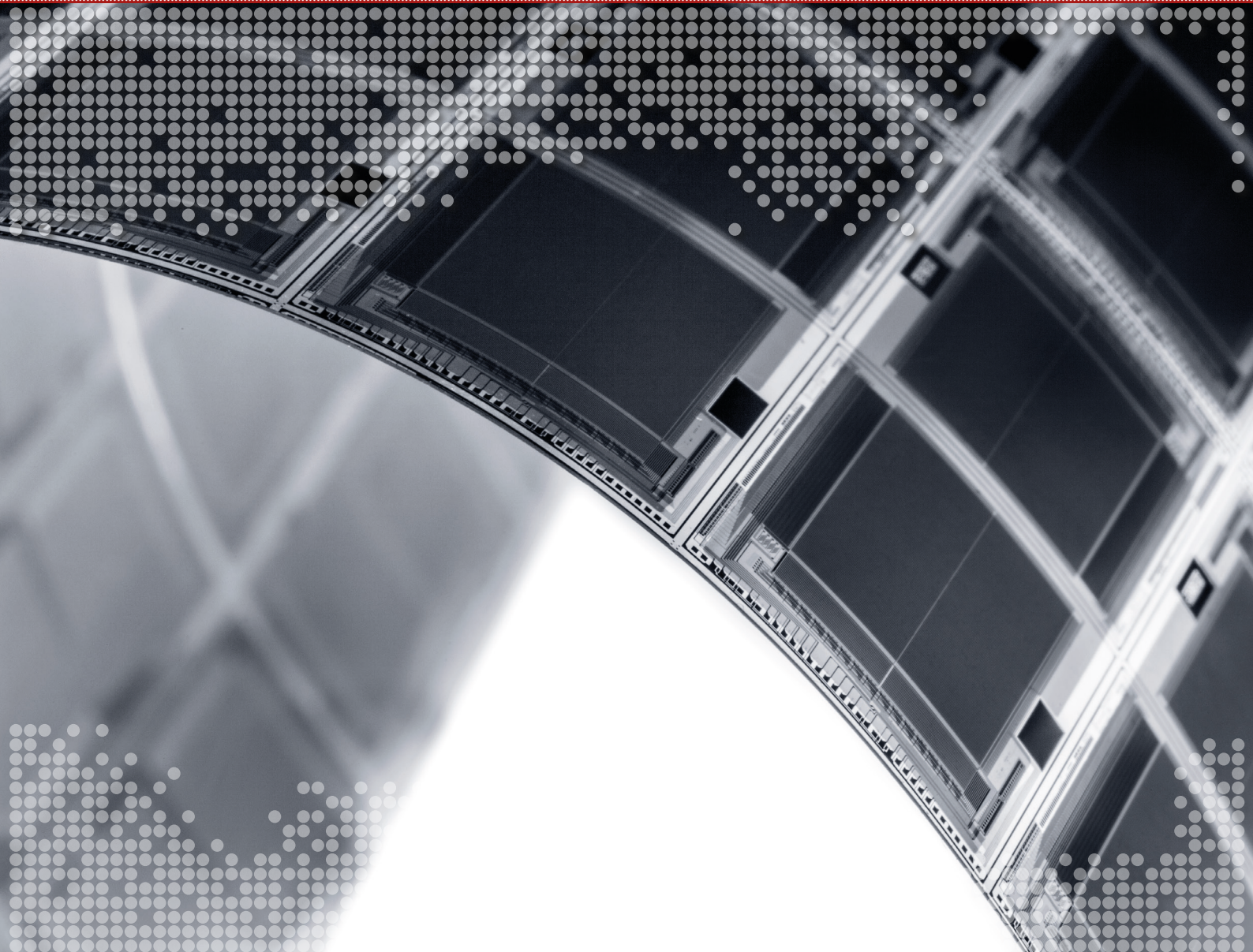




N E X T B I O M E T R I C S G R O U P A S A

Q U A R T E R L Y R E P O R T - Q 2 2 0 1 8





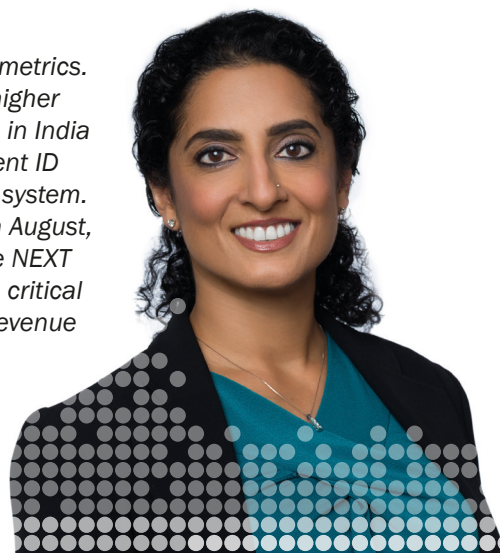
> HIGHLIGHTS

- Revenue of NOK 25.6 million, up from NOK 23.3 million in Q1-18
- Gross margins of 26%, up from 19% in Q1-18 and -4% in Q4-17
- Aadhaar hardware certification represents significant achievement in Government ID market
- First orders received for Aadhaar certified readers (August)
- NEXT customer starts shipping first volumes of Smart Cards to key customers (August)
- Strengthened sales and marketing organization now in place

