

NEXT Biometrics Group ASA

Q2-2019 Presentation

Oslo, August 20, 2019

Dan Cronin, interim Chief Executive Officer

Knut Stålen, Chief Financial Officer

Alain Faburel, Chief Sales & Marketing Officer

Oslo Børs: NEXT
OTC: NXTBF

Disclaimer

This presentation includes and is based, inter alia, on forward-looking information and statements that are subject to risks and uncertainties that could cause actual results to differ. Such forward-looking information and statements are based on current expectations, estimates and projections about global economic conditions, the economic conditions of the regions and industries that are major markets for NEXT Biometrics Group ASA (NEXT Biometrics) and its subsidiaries. These expectations, estimates and projections are generally identifiable by statements containing words such as "expects", "believes", "estimates" or similar expressions. Important factors that could cause actual results to differ materially from those expectations include, among others, economic and market conditions in the geographic areas and industries that are or will be major markets for the NEXT Biometrics businesses, market acceptance of new products and services, changes in governmental regulations, interest rates, fluctuations in currency exchange rates and such other factors as may be discussed from time to time.

Although NEXT Biometrics believes that its expectations and the information in this presentation were based upon reasonable assumptions at the time when they were made, it can give no assurance that those expectations will be achieved or that the actual results will be as set out in this presentation. NEXT Biometrics Group ASA nor any other company within the NEXT Biometrics Group ASA is making any representation or warranty, expressed or implied, as to the accuracy, reliability or completeness of the information in the presentation, and neither NEXT Biometrics Group ASA, any other company within the NEXT Biometrics Group ASA nor any of their directors, officers or employees will have any liability to you or any other persons resulting from your use of the information in this presentation. NEXT Biometrics Group ASA undertakes no obligation to publicly update or revise any forward-looking information or statements in this presentation.

Business Highlights Q2-2019

Government ID:

- Increased market activity and continued customer progress in India
- Additional PO's for India received and revenue expected to accelerate in H2-2019

Smart Card:

- Signed agreement with ABCorp for commercialization of biometric smart cards

Notebook:

- All-time-high sales
- US tier-1 customer to start reducing number of platforms in Q3-2019

Subsequent events:

- Signed design-in agreements with TROIKA and Wiseasy for Aadhaar POS-based payment solutions (July)
- Signed first commercial contracts for the new FAP20 sensor (August)
- COO Dan Cronin assumed the position as interim CEO from end-July



Key Financials Q2-2019

Revenue of NOK 30.1 million, up 18% from Q2-2018 and 10% vs. Q1-2019

Gross margin of 32% compared with 26% in Q2-2018 and 34% in Q1-2019

Cost reduction program on track with positive impact in Q2-2019

EBITDA ex options improved to NOK -30.5 million



Experienced Management with Strong Technology Background



Magnus Mandersson – Chairman of the Board of Directors

- Appointed in 2018
- 30+ years of experience in management roles and on company boards
- Solid entrepreneurship history; held top management positions with Ericsson and Kinnevik



Knut Stålen – CFO

- Joined NEXT as CFO in 2014
- Business degree in Economics, Norwegian Business School
- Senior management positions with Trolltech, Microsoft Norway, Mamut, CFEngine AS



Dan Cronin - Interim CEO, COO

- Joined NEXT as COO in 2017
- Master's degree in Electrical Engineering, Georgia Institute of Technology
- Senior management & technical positions with Motorola, Freescale, NXP, IBM



Alain Faburel – CSMO

- Joined NEXT as CSMO in 2018
- Master's degree in Marketing & Sales, INSEEC Alpes-Savoie
- Senior management positions with Gemalto, CPS Technologies, Crocus Technology, IDEMIA

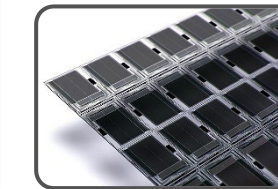
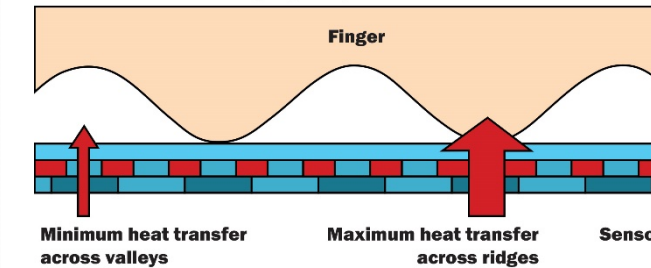


