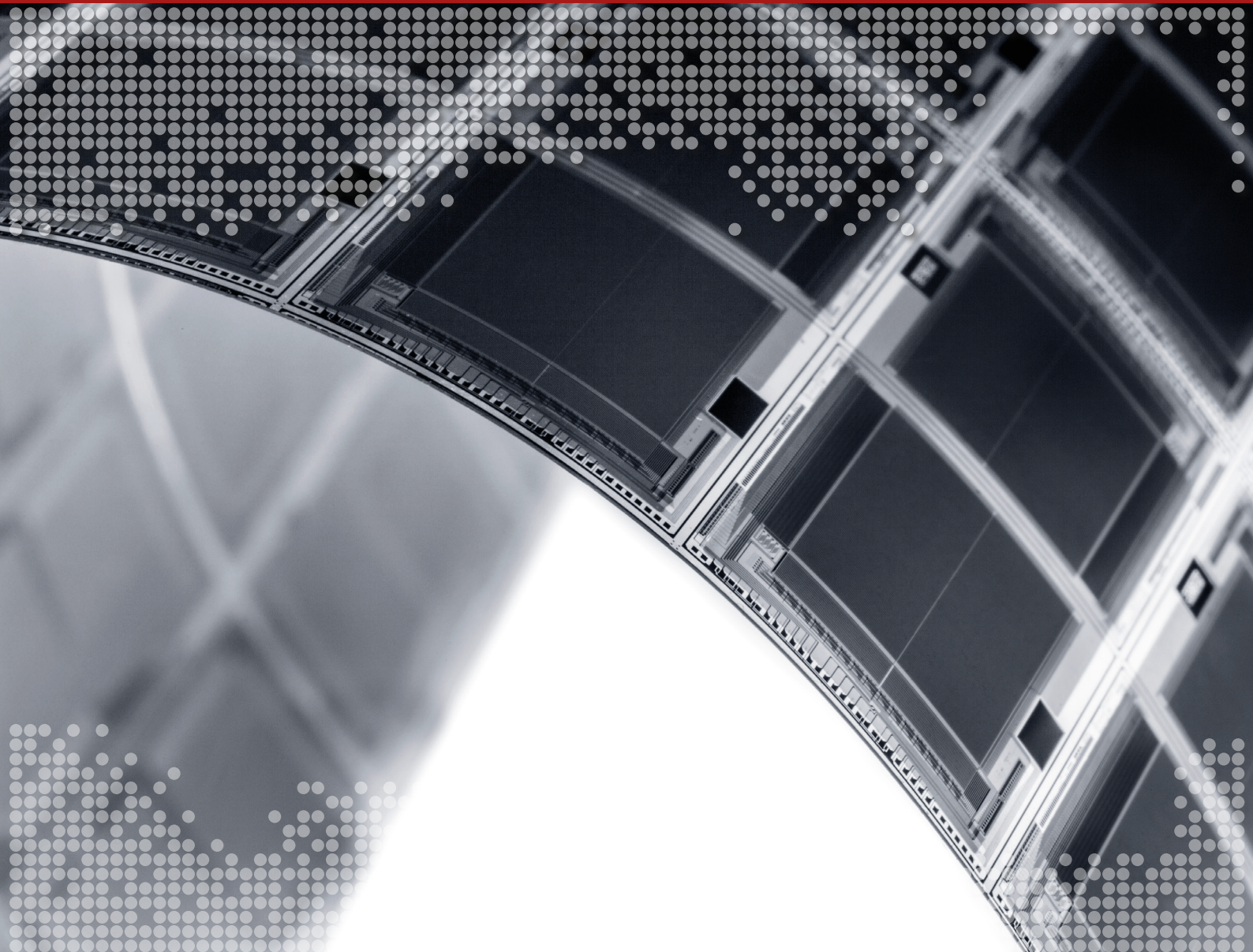




N E X T B I O M E T R I C S G R O U P A S A

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



NEXT Biometrics Group ASA

Quarterly report – Q1 2022

Highlights

- 25 accumulated design wins from Q4 2019 to Q1 2022
- Revenue of 10.2 MNOK (14.1 MNOK Q1 2021) while orders booked 18.2 MNOK where 8 MNOK not shipped due to supply chain delays
- Gross margin of 21%
- Adjusted EBITDA¹ of NOK -11.8 m in Q1 2022
- Cash position of NOK 94.7 m per 31 March 2022