CEO comment

"The second quarter included several notable achievements for NEXT Biometrics. We're pleased to deliver further increased gross margins on the back of higher revenue and sensor shipments. Achieving Aadhaar hardware certification in India is a significant milestone for NEXT, enabling us to participate in Government ID markets where sensor size is the determining factor in the security of the system. This certification has led to initial orders of fingerprint readers in India. In August, Tactilis delivered their first volume lots of biometric Smart Cards using the NEXT ASIC and rigid sensor technology. During the quarter, we also made some critical additions to our sales and marketing organization that will help us drive revenue in our priority markets. These actions and others are driving positive momentum for NEXT Biometrics during the second half of the year."

Ritu Favre, the CEO of NEXT Biometrics Group ASA.



AMOUNTS IN NOK MILLION (EXCEPT PER SHARE DATA & GROSS MARGIN)

	Q2-2018	Q1-2018	Q4-2017	YTD-2018	YTD-2017	2017
Total revenue	25.6	23.3	24.7	48.9	48.1	98.2
Gross margin %	26%	19%	-4%	23%	-8%	-6%
EBITDA ex. Options	-41.0	-37.8	-36.9	-78.8	-78.0	-150.1
Closing cash balance	112.9	108.6	79.7	112.9	160.1	79.7



> OPERATIONAL REVIEW:

NEXT Biometrics (NEXT) reported its second consecutive quarter of strong gross margin growth in the three months ending 30 June 2018. Gross margins continue to improve and was 26% on revenue of NOK 25.6 million, compared to 19% margin and revenue of NOK 23.3 million in the first quarter of 2018.

Revenue and gross margin were positively impacted by continued shipments of the next generation fingerprint module, the NB-2034-S2, to the company's Tier-1 U.S. notebook customer, along with increased sales in new markets including fingerprint readers for the Government ID segment.

Smart Cards On August 14, NEXT announced that Tactilis had shipped initial volumes of Smart Cards and Smart Card readers to key customers in the US. The NEXT sensors and technology are now integrated in high performance cards and systems offering significant value to its end users.

In addition, NEXT continues to develop a range of partnerships in Europe, Asia and the US targeting all key Smart Card market segments, including retail banking, financial inclusion and corporate access.

Government ID On 5 June, NEXT announced the company received hardware certification to provide its unique fingerprint sensor solution to India's Aadhaar Government ID program. Aadhaar is, with 1.2 billion people enrolled, the largest and most sophisticated biometrics-based Government ID system in the world. The certification enables NEXT to accelerate sales activity into India's Government ID and related markets.

The rigorous Aadhaar testing regime represents a standard needed for all projects targeting security and convenience for populations living in a range of environmental conditions. Many nations are looking to India when defining their own projects.

This certification will enable NEXT to participate in the following market subsegments:

- 1) POS-terminals and USB-readers for India government and financial sector entities. This market is estimated at 3-4 million units annually in 2018 growing to 5-10 million units on an annual basis from 2021-2022. NEXT anticipates increasing market share. The ASP's for this product family are higher than the current product mix that NEXT ships today.
- 2) New products and applications. With a total user base of more than 1 billion people, new attractive applications and product formats are expected to emerge in India.

Initial revenue is expected to be recognized in Q4-18 and first orders for NEXT's "Scallop" (NB-3023-U-UID) fingerprint readers for use in the Aadhaar program were announced August 6, just two months after receiving hardware certification.

