



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

Q U A R T E R L Y R E P O R T - Q 1 2 0 2 1

One Touch.
One You.
NEXT Biometrics

NEXT Biometrics Group ASA

Quarterly report – Q1 2021

Highlights

- Announced new partnership with global tech giant
- Received NOK 7 million FAP20 purchase order from Credence ID
- Revenue of NOK 14.1 million in Q1 2021
- Gross margin of 27% in Q1 2021
- EBITDA ex options¹ of NOK -11.1 million in Q1 2021
- Cash position of NOK 130.2 million per 31 March 2021
- NEXT successfully completed a private placement in February 2021, raising gross proceeds of NOK 88.9 million

CEO Statement

The most significant events during Q1 2021 were the NOK 7 million FAP20 purchase order from Credence ID and the announcement of a new partnership with a global tech giant. We have a strong belief in the future success of our FBI certified FAP20 sensor. Together with our new partner, we are in the position to disrupt a large and fast-growing market.

Gross margin is showing improvements in Q1 as a result of a higher share of FAP20 orders. Going forward gross margin will vary quarter on quarter, but in line with our previous guidance it will have an uptrend over the longer term as our FAP20 volumes increase.

The pandemic has impacted our sales efforts during 2020 and 2021, prolonging already long sales cycles. With the increasing speed of vaccinations, we have reason to believe that travel restrictions will ease, and sales cycles accelerate. In the meantime, we continue our dialogs with current and new customers. Our increased customer focus is demonstrated in the growing number of design-wins that we have announced during the last 12 months.

We completed a private placement of NOK 89 million in Q1 2021. This shows that shareholders believe in our new strategy. A financially stronger NEXT is important towards both customers and employees. The combination of our present low-cost base, a greatly positioned product and the capital raised, provides us with a defined road map towards a break-even situation.

Events in early 2021 have shown that our efforts in 2020 are now being rewarded. We can safely say that we are on the right track.

Thank you.

Peter Heuman, CEO of NEXT Biometrics Group ASA

(amounts in NOK million)	Q1 2021	Q1 2020	Full year 2020
Total revenues	14.1	20.5	58.1
Gross margin (%)	27 %	17 %	15 %
EBITDA ex options ¹⁾	-11.1	-33.6	-78.9
Cash and cash equivalents - closing balance	130.2	54.1	67.9

1) See definition on page 13

Operational review

NEXT continues its dialogue with current and prospective customers to introduce the FAP20 sensor technology for Point of Sales (POS), Government ID and Access control applications and has generated substantial interest in the FAP20 sensor. During the quarter, NEXT announced a new NOK 7 million purchase order from Credence ID, a US-based leader in mobile biometrics and credential reading devices. The order confirms the growing technological and commercial acceptance of NEXT's key product. It is also the largest FAP20 sensor purchase order since NEXT obtained FBI certification in Q1 2020. In March, NEXT announced a new 5-year partnership agreement with a world market leader in the biometric space. The agreement covers FAP20 sensors and represents a major breakthrough for NEXT. The partner aims at designing NEXT fingerprint sensors into biometric fingerprint enabled devices. NEXT's new customer is a market leader in several regions of the world, and it is the perfect partner to establish NEXT Active Thermal technology as the preferred choice in the large area sensor market with considerable revenue potential.

Q1 shipments of notebook sensors increased relative to the fourth quarter. Demand in the notebook sensor segment is expected to continue to be strong later in the year. Early February, NEXT announced the first order for a new product with its largest existing laptop customer. The customer's product in which the sensor will be used is scheduled to enter market in H2 2021 following Microsoft's introduction of its Secure BIO standard. NEXT is also working on new business opportunities with additional laptop manufacturers.

Under the initiated Aadhaar national ID registration program in India, NEXT is LO certified and is a qualified vendor for Aadhaar products and solutions, which is a prerequisite for selling fingerprint sensors and solutions in India. During the quarter, the Group shipped five medium sized orders for UIDAI and STQC certified fingerprint biometric sensors.

NEXT's has completed the development phase of its dual interface smart card solution, which is ready to be deployed to new potential customers. The Group has a long-term focus on the broader smart card market which is expected to have growth potential with higher gross margins compared to pure biometric payments cards.

NEXT's gross margin was 27% for Q1 2021, up from 17% in Q1 2020. The margin has improved relative to 2020 due to improved product mix in Q1 2021 with higher share of FAP20 sensors and other high margin products.

The Group reached an adjusted OPEX of NOK 4.9 million per month (excluding estimated SkatteFUNN grant and share-based remuneration) during the quarter, which is a 60% reduction compared to Q1 2020.

