

NEXT Biometrics Group ASA

Third Quarter 2018

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Enabling the NEXT Waves of Security Critical Applications



5m

Founded 2004; IPO 2014

>5 million sensor
modules shipped to-date

Proven biometric fingerprint
sensor provider



Cost-efficient
mass-production of
large-size, rigid and
flexible sensors

Key enabler of coming
wave of biometrics

1bn

Rapidly growing
fingerprint sensor market
>1 billion units

Positioned for leadership
in emerging smart card & government
ID markets

Listed on Oslo Stock Exchange (NEXT) • Market cap NOK ~1100 million / \$~130 million • 2017 revenue NOK 98 million / ~\$12M
HQ in Oslo, Norway • 95 employees - 50% US, 25% China, Taiwan, India

Q3 2018 Highlights

- **Revenue of NOK 30.2 million, up from NOK 25.6 million in Q2-18**
- **Gross margin of 30%, up from 26% in Q2-18**
- **Strengthened sales and marketing team**
- **NEXT sensors selected for three smart card pilots through Tactilis (Q4-18)**
- **Smart card market position strengthened with Infineon agreement, accelerating time-to-market in contact-based payment smart cards (Q4-18)**
- **Received Android and BIS certification for Aadhar in India and began shipping first orders (Q4-18)**
- **Orders for biometric enabled point-of-sale (POS) terminals confirm significant opportunity (Q4-18)**



Delivering on Gross Margin Improvement

Gross margin of 30% in Q3 2018

- Third consecutive quarter with positive gross margin
- Up from 26% in Q2

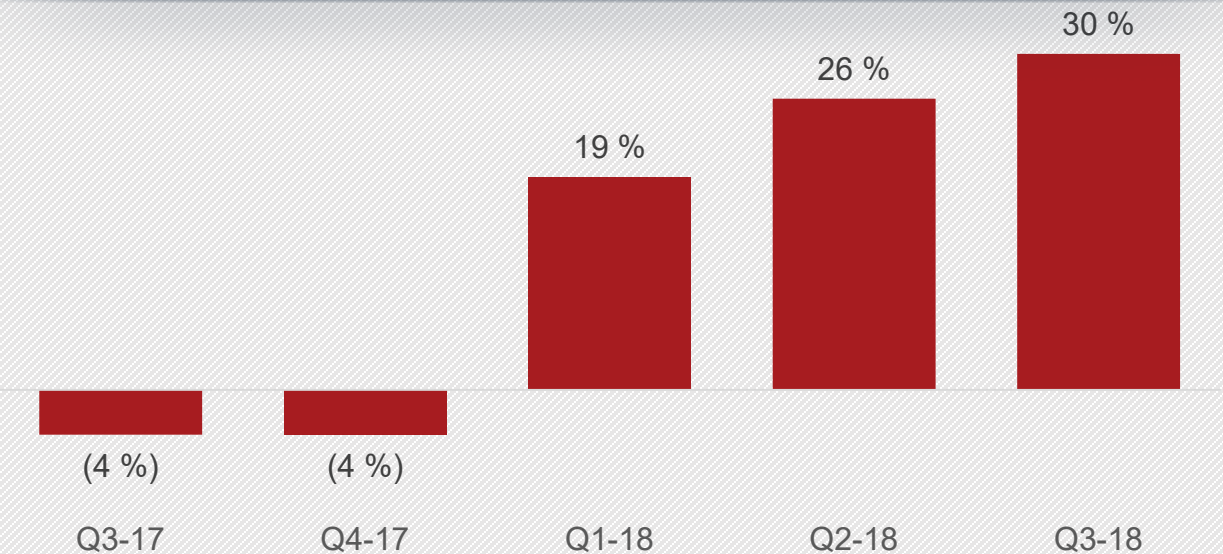
Drivers for margin improvement

- New ASIC
- Improved yields and scaling impact
- New segments with higher gross margin contribution

