss.

Inventory

Raw materials, work in progress and finished products are valued at the lower of cost and net realizable value after deduction for obsolescence. Costs are determined using the FIFO and average cost method.

Cash flow

The cash flow statement has been drawn up in accordance with the indirect method and reports cash flows during the period classified by operating, investing and financing activities.

Significant estimates and judgements

Preparation of financial statements in accordance with IFRS requires that the management makes judgements and prepares estimates and assumptions which have an impact on the recognized amounts for assets, liabilities, revenue and costs. Estimates and related assumptions have

been based on the management's best knowledge of past and recent events, experience and other factors which are considered reasonable under the circumstances. Actual results may deviate from such assumptions. Estimates and underlying assumptions are subject to continuous evaluation.

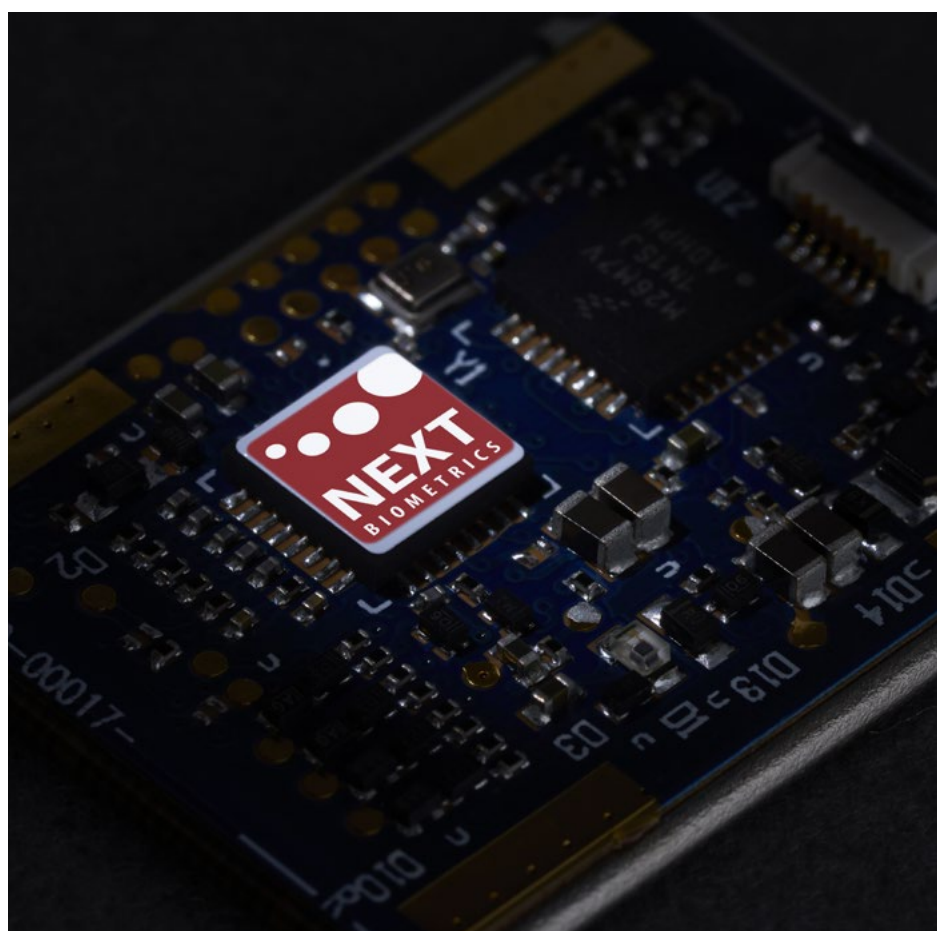
Critical account estimates for the Group are:

Share-based remuneration:

The cost of options granted to employees and employee option social security costs are classified as employee costs while cost of options granted to consultants/contractors are classified as other operating costs. Please see [note 18](#) for further details.

Research and development expenses/ Intangible assets:

Research costs are expensed as incurred. An intangible asset arising from the development expenditure on an individual project is recognized only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention and capability of completing the development and realize the assets, and the net future financial benefits of use or sale.



Note 3 - Revenues and segment reporting

In general, sales are recognized when control of the products (the physical hardware) has transferred at delivery according to delivery terms. The goods are sold based on either fixed prices or variable consideration, and recognised point in time as the risk and control is transferred to the customer. No significant element of financing is deemed present as the sales are normally made with a credit term of 30 days upon delivery, which is consistent with market practice. The Group delivers products and send invoices both to distributors and directly

to end-customers. The Group assess individual contracts and determines whether a distributor is a customer or a sales agent. When making this assessment it will be considered whether the buyer could have the opportunity to return products to the Group, whether the distributor/agent independently can set end customer prices and sell products to any end customer. The classification of a distributor as a customer or a sales agent will have an impact on the timing and measurement of revenue recognition.

(amounts in NOK 1,000)	2023	2022
Fingerprint sensor technology	33,717	46,508
Total operating revenues	33,717	46,508

The Group targets four customer groups and application areas for the technology:

- (i) Office & Notebooks
- (ii) Payment & Fintech
- (iii) Access control
- (iv) Public Security

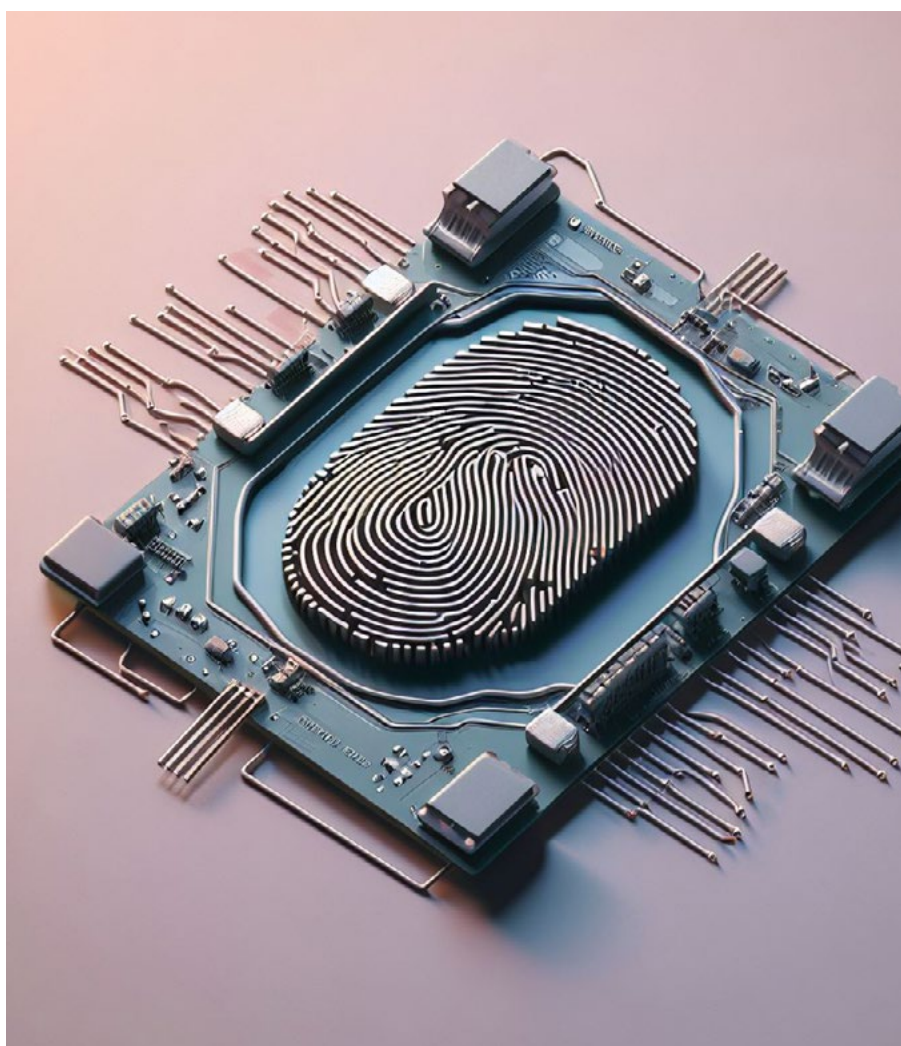
The same generic fingerprint sensor technology and products is used for all customers. Most of the Group's key IP, including our NEXT Active Thermal® is shared and used in all products. The employees in the Group work across all products and customers. The R&D personnel are focused on technology, rather than specific customer groups such as Office & Notebooks or Public Security. Based on this, the Group consider that we only operate within one business segment, and therefore also report only within one business segment, "Fingerprint sensor technology".

The operating revenue, both in 2023 and in 2022, was mainly related to customers geographically located in Asia (Japan, Singapore, China, Taiwan and India).

All of the group's revenue is point in time type of revenue.

Other revenue of NOK 0.7 million mainly relates to sale of electronic components and other fees.

The CEO is the chief operating decision maker (CODM) of the group.



Note 4 – Payroll expenses

(amounts in NOK 1,000)	2023	2022
Salaries, fees	-26,507	-27,025
Share based remuneration (salary part)	-5,729	-4,728
Share based remuneration (employer's tax)	-4,611	2,663
Social security taxes	-3,515	-2,598
Pension contribution	-804	-747
Other personnel expenses	-1,204	-951
Total payroll expenses	-42,370	-33,385
Average numbers of employees	24	27

The Group employed an average number of employees of 24. In addition, the company has 17 contractors who are working for the company on a part time or full time basis.

The parent company, NEXT Biometrics Group ASA, provides a contribution-based pension insurance scheme for all employees. The scheme satisfies the mandatory service pension ('OTP') in Norway.

NEXT Biometrics Inc has a 401-K plan for its employees, which allows employees to save for retirement with pre-tax funds. The company currently does not contribute to this plan but pays for its administration. NEXT Biometrics Taiwan Ltd offers an employee pension plan with an annual contribution of 6% of the salary, but capped at TWD 9000 per month per employee (NOK 2900 per month).

NEXT Biometrics China Ltd and NEXT Biometrics Solutions Pvt Ltd have no local pension plans.

Termination benefits

Termination benefits are payable when the employment is terminated by the Group before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when the Group can no longer withdraw the offer.