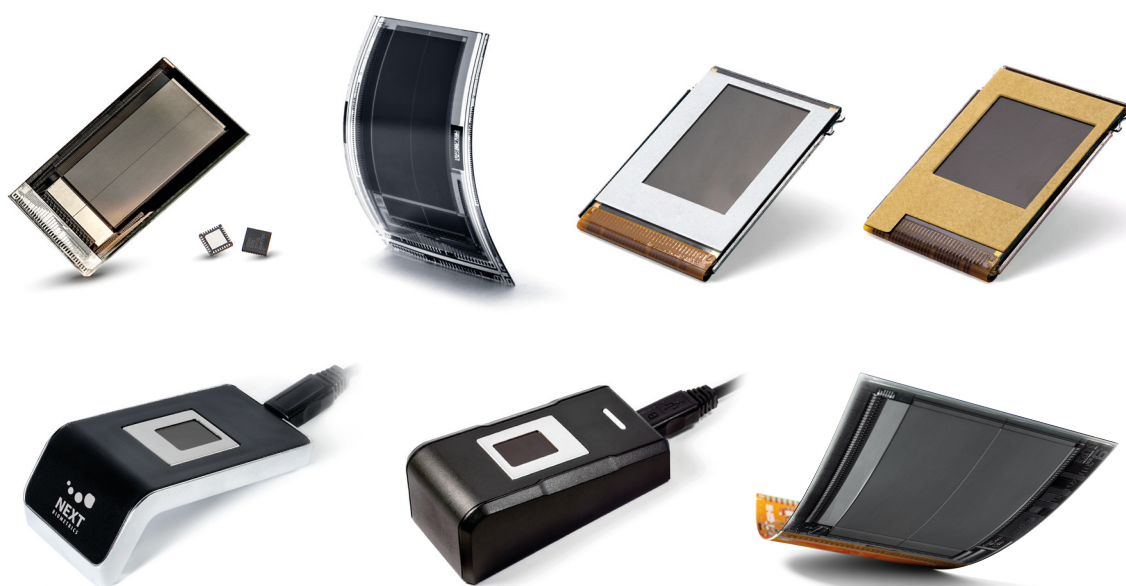
NEXT is at present working on finalizing software development and certification for various user platforms in India. NEXT's product roadmap calls first for sales of "Scallop" (3023-U) fingerprint readers this year, followed by sensor modules (2023-U) used in devices such as point of sale (POS) terminals for the Aadhaar market in the first half of 2019. NEXT is in the process of establishing a subsidiary in India with an experienced and well-connected sales team which can respond quickly to customer requirements and rapidly address new market opportunities.

Product development and marketing are key focus areas as NEXT seeks to expand its activities within the targeted Smart Card and Government ID markets. In June, NEXT made a license acquisition for an industry-leading high-quality algorithm. It will be used in the Smart Card and access control segments, as well as being applied across the portfolio of readers, modules and biometric subassembly product families.

On June 9, NEXT announced that former IDEMIA Executive Alain Faburel has joined the company as Chief Sales and Marketing officer. In addition to his history leading innovative and successful sales and marketing organizations, Faburel joins NEXT Biometrics with extensive experience in Smart Card and digital security technologies. Faburel's most recent role was with IDEMIA where he served as vice president, pre-sales for powered cards. In this position, he was responsible for promoting next generation payment cards (including biometric Smart Cards), leading sales processes and forecasts, and driving business agreements with end-customers and IT partners.

NEXT Biometrics has also created an integrated sales organization with leaders specifically dedicated to serving customers in four key geographic regions, which include the Americas; Europe, the Middle East and Africa; Asia Pacific; and India. Each of the sales leaders in these four regions will report to Faburel.

NEXT will continue to place its highest level of R&D focus on Smart Card related plans and activities. The Board maintains that these investments will further strengthen NEXT's position in this segment. In parallel with targeted sales growth, the continued improvements in gross margins and anticipation of the company operating expenses to flatten out, the burn-rate will be reduced. Based on current projections the group cash position is expected to cover operations for the next 12 months. Should future developments change that assumption, the Board will initiate activities to ensure relevant company financing.



> INTERIM CONDENSED FINANCIAL STATEMENTS AS OF 30 JUNE 2018 (UNAUDITED)

PROFIT & LOSS STATEMENT

Revenues

Operating revenue in the second quarter of 2018 was NOK 25.6 million, compared to NOK 23.3 million in the previous quarter and NOK 24.0 million in the second quarter of 2017. In the first half of 2018, operating revenue amounted to NOK 48.9 million, compared NOK 48.1 million in the first half of 2017.

Cost of goods sold and gross margin

Cost of goods sold were NOK 18.9 million in the second quarter of 2018, compared to NOK 18.8 million in the previous quarter and NOK 25.5 million in the second quarter of 2017. In the first half of 2018, cost of goods sold amounted to NOK 37.7 million, compared to NOK 52.0 million in the first half of 2017.

The gross margin in the second quarter of 2018 was 26% (NOK 6.7 million), compared to NOK 19% (4.5 million) in the previous quarter and negative 6% (NOK -1.5 million) in the second quarter of 2017. In the first half of 2018, the gross margin was 23% (11.2 million), compared to minus 8% (NOK 3.9 million) in the same period of 2017.

Operating expenses

Payroll expenses amounted to NOK 28.2 million in the second quarter of 2018, compared to NOK 25.7 million in the previous quarter and NOK 21.5 million in the second quarter of 2017. In the first half of 2018 payroll expenses amounted to NOK 53.9 million, compared NOK 40.7 million in the first half of 2017.

Other operating expenses were NOK 22.9 million in the second quarter of 2018, compared to NOK 17.6 million in the previous quarter and NOK 17.0 million in the second quarter of 2017. The increase from previous quarter of NOK 5.3 million was mainly related to increased R&D related operating expenses. In the first half of 2018 other operating expenses amounted to NOK 40.4 million, compared NOK 38.3 million in the first half of 2017.