Advanced, Secure, Large-Area Fingerprint Sensors

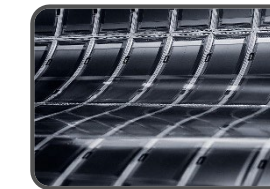
- **Sensor technology with unmatched cost & size advantages**
- **Proven supplier to global tier 1 customers**
- **Product roadmap aligned with new high-growth applications**
- **STQC certified to provide solutions for Aadhaar program in India (received June 2018)**
- **Complete product portfolio: rigid fingerprint modules, readers, flexible smart card modules and software**
- **ONLY technology provider that scales across Smartcard, Access, Government ID and high-end notebooks**

Unique technology

Cross-section of fingerprint / sensor interface

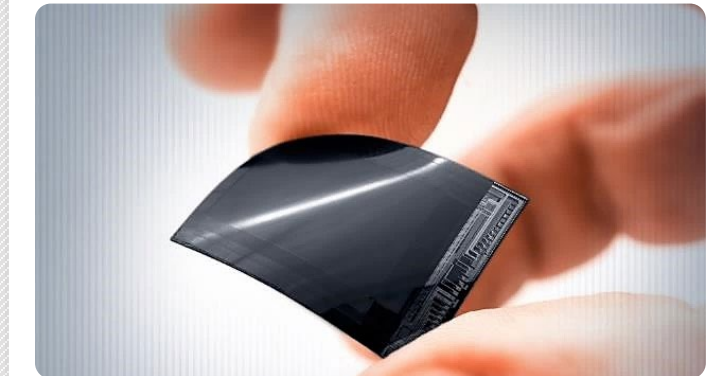


Rigid sensors



Flexible sensors

LTPS* advantages



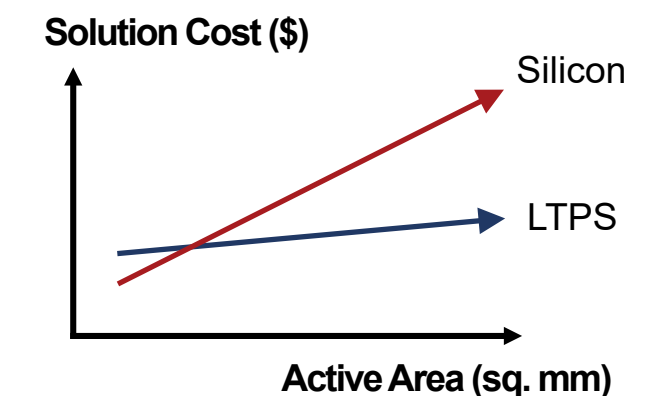
- Fully flexible
- Doesn't break at larger size
- Easy to manufacture

Size matters!



- Easy, one-touch enrollment
- Better accuracy capturing more features
- Interoperable with existing infrastructure

Cost leadership

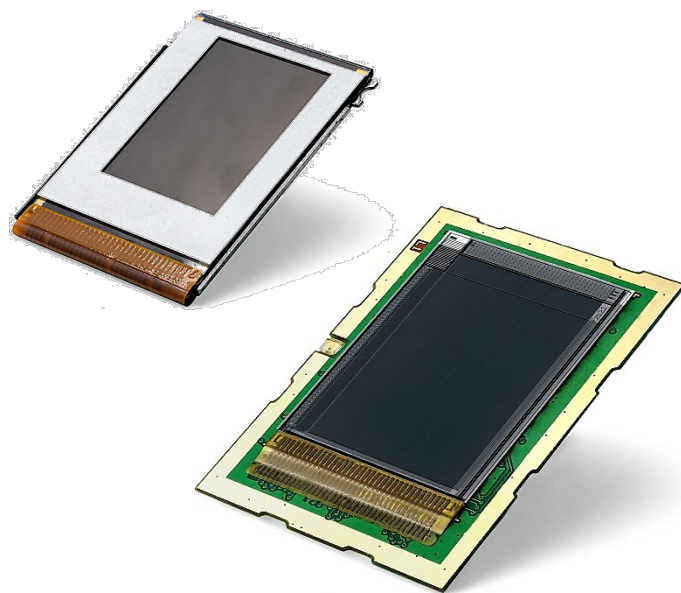


- Lower cost at larger size
- Performance improves on a per unit cost basis

*) Low-temperature polycrystalline silicon (Plastic)

Flexibility and Proliferation

Foundation Sensor + Electronics = Module



Ease of migration of the Design and Technology enabled **Fully Flexible** Sensor & Module



Multiple solutions for multiple markets



Same Sensor, slight change to electronics enables different markets



NEXT Biometrics offering

Government ID

- Reliable
- Thin form factor
- Cost Effective
- Wet or Dry environment – not an issue
- Anti-Spoofing enabled

Access control

- 500 dpi
- PVI / FBI certification
- Low Power
- Thin – enabling easy integration into space constrained applications
- One touch / 360° enrolment