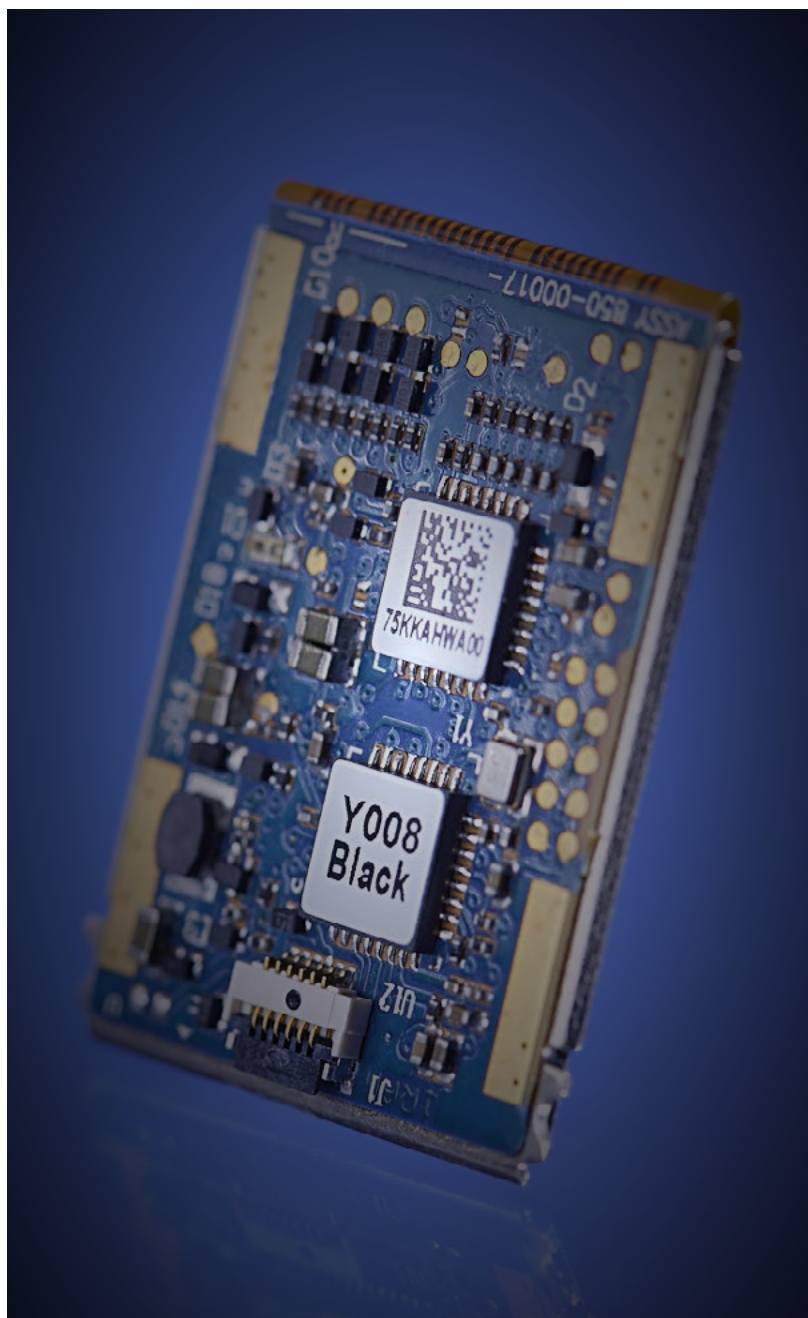


Note 5 – Other operating expenses

(amounts in NOK 1,000)	2023	2022
Product and marketing costs	-4,434	-2,657
R&D costs	-2,600	-5,516
Business services costs	-10,632	-6,793
R&D and government grants ¹	1,754	224
Fees to contractors, auditors, lawyers and others ²	-4,331	-4,615
Other expenses ³	-2,807	-2,845
Share based remuneration (operating part) ⁴	-167	-5
Total other operating expenses	(23,218)	(22,207)

The Group's business service costs increased from NOK 6.8 million in 2022 to NOK 10.6 million in 2023 largely due to transfer of personnel from hired employees to contractors, increased number of contractors in the areas of sales, product and marketing as well as due to higher travel activity.

1. R&D grants and other government grants are related to Skattefunn grants in 2022/2023.
2. Fees to contractors, auditors, lawyers refers to amounts paid the company's contractors and service providers who are working for the company on a part time or full time basis
3. Other expenses include software expenses, IT cost, insurance fees, non deductible VAT and stock exchange related fees.
4. Share based remuneration (operating part) refers to share options granted to contractors (see [note 18](#) for further information)



Note 6 – Research and development cost

In general, research costs are expensed when incurred. Internal and external research and development performed in 2023 do not meet the Group's capitalization criteria.

The reported research and development (R&D) costs includes external project costs for work and material purchased from various companies and institutions. The payroll cost of R&D staff is included in payroll, and any capitalization reported as a credit on a separate line. The major parts of the R&D costs are related to development of the sensor technology as well as production trials and pilot production of new sensor modules.

Expensed R&D costs for the Group amounted to NOK 9.0 million in 2023 (2022: NOK 11.2 million), of which NOK 6.4 million (2022: NOK 5.7 million) is presented in payroll expenses and NOK 2.6 million (2022: NOK 5.5 million) in other operating expenses.

Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received, and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognized as a reduction in expense. When the grant can be viewed as payment for a deliverable or performance of service, it is recognized as other revenue.

The subsidiary NEXT Biometrics AS' estimated estimated R&D public grant in connection with SkatteFUNN (Norwegian tax deduction scheme) for 2023 is NOK 1.5 million (2022: NOK 1.5 million).

The total amount is presented as part of "Other current assets" in the balance sheet and has correspondingly led to a reduction in other operating expenses. The grant is subject to final approval by the tax authorities.

Note 7 – Financial items

(amounts in NOK 1,000)	2023	2022
Interest income	1,054	693
Interest income on sub-leases (see note 17)	-	19
Total financial income	1,054	712
Interest expenses	-157	-20
Interest expenses leases (see note 18)	-146	-111
Other financial expenses	241	13
Total financial expenses	-62	-118
Realized currency gains (losses)	-62	125
Change in unrealized currency gains (losses)	-12	957
Net currency gains (losses)	-74	1,082
Net financial items	918	1,676

Note 8 – Income taxes

The tax expense consists of the tax payable and changes in deferred tax. Deferred tax has been calculated based on the temporary differences between the recorded and tax values, as well as on any tax loss carry-forward at the balance sheet closing date. Any temporary differences increasing or reducing tax that will or may reverse in the same period, have been netted.

A deferred tax asset will be recognized when it is probable that the Group will have sufficient profit for tax purposes to utilize the tax asset. At each balance sheet date, the Group reviews its unrecognized deferred tax assets and the value it has recognized. The Group recognizes an unrecognized deferred tax

asset to the extent that it has become probable that the Group can utilize the deferred tax asset. Similarly, the Group will reduce its deferred tax asset to the extent that it can no longer utilize it.

Deferred tax and deferred tax assets are measured on the basis of the expected future tax rates. Deferred tax assets related to losses carried forward is recognized when it is probable that the loss carried forward may be utilized. Evaluation of probability is based on historical earnings, expected future margins and the size of the order backlog. Future events may lead to these estimates being changed. Such changes will be recognized when reliable new estimates can be made.

(amounts in NOK 1,000)	2023	2022
Current taxes (entities located in Norway)	-	-
Current taxes (International subsidiaries*)	196	49
Change in deferred taxes (International subsidiaries*)	38	-109
Total income tax expenses	234	-60

* Subsidiaries in Taiwan, USA, India and China

Income tax expense reconciliation:		
Profit (loss) before taxes	-65,498	-46,394
Expected income tax expenses at Norwegian nominal tax rate (22%)	-14,410	-10,207
Difference between local tax rates and Norwegian nominal tax rate	-72	-88
Effect of change in local tax rates	-	-
Tax effect of permanent differences	-29	529
Change in deferred tax assets not recognized	14,417	11,020
Prior year underaccrual/(overaccrual) of income tax	-5,132	-5,513
Other	5,459	4,199
Actual income tax expenses	234	-60
Effective tax rate	0%	0%

Deferred tax related to the following temporary differences:

(amounts in NOK 1,000)	2023	2022
Property, plant and equipment	-2,971	-1,783
Inventories	-17,200	-13,254
Accounts receivables and other assets	-2,932	-3,175
Lease liabilities	-430	-863
Other temporary differences	-7,193	-2,817
Tax losses carried forward	-1,320,961	-1,262,587
Total temporary differences and tax losses carried forward	-1,351,686	-1,284,480

Deferred tax assets (amounts in NOK 1,000)	2023	2022
Property, plant and equipment	654	393
Inventories	3,784	2,916
Accounts receivables and other assets	645	699
Lease liabilities	95	190
Other temporary differences	1,614	594
Tax losses carried forward	290,611	277,769
Deferred tax assets not recognized	-297,403	-282,598
Deferred tax assets(-)/liability(+) in the balance sheet	-	-38

As of 31 December 2023, NOK 1 321 million (2022: NOK 1 263 million) of tax losses carried forward are related to the Norwegian companies with no limitations in expiry date.

Due to a history of losses, deferred tax assets are not recognized.

The following table illustrates the deferred tax balance recognized in the statement of financial position:

(amounts in NOK 1,000)	2023	2022
Deferred tax assets	-	38
Deferred tax liabilities	-	-
Net deferred taxes as of 31 December	-	38

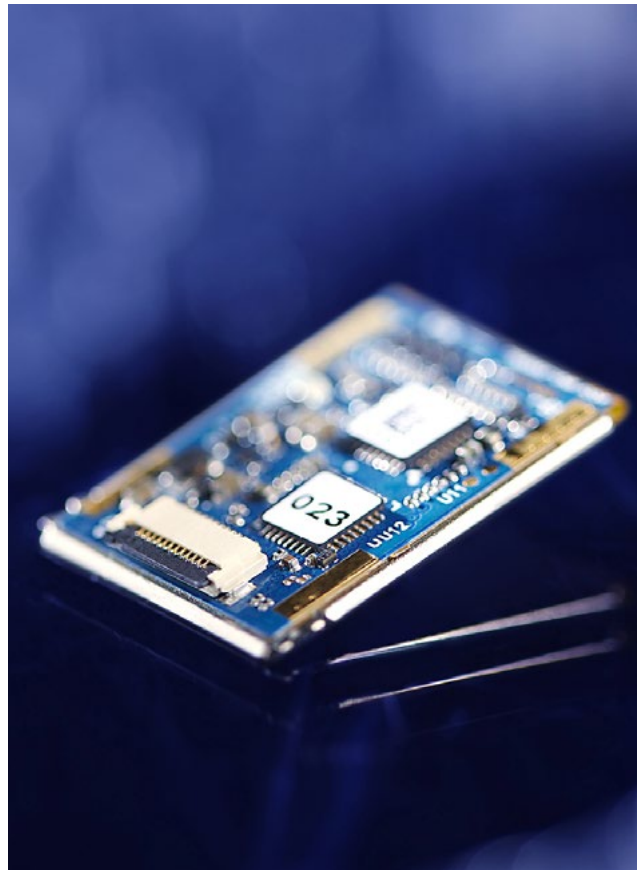
Note 9 – Earnings per share

The calculations of earnings per share attributable to the equity holders of the parent company are based on the following data:

	2023	2022
Profit (loss) after taxes (NOK 1,000)	-65,732	-46,333
Number of shares outstanding as of 1 January	91,980,763	91,680,763
New shares issued during the year (see note 18)	12,000,000	-
Exercised incentive options during the year (see note 18)	44,166	300,000
Number of shares outstanding as of 31 December	104,024,929	91,980,763
Weighted average number of shares for the year	95,151,133	91,791,722
Effect of dilution option programmes	-	-
Weighted average number of shares adjusted for effect of dilution	95,151,133	91,791,722
Earnings per share, basic and diluted (NOK)	-0.69	-0.50

Earnings per share

Earnings per share are calculated by dividing the profit or loss for the period by the weighted average number of ordinary shares outstanding over the course of the period. Earnings per share fully diluted are calculated based on the result or the year divided by the average number of shares fully diluted. The effect of dilution is not counted in when the result is a decrease loss per share.