CEO Statement

We are not satisfied with our Q1 revenue figures, as sales continue to be impacted by the supply chain situation affecting almost all industries. We managed to secure one design-win in the quarter, but expect several more design wins to be announced in the coming months catching up with our new design win targeted pace. Our operating costs remain low and our cost efficiency has even improved slightly since last year.

From a positive operational point of view, NEXT has added multiple new distributors during the first quarter. These distributors are covering new geographic markets such as Latin America and Southeast Asia, which will increase the potential for long-term sales growth. We plan to announce further details about these partners once we have our initial firm orders in place.

We shipped more sensors to Notebooks during this quarter than during the previous quarter. Both we and our Notebook customers were impacted by microchip and supply chain constraints, which impacted NEXT shipped volumes during this quarter. Still, our customers are highly committed to NEXT and will return with orders once they have sufficient components and microchips to build their end products.

In the Q4 report, we highlighted our historical company best 47% adjusted gross margin. We also pointed out that NEXT's gross margin will continue to fluctuate quarter over quarter based on the product mix. For this quarter the product mix was less favorable for us, and NEXT's gross margin returned to the levels that we saw in Q2 and Q3 2021.

In India, the implementation and launch of the next-generation security for biometric readers and Aadhaar products were even more delayed, and this affected orders from Tech Giant as well as Indian OEM. When the India market opens up NEXT is in a good position with our newly secured partners.

Despite these short-term external headwinds, we have continued to increase our accumulated number of design wins and important new large partners, which will form the basis for future revenue growth. We have a strong belief in the future success of our FBI certified FAP20 sensor and that we together with our new partners will disrupt a large and growing biometric market.

I am looking forward to reporting progress related to our growth agenda in the coming quarters.

Thank you.

Peter Heuman, CEO of NEXT Biometrics Group ASA

(amounts in NOK million)	Q1 2022	Q1 2021	Full year 2021
Total revenues	10,2	14,1	50,8
Gross margin (%)	21%	27%	18%
Adjusted EBITDA ¹⁾	-11,8	-11,1	-32,0
Cash and cash equivalents - closing balance	94,7	130,2	102,7

¹⁾See definition on page 13

Operational review

The volume of shipped FAP20 sensors was low during the quarter due to customer project and supply chain delays as NEXT customers have challenges receiving enough microchips to build their products. 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 and Fintech applications.

Q1 PC-sensor revenues were higher than in the previous quarter. Still, NEXT ended the quarter with an unfulfilled PC sensor backlog of NOK 8 million. NEXT continues to be negatively impacted by the semi-conductor industry's shortage of microchips. Still, the underlying order volume from our main PC customers remains strong.

NEXT's Q1 2022 gross margin was 21%, vs 27% in Q1 2021. The gross margin was lower than Q1 2021 and Q4 2021 due to a less favorable product mix in Q1 2022 with a low portion of higher margin products. During Q1 shipments of FAP20 sensors were low while there was a high share of standard PC sensor products.

The Group reached an OPEX ex. options of NOK 4.7 million per month for Q1 2022.

Interim condensed financial statements as of 31 March 2022 (unaudited)

Statement of comprehensive income

Revenues for Q1 2022 were NOK 10.2 million compared to NOK 14.1 million in Q1 2021. The decrease in revenues from Q1 2021 was mainly due to lower FAP20 sensor shipment volumes.

Payroll expenses excluding stock option costs were NOK 8.4 million in Q1 2022 compared to NOK 8.7 million in Q1 2021. Net employee stock option and option social security costs were NOK 0.1 million in Q1 2022 compared to NOK 4.6 million in Q1 2021. See note 4 for further information on stock option cost.

Other operating expenses excluding stock option costs were NOK 5.6 million in Q1 2022 compared to NOK 6.2 million in Q1 2021.