Biometric cards

- Flexible substrate material
- Large-area form factor
- Well suited for high-security applications
- Excellent wet finger performance
- Cost scales more slowly with area
- “One-touch” enrollment

Key challenges facing competing solutions

Optical sensors

- Primarily a competition in Gov ID and access control
- Thick, heavy and bulky
- Variation in quality
- Higher current – issue when attached to Cell Phone
- Water and bright light an issue
- Easier to spoof

Capacitive sensors

- Primary competition in biometric card market
- Higher FAR/FRR
- Not flexible – limits size
- Small size requires “stitching” with multi-touch enrollment
- Cost scales linearly with sensor area
- Wet finger sensing issues

Leveraging NEXT's Large Size, Cost Benefit in Four Target Markets

Smart Card
#1 priority



Government ID
Win market share



Notebook
Be relevant and Stay strong



Access Control
Leverage existing portfolio through distribution channels



Smart Card – Building Momentum with Large-Size Sensors

Achievements

- ✓ Agreement with ABCorp for the commercialization of biometric smart card solution
- ✓ Delivered sample cards and enrolment solution to signed partners for customer promotion

Pipeline 2019

- Additional tier-2 card manufacturers
- Technology partnership with additional Secure Element vendor
- Release new reference platform to address secure authentication application

Priorities

- Demonstrate Dual Interface solution
- Expand tier-2 penetration



WIZCARD

ABCorp
Secure since 1795



Government ID India – Ramp-up Started

Achievements

- ✓ Signed all 4 agreements forecasted in January
- ✓ Agreement with customer D closed, first order received, further volume expected in August and Q4
- ✓ Design-in with POS vendor Wiseasy (July)
- ✓ Design-in and first order from Troika (July)
- ✓ Additional distributor agreement signed with Foxbase

Pipeline 2019

- Revived market and customer activity as elections concluded
- New product form factor opportunity (thermal printers)

Priorities

- Ramp up existing customers while developing new accounts
- Promote Aadhaar L-1 solution following certification

India Pipeline

Thousand sensors

Customer	Contract Status
AqTronics (A)	✓
Digitsecure (B)	✓
Oxigen (C)	✓
D	✓
Sum: 140	



Wiseasy, Workeasy!

NEXT Technology in Real-Life Government ID Use

Delhi Traffic Police

- **Use Case:** Real-time ID verification of drivers & fingerprint authentication for payment of fines
- **Device:** Biometric POS terminals from MobiOcean incorporating NEXT sensor technology
- **Status:** Initial pilot of 1000 units deployed and in daily use in Delhi to date
- **Benefits:**
 - Identification and verification of driving license holders from across 27 states in the country
 - Efficient and quick catching of traffic violators
 - On-the-spot settlement of fines
 - Lightweight device for daily use
- **Outlook:** Multiple tenders for similar applications in progress



Government ID RoW – Starting to Deploy One Touch ID FAP20

Achievements

- ✓ Started design-in with Newland following agreement signed in May
- ✓ Design-in with POS vendor SUNMI for both India-specific sensors and ROW with One Touch ID FAP20
- ✓ Signed LOI with WizarPOS (China) for One Touch ID FAP20
- ✓ Signed MOU with Coppernic (France) for One Touch ID FAP20

Pipeline 2019

- Sign further supply agreements following design-in

Priorities

- Continue to deliver One Touch ID FAP20 samples for design-in and first volumes
- Further market penetration in APAC and Africa



Access Control – Tier-1 Device Makers on Board

Achievements

- ✓ Signed LOI with one of the leading access control solution provider worldwide for the design-in of One Touch ID FAP20
- ✓ Signed LOI with Digent (Korea) for One Touch ID FAP20

Pipeline 2019

- Finalize additional distribution agreements in Korea and Japan
- Launch new range of products targeting harsh conditions

Priorities

- Finalize design-in with existing partners
- Continue promotion of One Touch ID FAP20
- Continue to expand geographic presence, Korea, Africa, ME

DIGENT
UniComm



Targeting the High-Security Commercial Rugged Notebook Market

Achievements

- ✓ Strongest quarter to date with Fujitsu as volume and revenue ramp according to plan

Priorities

- Develop Fujitsu relationship to access other business lines
- Close design-in agreements with additional notebook manufacturers for One Touch ID FAP20

Outlook

- Decline of volume with US tier-1 customer expected to materialize in Q3-2019
- Continued increase of Fujitsu volumes as new platforms are launched



Key Figures Q2-2019

Profit and loss

NOK million	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	2018
Revenue	25.6	30.2	29.3	27.5	30.1	108.4
COGS	(18.9)	(21.1)	(18.8)	(18.2)	(18.2)	(77.6)
Gross profit	6.7	9.1	10.5	9.3	9.6	30.8
Gross margin	26%	30%	36%	34%	32%	28%
EBITDA	(44.4)	(39.1)	(38.6)	(38.7)	(32.8)	(160.9)
EBITDA adjusted*	(41.0)	(35.7)	(35.0)	(35.4)	(30.5)	(149.5)

*EBITDA adjusted for cost of options.