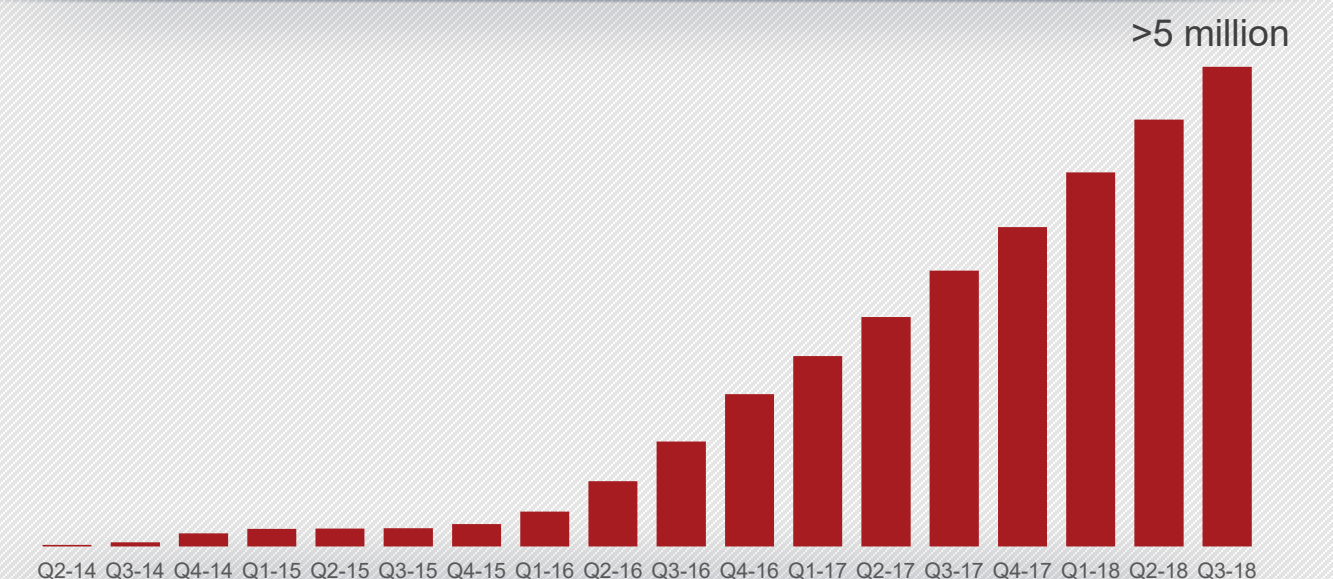
Future gross margin

- Expect to move towards long-term target over time

Gross margin



Accumulated sensor shipments



Short-term Impact from Aadhaar Uncertainty

Short-term uncertainty in India

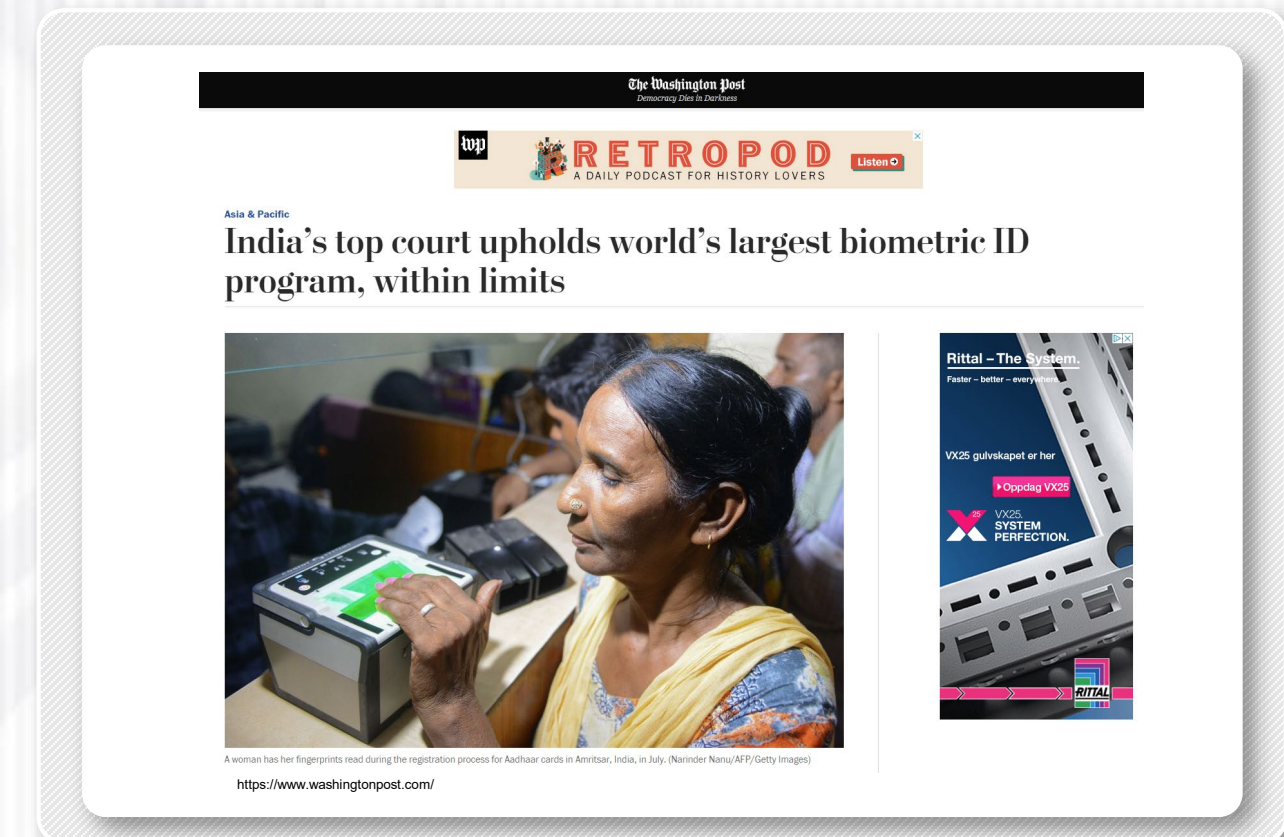
- Supreme court ruling
- 2019 Election
- Transition from Level 0* to Level 1**

Long-term market fundamentals remain robust

- Reduced near-term market potential
- Will impact short term government ID revenue and cash-flow
- Long-term potential remains significant

* Level 0, modules and readers with software signing / encryption

** Level 1, modules and readers with digital signing / encryption in hardware to enable secure payments



Revenue and Gross Margin Development

Profit and loss

	Q3	Q4	Q1	Q2	Q3	YTD	YTD
NOK million	2017	2017	2018	2018	2018	Q3	Q3
						2017	2018
Revenue	25.4	24.7	23.3	25.6	30.2	73.5	79.1
COGS	(26.4)	(25.6)	(18.8)	(18.9)	(21.1)	(78.4)	(58.8)
Gross profit	(1.0)	(0.9)	4.5	6.7	9.1	(4.9)	20.3
Gross margin	(4%)	(4%)	19%	26%	30%	(7%)	26%
EBITDA	(40.1)	(41.8)	(38.8)	(44.4)	(39.1)	(121.5)	(122.3)
EBITDA adjusted*	(37.3)	(36.9)	(37.8)	(41.1)	(35.7)	(113.2)	(114.5)

*EBITDA adjusted for cost of options.