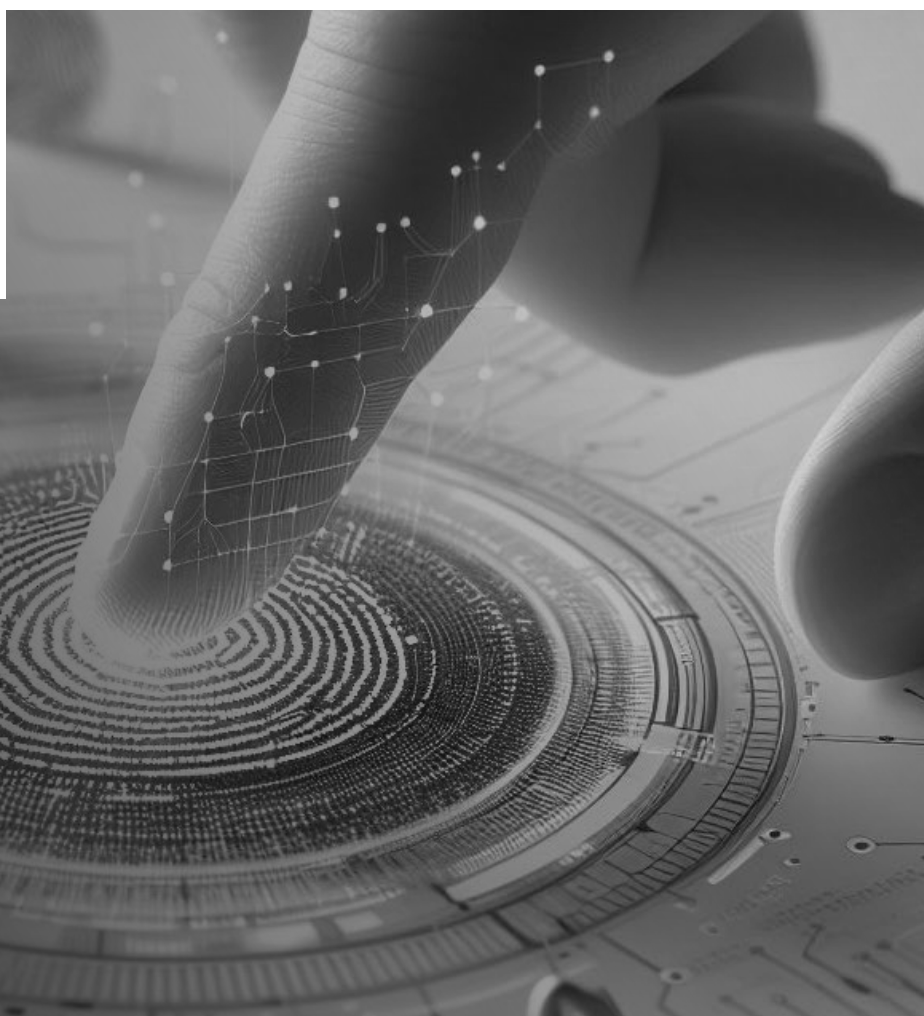
Note 10 – Intangible assets

Intangible assets mainly consist of the patent and know-how (IP) described as the NEXT Active Thermal® Sensing principle, internally generated ASIC designs and source code license.

(amounts in NOK 1,000)	2023	2022
Accumulated cost as of 1 January	29,779	27,471
Additions	-	-
Disposals at cost	-	-
Translation differences	715	2,308
Accumulated cost as of 31 December	30,494	29,779
Accumulated amortization and impairment losses as of 1 January	-27,200	-23,545
Amortization	-1,100	-1,393
Accumulated amortization and impairment losses of disposed items	-	-
Translation differences	-662	-2,262
Accumulated amortization and impairment losses as of 31 December	(28,963)	(27,200)
Carrying amount as of 31 December	1,530	2,579
Amortization period in years (straight line)	3-12	3-12

As of 31 December 2023, in carrying amount, there is no internally generated assets, the net book value of intangible assets of NOK 1.5 million (2022: NOK 2.6 million) are separately acquired assets. There are no impairments related to intangible assets in 2023 and 2022.

The patent and know-how (IP) is amortized over 12 years (equal to the patent life from initial recognition).



Note 11 – Property, plant and equipment

	2023			2022		
(amounts in NOK 1,000)	PPE	RoU-assets	Total	PPE	RoU-assets	Total
Accumulated cost as of 1 January	36,097	5,421	41,519	41,595	4,852	46,447
Additions	13	1,066	1,079	68	1,020	1,089
Disposals at cost	-1,448	-1,270	-2,719	-6,924	-817	-7,741
Translation differences	1,103	100	1,204	1,357	366	1,724
Accumulated cost as of 31 December	35,766	5,317	41,083	36,097	5,421	41,519
Accumulated depreciation and impairment losses as of 1 January	-26,629	-2,542	-29,171	-28,581	-1,361	-29,942
Depreciation	-3,896	-2,076	-5,973	-3,946	-1,887	-5,833
Impairment losses	-1,139	-	-1,139	-	-	-
Accumulated depreciation and impairment losses of disposed items	1,448	1,186	2,634	6,875	817	7,692
Translation differences	-654	-40	-694	-977	-111	-1,088
Accumulated depreciation and impairment losses as of 31 December	(30,871)	(3,472)	(34,343)	(26,629)	(2,542)	(29,171)
Carrying amount as of 31 December	4,895	1,845	6,738	9,468	2,879	12,347
Depreciation period in years (straight line)	3-10	2-4		3-10	2-4	

In 2023, the group booked an impairment of NOK 1.1 million relating to a machine that was not in use and also not expected to be used in the future.

As of 31 December 2023, carrying amount of property, plant and equipment consists of machinery of NOK 4.8 million (2022: NOK 9.3 million) and office equipment of NOK 0.1 million (2022: NOK 0.2 million).

Additions in 2023 for right-of-use assets (RoU-assets) were mainly related to new office leases in Taiwan and China. See also [note 17](#) for further information regarding leases.

Right-of-use assets (RoU-assets) represent office leases.

Note 12 – Inventories

(amounts in NOK 1,000)	2023	2022
Raw material, consumables and supplies	17,143	12,732
Work in progress	2,367	3,139
Finished products	3,615	7,065
Total inventories	23,126	22,935

Cost of goods sold is defined as cost of materials and production service expenses.

Cost of goods sold includes net write-downs of inventories. In 2023, write-downs on inventories was NOK 4.04 million while the write-down of inventories was NOK -0.05 million in 2022 (net gain).

Note 13 – Accounts receivables

(amounts in NOK 1,000)	2023	2022
Accounts receivables - gross	15,269	9,115
Accounts receivables - loss allowance	-2,966	-2,853
Total accounts receivables as of 31 December	12,303	6,261

2023 (amounts in NOK 1,000)	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected loss rate	0%	1%	2%	5%	
Gross carrying amount (Class 1 and 2)	11,531	-	-	727	
Loss allowance (Class 1 and 2)	-	-	-	36	36
Gross carrying amount (Class 3)				3,011	
Loss allowance (Class 3: individual assessment)				2,930	2,930
Total loss allowance					2,966

2022 (amounts in NOK 1,000)	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected loss rate	0%	1%	2%	5%	
Gross carrying amount (Class 1 and 2)	3,754	1	80	276	
Loss allowance (Class 1 and 2)	-	0	2	14	15
Gross carrying amount (Class 3)			2,165	2,839	
Loss allowance (Class 3: individual assessment)				2,839	2,839
Total loss allowance					2,853

(amounts in NOK 1,000)	2023	2022
Opening balance	2,853	2,291
This year's allowance for expected credit loss	36	15
This year actual credit loss	-439	-4
Change in estimate previous year's expected credit loss	515	551
Closing balance	2,966	2,853

NEXT's major customers are represented in class one while other customers are defined as class two. Further, class three customers are defined as customers that have significant overdue balances and/or where there is an increased risk of non-payment relative to class one and two.

Impairment of financial assets

The slight increase in allowance for expected credit loss as per 31 December is due to strengthening of the USD/NOK exchange rate from 2022 to 2023 partly offset by reversal of earlier year credit provisions on long dated receivables.

Financial assets (including accounts receivables)

Initial recognition and measurement

Financial assets are initially recognized when the Group becomes a party to the contractual provisions of the instrument. Trade receivables are initially recognized when they are originated. A financial asset is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

The Group makes an assessment of the objective of the business model in which a financial asset is held. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial asset or both. In assessing whether the contractual cash flows are solely payments of principal and interest (SPPI test), the Group considers the contractual terms of the instrument. The Groups financial assets at amortized cost includes trade receivables. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

Financial asset impairment

The Group recognizes loss allowances for ECLs on financial assets measured at amortized cost. For trade receivables that do not contain a significant financing component, the simplified approach is applied, and the Group recognize lifetime expected credit loss (ECL). The Group applies the provision matrix as a practical expedient to calculate ECL. The provision matrix is based on historical losses and forward-looking information and is updated at each reporting date. In addition, the trade receivables are grouped in customer segments that have a similar loss pattern. For trade receivables which are individually assessed the ECL is calculated as the exposure at default multiplied with the probability of default multiplied with the exposure at default. The Group consider the rebuttable presumption that default does not occur later than 90 days past due as its policy.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

ECLs are discounted at the effective interest rate of the financial asset. For trade receivables without significant financing component, the time value of money will not need to be considered as it is insignificant and the ECL will therefore not be discounted. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Financial asset write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.



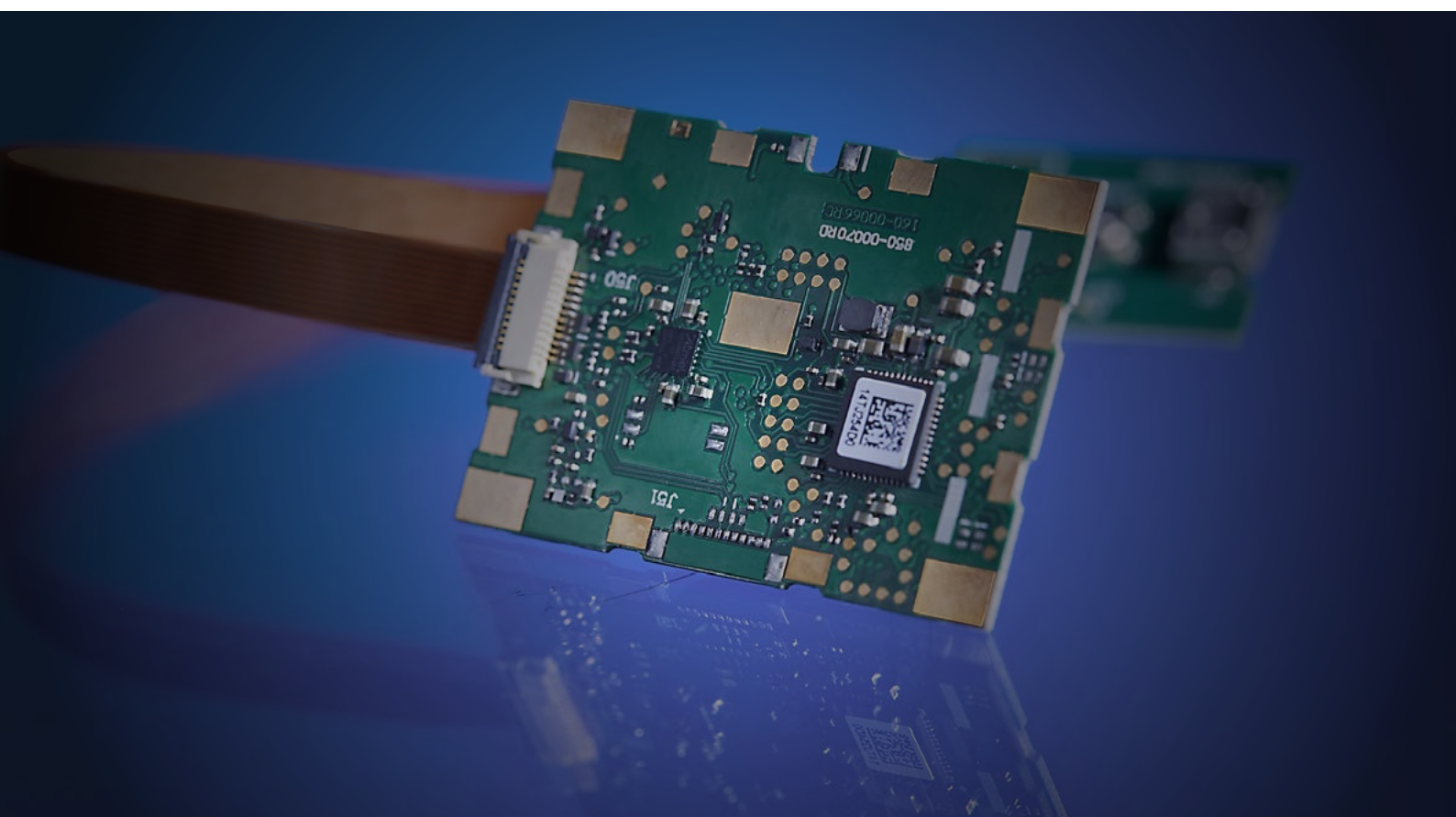
Note 14 – Other current assets

(amounts in NOK 1,000)	2023	2022
Prepayments	2,564	2,060
Government grants (see note 6)	1,527	1,541
Deposits	320	923
Income taxes and other taxes receivables	359	325
Other receivables	2,680	3,538
Total other current assets as of 31 December	7,451	8,387

Note 15 – Cash

Cash include cash in hand, deposits held at call with banks and bank deposits related to employee withholding tax (restricted funds).