During the quarter, NEXT completed a private placement, raising gross proceeds of approximately NOK 89 million. See note 4 for further details.

Interim condensed financial statements as of 31 March 2021 (unaudited)

Statement of comprehensive income

Operating revenues for Q1 2021 was NOK 14.1 million compared to NOK 20.5 million in Q1 2020, and up from NOK 8.4 million in Q4 2020. The decrease in revenues from Q1 2020 was mainly due to lower volumes shipped to India, lower PC sensor shipments and no non-recurring research and engineering revenues. The increase relative to Q4 2020 was related to increased volume of FAP20 sensors, an increase in notebook module shipments and increased shipments to the Indian market.

Payroll expenses excluding stock option costs were NOK 8.7 million in Q1 2021 compared to NOK 23.8 million in Q1 2020. The reduction was mainly related to a reduction in number of employees and lower share of employees in high-cost countries. Employee stock option costs increased to NOK 4.6 million in Q1 2021 from NOK 0.0 million in Q1 2020 largely due to the recent increase in the parent company's stock price. See note 4 for further details.

Other operating expenses excluding stock option costs were NOK 6.2 million in Q1 2021 compared to NOK 13.2 million in Q1 2020. The reduction is mainly related to reduced R&D activities and external business service costs.

Depreciation and amortization were NOK 1.7 million in Q1 2021 compared to NOK 4.2 million in Q1 2020.

Income tax expense was NOK 0.1 million in Q1 2021, compared to NOK 0.3 million in Q1 2020.

Loss after taxes for Q1 2021 were NOK 17.6 million compared to a loss of NOK 35.3 million for Q1 2020.

Statement of financial position and cash flow

Cash and cash equivalents amounted to NOK 130.2 million per 31 March 2021, compared to NOK 54.1 million per 31 March 2020.

Net cash flow from operating activities was negative NOK 21.1 million in Q1 2021, compared to a negative NOK 33.5 million in Q1 2020. The improvement in cash flow is mainly related to lowered loss in the period.

Net cash flow from investing activities was positive NOK 0.2 million in Q1 2021, compared to NOK 0.0 million in Q1 2020.

Net cash flow from financing activities was positive by NOK 83.1 million in Q1 2021 compared to negative NOK 1.2 million in Q1 2020. The increase in cash flow is related to net proceeds from the private placement that was completed in Q1 2021.

Going concern

The Group's financial statements for Q1 2021 have been prepared on the basis of a going concern assumption.

Outlook

The markets for NEXT's fingerprint sensor technology are expected to grow in 2021 and beyond. The Board's view is that NEXT's unique products and patented technology has considerable revenue potential.

The Group's main focus is to increase the number of customers choosing to design-in NEXT FAP20 sensors, Notebook sensors and India Aadhaar program products. The Group has achieved multiple new FAP20 design-wins during the last 15 months, which is the most important step towards future, recurring high margin orders.

NEXT standard Notebook sensor shipments are scheduled to increase in 2021. In particular, the Group expects growth in the laptop sensor segment from the second half of 2021. NEXT is working with additional laptop manufacturers with potential product launch(es) from late 2021 and into 2022. Recently, demand from existing PC customers has grown significantly relative to Q1 2021. In the short term, the limiting factor for our shipments to PC customers is the inadequate availability of production capacity among the world's semiconductor manufacturers. We are working with our suppliers to secure additional components, but we see challenges related to the current semiconductor shortage that is likely to impact NEXT's ability to meet this increased PC-segment customer demand in the short term. Accordingly, despite increased laptop orders in Q2, we expect that we will not be able to grow NEXT revenues in Q2 relative to Q1. Longer term, we expect to solve these supply chain challenges and resume PC sensor shipments at higher levels and catch up with increased customer demand.

Sales of the NEXT FAP20 sensor has the highest priority due to its considerable market potential and higher gross margin. The company is expecting to announce more FAP20 design-wins and additional purchase orders during 2021.

The fingerprint sensor and reader market in India picked up in early 2021. NEXT is a part of the bidding process for multiple tenders and contracts to be awarded in the India market during 2021. However, the recent uptick in COVID-19 infections in India is likely to delay several of these tenders and contract awards into the second half of 2021.

The implementation of the Group's cost reduction plan has been completed. The Group expects an operating expense run rate at approximately NOK 15 million per quarter in 2021.

NEXT expects growing revenues in 2021, despite the supply chain challenges. The Group has achieved 16 design-wins from Q4 2019 up to March 2021, which will contribute to future revenues. Additional design wins are expected to be announced during the remaining part of 2021.