20% increased revenues in Q3-18 vs. recent quarters

- Shipments of the new sensor module to the Tier-1 U.S. notebook customer
- Increased sales of the “Scallop” and “Oyster” fingerprint readers

Gross profit improvement according to plan

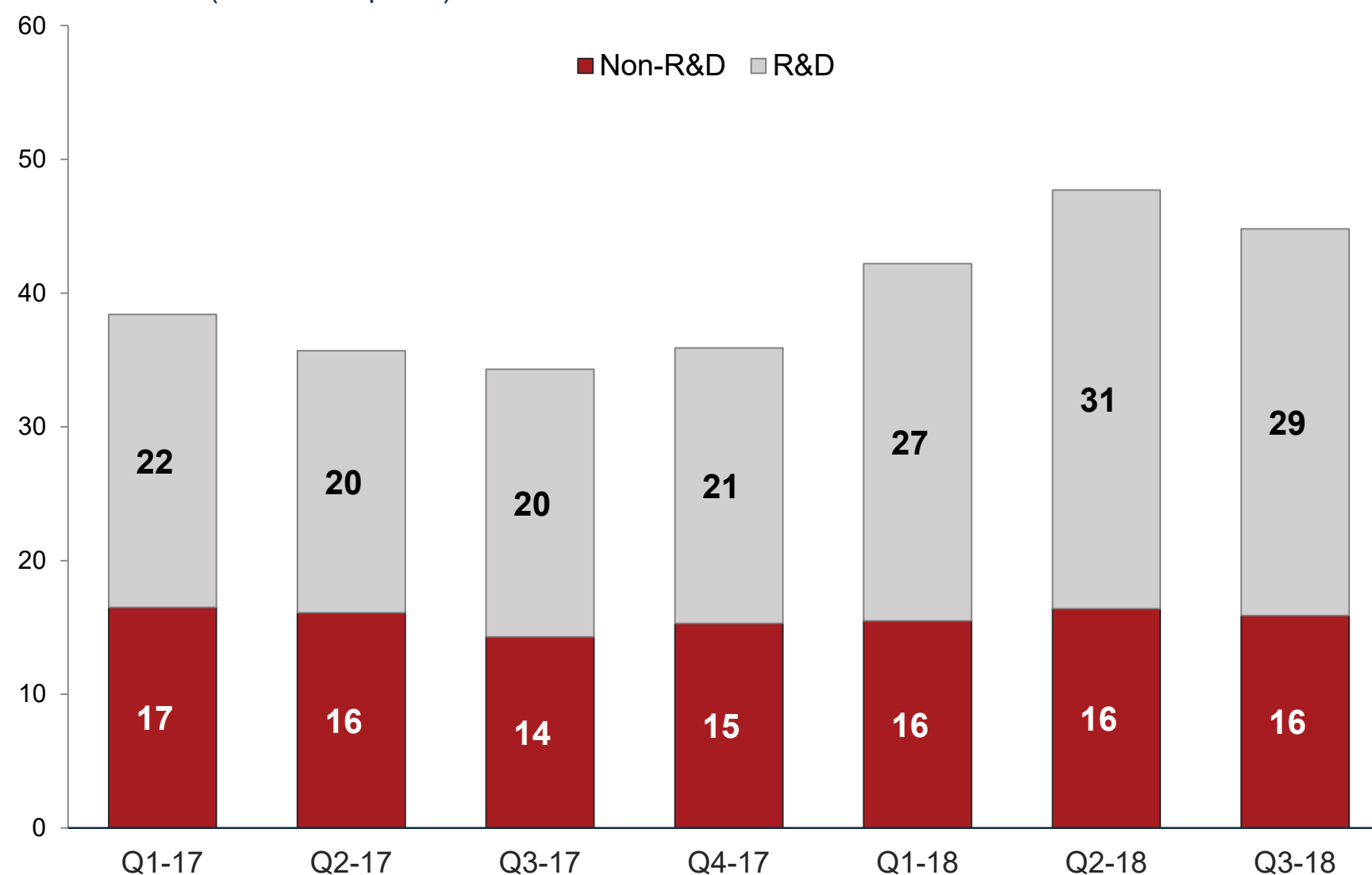
EBITDA reflects increased R&D headcount and investments as previously communicated.

Gross margin expected to increase over time and OPEX to flatten out

OPEX Discipline Maintained while Increasing R&D Activities

R&D related vs non-R&D related OPEX*

NOK million (excl. cost of options)