Revenue of NOK 30.1 million, up from NOK 27.5 million in Q1-2019

- Increased notebook volumes the main driver
- Announced pilot projects and design wins to take full effect in industry-typical intervals
- Revenue to increase as customers roll out their solutions

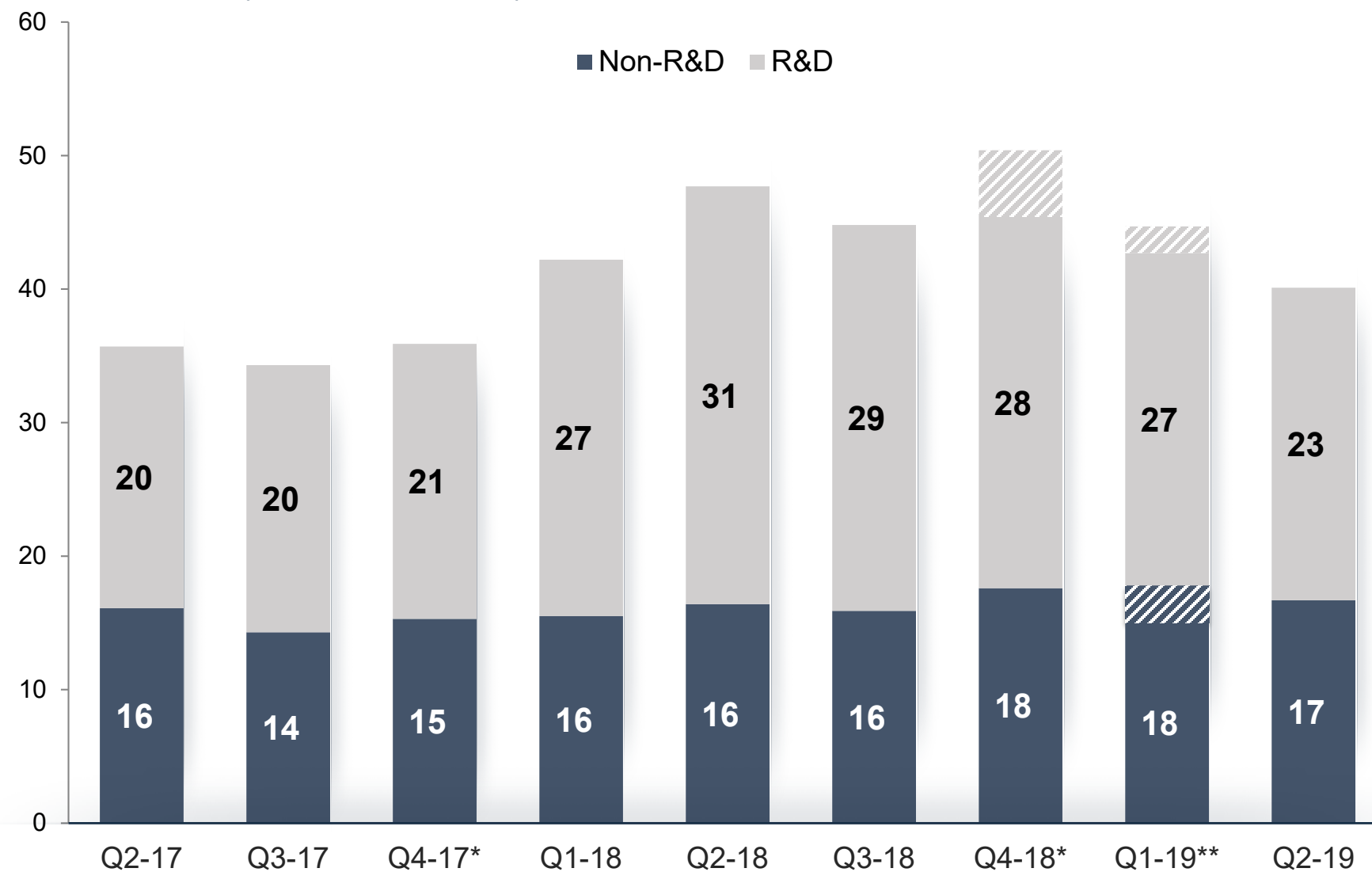
Gross margin of 32% vs. 34% in Q1-2019

- Changes due to variations in product mix

Reduced OPEX and R&D Investments

R&D related vs non-R&D related OPEX¹

NOK million (excl. cost of options)