Depreciation and amortization were NOK 1.7 million in Q1 2022 compared to NOK 1.7 million in Q1 2021.

Net financial items were negative NOK 0.6 million in Q1 2022 compared to negative NOK 0.2 million in Q1 2021.

Income tax expense was NOK 0.0 million in Q1 2022, compared to a cost of NOK 0.1 million in Q1 2021.

Loss after taxes for Q1 2022 were NOK 14.2 million compared to a loss of NOK 17.6 million for Q1 2021.

Statement of financial position and cash flow

Cash and cash equivalents amounted to NOK 94.7 million per 31 March 2022, compared to NOK 130.2 million per 31 March 2021.

Net cash flow from operating activities was negative NOK 7.5 million in Q1 2022, compared to negative NOK 21.1 million in Q1 2021. The negative cash flow in Q1 2022 is mainly due to operating losses offset by a favorable change in working capital.

Net cash flow from investing activities was positive NOK 0.2 million in Q1 2022, compared to positive NOK 0.2 million in Q1 2021.

Net cash flow from financing activities was negative NOK 0.7 million in Q1 2022 compared to positive NOK 83.1 million in Q1 2021. The decrease in cash flow from financing activities is mainly due to the share issue that was completed in Q1 2021.

Going concern

The Group's financial statements for Q1 2022 have been prepared on the basis of a going concern assumption.

Outlook

NEXT Notebook sensor orders were at an all-time high in 2021, and the orders for 2022 are expected to be at similar levels or higher.

The announcement of the initial FAP20 order from our Tech Giant partner during the second half of 2021, and the recent purchase order and partner agreement with an India-based OEM announced in February 2022, are both important milestones for NEXT. In addition to this, we have identified a few more companies with high volume potential. We anticipate more orders relating to these specific customers, but also from others that have already identified the benefits of NEXT Active Thermal technology.

The Group's principal focus is to increase the number of customers choosing to design-in NEXT FAP20 sensors in all our main market segments. The market for NEXT's fingerprint sensor technology is expected to grow in 2022 and beyond. The management's view is that NEXT's unique products and patented technology have long-term revenue potential. Sales of the NEXT FAP20 sensor have the highest priority, due to its many competitive advantages.

Many of NEXT's customers have continued to be impacted by microchip and COVID-19 supply chain delays during Q1 2022, which have delayed their decision to start mass production and therefore their orders to NEXT. This situation is expected to continue impacting NEXT's revenue growth in the short term.

The Group's accumulated 28 design wins from Q4 2019 up to early May 2022 will contribute to future revenue growth. We believe some design wins will develop into successes in their respective market segments. The India-based OEM FAP20 purchase order announced in February 2022 that amounts to USD 2.2 m is an example of a likely high-growth design win. The existing portfolio of design wins alone have the potential to make NEXT profitable. We see increased customer activity across a wide range of industries, improving the funnel. This will lead to further design-wins in the coming quarters, forming the basis for solid revenue growth.

Oslo, 10 May 2022
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 2022	Q1 2021	Full year 2021
Operating revenues	2	9 263	14 058	49 788
Other revenues		893	20	967
Cost of goods sold		-7 986	-10 243	-35 531
Inventory write downs		-	-	-6 251
Gross margin		2 170	3 835	8 973
Payroll expenses	3,4	-8 554	-13 323	-45 983
Other operating expenses	3,4	-5 563	-6 211	-14 172
EBITDA		-11 946	-15 699	-51 182
Depreciation and amortization		-1 736	-1 675	-7 069
Operating profit (loss)		-13 682	-17 374	-58 250
Net financial items		-565	-169	-143
Profit (loss) before taxes		-14 247	-17 543	-58 394
Income tax expenses		10	-59	-1 621
Profit (loss) after taxes		-14 238	-17 602	-60 014
<i>Other comprehensive income (loss) that may be reclassified subsequently to profit and loss:</i>				
Translation differences on net investments in foreign operations		-488	-29	1 593
Other comprehensive income (loss)		-488	-29	1 593
Total comprehensive income (loss)		-14 725	-17 631	-58 422
Profit (loss) after taxes attributable to:				
Owners of the parent company		-14 238	-17 602	-60 014
Total comprehensive income (loss) attributable to:				
Owners of the parent company		-14 725	-17 631	-58 422
Earnings per share (in NOK):				
Basic and diluted		-0,16	-0,21	-0,67