*OPEX = Payroll + Other OPEX

Non-R&D related payroll and other OPEX stable over recent quarters

R&D related payroll and OPEX stabilized at level reflecting a higher activity

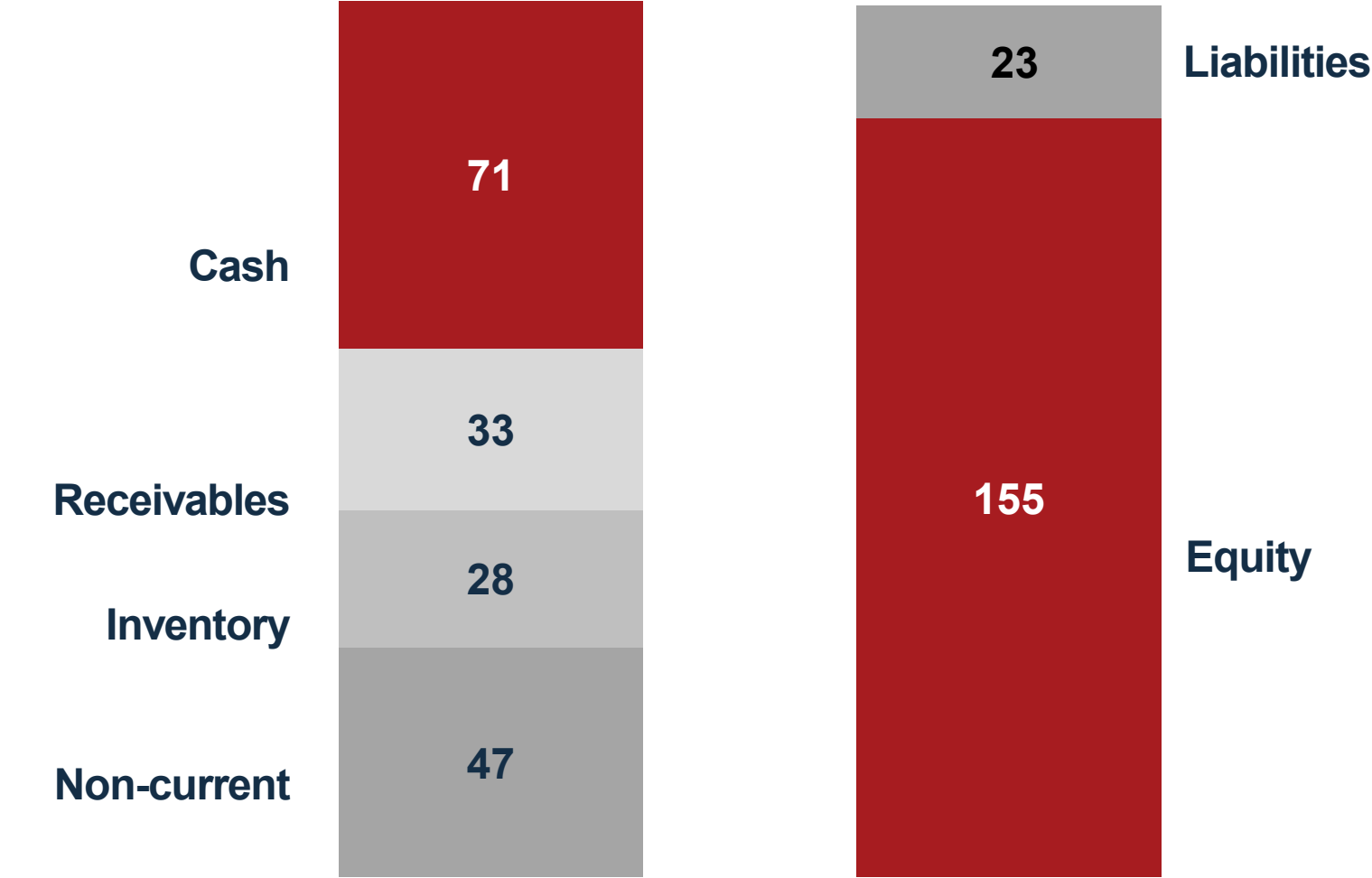
- Focus on Smart Cards and Government ID
- Projects on track according to roadmap linked to expected timing of volume market.