The R&D costs included in other operating expenses increased to NOK 24.8 million in the first half of 2018, compared to NOK 20.4 million in the first half of 2017. The number of R&D projects are at a historic high level. It is over time anticipated that these costs will represent a significantly reduced percentage of sales.

Depreciation, amortisation and investments

Depreciation and amortization amounted to NOK 2.6 million in the second quarter of 2018 compared to NOK 2.0 million in previous quarter and NOK 0.8 million in the second quarter of 2017. In the fourth quarter of 2017 NEXT wrote down the value of its first coating machine from 2014 by NOK 11.4 million to zero. In the first half of 2018 depreciation and amortization amounted to NOK 4.6 million compared to NOK 1.6 million in the first half of 2017.

Investments were NOK 3.3 million in the second quarter of 2018, compared to NOK 0.0 million in the previous quarter and NOK 22.7 million in the second quarter of 2017. In the first half of 2018, investments amounted to a NOK 3.4 million compared NOK 22.7 million in the first half of 2017. The main investments in 2017 were the coating machine in the second quarter and the cutting machine for flexible sensor production in the fourth quarter.

Net financial items

Net financial cost was NOK 0.1 million in the second quarter of 2018, compared to a net financial cost of NOK 1.5 million in the previous quarter and a cost of NOK 1.0 million in first quarter of 2017. The reduced cost from the previous quarter of NOK 1.4 million was mainly related to foreign exchange gains and losses.

Net profit (loss) for the period

Net loss for the second quarter of 2018 was NOK 47.1 million, compared to a loss of NOK 42.3 million in the previous quarter and a loss of NOK 41.9 million in the second quarter of 2017.

NEXT operated at a loss and did not incur deferred or payable income tax in the first half of 2018. In 2017, payable taxes of NOK 1.2 million related to foreign subsidiaries, were expensed in the fourth quarter.

CASH FLOW AND BALANCE SHEET

Cash and cash equivalents

Cash and cash equivalents amounted to NOK 112.9 million at the end of the first half of 2018, compared to NOK 79.7 million at the end of 2017.

Cash flow from operating activities was negative with NOK 41.2 million in the second quarter of 2018, compared to a negative amount of NOK 36.6 million in the previous quarter and a negative amount of NOK 39.3 million in the second quarter of 2017.

Net cash flow from financing activities was NOK 48.6 million in the second quarter of 2018 following the private placement of 1,219,142 new shares as part of “tranche 2” of the private placement announced in March, and 3.713 new shares from the repair issue. This was compared to NOK 65.7 million in the previous quarter following the private placement of 1,638,000 new shares as part of “tranche 1” of the placement. In the first half of 2018, net cash flow from financing activities amounted to NOK 114.3 million, compared to NOK 153.1 million in the first half of 2017 when the company issued 1,167,000 new shares in a private placement.

As at 30 June 2018, the Company’s share capital was NOK 19,243,335, divided into 19,243,335 shares with a par value of NOK 1 per share.

Equity

Equity amounted to NOK 194.9 million at the end of June 2018, compared to NOK 165.1 million at the end of December 2017. The increase of NOK 29.8 million was mainly related to the net proceeds of NOK 114.3 million from the private placement of new shares, less the net loss of NOK 89.4 million in the first half.

Outlook (3-9 months)

- Shipments in Smart Card and Government ID markets
- Increased number of new Smart Card integration projects
- Closing orders and deliver products to fulfill India certification
- Sample FAP20, new high-end government sensor, in Q4-18
- Gross Margins to increase and OPEX to flatten out

Oslo, August 20, 2018
Board of directors
NEXT Biometrics Group ASA

NEXT BIOMETRICS GROUP ASA

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
30 JUNE 2018

AMOUNTS IN NOK 1,000
PROFIT AND LOSS

	NOTES	Q2-2018	Q2-2017	YTD-2018	YTD-2017	2017
Revenue						
Operating revenue	3	25 598	23 969	48 886	48 078	98 159
Total revenue		25 598	23 969	48 886	48 078	98 159
Cost of goods sold		18 879	25 516	37 702	51 993	104 014
Gross margin		6 719	-1 547	11 184	-3 914	-5 855
Operating expenses						
Payroll expenses	4	28 216	21 504	53 914	40 710	89 343
Other operating expenses	4	22 882	17 037	40 447	38 317	68 063
Total operating expenses		51 098	38 540	94 362	79 027	157 406
Profit (loss) before tax, depreciation and amortization		-44 379	-40 088	-83 177	-82 942	-163 260
Amortization of intangible assets	5	1 655	141	2 668	283	751
Depreciation of tangible assets	6	958	683	1 904	1 360	4 012
Write-downs on tangible assets	6	0	0	0	0	11 397
Operating profit (loss)		-46 992	-40 912	-87 749	-84 585	-179 421
Net financial items		-120	-1 027	-1 659	-1 622	-190
Net profit (loss) before tax		-47 112	-41 939	-89 408	-86 207	-179 611
Taxes		2	0	2	0	-1 209
Net profit (loss) for the period		-47 109	-41 939	-89 405	-86 207	-180 820
Earnings per share - basic and diluted	8	-2.54	-2.56	-5.02	-5.34	-11.11
Other comprehensive income						
Items that will be reclassified to profit and loss						
Exchange rates differences		222	-32	10	-15	-242
Total other comprehensive income		222	-32	10	-15	-242
Total comprehensive income for the period		-46 887	-41 971	-89 396	-86 222	-181 062
Total comprehensive income for the period attributable from:						
Owners of the parent company		-46 887	-41 971	-89 396	-86 222	-181 062
Total		-46 887	-41 971	-89 396	-86 222	-181 062