NEXT BIOMETRICS GROUP ASA

Interim condensed consolidated statement of financial position (unaudited)

(amounts in NOK 1 000)	Notes	31 Mar 2022	31 Mar 2021	31 Dec 2021
Deferred tax assets		31	37	32
Intangible assets		3 621	5 112	3 983
Property, plant and equipment		14 585	15 656	16 447
Other non-current assets		-	537	-
Total non-current assets		18 237	21 342	20 462
Inventories		18 507	20 508	18 987
Accounts receivables		4 283	10 261	11 801
Other current assets		7 956	15 044	7 699
Cash and cash equivalents		94 708	130 162	102 706
Total current assets		125 453	175 975	141 193
Total assets		143 691	197 317	161 655
Share capital	4	91 681	90 764	91 681
Share premium		47 335	125 913	47 335
Other reserves		72 601	63 271	71 442
Accumulated losses		-90 930	-115 658	-76 205
Total equity		120 686	164 290	134 253
Deferred tax liabilities		-	135	-
Non-current interest-bearing loans		-	4 881	-
Other non-current liabilities		1 667	1 003	2 027
Total non-current liabilities		1 667	6 019	2 027
Current interest-bearing loans		-	3 198	-
Accounts payables		3 824	7 235	6 786
Income tax payables		285	45	317
Other current liabilities		17 229	16 529	18 273
Total current liabilities		21 338	27 008	25 376
Total equity and liabilities		143 691	197 317	161 655

NEXT BIOMETRICS GROUP ASA

Interim condensed consolidated statement of cash flow (unaudited)

(amounts in NOK 1 000)	Q1 2022	Q1 2021	Full year 2021
Profit (loss) before taxes	-14 247	-17 543	-58 394
Share based remuneration	1 158	634	8 805
Accrued share option social security cost	-1 021	4 013	4 207
Income taxes paid	42	-53	2 386
Depreciation and amortization	1 736	1 675	7 069
Impairment losses	-	-	-
Change in working capital items and other	4 794	-9 874	-11 755
Net cash flow from operating activities	-7 537	-21 148	-47 681
Proceeds from disposal of property, plant and equipment and intangible assets	-	-	2
Purchases of property, plant and equipment and intangible assets	-6	-	-204
Proceeds from lease receivables	176	180	691
Net cash flow from investing activities	169	180	489
Net proceeds from issue of shares	-	84 100	86 681
Proceeds from interest-bearing loans	-	-	-
Repayments of interest-bearing loans	-	-	-626
Payments of lease liabilities	-655	-1 038	-2 787
Net cash flow from financing activities	-655	83 062	83 269
Net change in cash flow	-8 024	62 094	36 076
Cash balance at beginning of period	102 706	67 950	67 950
Effects of exchange rate changes on cash and cash equivalents	25	118	-1 320
Cash balance at end of period	94 708	130 162	102 706
Comprising of:			
Cash and cash equivalents	94 708	130 162	102 706

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 2022		91 681	47 335	71 442	-76 205	134 253
Profit (loss) after taxes					-14 238	-14 238
Other comprehensive income (loss)					-488	-488
Total comprehensive income (loss)		-	-	-	-14 725	-14 725
Share issues net	4	-	-			-
Share based remuneration	4			1 158		1 158
As of 31 March 2022		91 681	47 335	72 601	-90 930	120 686
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		14 820	69 280			84 100
Share based remuneration				634		634
As of 31 March 2021		90 764	125 913	63 271	-115 658	164 290

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 2021 (Annual Report for 2021). The Annual Report for 2021 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 2021. There are no new standards and interpretations effective from 1 January 2022 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 2022 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 10 May 2022.