(amounts in NOK 1,000)	2023	2022
Cash - unrestricted	67,332	68,682
Cash - employee withholding tax deposits	422	621
Total cash	67,753	69,302



Note 16 – Other current liabilities

(amounts in NOK 1,000)	2023	2022
Accrued salary, vacation pay and board remuneration	1,863	1,797
Public duties payable	1,504	3,430
Share options social security tax	6,225	1,614
Other current liabilities	7,001	8,064
Total other current liabilities	16,594	14,904

Other current liabilities of NOK 7 million mainly relates to uninvoiced goods and services that has been received by the group.

In 2020, NEXT provided biometric products to a former client. The client failed to meet the agreed-upon payments, leading NEXT to decide to pursue these payments through the courts, citing a breach of contract. The arbitration court proceedings are ongoing. The book value of the NEXT receivable relating to this claim is zero as per 31 December 2023. Subsequent to the year-end, the former client countersued NEXT for breach of contract and is seeking damages from NEXT. NEXT's management, in consultation with its legal advisors, considers this countersuit to be without merit and with an extremely low likelihood of succeeding. As such, in accordance with IAS 37, no provision has been recognized for this potential liability in the financial statements as of 31 December 2023.

For financial liabilities at amortised cost, the carrying amount is assessed to be a reasonable approximation of fair value. All items above are at amortised cost or nominal value.

Provisions

Provisions are recognized when, and only when, the Group has a valid liability (legal or constructive) as a result of events that have taken place and it is more probable than not that a financial settlement will take place as a result of the event(s), and the size of the amount can be measured reliably. Provisions are reviewed on each balance sheet date and their level reflects the best estimate of the liability. When the effect of time is insignificant, the provisions will be equal to the size of the expense necessary to be free of the liability. When the effect of time is significant, the provisions will amount to the present value of future payments to cover the liability. Any increase in the provisions due to time is recorded as other financial expenses.

Contingent liabilities and assets

Contingent liabilities are possible obligations resulting from past events which existence depends on future events; obligations that are not recognized because it is not probable that they will lead to an outflow of resources; and obligations that cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the annual financial statements but will be disclosed in the notes if applicable. A contingent asset is not recognized in the annual financial statements but is disclosed in the notes if there is a degree of probability that a benefit will accrue to the Group.



Note 17 – Leases

The table below shows the amounts related to leases recognized in the statement of financial position:

(amounts in NOK 1,000)	2023	2022
Property - office leases (included in "Property, plant and equipment")	1,845	2,879
Total right-of-use assets	1,845	2,879
Non-current lease liabilities	194	1,218
Current lease liabilities	1,745	1,748
Total lease liabilities	1,940	2,966

See note 11 for more information regarding right-of-use assets.

As per 31 December 2023, the Group has office lease agreements in Norway, China, USA and Taiwan. The individual lease terms for the Group's office leases are generally 2-3 years including extension periods at inception of the lease period. The Group

has multiple office leases that have a short remaining lease period as per 31 December 2023, which are due for contract renewal during 2024.

The table below shows the amounts related to leases recognized in the statement of comprehensive income:

(amounts in NOK 1,000)	2023	2022
Depreciation property right-of-use assets (included in "Depreciation and amortization")	-2,076	-1,887
Interest income (included in "Financial income")	-	19
Interest expenses (included in "Financial expenses")	-146	-111
Net expenses related to leases	-2,223	-1,979

The table below shows a reconciliation of the opening and closing balance for lease liabilities arising from financing activities:

(amounts in NOK 1,000)	2023	2022
Opening balance	2,966	4,496
Changes from financing cash flows	-2,078	-2,738
Changes in lease liabilities due to new/amended lease agreements or CPI adjustments	986	992
Other changes	-46	-88
Translation differences	113	304
Closing balance as of 31 December	1,940	2,966

The total cash outflow for leases in 2023 was NOK 2.1 million (2022: NOK 2.7 million).

The table below shows the maturity profile for the lease liabilities based on contractual undiscounted payments:

(amounts in NOK 1,000)	2023	2022
Within one year	1,745	2,140
More than 1 year but within 5 years	194	1,033
After 5 years	-	-
Total contractual cash flows related to leases	1,940	3,173

Leasing agreements

Currently, the Group's only leases are office leases. The initial fixed lease period for the office leases are generally 1-4 years at inception of the individual leases. Currently, no office lease extension options have been recognized. The Group recognizes the office lease liability and a corresponding office right-of-use asset at the commencement date of the lease. Lease liabilities are measured at the present value of the remaining lease payments not paid at the commencement date. The lease payments are discounted using the lessee's interest rate implicit in the lease, or incremental borrowing rate when the interest rate implicit in the lease cannot be readily determined. Lease payments consists of the following elements: fixed payments, variable lease payment that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease if the lease term reflects the lessee exercising that option. A corresponding asset representing the right to use the underlying asset during the lease term (right-of-use asset) is recognized, adjusted for prepayments done before commencement date, and initial direct costs and restoration costs if any. The right-of-use-asset is depreciated over the lease term and the depreciation expense is recognized as an operating expense. Interest expense on the lease liability is recognized as a financial expense.

Lease contracts entered with a duration of less than 12 months and leases with a low value will not be recognized in the statement of financial position but recognized as an operating expense over the lease period. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.



Note 18 – Share capital, shareholder's information and share-based options

There is one class of shares. All shares have equal rights and are freely negotiable. The share capital is fully paid in. The par value of the shares is NOK 1 per share.

There were 104,024,929 shares in the company on 31 December 2023, compared to 91,980,763 shares on 31 December 2022. At the end of 2023 there were 4,079 shareholder accounts compared to 4,392 at the end of 2022.

Number of shares outstanding	2023	2022
Opening balance	91,980,763	91,680,763
Share issue(s)	12,000,000	-
Exercised incentive share options	44,166	300,000
Closing balance	104,024,929	91,980,763

In September 2023, NEXT successfully completed a private placement issuing 12,000,000 new shares at a subscription price of NOK 5.0 per share, corresponding to gross proceeds of NOK 60.0 million. Direct expenses and underwriting commission in relation to the private placement was NOK 3.1 million and net proceeds were NOK 56.9 million. Moreover, in May and September 2023, 44,166 share options were exercised at an average subscription price of NOK 3.4 per share with total gross proceeds of NOK 0.15 million. Total net proceeds for the year 2023 amounted to NOK 57.0 million.

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. Total net proceeds from share issues for the year 2022 amounted to NOK 0.7 million.

There are no authorizations to the board to purchase own shares.

Capital resources

NEXT manages its liquidity passively, which means that funds are placed in floating-interest bank accounts. The majority of cash is held in Norwegian kroner at parent company level and is distributed when appropriate to the affiliates. This is both to have control of the overall liquidity situation and to manage expense levels in the affiliates.

NEXT has no interest bearing debt by the end of 2023.

NEXT targets to have an equity ratio above 80%, measured as total equity divided by total assets.

Equity ratio	2023	2022
Total equity	94,351	96,000
Total assets	118,900	121,850
Equity share	79%	79%

Capital resources	2023	2022
Current debt	24,355	24,571
Non-current debt	194	1,279
Less cash	-67,753	-69,302
Net debt (net cash)	-43,204	-43,452
Total equity	94,351	96,000
Total capital resources	51,147	52,548
Gearing ratio (%)	-84%	-83%

The largest shareholders at year end and shares owned by executive and Directors of the Board:

Top 20 shareholders at 31 December 2023	Number of shares	Percent of shares
Skandinaviska Enskilda Banken AB	7,413,614	7.1 %
TVENGE TORSTEIN INGVALD	6,400,000	6.2 %
SILVERCOIN INDUSTRIES AS	5,805,008	5.6 %
NORUS AS	5,739,522	5.5 %
SONGA CAPITAL AS	3,905,486	3.8 %
J.P. Morgan SE	3,866,900	3.7 %
UBS Switzerland AG	3,341,650	3.2 %
NORUS HOLDING DATTER AS	3,207,249	3.1 %
CAMACA AS	3,100,000	3.0 %
EDGEWATER AS	2,960,065	2.8 %
CAMIKO AS	2,475,000	2.4 %
LUCELLUM AS	2,350,000	2.3 %
DNB Markets Aksjehandel/-analyse	1,913,458	1.8 %
CONVEXA AS	1,747,000	1.7 %
VALSET INVEST AS	1,700,000	1.6 %
AS AUDLEY	1,682,027	1.6 %
SIX-SEVEN AS	1,587,451	1.5 %
ECOMNEX HOLDING AS	1,519,484	1.5 %
AVEO INVEST AS	1,420,000	1.4 %
HANOMA HOLDING AS	1,300,000	1.2 %
TOTAL top 20	63,433,914	61.0 %
Others	40,591,015	39.0 %
Total number of shares	104,024,929	100.0 %

Shares owned by Executives and Directors of the Board	Number of shares	Percent of shares	Held through
Senior Executives			
Ulf Ritsvall, CEO	17,000	0.02%	
Eirik Underthun, CFO	0	0.00%	
Marcus Lauren, CPO	20,000	0.02%	
Digvijay Singh Kanwar, SVP Head of Sales IUEA	0	0.00%	
Joshua Chui, SVP Head of Sales South-East Asia	0	0.00%	
Peter Heuman, former CEO	0	0.00%	
Board of Directors			
Petter Fjeldstad, Chairman	1,032,779	0.99%	Fjellstad Holding AS
Odd-Harald Hauge	548,907	0.53%	Odd-Harald Hauge
Siri Børsum	0	0.00%	
Emine Lundkvist	79,738	0.08%	
Nomination Committee			
Jon Frode Vaksvik	35,000	0.03%	Jon Frode Vaksvik & Skavak Invest AS
Haakon Sæter ¹	7,631,926	7.34%	Silvercoin Industries AS, Fredrikstad Spillerinvest AS, Six-Seven AS & Haakon Sæter
Hans Herman Horn	10,080,708	9.69%	NORUS AS, Norus Holding Datter AS, Edgewater AS & Hans Herman Horn
	19,446,058	18.69%	

¹ In addition to the shares held directly through Silvercoin Industries AS and Six-Seven AS, Silvercoin Industries AS held futures contracts on 2,000,000 NEXT shares as per 31 December 2023.



As of 31 December 2023, the Company has one share option program:

i) Long-term share options program

NEXT has allotted long-term share options to employees. The options in the 2016, 2020 and 2021 program are fully vested as per 31. December 2023. The options in the 2021 program did vest 1/3 in quarter three 2021, 1/3 in quarter three 2022 and 1/3 in quarter three 2023. The options allocated to employees in the 2022 program vest 1/3 in quarter three 2022, 1/3 in quarter three 2023 and 1/3 in quarter three 2024. The options allocated to the board member in the 2022 program vest 1/2 in quarter three 2022 and 1/2 in quarter three 2023. The options allocated to employees in the 2023 program vest 1/3 in quarter three 2024, 1/3 in quarter three 2025 and 1/3 in quarter one 2025. The options in the 2020 and 2021 program were extended during 2023 and these options expire in 2026. The options in the 2022 program expire 3 years after the options have been granted (2025) while the options in the 2023 program expire in 2028 (5 years after the options have been granted).

There are currently an accumulated 14,048,519 (13.5% of total number of shares in the Company) share options outstanding. Out of these, 10,710,182 share options have vested.

Each option gives the holder the right to acquire one share from the Company at a strike price defined in the individual share option agreement.

The option agreements include a clause on accelerated vesting in case of a majority of shares in the Company are (i) sold to an acquirer, (ii) the Company is merged with another company, (iii) a demerger occurs, and (iv) if the company's shares are delisted.

At the Annual General Meeting (AGM) 12 May 2023 the Board of Directors was granted authorization to issue up to 10,900,558 shares in the company in relation to options granted to employees and board members.