NEXT BIOMETRICS GROUP ASA

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION (UNAUDITED)
30 JUNE 2018

AMOUNTS IN NOK 1,000				
ASSETS	NOTES	30 JUN 2018	30 JUN 2017	31 DEC 2017
Non-current assets				
Patens and other intangible assets	5	21 920	20 272	21 454
Machinery and office equipment	6	27 757	36 317	30 086
Total non-current assets		49 677	56 589	51 540
Current assets				
Inventory		28 726	20 951	28 014
Receivables				
Accounts receivable		11 750	14 409	16 570
Other receivables		18 634	11 664	16 464
Prepayments other investments		3 081	8 112	3 070
Total receivables		33 466	34 185	36 103
Cash and cash equivalents		112 893	160 134	79 722
Total current assets		175 085	215 269	143 839
Total assets		224 761	271 858	195 379
EQUITY AND LIABILITIES				
Equity				
Share capital	7	19 243	16 382	16 382
Share premium		799 592	706 939	688 111
Other paid in capital		48 298	34 989	43 436
Retained earnings		-672 199	-507 027	-582 804
Total equity		194 934	251 283	165 126
Liabilities				
Current liabilities				
Accounts payable		23 039	12 011	21 631
Public duties payable		764	761	807
Other current liabilities		6 024	7 803	7 815
Total current liabilities		29 827	20 575	30 253
Total liabilities		29 827	20 575	30 253
Total equity and liabilities		224 761	271 858	195 379

NEXT BIOMETRICS GROUP ASA

CONDENSED INTERIM STATEMENTS OF CASH FLOW (UNAUDITED)
30 JUNE 2018

AMOUNTS IN NOK 1,000						
CASH FLOWS FROM OPERATING ACTIVITIES	NOTES	Q2-2018	Q2-2017	YTD-2018	YTD-2017	2017
Profit (loss) before taxes		-47 112	-41 939	-89 408	-86 207	-179 611
Taxes payable		2	0	2	0	-1 209
Share based remuneration (equity part)		3 421	3 658	4 862	7 208	15 655
Amortization of intangible assets	5	1 655	141	2 668	283	751
Depreciation of tangible assets	6	958	683	1 904	1 360	4 012
Write-down on tangible assets	6	0	0	0	0	11 397
Change in prepayments		0	7 550	-11	5 450	10 492
Change in working capital items		-136	-9 398	2 161	-4 731	-9 076
Net cash flows from operating activities		-41 211	-39 304	-77 822	-76 637	-147 588
Cash flows from investing activities						
Purchase of intangible assets	5	-3 133	-1 249	-3 133	-1 249	-2 900
Purchase of tangible assets	6	-198	-21 415	-226	-21 438	-29 256
Net cash flows from investing activities		-3 331	-22 664	-3 359	-22 688	-32 157
Cash flows from financing activities						
Share issue net of expenses		48 631	-25	114 342	153 132	153 132
Net cash flows from financing activities		48 631	-25	114 342	153 132	153 132
Translation differences		222	-32	10	-15	-7
Net change in cash flows		4 311	-62 025	33 170	53 792	-26 619
Opening cash balance		108 582	222 158	79 722	106 342	106 342
Closing cash balance		112 893	160 134	112 893	160 134	79 722

NEXT BIOMETRICS GROUP ASA

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
30 JUNE 2018

AMOUNTS IN NOK 1,000	NOTES	SHARE CAPITAL	SHARE PREMIUM	OTHER PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL EQUITY
Balance 1 April 2018		18 020	752 184	44 876	-625 312	189 769
Shares issue	7	1 223	47 408			48 631
Share based compensation				3 421		3 421
Translation differences					222	222
Net profit (loss)					-47 109	-47 109
Balance 30 June 2018		19 243	799 592	48 298	-672 199	194 934
Balance 1 April 2017		16 382	706 963	31 331	-465 056	289 620
Shares issue	7		-25			-25
Share based compensation				3 658		3 658
Translation differences					-32	-32
Net profit (loss)					-41 939	-41 939
Balance 30 June 2017		16 382	706 939	34 989	-507 027	251 283
Balance 1 January 2018		16 382	688 111	43 436	-582 804	165 126
Shares issue	7	2 861	111 481			114 342
Share based compensation				4 862		4 862
Translation differences					10	10
Net profit (loss)					-89 405	-89 405
Balance 30 June 2018		19 243	799 592	48 298	-672 199	194 934
Balance 1 January 2017		15 159	555 030	27 781	-420 804	177 165
Shares issue	7	1 224	151 909			153 132
Share based compensation				7 208		7 208
Translation differences					-15	-15
Net profit (loss)					-86 207	-86 207
Balance 30 June 2017		16 382	706 939	34 989	-507 027	251 283
Balance 1 January 2017		15 159	555 030	27 781	-420 804	177 165
Shares issue	7	1 224	151 909			153 132
Share based compensation				15 655		15 655
Translation differences					-7	-7
Net profit (loss)			-18 828		-161 992	-180 820
Balance 31 December 2017		16 382	688 111	43 436	-582 804	165 126

> NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS 30 JUNE 2018 (UNAUDITED)**1. General information**

NEXT Biometrics Group ASA ("NEXT") is a public limited liability company incorporated and domiciled in Norway. NEXT Biometrics Group ASA is the parent company of the Group with headquarter in Oslo, Norway.

Group operations are carried out by the operating subsidiaries. As at the end of the first half of 2018, the Group had five wholly owned operating 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 s.r.o (Prague, Czech Republic).

NEXT's shares are listed at Oslo Stock Exchange and is traded on the exchange's main list as part of the OSEBX index. 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.

2. Basis of preparation, accounting policies

This condensed interim financial report for first half of 2018 has been prepared in accordance with IAS 34 "Interim financial reporting". The condensed interim financial report should be read in conjunction with the annual financial statements for 2017.

The IFRS accounting policies applied in this condensed interim financial report are consistent with those applied and described in the annual financial statements for 2017.

The going concern assumption has been applied when preparing this financial report. By the end of the first half of 2018, NEXT earned revenue from commercial volumes with positive gross margins, but still at rather modest levels. In March and April 2018, NEXT raised NOK 114.3 million in net proceeds in a private placement. The private placement was divided into two tranches. Based on current projections the group cash position is expected to cover operations for the next 12 months. Should future developments change that assumption, the Board will initiate activities to ensure relevant company financing.

This interim financial report has not been subject to audit.

The Board of Directors approved the report on 20 August 2018.

3. Revenue and segment reporting

OPERATING REVENUE - PER BUSINESS SEGMENT (AMOUNTS IN NOK)	2018 YTD-Q2	2017 YTD-Q2	2017
Fingerprint sensor technology	48 886 317	48 078 482	98 159 357
Total	48 886 317	48 078 482	98 159 357

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 market segments. Since NEXT has limited revenues it is operating and reporting only in one business segment; *Fingerprint sensor technology*.

4. Operating expenses

PAYROLL EXPENSES (AMOUNTS IN NOK)	2018 YTD-Q2	2017 YTD-Q2	2017
R&D related payroll expenses	33 181 802	21 090 280	46 067 673
Other payroll expenses	16 207 372	15 009 265	31 273 787
Share based remuneration (salary part)	4 995 474	6 857 981	14 459 405
Share based remuneration (employer's tax)	-470 553	-2 247 589	-2 457 668
Total	53 914 095	40 709 937	89 343 197

OTHER OPERATING EXPENSES (AMOUNTS IN NOK)	2018 YTD-Q2	2017 YTD-Q2	2017
R&D related operating expenses	24 835 241	20 417 681	36 022 782
Other expenses	15 761 878	17 557 753	30 866 069
Share based remuneration (operating part)	-149 699	342 052	1 173 779
Total	40 447 420	38 317 486	68 062 630

Total - Operating expenses	94 361 515	79 027 423	157 405 827
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5. Intangible assets

Intangible assets consist of acquisition of right to use the patent and know-how (IP) described as the Active Thermal Sensing principle. The acquisition was recognized at net present value and included in the opening balance as of 1 January 2012.

In addition, intangible assets consist of the investments in new ASIC from 2016, with additional investments in 2017. In 2018, the investments includes source code license acquisition.

INTANGIBLE ASSETS (AMOUNTS IN NOK)	2018 YTD-Q2	2017 YTD-Q2	2017
Cost - Opening balance	23 295 281	20 394 861	20 394 861
Additions	3 133 260	1 249 380	2 900 420
Disposals at cost	0	0	0
Currency adjustments	0	0	0
Cost - Closing balance	26 428 541	21 644 241	23 295 281
Accumulated depreciation - Opening balance	1 841 280	1 089 972	1 089 972
Amortization	2 667 599	282 671	751 308
Accumulated depreciation of disposed items	0	0	0
Currency adjustments	0	0	0
Accumulated depreciation - Closing balance	4 508 879	1 372 643	1 841 280
Book value - Closing balance	21 919 662	20 271 598	21 454 001

Depreciation period (straight line) years	3-12	3-12	5-12
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The patent is amortized over the patent life from recognition in the opening balance 1 January 2012.

The investment in new ASIC is amortized over 3 years.