Payroll and OPEX expected to stabilize and flatten out in coming quarters

Balance Sheet & Cash flow development

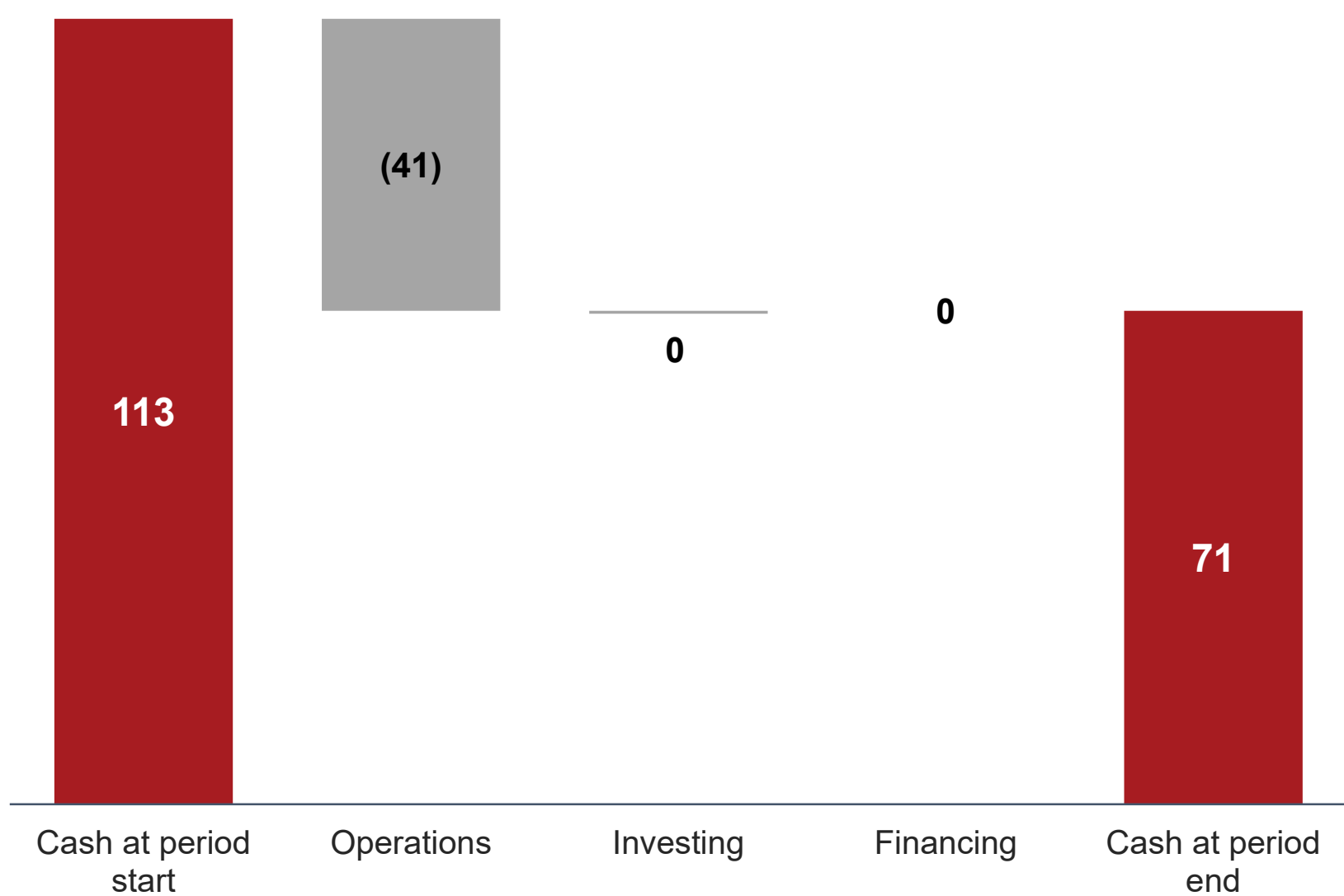
Balance sheet

NOK million



Cash flow development

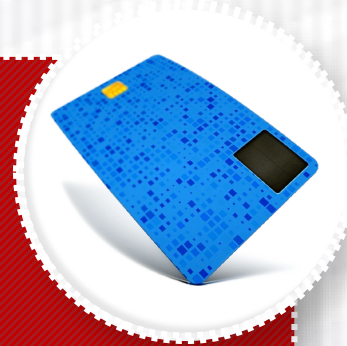
NOK million



Targeting Markets that Leverage Large Size Cost Benefit

Smart Card

#1 priority



Government ID

**Certification of
existing products;
Expanding sensor
portfolio**



Notebook

**Stay strong
and relevant**



Access control

**Leverage existing
portfolio through
distribution channel**



Government-Grade Cards: Selected for three smart card pilots

Tactilis has signed LOI for three smart card pilots with a global organisation

- Based on NEXT's large-area biometric sensors
- Validates BSoC technology for three different applications
- Expect to start pilot in Asia in Q1 2019
- Additional information on pilots in coming months

Performance requirements similar to the Aadhaar program in India

- Government grade biometric performance, multifunction capabilities and advanced management of user data and credentials required
- NEXT sensors enable high-security and ease-of-use



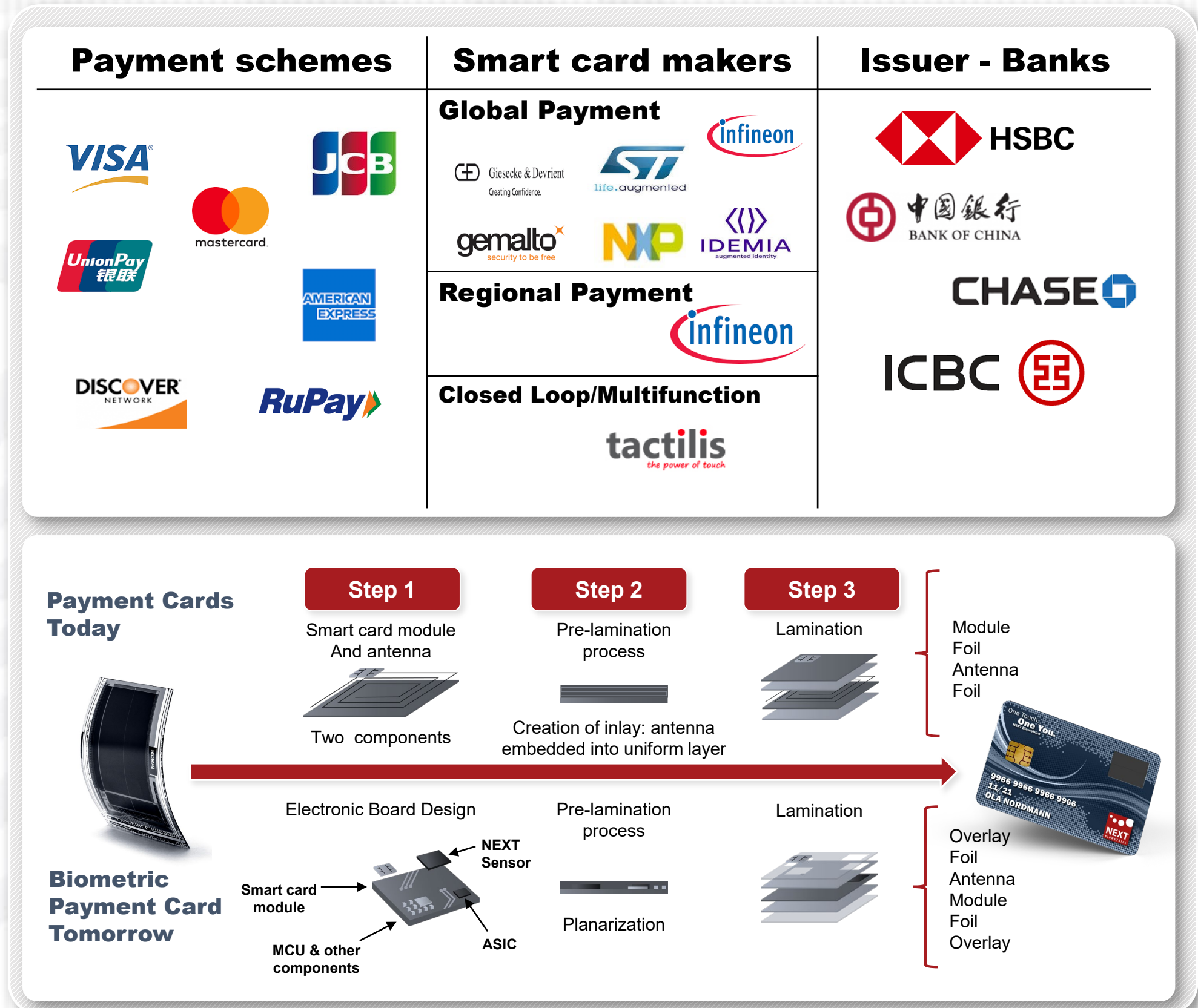
Payment Smart Card – Building a leading position