Oslo, 11 May 2021

CEO and Board of Directors

NEXT Biometrics Group ASA

Peter Heuman (CEO)

Petter Fjellstad (Chairman)

Emine Lundkvist (Board member)

Live Haukvik (Board member)

Odd-Harald Hauge (Board member)

NEXT BIOMETRICS GROUP ASA

Interim condensed consolidated statement of comprehensive income (unaudited)

(amounts in NOK 1 000)	Notes	Q1 2021	Q1 2020	Full year 2020
Operating revenues	2	14 058	20 484	57 770
Other revenues		20	-	363
Cost of goods sold		-10 243	-17 065	-49 387
Gross margin		3 835	3 419	8 746
Payroll expenses	3,4	-13 323	-23 808	-63 228
Other operating expenses	3	-6 211	-13 220	-28 857
EBITDA		-15 699	-33 609	-83 339
Depreciation and amortization		-1 675	-4 189	-15 279
Impairment losses		-	-	-6 577
Operating profit (loss)		-17 374	-37 798	-105 195
Net financial items		-169	2 842	411
Profit (loss) before taxes		-17 543	-34 955	-104 784
Income tax expenses		-59	-343	2 990
Profit (loss) after taxes		-17 602	-35 298	-101 794
<i>Other comprehensive income (loss) that may be reclassified subsequently to profit and loss:</i>				
Translation differences on net investments in foreign operations		-29	3 653	3 129
Other comprehensive income (loss)		-29	3 653	3 129
Total comprehensive income (loss)		-17 631	-31 645	-98 665
Profit (loss) after taxes attributable to:				
Owners of the parent company		-17 602	-35 298	-101 794
Total comprehensive income (loss) attributable to:				
Owners of the parent company		-17 631	-31 645	-98 665
Earnings per share (in NOK):				
Basic and diluted		-0.21	-0.69	-1.58

NEXT BIOMETRICS GROUP ASA

Interim condensed consolidated statement of financial position (unaudited)

(amounts in NOK 1 000)	Notes	31 Mar 2021	31 Mar 2020	31 Dec 2020
Deferred tax assets		37	15	58
Intangible assets		5 112	10 250	5 446
Property, plant and equipment		15 656	31 893	17 197
Other non-current assets		537	-	704
Total non-current assets		21 342	42 159	23 404
Inventories		20 508	20 598	21 725
Accounts receivables		10 261	15 115	4 056
Other current assets		15 044	12 155	14 342
Cash and cash equivalents		130 162	54 072	67 950
Total current assets		175 975	101 939	108 072
Total assets		197 317	144 098	131 477
Share capital	4	90 764	42 931	75 944
Share premium	4	125 913	53 278	56 633
Other reserves	4	63 271	58 234	62 637
Accumulated losses		-115 658	-51 313	-98 027
Total equity		164 290	103 129	97 188
Deferred tax liabilities		135	-	135
Non-current interest-bearing loans		4 881	-	5 609
Other non-current liabilities		1 003	2 976	1 164
Total non-current liabilities		6 019	2 976	6 908
Current interest-bearing loans		3 198	-	2 346
Accounts payables		7 235	11 258	11 047
Income tax payables		45	369	60
Other current liabilities		16 529	26 365	13 928
Total current liabilities		27 008	37 992	27 381
Total equity and liabilities		197 317	144 098	131 477

NEXT BIOMETRICS GROUP ASA

Interim condensed consolidated statement of cash flow (unaudited)

(amounts in NOK 1 000)	Notes	Q1 2021	Q1 2020	Full year 2020
Profit (loss) before taxes		-17 543	-34 955	-104 784
Share based remuneration (equity part)	4	634	-28	4 376
Income taxes paid		-53	-178	-408
Depreciation and amortization		1 675	4 189	15 279
Impairment losses		-	-	6 577
Change in working capital items and other		-5 861	-2 482	-1 409
Net cash flow from operating activities		-21 148	-33 454	-80 369
Proceeds from disposal of property, plant and equipment and intangible assets		-	-	11
Purchases of property, plant and equipment and intangible assets		-	-	-88
Proceeds from lease receivables		180	-	117
Net cash flow from investing activities		180	-	40
Net proceeds from issue of shares	4	84 100	-	55 720
Proceeds from interest-bearing loans		-	-	10 152
Payments of lease liabilities		-1 038	-1 102	-4 574
Net cash flow from financing activities		83 062	-1 102	61 297
Net change in cash flow		62 094	-34 556	-19 032
Cash balance at beginning of period		67 950	88 541	88 541
Effects of exchange rate changes on cash and cash equivalents		118	88	-1 559
Cash balance at end of period		130 162	54 072	67 950
Comprising of:				
Cash and cash equivalents		130 162	54 072	67 950