1) OPEX = Payroll + Other operating expenses

*) Q4-2017/18 incl. NOK 5 million Skattefunn effect and Q4-2018 incl. additional NOK 3 million of R&D expense following a non-recurring reclassification of investments

**) Adjusted for NOK 4.8 million severance pay and other one-off effects

OPEX down following cost initiatives

R&D focused on Smart Card and Government ID

- Projects on track for expected volume market take off

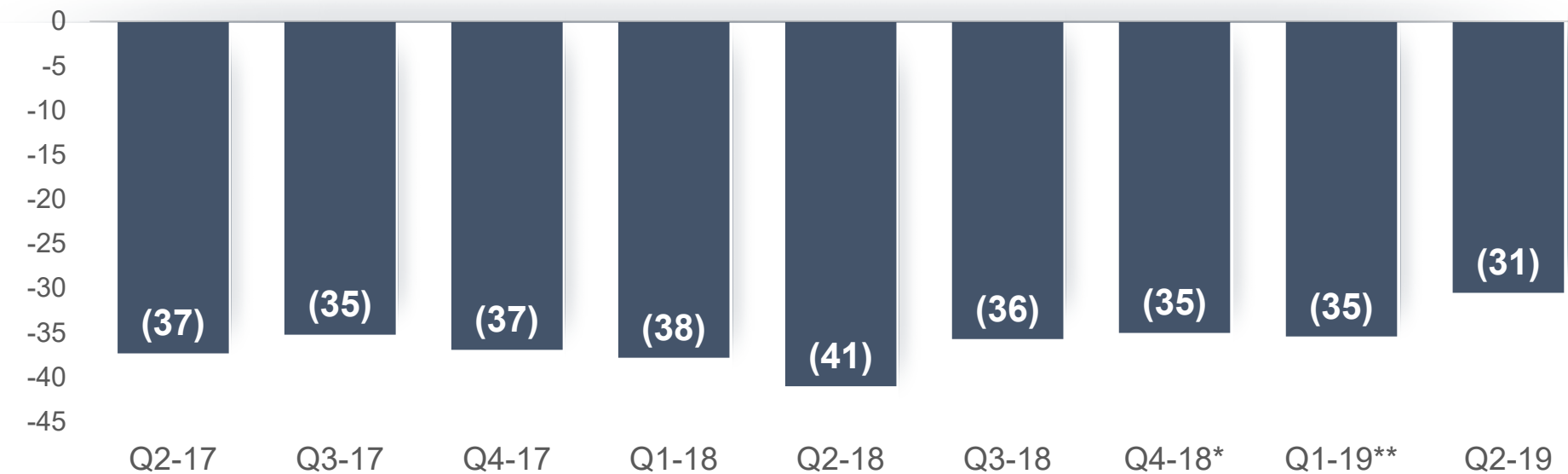
Cost reduction program

- Target of 20% decrease
- Optimizing organization with increased focus on sales
- Commercializing payment card solution, scaling back other development processes