2023			2022	
Options - movement	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding options - Beginning period	11,932,228	4.86	9,828,646	4.84
Granted	2,500,000	5.99	2,681,000	4.83
Exercised	(44,166)	3.39	-300,000	2.49
Forfeited or expired	(339,543)	15.45	-277,418	-
Outstanding options - End period	14,048,519	4.86	11,932,228	4.86
Vested options - End period	10,710,182	4.66	8,755,897	4.66

2023			2022	
	Number of options	Weighted average fair value	Number of options	Weighted average fair value
Granted options - During period	2,500,000	1.93	2,681,000	1.32

2023	Net expense in the period (NOK 1,000)	Of which adjustment prior periods expense because of change in estimated number of options that will vest (NOK 1,000)	Remaining expense future periods (NOK 1,000)	Number of options expected to vest (number of options)
2016-2019 grants	-	-	-	567,355
2020 grants	199	199	-	4,558,500
2021 grants	3,096	2,007	-	3,874,330
2022 grants	1,443	-	795	2,548,334
2023 grants	1,157	-	3,680	2,500,000
Total	5,896	2,206	4,475	14,048,519

2023	Range of exercise price	Weighted average remaining contractual life (years)	Number of options expected to vest (number of options)	Total number of options outstanding (number of options)
2016-2019 grants	3,13-77,35	1.51	567,335	567,355
2020 grants	2,49-3,21	2.47	4,558,500	4,558,500
2021 grants	4,32-7,45	2.47	3,874,330	3,874,330
2022 grants	4,48-4,89	1.42	2,422,583	2,548,334
2023 grants	5,94-6,46	4.46	2,213,984	2,500,000
Total	-	-	13,636,732	14,048,519

The fair value for the share-based options granted in the year has been calculated by use of the Black-Scholes and the following assumptions have been applied in 2023 and 2022:

Exercise price:

2023: Weighted average NOK 5.99 per share

2022: Weighted average NOK 4.83 per share

Vesting period:

2023 employee options: 1/3 have 1 years, 1/3 have 2 years and 1/3 have 2.5 years

2022 employee options: 1/3 have 1 years, 1/3 have 2 years and 1/3 have 3 years

2022 board of director options: 1/2 have 1 years, 1/2 have 2 years

Volatility:

2023: 41%-68% depending on time to maturity of individual options.

2022: 45%-93% depending on time to maturity of individual options.

Risk free interest rate:

2023: 3.68%-4.21% depending on time to maturity of individual options.

2022: 1.24%-2.92% depending on time to maturity of individual options.

Attrition:

2023: Estimated 8% employee attrition for individual non-vested share-based options.

2022: Estimated 10%-15% attrition depending on time to maturity of individual non-vested share-based options.

No expected dividend payment

Note 19 – Remuneration key personnel and audit fees

Actual remuneration - senior executives

2023 (amounts in NOK 1,000)	Board remuneration	Salary	Bonus	Other benefits	Pension cost	Fair value granted options *	Total remuneration
Senior Executives							
Ulf Ritsvall, CEO ¹	-	2,130	100	19	-	1,650	3,900
Eirik Underthun, CFO	-	1,878	100	4	172	862	3,016
Marcus Lauren, CPO ²	-	418	-	-	-	11	429
Digvijay Singh Kanwar, SVP Head of Sales IUEA ³	-	684	82	-	-	127	893
Joshua Chui, SVP Head of Sales South-East Asia ³	-	313	-	-	-	11	325
Peter Heuman, former CEO ⁴	-	3,186	-	3	131	1,783	5,103
Board of Directors							
Petter Fjeldstad, Chairman	500	-	-	-	-	-	500
Odd Harald Hauge	200	-	-	-	-	-	200
Emine Lundkvist	200	-	-	-	-	-	200
Siri Børsum	200	-	-	-	-	73	273
Nomination committee							
Jon Frode Vaksvik, Chairman	30	-	-	-	-	-	30
Haakon Sæter	20	-	-	-	-	-	20
Hans-Herman Horn	20	-	-	-	-	-	20
Total remuneration	1,170	8,610	282	27	303	4,518	14,909

* Fair value of granted options is equal to expensed share option remuneration for the year, which is based on fair value at grant date and vesting period (see [note 2](#) for further information).

Board remuneration reported above is based on paid-out amounts.

¹ Ulf Ritsvall was promoted to NEXT Biometrics Group CEO effective from 1 October 2023. Ulf Ritsvall previously was NEXT SVP Sales and Marketing.

² Marcus Lauren was hired as Chief Product Officer effective from 1 November 2023.

³ Joshua Chui was hired as VP Head of Sales South-East Asia effective from 1 November 2023. Digvijay Singh Kanwar was promoted to SVP Head of Sales IUEA effective from 1 November 2023.

⁴ Peter Heuman was NEXT Biometrics Group CEO until 30 September 2023. From 1 October 2023 Peter Heuman was advisor to the CEO and board of directors.

Actual remuneration - senior executives

2022 (amounts in NOK 1,000)	Board remuneration	Salary	Bonus	Other benefits	Pension cost	Fair value granted options*	Total remuneration
Senior Executives							
Peter Heuman, CEO	-	3,493	800	4	162	1,509	5,968
Eirik Underthun, CFO	-	1,805	-	4	162	704	2,675
Ulf Ritsvall, SVP Sales and marketing	-	1,706	-	2	-	1,402	3,110
Board of Directors							
Petter Fjeldstad, Chairman	500	-	-	-	-	-	500
Odd Harald Hauge	200	-	-	-	-	-	200
Emine Lundkvist	200	-	-	-	-	-	200
Siri Børsum	-	-	-	-	-	96	96
Live Haukvik	200	-	-	-	-	-	200
Nomination committee							
Jon Frode Vaksvik, Chairman	30	-	-	-	-	-	30
Haakon Sæter	20	-	-	-	-	-	20
Hans-Herman Horn	20	-	-	-	-	-	20
Total remuneration	1,170	7,004	800	10	324	3,712	13,020

CEO remuneration

Ulf Ritsvall has a salary of NOK 2.5 million per year. In addition, he is part of the Company's option plan and the bonus program, which provides annual bonuses based upon the achievement of performance objectives established by the company. Further, the CEO is entitled to a pension benefit of 15% of annual base salary. Ulf Ritsvall was awarded a bonus in 2023 and the company also paid pension benefits as salary for the amount in excess of the company's standard pension contribution for 2023 and 2022, which is reported under salary in the tables above.

Peter Heuman was NEXT Biometrics Group CEO until 30 September 2023. From 1 October 2023 Peter Heuman has been engaged as an advisor to the CEO and board of directors. When engaged as CEO during 2023, Peter Heuman had a base salary of NOK 3.0 million per year. In addition, he is part of the Company's option plan and the bonus program, which provides annual bonuses based upon the achievement of performance objectives established by the company. Further, the CEO is entitled to a pension benefit of 15% of annual base salary. Peter Heuman was awarded a bonus in 2022 and the company also paid pension benefits as salary for the amount in excess of the company's standard pension contribution for 2023 and 2022, which is reported under salary in the tables above.

Severance

Ulf Ritsvall has a severance agreement whereby he will receive 100% pay for 6 months for termination by the Company without cause.

Loans and guarantees for senior executives

The Company has not made any advance payments or issued loans to, or guarantees in favor of, any senior executives or members of the board as per 31 December 2023.

Share based remuneration

Share-based payments are equity-settled share options granted to employees, contractors and members of the board of directors. The options are charged against the income statements at their fair value over the vesting period, with a corresponding increase in equity. The fair value of share-based options is determined using the Black-Scholes option-pricing model. The social security contribution payable in connection with the exercise of the share options is accrued on a straight-line basis as current liabilities, based on the intrinsic value of the share options at the end of each accounting period with consequent charges to the

payroll expenses. Share-based remuneration and option social security costs related to employees and members of the board are charged as payroll expenses, while costs related to contractors are charged as other operating expenses.

Salary, pension and any bonuses will attract employer's tax, which will be expensed simultaneously with the remuneration. The notional cost of options as share-based remuneration is expensed, but the equity effect is nil because the contra item is a notional equity injection of equal amount. In addition, employer's tax is accrued on the intrinsic value of the option on the balance sheet date.

For the shareholders, a possible exercise of share options will represent a dilution. At the end of 2023, the number of outstanding options to senior executives amounted to 11,505,000 corresponding to 11.0% of the share capital. At the end of 2022, the number of outstanding options to senior executives amounted to 9,780,000 corresponding to 10.6% of the share capital.

For further details regarding share-based remuneration, see [note 18](#).

Options - Share based remuneration

2023	Accumulated quantity options OB	Granted options	Expired/ adjusted options	Exercised options	Average exercise price - A	Accumulated quantity options CB	Average exercise price - B
Senior Executives							
Ulf Ritsvall, CEO	1,900,000	825,000	-	-	-	2,725,000	5.53
Eirik Underthun, CFO	1,500,000	250,000	-	-	-	1,750,000	4.86
Marcus Lauren, CPO	-	75,000	-	-	-	75,000	6.46
Digvijay Singh Kanwar, SVP Head of Sales IUEA	100,000	100,000	-	-	-	200,000	5.21
Joshua Chui, SVP Head of Sales South-East Asia	-	75,000	-	-	-	75,000	6.46
Peter Heuman, former CEO	4,720,000	300,000	-	-	-	5,020,000	4.11
Board of Directors							
Petter Fjeldstad, Chairman	1,030,000	-	-	-	-	1,030,000	2.66
Odd Harald Hauge	200,000	-	-	-	-	200,000	2.49
Emine Lundkvist	230,000	-	-	-	-	230,000	3.27
Siri Børsum	200,000	-	-	-	-	200,000	4.89
Total	9,880,000	1,625,000	-	-		11,505,000	

2022	Accumulated quantity options OB	Granted options	Expired/ adjusted options	Exercised options	Average exercise price - A	Accumulated quantity options CB	Average exercise price - B
Senior Executives							
Peter Heuman, CEO	4,720,000	-	-	-	-	4,720,000	3.99
Eirik Underthun, CFO	1,300,000	200,000	-	-	-	1,500,000	4.67
Ulf Ritsvall, SVP Sales and Marketing	400,000	1,500,000	-	-	-	1,900,000	5.34
Board of Directors							
Petter Fjeldstad, Chairman	1,030,000	-	-	-	-	1,030,000	2.66
Odd Harald Hauge	200,000	-	-	-	-	200,000	2.49
Emine Lundkvist	230,000	-	-	-	-	230,000	3.27
Siri Børsum	0	200,000	-	-	-	200,000	4.89
Live Haukvik	200,000	-	-	-200,000	2.49	-	
Total	8,080,000	1,900,000	-	-200,000		9,780,000	

A - Average exercise price for options exercised during the financial year (amounts in NOK)

B - Average exercise price for quantity of options by the end of the financial year (amounts in NOK)

Audit fees

(amounts in NOK 1,000)	2023	2022
Audit fee	532	829
Attestation	145	75
Tax services	-	74
Non-audit services	74	-
Total audit fees	751	979

Note 20 – Climate risk

The Group does not own or operate manufacturing facilities. Manufacturing is done through third parties. Climate impact and potential risk is low in the short to medium term. The Group is not directly impacted by physical climate risk such as potential flooding or general increase in the sea level. Moreover, the Group does not face any potential liabilities due to damage caused by climate change. Still, the Group is likely to be impacted by the regulatory and technological changes that are to be implemented (in the future) to reach a carbon neutral society, which may lead to long term increased electronic component purchase and manufacturing costs.