NEXT BIOMETRICS GROUP ASA

Interim condensed consolidated statement of changes in equity (unaudited)

(amounts in NOK 1 000)	Notes	Share capital	Share premium	Other reserves	Accumulated losses	Total equity
As of 1 January 2021		75 944	56 633	62 637	-98 027	97 188
Profit (loss) after taxes					-17 602	-17 602
Other comprehensive income (loss)					-29	-29
Total comprehensive income (loss)		-	-	-	-17 631	-17 631
Share issues net	4	14 820	69 280			84 100
Share based remuneration	4			634		634
As of 31 March 2021		90 764	125 913	63 271	-115 658	164 290
As of 1 January 2020		42 931	53 278	58 261	-19 668	134 801
Profit (loss) after taxes					-35 298	-35 298
Other comprehensive income (loss)					3 653	3 653
Total comprehensive income (loss)		-	-	-	-31 645	-31 645
Share issues net						-
Share based remuneration				-28		-28
As of 31 March 2020		42 931	53 278	58 234	-51 313	103 129

Notes to the interim consolidated financial statements

Note 1 – General information and accounting principles

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

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

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

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

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 "Interim financial reporting". The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for 2020 (Annual Report for 2020). The Annual Report for 2020 is available at www.nextbiometrics.com.

The accounting policies applied in preparation of the interim financial statements are consistent with those applied in the preparation of Annual Report for 2020. There are no new standards and interpretations effective from 1 January 2021 that had a significant impact on the Group's consolidated interim financial statements.

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

The Group's interim financial statements for Q1 2021 have been prepared on the basis of a going concern assumption.

This interim financial report has not been subject to audit.

The Board of Directors approved the report on 11 May 2021.

Note 2 – Revenue and segment reporting

(amounts in NOK 1 000)	Q1 2021	Q1 2020	Full year 2020
Fingerprint sensor technology	14 058	20 484	57 770
Total operating revenues	14 058	20 484	57 770

NEXT targets four markets for the technology;

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

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

Note 3 – Operating expenses

(amounts in NOK 1 000)	Q1 2021	Q1 2020	Full year 2020
R&D related payroll expenses	-2 246	-12 358	-28 948
Other payroll expenses	-6 488	-11 478	-30 329
Share based remuneration (salary part)	-575	28	-3 882
Share based remuneration (employer's tax)	-4 013	-	-69
Total payroll expenses	-13 323	-23 808	-63 228

(amounts in NOK 1 000)	Q1 2021	Q1 2020	Full year 2020
R&D related operating expenses	-1 977	-4 862	-6 983
Other expenses	-4 174	-8 358	-21 381
Share based remuneration (operating part)	-59	-	-494
Total other operating expenses	-6 211	-13 220	-28 857
Total R&D expenses	-4 224	-17 220	-35 930

Note 4 – Shares and incentive options

Numbers of shares outstanding

As of 1 January 2021	75 944 489
Share issues	14 819 897
As of 31 March 2021	90 764 386

In February 2021, NEXT successfully completed a private placement issuing 14,819,897 new shares at a subscription price of NOK 6.0 per share, corresponding to gross proceeds of NOK 88.9 million. Direct expenses and underwriting commission in relation to the private placement was NOK 4.8 million.

Share options:

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

During the quarter, NEXT booked NOK 0.6 million in stock option cost relating to employees and NOK 0.06 million in stock option costs for contractors. Moreover, the Group accrued NOK 4.0 million in social security costs due to the increase in the parent company's stock price during Q1 2021.

During Q1 2021, the number of outstanding options was decreased by net 0.05 million options. The reduction is mainly due to the cancellation of options for employees holding option grants that has left the Group. The Group had 6,645,624 options outstanding as per 31 March 2021.

Note 5 – Subsequent events

Between 31 March 2021 and the resolution of these condensed consolidated interim financial statements, there has not been any other event which would have had any noticeable impact on NEXT's result for the Q1 2021 period nor on the value of the Group's assets and liabilities as per 31 March 2021.

Alternative performance measures

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

Definitions

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

Gross margin / gross margin (%)

Gross margin is defined as operating revenue plus other income less cost of goods sold.