EBITDA and Cash Flow Performance

MNOK

EBITDA ex options

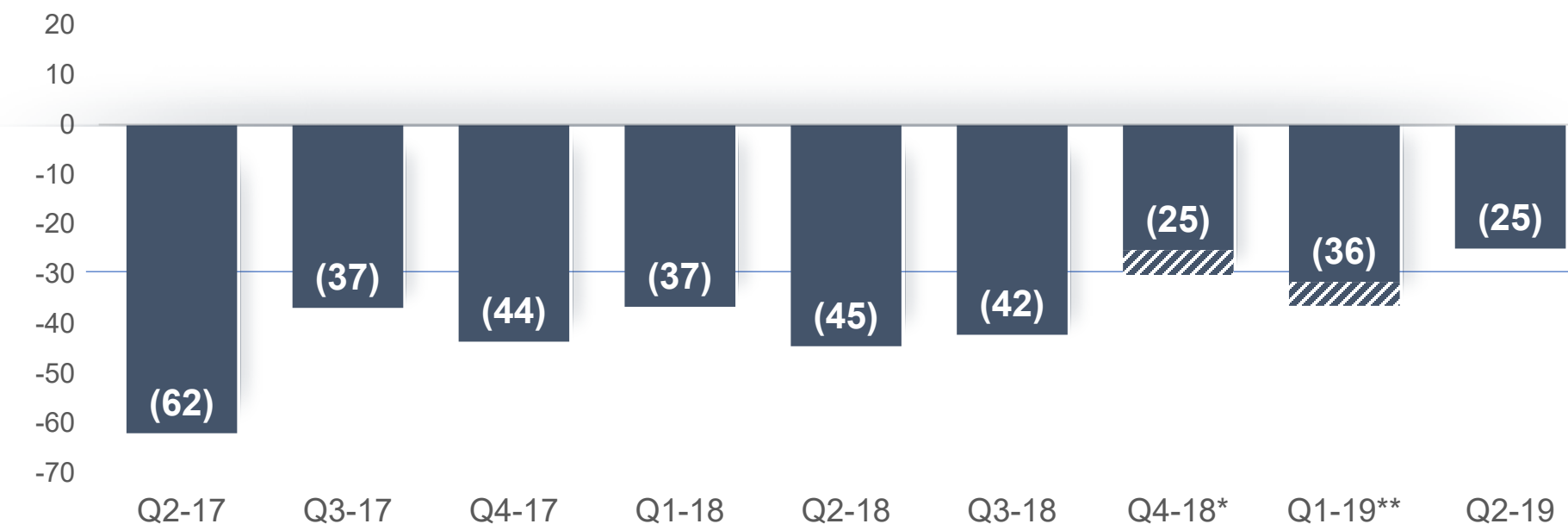


EBITDA:

- Q2-2019 adjusted EBITDA-loss of NOK 30.5 million, down from NOK 35 million in Q1-2019

MNOK

Cash flow from operations and investment activities



Cash flow:

- Cash used for operations of NOK 25 million in Q2 2019
- Cash flow levels expected to further improve over time

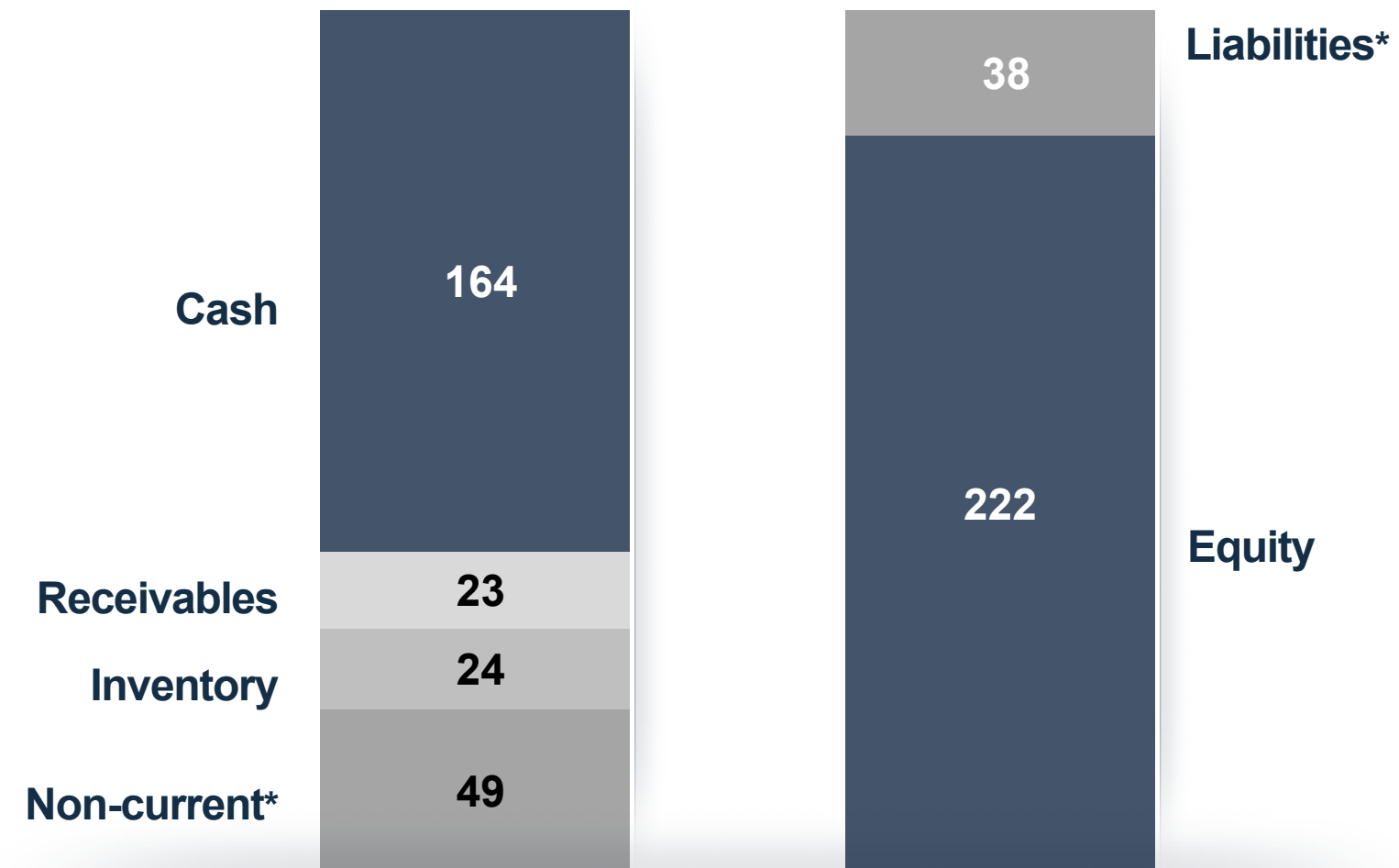
*) Q4-2018 Adjusted for Skattefunn effect of NOK 5 million