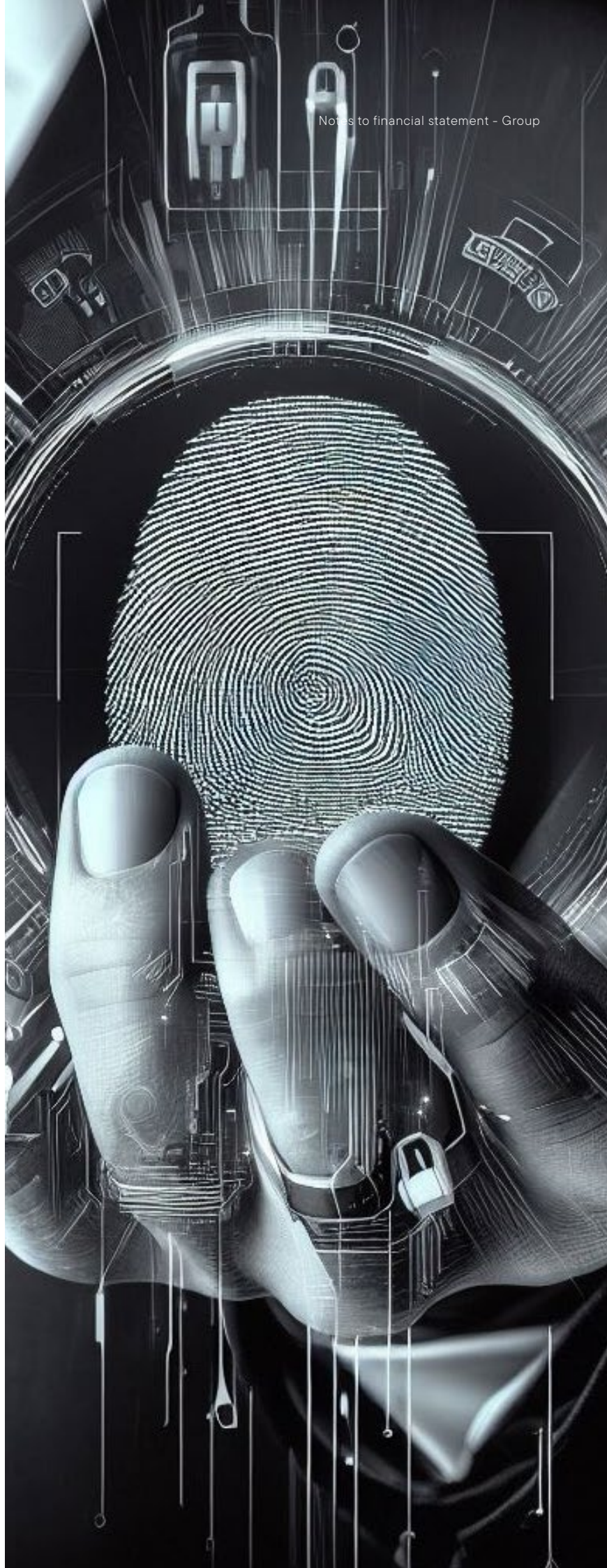
Note 21 – Related parties

The Group's significant shareholders, board members and management are considered related parties. Transactions between related parties are always aimed at being carried out at arm's length principle.

Board members have received remuneration according to the general meetings decisions. In addition, board members have been granted options. Salary and board remuneration to related parties have been disclosed in [note 19](#).

Note 22 – Events occurring after the balance sheet date

Between 31 December 2023 and the resolution of these financial statements, there has not been any event which have had any noticeable impact on the Group's or the parent company's result for 2023 or the value of the Group or the parent company's assets and liabilities as of 31 December 2023.



Financial Statements Parent company



Parent company Statement of comprehensive income		1 January - 31 December	
(amounts in NOK 1,000)	Notes	2023	2022
Operating revenues	<u>2</u>	8,921	9,324
Other revenues	<u>2</u>	-	179
Total revenues		8,921	9,503
Payroll expenses	<u>3</u>	-11,953	-12,551
Share based remuneration	<u>3,13</u>	-9,111	-1,197
Other operating expenses	<u>4</u>	-6,686	-6,656
Depreciation and amortization	<u>7,8</u>	-1,265	-1,170
Total operating expenses		-29,014	-21,574
Operating profit (loss)		-20,093	-12,070
Financial income	<u>5</u>	1,385	1,165
Financial expenses	<u>5</u>	-191	-11
Net currency gains (losses)	<u>5</u>	737	870
Net financial items		1,930	2,024
Profit (loss) before taxes		-18,163	-10,046
Income tax expenses	<u>6</u>	-	-
Profit (loss) after taxes		-18,163	-10,046
Other comprehensive income (loss)		-	-
Total comprehensive income (loss)		-18,163	-10,046

Parent company Statement of financial position		As of 31 December	
(amounts in NOK 1,000)	Notes	2023	2022
Intangible assets	<u>7</u>	1,500	2,250
Property, plant and equipment	<u>8,15</u>	447	935
Shares in subsidiaries	<u>9</u>	266,616	219,219
Loans to group companies	<u>10</u>	6,137	8,532
Total non-current assets		274,700	230,937
Other current assets	<u>11</u>	3,699	2,981
Cash	<u>12</u>	40,091	37,486
Total current assets		43,790	40,467
Total assets		318,490	271,403
Share capital	<u>13</u>	104,025	91,981
Share premium		135,496	108,687
Other reserves		28,336	22,440
Retained earnings		40,060	40,060
Total equity		307,918	263,169
Non-current lease liability	<u>15</u>	-	403
Total non-current liabilities		-	403
Accounts payables		697	528
Current lease liabilities	<u>15</u>	430	461
Other current liabilities	<u>14</u>	9,446	6,843
Total current liabilities		10,572	7,832
Total equity and liabilities		318,490	271,403

The board of directors
of NEXT Biometrics
Group ASA

Oslo, 23 april 2024

/Sign/

Petter Fjellstad
Chairman

/Sign/

Odd-Harald Hauge
Board member

/Sign/

Emine Lundkvist
Board member

/Sign/

Ulf Ritsvall
CEO

/Sign/

Siri Børsum
Board member

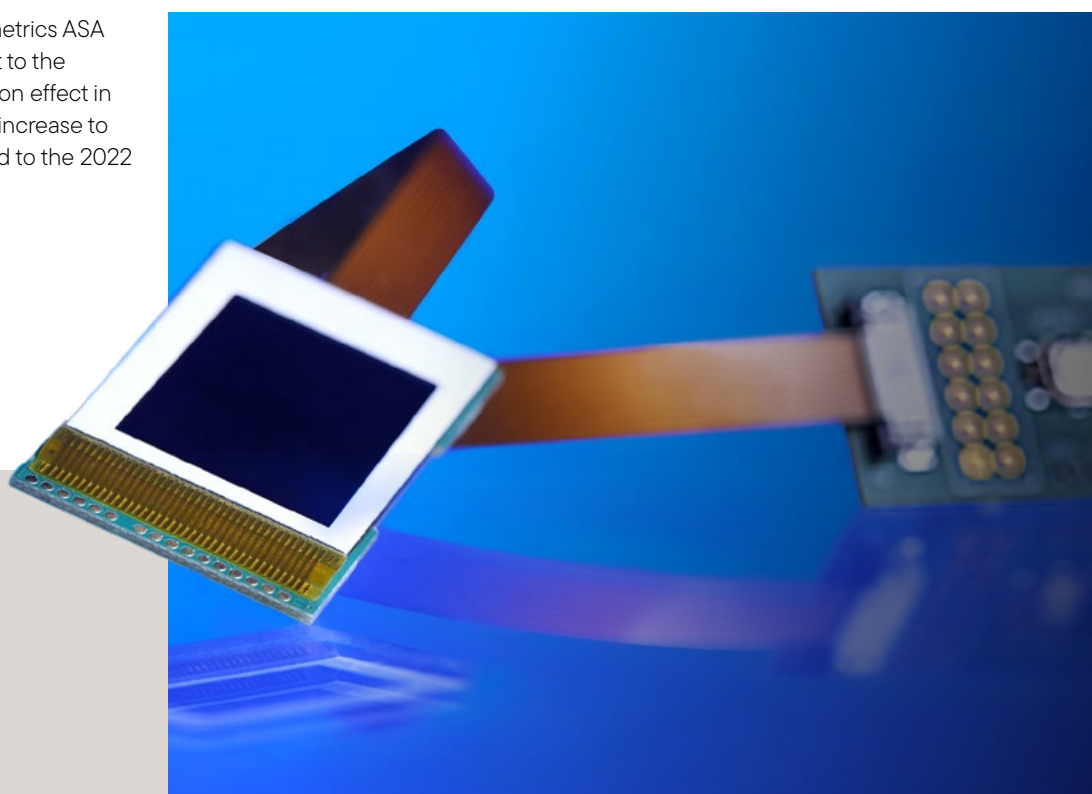
Parent company Statement of cash flow		1 January - 31 December	
(amounts in NOK 1,000)	Notes	2023	2022
Profit (loss) before taxes		-18,163	-10,046
Share based remuneration	<u>13</u>	4,500	3,860
Accrued share option social security cost	<u>13</u>	4,611	-2,663
Depreciation and amortization	<u>7,8</u>	1,265	1,170
Change in accounts receivables		-	307
Change in accounts payables		168	-14
Change in other working capital items and other		-3,784	-743
Interests received		733	571
Interests paid		-35	-38
Net cash flow from operating activities		-10,705	-7,596
Net financing of subsidiary	<u>9,10</u>	-46,000	-42,000
Repayments of intercompany loan		2,800	9,488
Proceeds from lease receivables	<u>15</u>	-	723
Net cash flow from investing activities		-43,200	-31,788
Proceeds from issue of shares	<u>13</u>	60,150	747
Payments of transaction costs equity transactions		-3,134	-9
Payment of lease liabilities	<u>15</u>	-506	-1,390
Net cash flow from financing activities		56,510	-652
Net change in cash flow		2,605	-40,037
Cash balance as of 1 January		37,486	77,523
Effects of exchange rate changes on cash		-10	652
Cash balance as of 31 December		40,091	37,486
Comprising of:			
Cash	<u>12</u>	40,091	37,486

Parent company | Statement of changes in equity

1 January - 31 December

(amounts in NOK 1,000)	Notes	Share capital	Share premium	Other reserves	Retained earnings	Total equity
As of 1 January 2023		91,981	108,687	22,440	40,060	263,169
Profit (loss) after taxes					-18,163	-18,163
Other comprehensive income (loss)					-	-
Total comprehensive income (loss)		-	-		-18,163	-18,163
Share issues	<u>13</u>	12,000	48,000			60,000
Share issues, options to employees	<u>13</u>	44	106			150
Share issue costs	<u>13</u>		-3,134			-3,134
Share-based remuneration	<u>13</u>			5,896		5,896
Transfer of loss to share premium			-18,163		18,163	
As of 31 December 2023		104,025	135,496	28,336	40,060	307,918
As of 1 January 2022		91,681	108,250	67,814	-	267,744
Profit (loss) after taxes					-10,046	-10,046
Other comprehensive income (loss)					-	-
Total comprehensive income (loss)		-	-	-	-10,046	-10,046
Share issues	<u>13</u>					0
Share issues, options to employees	<u>13</u>	300	438			738
Share issue costs	<u>13</u>					-
Share-based remuneration	<u>13</u>			4,733		4,733
Share-based remuneration, reclassification	<u>13</u>			-50,106	50,106	-
As of 31 December 2022		91,981	108,687	22,440	40,060	263,169

As an alignment of principles, Next Biometrics ASA has in 2023 made a material adjustment to the 2021 and 2022 share-based remuneration effect in equity statement, with a corresponding increase to investments in subsidiaries, as compared to the 2022 financial statements.



Notes to the financial statements – Parent

Note 1 – General information and summary of material accounting policies

NEXT Biometrics Group ASA is a holding company and contains the activities that are performed in Norway including Group Management.

These financial statements have been prepared in accordance with IFRS® Accounting Standards as adopted by the EU per 31 December 2023.

NEXT Biometrics Group ASA's accounting principles are consistent with the accounting principles for the Group, as described in [note 2](#) of the consolidated financial statements. Where the notes for the parent company are substantially different from the notes for the Group, these are shown below. Otherwise, refer to the notes to the consolidated financial statements.