Engaging with all participants in the global payment ecosystem

Deploying Biometric Reference Platform to regional and local payment card customers

Payment card deployment status

- Market still developing
- Limited pilots worldwide
- High focus from top global payment players and payment schemes to release standards



Delivering fast time to market: payment smart card eco-system



Joint reference platform with Infineon* technologies

- All elements needed to design and manufacture a biometric contact-based payment smart card
- Available to card issuers, governments, system integrators and card makers
- Enables NEXT to target regional payment smart card makers with a complete offering and shorter time to market

* Infineon Technologies AG is a world leader in semiconductor solutions. In the 2017 fiscal year (ending 30 September), the Company reported sales of around Euro 7.1 billion with about 37,500 employees

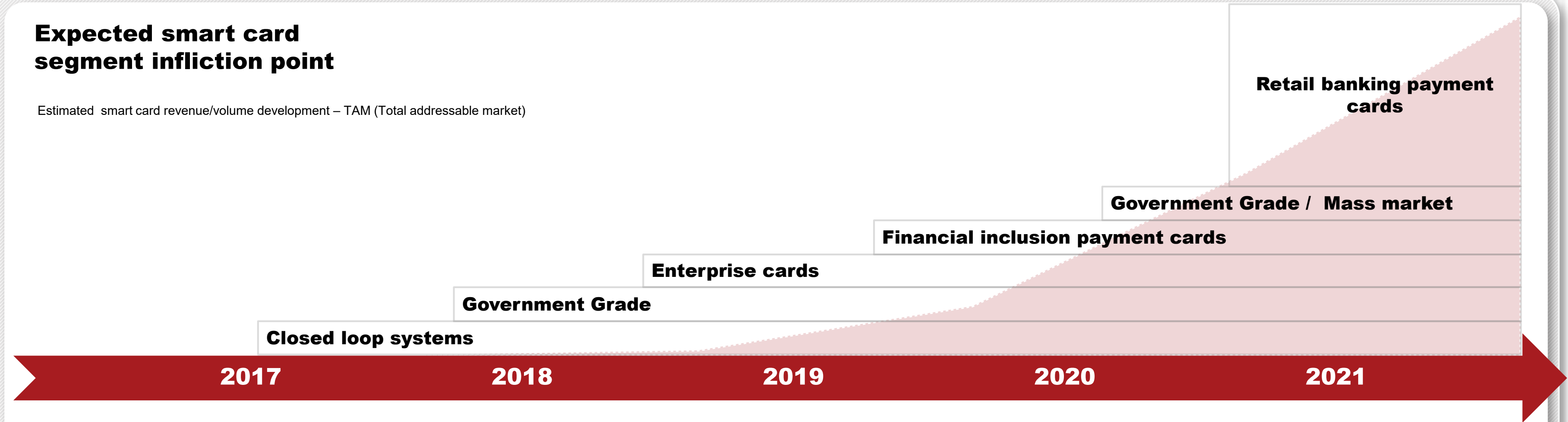


Smart Card Roadmap Aligned With Market Development



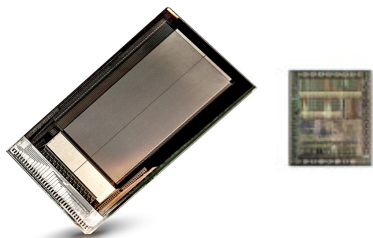
Expected smart card segment infliction point

Estimated smart card revenue/volume development – TAM (Total addressable market)



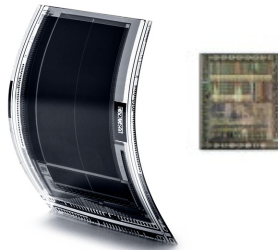
Technology roadmap

✓ Chipset

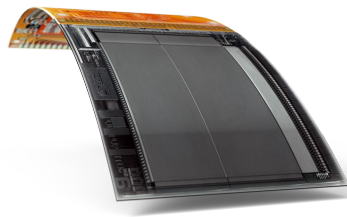


- Chipset for Closed loop projects
- Flexibility to adapt to complex projects
- Large rigid and flexible sensors
- Contact cards