6. Tangible assets

MACHINERY AND EQUIPMENT (AMOUNTS IN NOK)	2018 YTD-Q2	2017 YTD-Q2	2017
Cost - Opening balance	52 080 242	22 948 697	22 948 697
Additions	225 801	21 507 856	29 432 646
Disposals at cost	0	0	0
Currency adjustments	-712 542	-169 467	-301 100
Cost - Closing balance	51 593 502	44 287 086	52 080 242
Accumulated depreciation - Opening balance	21 994 099	6 709 434	6 709 434
Depreciation	1 903 991	1 356 649	4 012 401
Accumulated depreciation of disposed items	0	0	0
Write-downs	0	0	-11 396 980
Currency adjustments	-61 533	-96 213	-124 716
Accumulated depreciation - Closing balance	23 836 557	7 969 870	21 994 099
Book value - Closing balance	27 756 945	36 317 216	30 086 144
Depreciation period (straight line) years	3-10	3-10	3-10

The additions in 2017, consisted of the coating machine in the second quarter and the cutting machine for flexible sensors in the fourth quarter.

7. Shares and incentive options

NUMBER OF SHARES OUTSTANDING	2018 YTD-Q2	2017 YTD-Q2	2017
Opening balance	16 382 480	15 158 980	15 158 980
Share issue(s)	2 860 855	1 167 000	1 167 000
Exercised incentive options	0	56 500	56 500
Closing balance	19 243 335	16 382 480	16 382 480

In March and April 2018, NEXT raised NOK 114.3 million in net proceeds in a private placement. The private placement was divided into two tranches. Tranche 1, finalized under the current board authorization, consisted of 1.638.000 new shares at a subscription price of NOK 42. This corresponded to a total gross amount of NOK 68.8 million. Expenses and commission fee connected with tranche 1 of the placement amounted to NOK 3.1 million and net proceeds were NOK 65.7 million.

Tranche 2 consisted of 1.219.142 new shares at a subscription price of NOK 42, corresponding to a total gross amount of NOK 51.2 million. The issuance of the new shares in tranche 2 was approved at the extraordinary general meeting on 13 April 2018. Expenses and commission fee connected with tranche 2 of the placement amounted to NOK 2.7 million and net proceeds were NOK 48.5 million.

The repair issue was performed in June and 3.713 new shares were subscribed at a subscription price of NOK 42, corresponding to a total gross amount of NOK 0,15 million.

Share options

The Company has entered into, and plan to continue to enter into, stock option agreements in order to attract talented, experienced and high value networked human resources. NEXT has three different option programs; unconditional long-term share options, milestone-based share options and conditional long-term share options.

In the second quarter of 2018 the company did the following changes in previously granted the stock options based on the decision made by the Annual General Meeting 15 May 2018:

Options granted up to 2015:

- These options all had expiry date 31 December 2018.
- All current employees, hired consultants and board members where given the opportunity to extend these options one year, to 31 December 2019, and in return not exercise and sell the vested options before 31 December 2018.
- A total number of 631 737 options ended up being extended out of a total of 973 811.
- The incremental amount connected to this was NOK 2.1 million and the total amount was expensed in the second quarter of 2018.

Options granted in 2016:

- 225 000 options where granted with an exercise price of NOK 187.
- These options were offered a new exercise price based on the average volume-weighted marked price of the shares over the five last trading days prior to the agreed upon date (NOK 39.60), against a 25% reduction of the number of share options issued to the all current employees, hired consultants and board members in 2016 (Give-and takeback).
- A total number of 179 000 options was involved in the acceptance and 44 750 (25%) options was reduced.
- The incremental amount connected to this was NOK 1.4 million. The cost related to this will be expenses over the vesting period of which NOK 0.4 million was expensed in the second quarter of 2018.

In the second quarter of 2018, a total of 285.000 new share options were granted.

The following primary insider was allotted conditional share options:

- Ritu Favre (Chief Executive Officer) was allotted 50,000 conditional options at a strike price NOK 44.00. After grant, Ritu Favre holds total 275,000 options and 0 shares.
- Knut Stålen (Chief Financial Officer) was allotted 30,000 conditional options at a strike price NOK 44.00. After grant, Knut Stålen holds total 106,250 options and 13 400 shares.
- Dan Cronin (Chief Operating Officer) was allotted 10,000 conditional options at a strike price NOK 43.23 and additional 45,000 conditional options at a strike price of NOK 44.00. After grant, Dan Cronin holds total 100,000 options and 0 shares.
- Zehira Dadon-Sitbon (Chief of Staff and HR Officer, SVP of Business Operations) was allotted 30,000 conditional options at a strike price NOK 44.00. After grant, Zehira Dadon-Sitbon holds total 50,000 options and 0 shares.
- Robert Mueller (VP, Biometrics Solution Group) was allotted 5,000 conditional options at a strike price NOK 44.00. After grant, Robert Mueller holds total 88,970 options and 0 shares.
- Charles Ng (VP, Sales Americas) was allotted 2,500 conditional options at a strike price NOK 44.00. After grant, Charles Ng holds total 40,000 options and 1,000 shares.
- Radek Matyasek (SVP, Sales Europa, Asia & India) was allotted 12,000 conditional options at a strike price NOK 44.00. After grant, Radek Matyasek holds total 65,500 options and 1,000 shares.