Shares in subsidiaries are accounted for using the cost method. The investments in subsidiaries are

valued at cost unless impairment is required. When the parent has an obligation to settle share-based remuneration to employees in subsidiaries in its own equity instruments, this is accounted for as an increase in equity and a corresponding increase in shares in subsidiaries.

Shares in subsidiaries and loans provided to subsidiaries are evaluated at the lower of cost or fair value. Assessments of impairment on shares in subsidiaries are done by the end of each reporting period. At year-end 2023, the market value of NEXT Biometrics Group ASA at Oslo Stock Exchange was higher than the book value of the equity in the parent company. Hence, no indication of impairment.

Note 2 – Revenues

Operating revenues are management fee and royalty charged to the subsidiary NEXT Biometrics AS. Revenues from NEXT Biometrics AS totals to NOK 8.9 million in 2023 (2022: NOK 9.3 million).

Other revenues in 2022 amounting to NOK 0.2 million represent rental income and sale of office equipment relating to the company's prior office location in Oslo.



Note 3 – Payroll expenses

(amounts in NOK 1,000)	2023	2022
Salaries, fees	-9,513	-9,815
Share based remuneration (salary part)	-4,500	-3,860
Share based remuneration (employer's tax)	-4,611	2,663
Social security taxes	-1,780	-2,225
Pension contribution	-481	-440
Other personnel expenses	-178	-70
Total payroll expenses	-21,064	-13,748
Average numbers of employees	5	5

The parent company, NEXT Biometrics Group ASA, provides a contribution-based pension insurance scheme for all employees. The scheme satisfies the mandatory service pension ('OTP') in Norway. By the end of 2023, there were 4 employees in the parent company.

Note 4 – Other operating expenses

(amounts in NOK 1,000)	2023	2022
Fees to consultants, lawyers and others	-3,779	-4,142
Travel expenses	-598	-297
Other expenses	-2,309	-2,217
Total other operating expenses	-6,686	-6,656

Other expenses include insurance, marketing expenses, Oslo stock exchange fees, DNB stock register fee and other costs.

Fees to consultants, lawyers and others includes remuneration to auditor, see specification in table below:

(amounts in NOK 1,000)	2023	2022
Audit fee	-286	-479
Attestation	-145	-75
Tax services	-	-74
Non-audit services	-38	-
Total audit fees	-468	-629

Note 5 – Financial items

(amounts in NOK 1,000)	2023	2022
Interest income from group companies (see note 10)	410	574
Interest income on sub-leases (see note 15)	-	19
Interest income	974	572
Total financial income	1,385	1,165
Interest expenses	-156	-6
Interest expenses right-to-use assets (see note 15)	-35	38
Other financial expenses (leases)	-	-44
Total financial expenses	-191	-11
Realized currency gains (losses)	320	646
Change in unrealized currency gains (losses)	416	225
Net currency gains (losses)	737	870
Net financial items	1,930	2,024

Note 6 – Income taxes

(amounts in NOK 1,000)	2023	2022
Current taxes	-	-
Change in deferred taxes	-	-
Total income tax expenses	-	-
Income tax expense reconciliation:		
Profit (loss) before taxes	-18,163	-10,046
Expected income tax expenses at Norwegian nominal tax rate (22%)	-3,996	-2,210
Tax effect of permanent differences	309	850
Change in deferred tax assets not recognized	3,686	1,360
Actual income tax expenses	-	-
Effective tax rate	0%	0%

Deferred tax related to the following temporary differences:

(amounts in NOK 1,000)	2023	2022
Property, plant and equipment	447	935
Long term loans	-	-
Lease receivables	-	-
Lease liabilities	-	-
Other temporary differences	-6,623	-2,801
Tax losses carried forward	-228,957	-216,511
Total temporary differences and tax losses carried forward	-235,133	-218,377
Deferred tax assets	-51,729	-48,043
Deferred tax assets not recognized	51,729	48,043
Deferred tax assets in the balance sheet	-	-

Tax losses carried forward has no limitations in expiry date.

Due to a history of losses, deferred tax assets are not recognized.

The following table illustrates the deferred tax balance recognized in the statement of financial position:

(amounts in NOK 1,000)	2023	2022
Deferred tax assets	-	-
Deferred tax liabilities	-	-
Net deferred taxes as of 31 December	-	-

The following table illustrates the basis for calculation of current tax:

(amounts in NOK 1,000)	2023	2022
Profit (loss) before taxes	-18,163	-10,046
Permanent differences	1,406	3,864
Change in temporary differences	4,310	-3,343
Basis for current taxes	-12,446	-9,525

Note 7 – Intangible assets

Intangible assets consist mainly of acquisition of right to use the patent and know-how (IP) described as the NEXT Active Thermal® Sensing principle.

(amounts in NOK 1,000)	2023	2022
Accumulated cost as of 1 January	7,458	7,458
Additions	-	-
Disposals at cost	-	-
Translation differences	-	-
Accumulated cost as of 31 December	7,458	7,458
Accumulated amortization and impairment losses as of 1 January	-5,209	-4,459
Amortization	-750	-750
Accumulated amortization and impairment losses of disposed items	-	-
Translation differences	-	-
Accumulated amortization and impairment losses as of 31 December	-5,959	-5,209
Carrying amount as of 31 December	1,500	2,250
Amortization period in years (straight line)	12	12

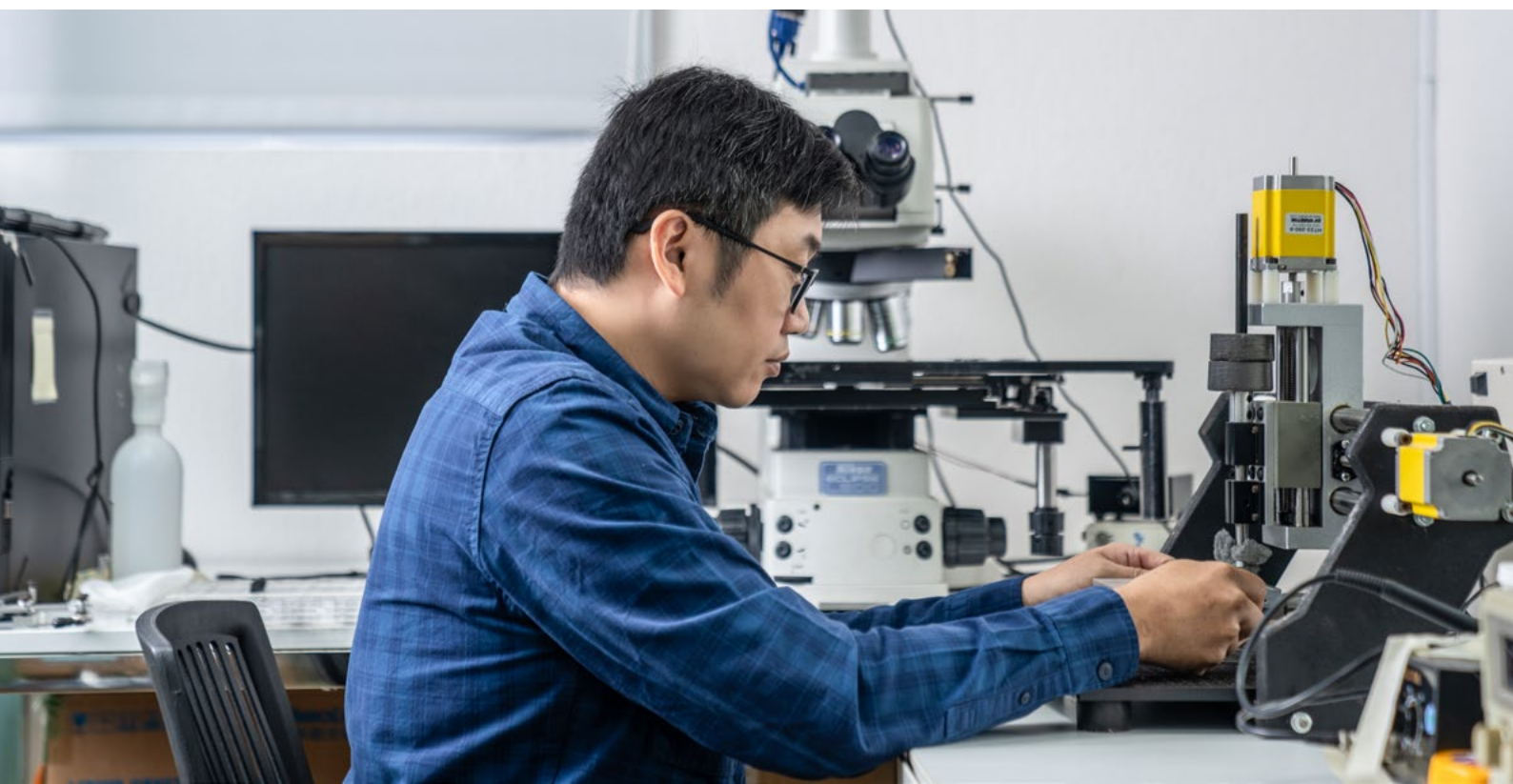
The individual intangible asset is not considered as separate cash generating units. Rather, that assets are evaluated for impairment in combination with other assets. Therefore, impairment tests have been performed as part of an overall impairment assessment. Consequently, it was concluded that there was no need for impairment of intangible assets. See [note 9](#) for further information.



Note 8 – Property, plant and equipment

	2023		2022		
(amounts in NOK 1,000)	RoU-assets	Total	Office furniture and equipment	RoU-assets	Total
Accumulated cost as of 1 January	1,021	1,021	532	817	1,349
Additions	27	27	-	1,020	1,020
Disposals at cost		-	-532	-817	-1,349
Accumulated cost as of 31 December	1,048	1,048	-	1,021	1,021
Accumulated depreciation and impairment losses as of 1 January	-85	-85	-532	-485	-1,017
Depreciation	-515	-515	-	-417	-417
Impairment losses		-	-		-
Accumulated depreciation and impairment losses of disposed items	-	-	532	817	1,349
Accumulated depreciation and impairment losses as of 31 December	-600	-600	-	-85	-85
Carrying amount as of 31 December	447	447	-	935	935
Depreciation period in years (straight line)	2-4		3	2-4	

Right-of-use assets (RoU-assets) represent office leases. Additions in 2023 were related to KPI adjustments of the existing lease contract in Oslo. In 2022, the company extended the Oslo office lease by 2 years. Additions in 2022 for right-of-use assets (RoU-assets) were related to the extension of the office lease in Oslo. See also [note 15](#) for further information regarding leases.



Note 9 – Shares in subsidiaries and group companies

The table below shows the subsidiaries in the Group.
All subsidiaries are consolidated in the Group's financial statements.

(amounts in NOK 1,000)	Office	Owned directly by Parent company	Ownership / voting interest in % 2023	Ownership / voting interest in % 2022
NEXT Biometrics AS	Oslo, Norway	x	100%	100%
NEXT Biometrics Inc.	Seattle, USA		100%	100%
NEXT Biometrics China Ltd.	Shanghai, China		100%	100%
NEXT Biometrics Taiwan Ltd.	Taipei, Taiwan		100%	100%
NEXT Biometrics Solutions Pvt. Ltd.	Bengaluru, India		100%	100%

The table below shows the carrying amount of shares in subsidiaries for the Parent company as of 31 December:

(amounts in NOK 1,000)	2023	2022
NEXT Biometrics AS	266,616	219,219
Total shares in subsidiaries	266,616	219,219

The change in carrying amount from 31 December 2022 to 31 December 2023, is related to capital increases of NOK 46 million and increase in investments in subsidiaries of 1.4 million related to share-based remuneration for employees in group subsidiaries.

The individual share in subsidiary asset is not considered as separate cash generating units. Rather, that assets is evaluated for impairment in combination with other assets. The main asset in

the parent company is shares in subsidiaries.

The market value of equity is considered to be the market value of equity based on the closing stock price at Oslo Stock Exchange at year-end 2023. The closing stock price was NOK 7,1 per share, which corresponds to a total market value of NOK 739 million. The market value of the company was higher than book value of equity of the parent company as per 31 December 2023, and management assessed that there was no indication of impairment.