✓ One Touch Connect CS

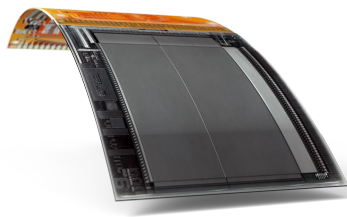


✓ One Touch Flex CT – Payment



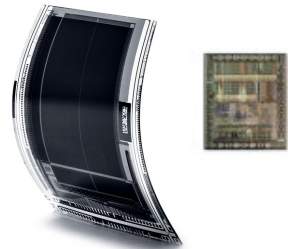
- Ready to integrate
- Large Flexible sensor
- Turnkey solution
- Contact cards

One Touch Flex CL – Payment



Gen 1

- Low power
- Large flexible sensor
- Turnkey solution
- Contactless



Gen 2

Navigating Aadhaar and New Opportunities in India

Constitutional support for Aadhaar and approval for public programs

- Government applications and branch banking unaffected by ruling
- Limits private companies' access to use Aadhaar, telecom barred

Expected market impact

- Total available market estimate for 2018-2019 revised to 1 to 2 million units annually (previously 3-4 million)
- Long-term potential of 5 to 10 million units annually maintained
- Focus on security and convenience likely to overcome short-term hesitation

New India opportunities emerging

- Order for One Touch ID fingerprint sensor module from China-based Telpo
- Used in POS (non-Aadhaar) for retail sales transactions in India
- Initial shipments in Q4-18
- Potential volumes for application could be several hundred thousand units in the coming quarters

Aadhaar ruling Impact* per subsegment

Government



Branch - Banking



Banking POS



Banking – AEPS (non-POS)



Telecom



*) Based on most current interpretation of ruling and interpretations communicated by regulatory entities

Increased Segmentation of Access Control Market Opportunity

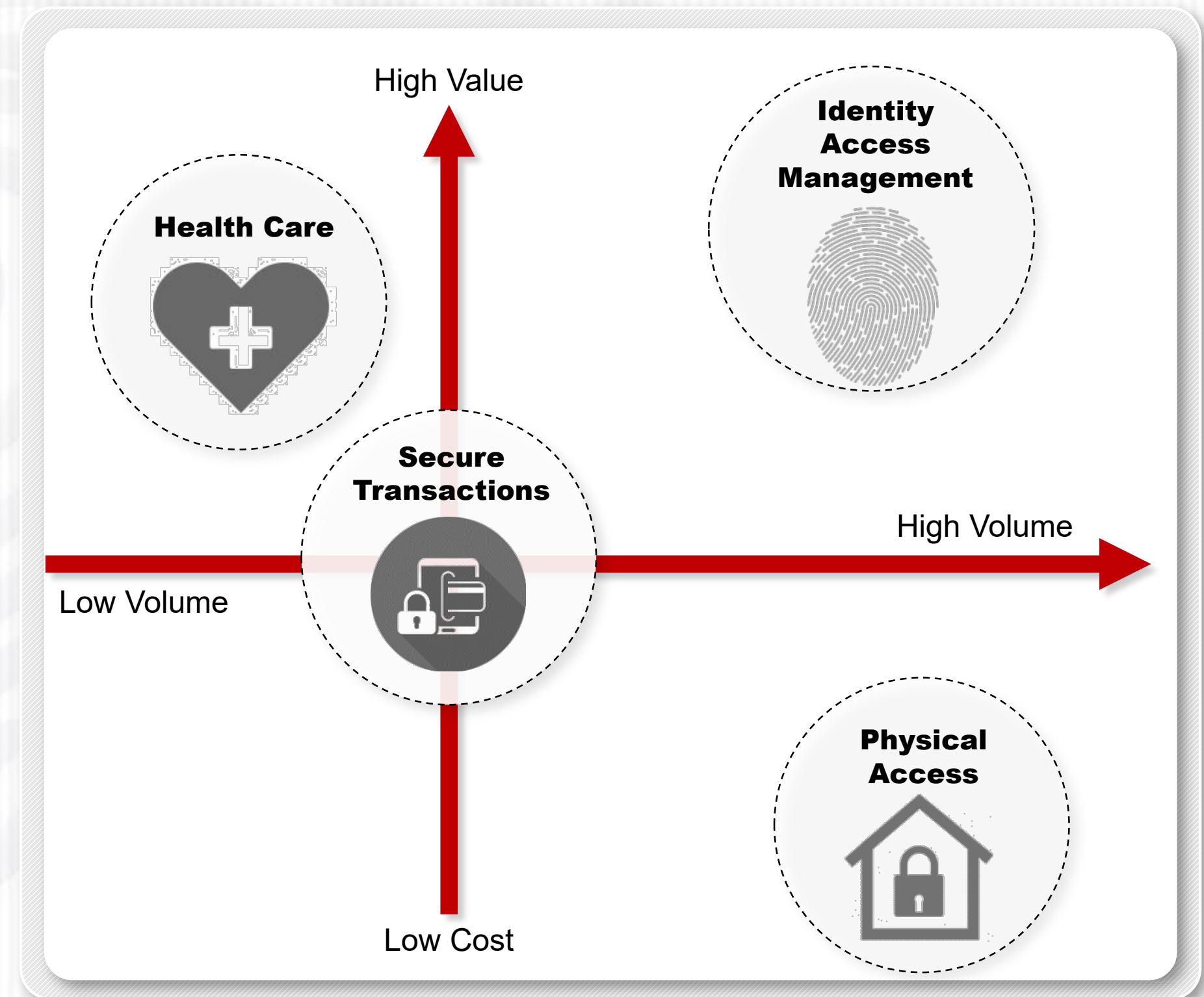
Targeting applications that provide the best combination of value and volume