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

(amounts in NOK 1 000)	Q1 2021	Q1 2020	Full year 2020
Operating revenues	14 058	20 484	57 770
Other revenues	20	-	363
Cost of goods sold	-10 243	-17 065	-49 387
Gross margin	3 835	3 419	8 746
Gross margin	3 835	3 419	8 746
Divided by operating revenues and other revenues	14 078	20 484	58 133
Gross margin (%)	27 %	17 %	15 %

EBITDA / EBITDA ex options

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

EBITDA ex options is equal to EBITDA excluding "share-based remuneration" (salary part, employer's part and operating part).

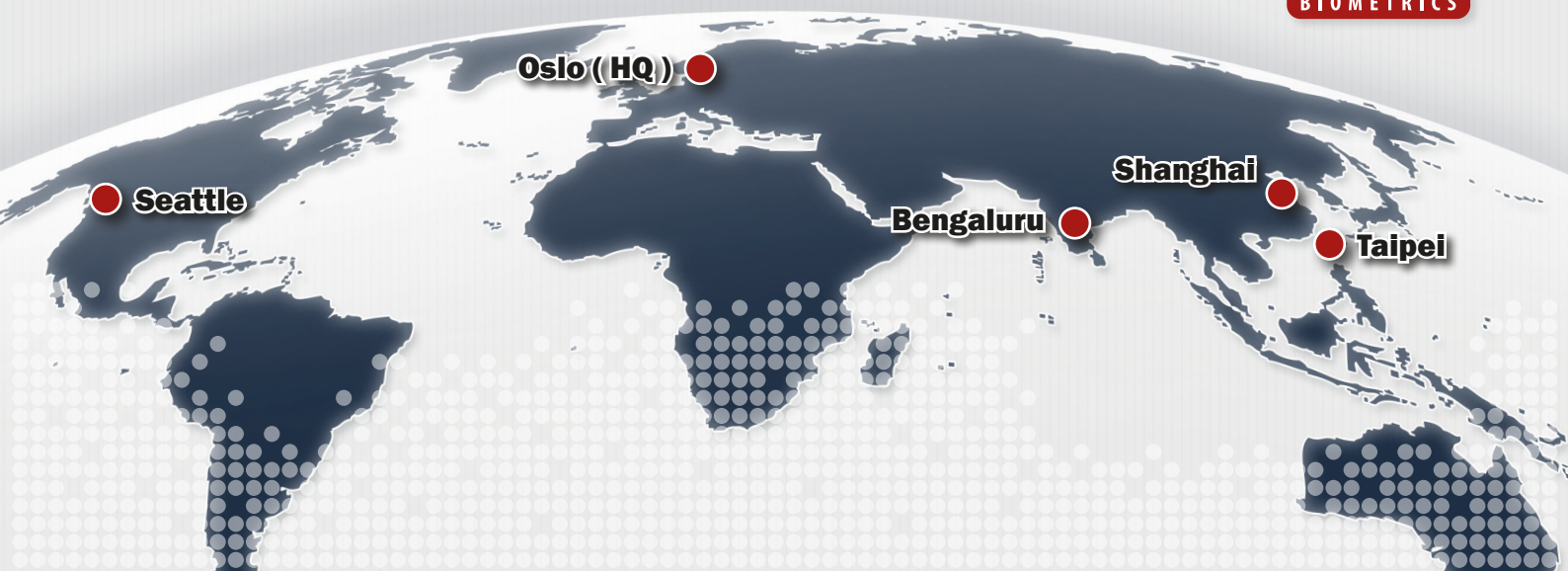
(amounts in NOK 1 000)	Q1 2021	Q1 2020	Full year 2020
Operating profit (loss)	-17 374	-37 798	-105 195
Added back depreciation and amortization	1 675	4 189	15 279
Added back impairment losses	-	-	6 577
EBITDA	-15 699	-33 609	-83 339
Added back share-based remuneration (salary part)	575	-28	3 882
Added back share-based remuneration (employer's tax)	4 013	-	69
Added back share-based remuneration (operating part)	59	-	494
EBITDA ex. options	-11 052	-33 637	-78 894

Cost of goods sold (COGS)

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

Operating expenses (OPEX)

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



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

ABOUT NEXT BIOMETRICS:

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

NEXT INVESTOR CONTACT:

Peter Heuman (CEO), peter.heuman@nextbiometrics.com
Eirik Underthun (CFO), eirik.underthun@nextbiometrics.com

HOME PAGE: www.nextbiometrics.com

Copyright© 2020 NEXT BIOMETRICS GROUP ASA, all rights reserved. Specifications are subject to change without notice. The NEXT Biometrics logo and NEXT Active Thermal™ are trademarks of NEXT BIOMETRICS GROUP ASA in Norway and other countries. All other brand and product names are trademarks or registered trademarks of their respective owners.