Note 10 – Loans to group companies

(amounts in NOK 1,000)	2023	2022
Loan to NEXT Biometrics Taiwan Ltd.	6,137	8,532
Total loans group companies as of 31 December	6,137	8,532

The loan to NEXT Biometrics Taiwan Ltd. was charged with NIBOR 6 months + 1.0%. Interest for 2023 amounted to NOK 0.4 million (2022: NOK 0.4 million).

The parent company had a short-term loan to NEXT Biometrics AS during 2022. Interest was charged with NIBOR 6 months + 2.0%. Interest for 2022 amounted to NOK 0.2 million. The loan was repaid in November 2022.

Note 11 – Other current assets

(amounts in NOK 1,000)	2023	2022
Receivables NEXT Biometrics AS	2,772	141
Prepayments	496	397
Deposits	86	692
Other receivables	345	1,751
Total other current assets	3,699	2,981

The company had NOK 3.7 million in other current assets as per 31 December 2023, of which NOK 0.3 million is classified as other receivables that mainly relates to estimated refunds of public duties.

Note 12 – Cash

(amounts in NOK 1,000)	2023	2022
Cash – unrestricted	39,669	36,865
Cash – employees withheld payroll tax deposits	422	621
Total cash	40,091	37,486



Note 13 – Equity

There is one class of shares. All shares have equal rights and are freely negotiable. The share capital is fully paid in. The par value of the shares is NOK 1 per share.

Number of shares outstanding	2023	2022
Opening balance	91,980,763	91,680,763
Share issue(s)	12,000,000	-
Exercised incentive share options	44,166	300,000
Closing balance	104,024,929	91,980,763

As of 31 December 2023, the Company has one share option program. There are currently an accumulated 14,048,519 (13.5% of total number of shares in the Company) share options outstanding.

Number of shares outstanding	2023	2022	
Share based remuneration cost , NEXT Biometrics Group ASA	4,500	3,860	See note 3 , payroll expenses
Share based remuneration cost , employees in NEXT Biometrics Group ASA subsidiaries	1,229	868	Booked as addition to investment in subsidiaries (Note 9 , shares in subsidiaries)
Share based remuneration cost , consultants/contractors in NEXT Biometrics Group ASA subsidiaries	167	5	Booked as addition to investment in subsidiaries (Note 9 , shares in subsidiaries)
Total	5,896	4,733	

As an alignment of principles, NEXT Biometrics ASA has in 2023 made a material adjustment to the 2021 and 2022 share-based remuneration effect in equity statement, with a corresponding increase to investments in subsidiaries, as compared to the 2022 financial statements. The total equity effect of share based remuneration for the 2023 financial period was NOK 5.9 million, of which NOK 4.5 million was booked as payroll expense and NOK 1.4 million was booked as investment in subsidiaries. The total

equity effect of share based remuneration for the 2022 financial period was NOK 4.7 million, of which NOK 3.9 million was booked as payroll expense and NOK 0.9 million was booked as investment in subsidiaries.

For further information regarding share capital, shareholder's information and share-based options, please refer to [note 19](#) in group consolidated financial statement.

Note 14 – Other liabilities

(amounts in NOK 1,000)	2023	2022
Accrued salary, vacation pay and board remuneration	1,304	1,598
Public duties payable	1,437	3,327
Share options social security tax	6,225	1,614
Other current liabilities	479	304
Total other current liabilities	9,446	6,843

For financial liabilities at amortised cost, the carrying amount is assessed to be a reasonable approximation of fair value. All items above are at amortised cost or nominal value.

Note 15 – Leases

The table below shows the amounts related to leases recognized in the statement of financial position:

(amounts in NOK 1,000)	2023	2022
Property – office leases (included in "Property, plant and equipment")	447	935
Total right-of-use assets	447	935
Non-current lease liabilities (included in "Other non-current liabilities")	-	403
Current lease liabilities (included in "Other current liabilities")	430	461
Total lease liabilities	430	863

See [note 8](#) for more information regarding right-of-use assets.

The table below shows the amounts related to leases recognized in the statement of comprehensive income:

(amounts in NOK 1,000)	2023	2022
Depreciation property right-of-use assets (included in "Depreciation and amortization")	-515	-417
Interest income (included in "Financial income")	-	19
Interest expenses (included in "Financial expenses")	-35	38
Net expenses related to leases	-549	-359

The table below shows a reconciliation of the opening and closing balance for lease liabilities arising from financing activities:

(amounts in NOK 1,000)	2023	2022
Opening balance	863	1,225
Changes from financing cash flows	-506	-1,390
Changes in lease liabilities due to new/amended lease agreements or CPI adjustments	27	992
Other changes	47	36
Closing balance as of 31 December	430	863

The total cash outflow for leases in 2023 was NOK 0.5 million (2022: NOK 1.4 million).

The table below shows the maturity profile for the lease liabilities based on contractual undiscounted payments:

(amounts in NOK 1,000)	2023	2022
Within one year	352	495
More than 1 year but within 5 years	-	330
Total contractual cash flows related to leases	352	825

Note 16 – Related party transactions

The parent company's significant shareholders, board members and management, are considered related parties. For overview of transactions with these parties, please refer to [note 21](#) in group consolidated financial statement.

Companies within the Group are also considered related parties. See [note 2](#) for overview of sales to group companies and [note 10](#) for overview of loans to group companies.

Note 17 - Events occurring after the balance sheet date

Between 31 December 2023 and the resolution of these financial statements, there has not been any event which have had any noticeable impact on the Group's or the parent company's result for 2023 or the value of the Group or the parent company's assets and liabilities as of 31 December 2023.



Responsibility statement

We confirm that, to the best of our knowledge, the financial statements for the period from 1 January to 31 December 2023 have been prepared in accordance with IFRS as adopted by the EU, with such additional information as required by the Norwegian Accounting Act, and give a true and fair view of the Group's and Parent company's assets, liabilities, financial position and result of operations, and that the Board of Directors' report gives a true and fair view of the development, performance and financial position of the Group and the Parent company, and includes a description of the principal risks and uncertainties that they face.

Oslo, 23 April 2024

/Sign/

Petter Fjellstad
Chairman

/Sign/

Odd-Harald Hauge
Board member

/Sign/

Siri Børsum
Board member

/Sign/

Emine Lundkvist
Board member

/Sign/

Ulf Ritsvall
CEO





To the General Meeting of Next Biometrics Group ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Next Biometrics Group ASA, which comprise:

- the financial statements of the parent company Next Biometrics Group ASA (the Company), which comprise the statement of financial position as at 31 December 2023, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, and
- the consolidated financial statements of Next Biometrics Group ASA and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the EU, and
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 5 years from the election by the general meeting of the shareholders on 21 May 2019 for the accounting year 2019.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The Group's business activities are largely unchanged compared to last year. *Revenue recognition* has the same characteristics and risks this year as the previous year and continues to be an area of focus also for the 2023 audit.



Key Audit Matters	How our audit addressed the Key Audit Matter
<p>Revenue recognition</p> <p>The Group develops and sells fingerprint sensors for authentication in the Payment & Fintech, Public Security, Access Control, Office, and Notebooks markets. The Group's sales are either handled through distributors or sales directly to end customers.</p> <p>We consider revenue recognition to be an area of focus because it is challenging to determine, based on the terms of the contracts and the business set up, whether a distributor is considered an agent or a principal for accounting purposes, when distributors are used by the Group. The complexity of the arrangements with customers and distributors results in an inherent risk of misinterpretation of the terms, and consequently, a risk that revenue is recorded before control has passed over to the customer.</p> <p>Furthermore, there is a risk that revenue is recorded net of service charge to distributors if the distributor is considered an agent rather than a principal. Consequently, there is a risk that both revenue and cost of goods sold are understated by the same amount.</p> <p>We refer to note 3 where Management describes their principle for revenue recognition.</p>	<p>Our audit procedures included, among others, a review of customer and distributor contracts and an assessment of contract terms and the setup of the business between the parties to understand how they relate to IFRS criteria for revenue recognition. Further, we assessed whether the distributor, when acting in line with the stipulations in the agreements, was an agent or a principal and when control of the goods was to be determined transferred from the Group.</p> <p>To test whether revenue was recognised in the correct period, we tested transactions in the period close to year end. If recognised revenue was related to goods shipped to the distributor acting as agent to the Group, we assessed based on materiality whether any part of this revenue was related to goods not transferred to end-customers before year end.</p> <p>Furthermore, we evaluated Management's assessment of the probability of return of goods. Our evaluation was also supported by performed tests of credit notes after year end, and analysis of historical returns. In addition to the audit procedures tailored to the identified key audit matter, invoiced sales to customers representing 89% of total revenue in 2023, were tested by obtaining confirmations from customers. No material errors were noted during our audit.</p> <p>We read the note relevant to revenue recognition and found that the note gave an adequate description of how the Group applies IFRS on revenue recognition.</p>

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.



Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.



- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on Compliance with Requirement on European Single Electronic Format (ESEF)

Opinion

As part of the audit of the financial statements of Next Biometrics Group ASA, we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name "NB_Group_ASA-2023-12-31-en.zip", have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format, and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF regulation.

Management's Responsibilities

Management is responsible for the preparation of the annual report in compliance with the ESEF regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

Auditor's Responsibilities

For a description of the auditor's responsibilities when performing an assurance engagement of the ESEF reporting, see: <https://revisorforeningen.no/revisjonsberetninger>

Oslo, 23 April 2024

PricewaterhouseCoopers AS

Audun Bakke Andersen
State Authorised Public Accountant
(This document is signed electronically)

Revisjonsberetning

Signers:

Name	Method	Date
Andersen, Audun Bakke	BANKID	2024-04-23 10:28

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 Adjusted EBITDA.

Revenues adjusted for unfulfilled order backlog

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

Gross margin / gross margin (%)

Gross margin is defined as operating revenue plus other revenue less cost of goods sold and inventory write-downs.

Gross margin (%) is expressed as a percentage of operating revenue and other income.



(amounts in NOK 1,000)	2023	2022
Operating revenues	33,717	46,508
Other revenues	666	1,784
Cost of goods sold	-22,962	-33,593
Inventory write-downs	-4,042	52
Gross margin	7,379	14,752
Gross margin	7,379	14,752
Divided by operating revenue and other revenues	34,383	48,293
Gross margin (%)	21%	31%

Adjusted gross margin / Adjusted gross margin (%)

Adjusted gross margin is defined as operating revenue plus other income less cost of goods sold and excluding inventory write-downs.

Adjusted gross margin (%) is expressed as a percentage of operating revenue and other income.

(amounts in NOK 1,000)	2023	2022
Operating revenues	33,717	46,508
Other revenues	666	1,784
Cost of goods sold	-22,962	-33,593
Inventory write-downs	-4,042	52
Added back inventory write-downs	4,042	-52
Adjusted gross margin	11,421	14,700
Adjusted gross margin	11,421	14,700
Divided by operating revenue and other revenues	34,383	48,293
Adjusted gross margin (%)	33%	30%

EBITDA / Adjusted EBITDA

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

Adjusted EBITDA ex options 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)	2023	2022
Operating profit (loss)	-66,416	-48,070
Added back depreciation and amortization	7,068	7,229
Added back impairment losses	1,139	-
EBITDA	-58,209	-40,840
Added back share-based remuneration (salary part)	5,729	4,728
Added back share-based remuneration (employer's tax)	4,611	-2,663
Added back share-based remuneration (operating part)	167	5
Added back inventory write-downs	4,042	-52
Adjusted EBITDA	-43,659	-38,822

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)	2023	2022
Operating expenses (OPEX)	65,588	55,592
Deducted share-based remuneration (salary part)	-5,729	-4,728
Deducted share-based remuneration (employer's tax)	-4,611	2,663
Deducted share-based remuneration (operating part)	-167	-5
Operating expenses ex. options (OPEX ex. options)	55,081	53,522