- Discovery of several new attractive use-cases
- Increased long-term market potential
- Upside identified in biometric enabled POS

Software product offering being tailored to market segments

- New market segmentation and product adjustments implemented to increase long-term revenue potential
- New algorithm completes solution offering and has addressed another source of delays

Shipments expected to ramp in 2019



Secure Payments Require Large Sensor and Ease of Use

Biometric-enabled POS devices created to enable high-security payment transactions

NEXT's large sensors are ideally suited providing the required level of security and convenience

Opportunities developing across smart card, government ID and access control segments

Represent a new market and source of revenue growth

Tysso POS



Telpo POS



All-time High Notebook Shipments in Q3

Gross margin now exceeding 30%

US Tier 1 shipments expected to continue over the next 12 months

- Number of platforms using NEXT sensors likely to decline

Fujitsu shipments expected to increase in 2019

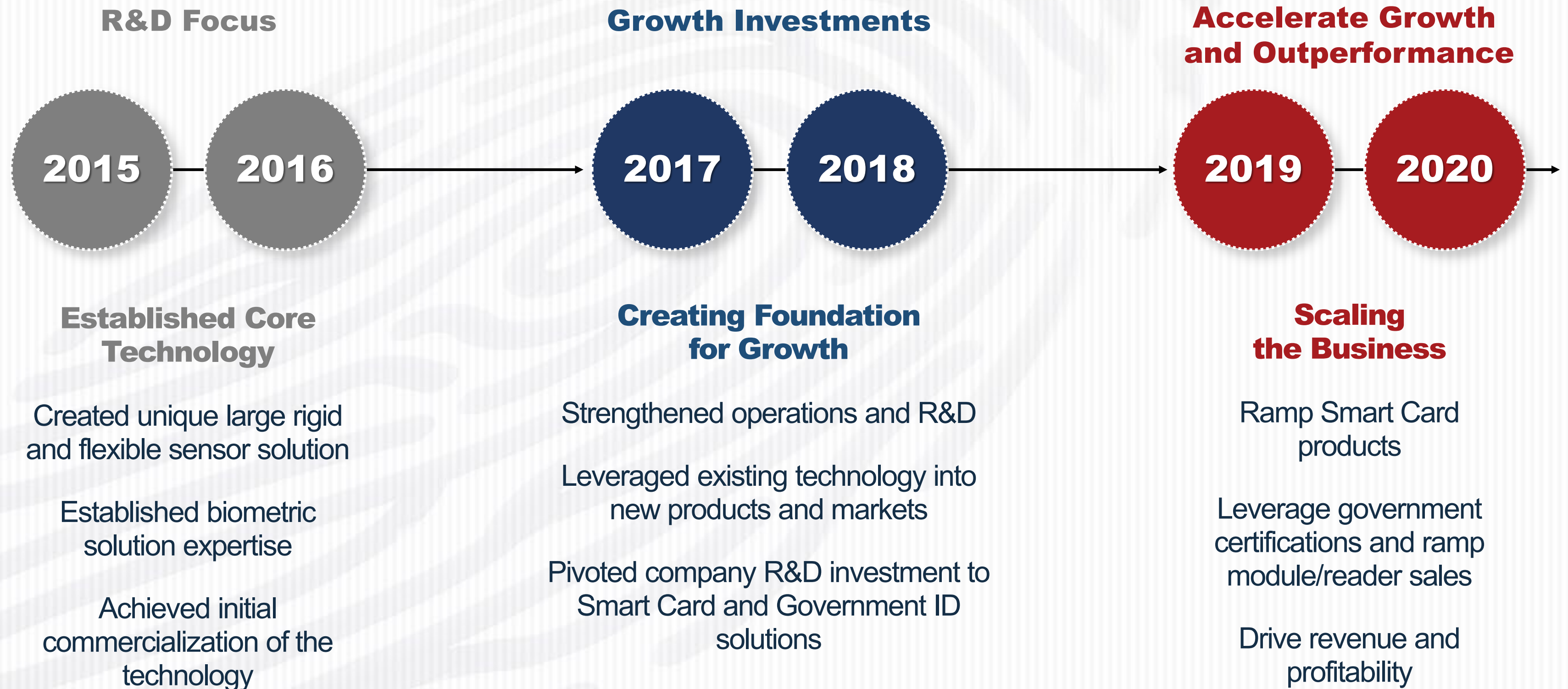
- Number of platforms using NEXT sensors likely to increase

Will engage new notebook customers seeking benefits of secure, large-area sensors

- Offering FAP20 and existing product lines



The Transformation of NEXT Biometrics



- Volume shipments of high-end Smart Cards**
- Entry in payment Smart Card market**
- Ramp India sales**
- Establish strong position in growing POS market**
- Sample FAP20, new high-end government sensor, in Q4-18**
- Focus on Smart Card related R&D**
- Gross Margin to increase and OPEX to flatten out**





One Touch.
One You.
NEXT Biometrics



Appendix