**) Q1-2019 Adjusted for NOK 4.8 million severance pay and other one-off effects

Balance Sheet & Cash Flow Development

Balance sheet

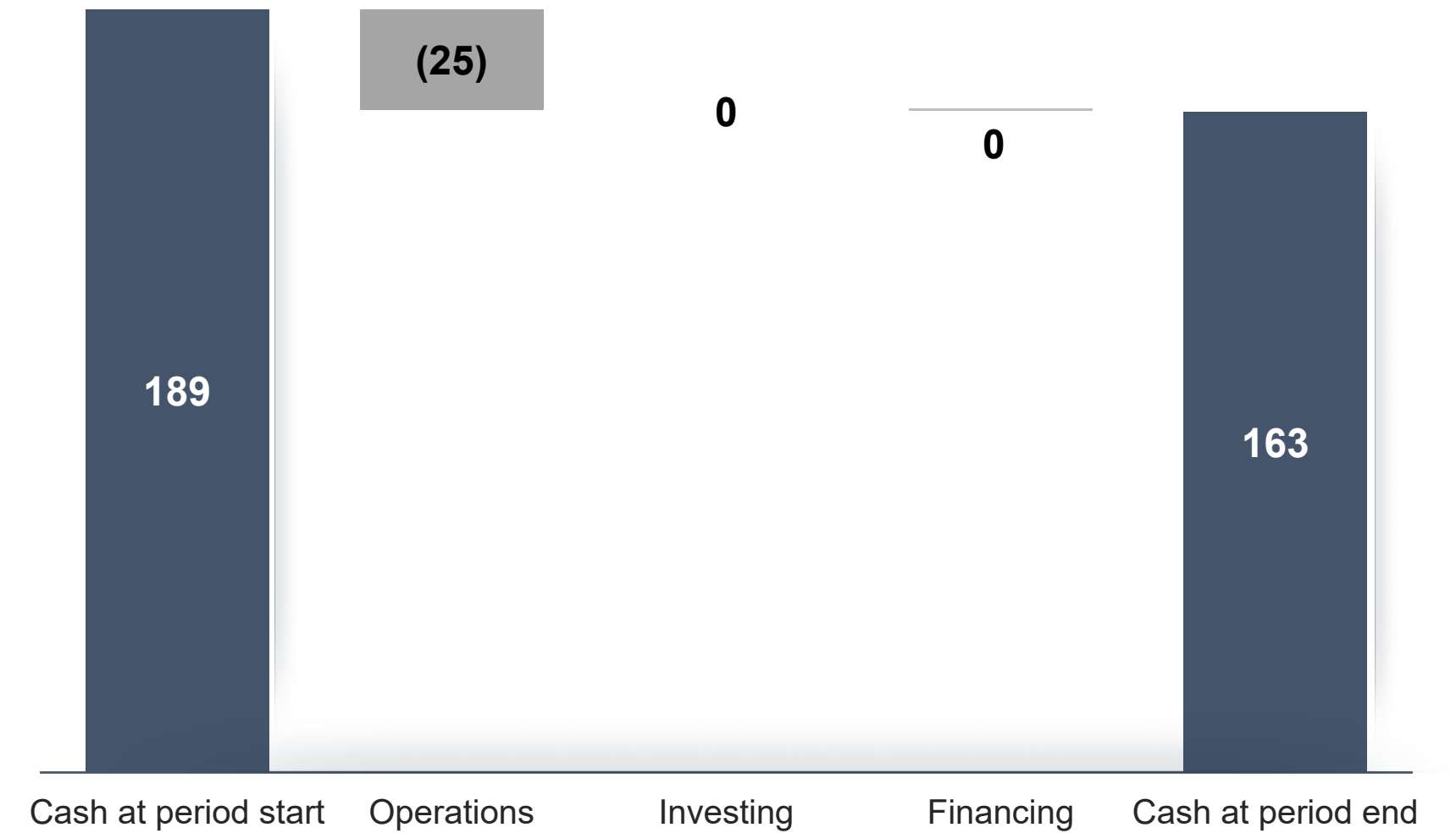
NOK million



*) Included the effect of the implantation of IFRS16 - Leases

Cash flow development

NOK million



- **Successfully executing shift to multi-product, multi-market business model from a single product, single market approach**
- **Market roll-out underway from diverse, mass-production ready product platforms**
- **Pace of design-in agreements and completed end-products reaching the market, confirms the attractiveness of NEXT sensor technology**