OPTIONS	2018 YTD-Q2	2017 YTD-Q2	2017
Opening balance	1 504 717	1 333 811	1 333 811
Grant of incentive options	285 000	483 000	526 000
Exercised incentive options	0	-56 500	-56 500
Forfeited incentive options	-103 002	-17 500	-38 750
Cancelled incentive options	-7 244	0	0
Modifications	-44 750	0	0
Adjusted quantity ¹	-134 994	-241 469	-259 844
Closing balance	1 499 727	1 501 342	1 504 717

¹Adjusted quantity of 134,994 in 2018 represents the adjustment for the probability of all conditions related to the granted share options being meet. Total adjusted quantity at the end of the second quarter of 2018 was 394,838.

	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
OPTIONS	YTD-Q2 2018		YTD-Q2 2017		2017	
Outstanding - Beginning of period	1 504 717	63.08	1 333 811	59.63	1 333 811	59.63
Granted	285 000	43.62	483 000	87.23	526 000	83.78
Exercised	-	-	-56 500	36.73	-56 500	36.73
Cancelled	-7 244	1.00	-	-	-	-
Forfeited	-103 002	129.06	-17 500	155.40	-38 750	143.00
Expired	-	-	-	-	-	-
Adjusted quantity	-134 994	40.00	-241 469	85.87	-259 844	83.90
Modification / Dividends	-44 750	39.60	-	-	-	-
Outstanding - End of period	1 499 727	43.89	1 501 342	64.55	1 504 717	63.08
Vested options - End of period	1 061 435	35.73	981 811	31.07	1 104 127	42.54

	SHARES	WEIGHTED AVERAGE FAIR VALUE	SHARES	WEIGHTED AVERAGE FAIR VALUE	SHARES	WEIGHTED AVERAGE FAIR VALUE
Granted Options - During the period	285 000	19.95	483 000	44.56	526 000	44.64

	SHARES	INTRINSIC VALUE	SHARES	INTRINSIC VALUE	SHARES	INTRINSIC VALUE
Outstanding options - End of the period	456 740	11 499 545	965 811	35 560 854	974 101	29 396 108
Vested options - End of the period	456 740	11 499 545	701 135	34 933 854	965 811	29 283 082

8. Profit (loss) per share

When the period result is a loss, the loss per diluted number of shares shall not be reduced by the higher diluted number of shares but equals the result per basic number of shares.

The diluted number of shares has been calculated by the treasury stock method. If the exercise price of incentive options exceeds the average price per share in the period, the incentive options are not counted as being dilutive.

	2018 YTD-Q2	2017 YTD-Q2	2017
Profit (loss) attributable to the shareholders (NOK)	-89 405 460	-86 222 321	-180 819 916
Number of ordinary shares issue at 30 June/31 Dec.	18 024 193	16 382 480	16 382 480
Weighted average basic number of shares	17 812 993	16 155 245	16 269 796
Weighted average diluted number of shares	19 531 592	17 495 163	17 789 978
Profit (loss) per share (NOK)	-5.02	-5.34	-11.11

9. Related party transactions

At the Annual General Meeting in May 2017, Tore Etholm-Idsøe was elected as chairman of the Board in accordance with the nomination committee recommendation. The Annual General Meeting in 2017 decided to approve the monthly consideration of NOK 180,000 for Tore Etholm-Idsøe (through his wholly-owned company, Eurostores AS) for consultancy services in addition to the Board remuneration. This consideration applied from the Annual General Meeting in 2017 to 30 June 2018.

10. Risk management

A description of risk factors can be found in Note 2 of NEXT Biometrics Group ASA's 2017 annual report.

11. Events occurring after the balance sheet date

Between 30 June 2018 and the resolution of these condensed consolidated interim financial statements, there has not been any other event which have had any noticeable impact on NEXT's result in the first half of 2018 or the value of the Company's assets and liabilities at 30 June 2018.

> RESPONSIBILITY STATEMENT 30 JUNE 2018 (UNAUDITED)

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 2018 has been prepared in accordance with IAS 34 – Interim financial Reporting and gives a true and fair view of the NEXT's assets, liabilities, financial position and profit or loss as a whole.

We also confirm, to the best of our knowledge, that the interim management report includes a fair review of the events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties' transactions.

Oslo, August 20 2018
Board of directors
NEXT Biometrics Group ASA

Magnus Mandersson
 Chairman

Tore Etholm-Idsøe
 Board member

Brita Ellertsen
 Board member

Emine Lundkvist
 Board member

Emanuel Lang
 Board member

Ritu Favre
 CEO