Smart Card
#1 priority



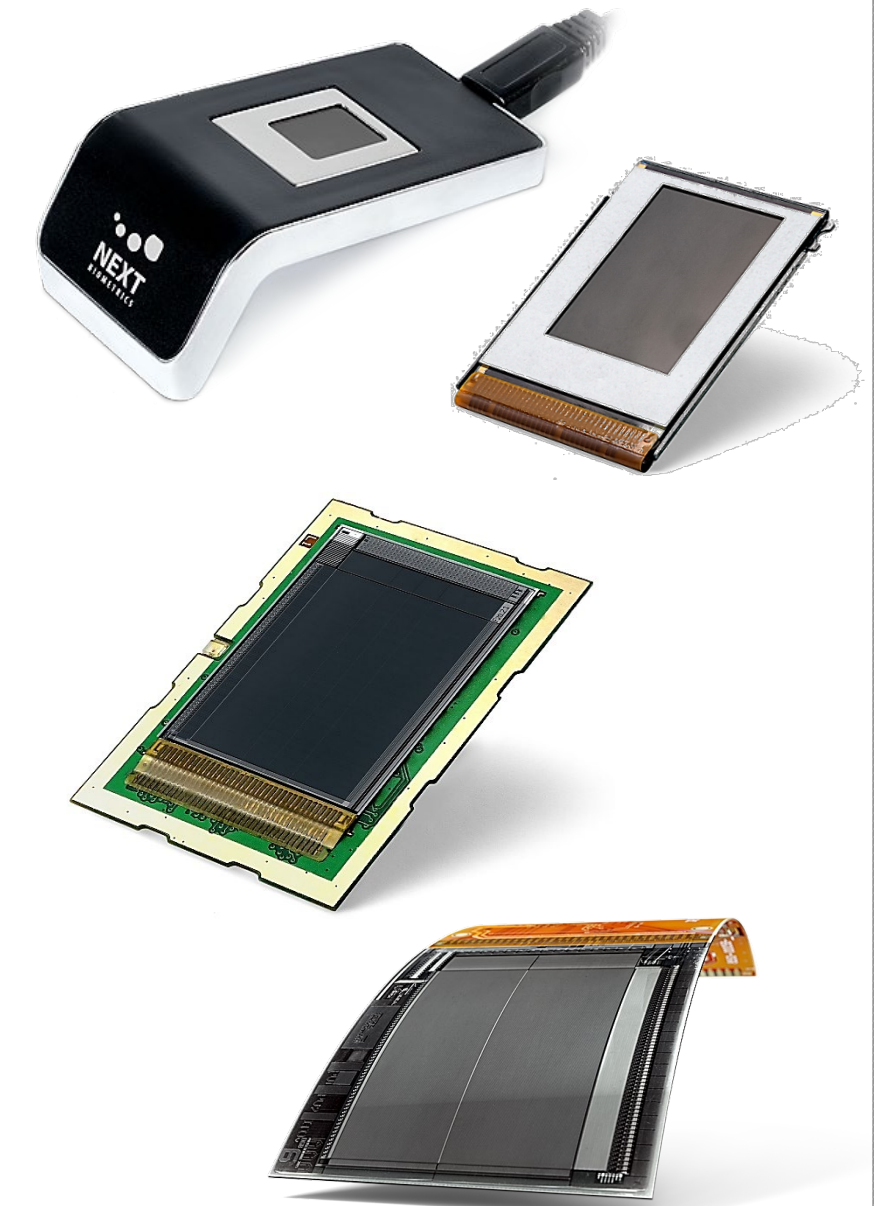
Government ID
Win market share



Notebook
Be relevant and
Stay strong



Access Control
Leverage existing
portfolio through
distribution channels



Key Business Steps 2019

- **Ramp India sales and capitalize contracts and order backlog**
- **Global commercialization and volume production start of FAP20 sensor**
- **Continued increase of sensor module shipments to Fujitsu**
- **Further expand smart card ecosystem partnerships and network**
- **Demonstration and sampling of Dual Interface solution**





One Touch.
One You.
NEXT Biometrics