Note 2 – Revenue and segment reporting

(amounts in NOK 1 000)	Q1 2022	Q1 2021	Full year 2021
Fingerprint sensor technology	9 263	14 058	49 788
Total operating revenues	9 263	14 058	49 788

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 2022	Q1 2021	Full year 2021
Salaries, fees	-6 999	-7 503	-28 563
Share based remuneration (salary part)	-1 158	-575	-8 471
Share based remuneration (employer's tax)	1 021	-4 013	-4 495
Social security taxes	-907	-847	-3 002
Other personnel expenses	-510	-385	-1 453
Total payroll expenses	-8 554	-13 323	-45 983

(amounts in NOK 1 000)	Q1 2022	Q1 2021	Full year 2021
Product and marketing costs	-604	132	-696
R&D and business services costs	-3 163	-3 940	-14 937
R&D grants	423	-102	10 505
Fees to auditors, consultants, lawyers and others	-1 648	-1 543	-6 124
Other expenses	-570	-698	-2 957
Share based remuneration (operating part)	-	-59	36
Total other operating expenses	-5 563	-6 211	-14 172

Note 4 – Shares and incentive options

Numbers of shares outstanding

As of 1 January 2022	91 680 763
Share issues	-
As of 31 March 2022	91 680 763

There was no change in the number of shares outstanding during the quarter.

Share options:

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

During the quarter, NEXT booked NOK 1.2 million in stock option cost relating to employees and contractors. The Group also booked a negative NOK 1.0 million stock option social security cost due to the decrease in the parent company's stock price during Q1 2022. The net costs related to stock options and option social security costs was 0.1 million for Q1 2022.

The number of outstanding options decreased by net 65,584 options during Q1 2022. The decrease is due to cancellation of options for former employees holding option grants and options that expired during the quarter. The Group had 9,759,062 options outstanding as per 31 March 2022.

Note 5 – Subsequent events

Between 31 March 2022 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 2022 period nor on the value of the Group's assets and liabilities as per 31 March 2022.

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.

Revenues adjusted for unfulfilled order backlog

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

Gross margin/Adjusted Gross margin / Adjusted Gross margin (%)

Gross margin is defined as operating revenue plus other income less cost of goods. Gross margin (%) is expressed as a percentage of operating revenue and other income.

(amounts in NOK 1 000)	Q1 2022	Q1 2021	Full year 2021
Operating revenues	9 263	14 058	49 788
Other revenues	893	20	967
Cost of goods sold	-7 986	-10 243	-35 531
Inventory write-downs	-	-	-6 251
Gross margin	2 170	3 835	8 973
Gross margin	2 170	3 835	8 973
Divided by operating revenues and other revenues	10 156	14 078	50 755
Gross margin (%)	21%	27%	18%

Adjusted Gross margin is defined as operating revenue plus other income less cost of goods sold plus inventory write-downs. Adjusted Gross margin (%) is expressed as a percentage of operating revenue and other income.

(amounts in NOK 1 000)	Q1 2022	Q1 2021	Full year 2021
Operating revenues	9 263	14 058	49 788
Other revenues	893	20	967
Cost of goods sold	-7 986	-10 243	-35 531
Inventory write-downs	-	-	-6 251
Added back inventory write-downs	-	-	6 251
Adjusted gross margin	2 170	3 835	15 224
Adjusted Gross margin	2 170	3 835	15 224
Divided by operating revenues and other revenues	10 156	14 078	50 755
Adjusted gross margin (%)	21%	27%	30%

EBITDA / Adjusted EBITDA

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

Adjusted EBITDA 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)	Q1 2022	Q1 2021	Full year 2021
Operating profit (loss)	-13 682	-17 374	-58 250
Added back depreciation and amortization	1 736	1 675	7 069
Added back impairment losses	-	-	-
EBITDA	-11 946	-15 699	-51 182
Added back share-based remuneration (salary part)	1 158	575	8 471
Added back share-based remuneration (employer's tax)	-1 021	4 013	4 495
Added back share-based remuneration (operating part)	-	59	-36
Added back inventory write-downs	-	-	6 251
Adjusted EBITDA	-11 809	-11 052	-32 001

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.

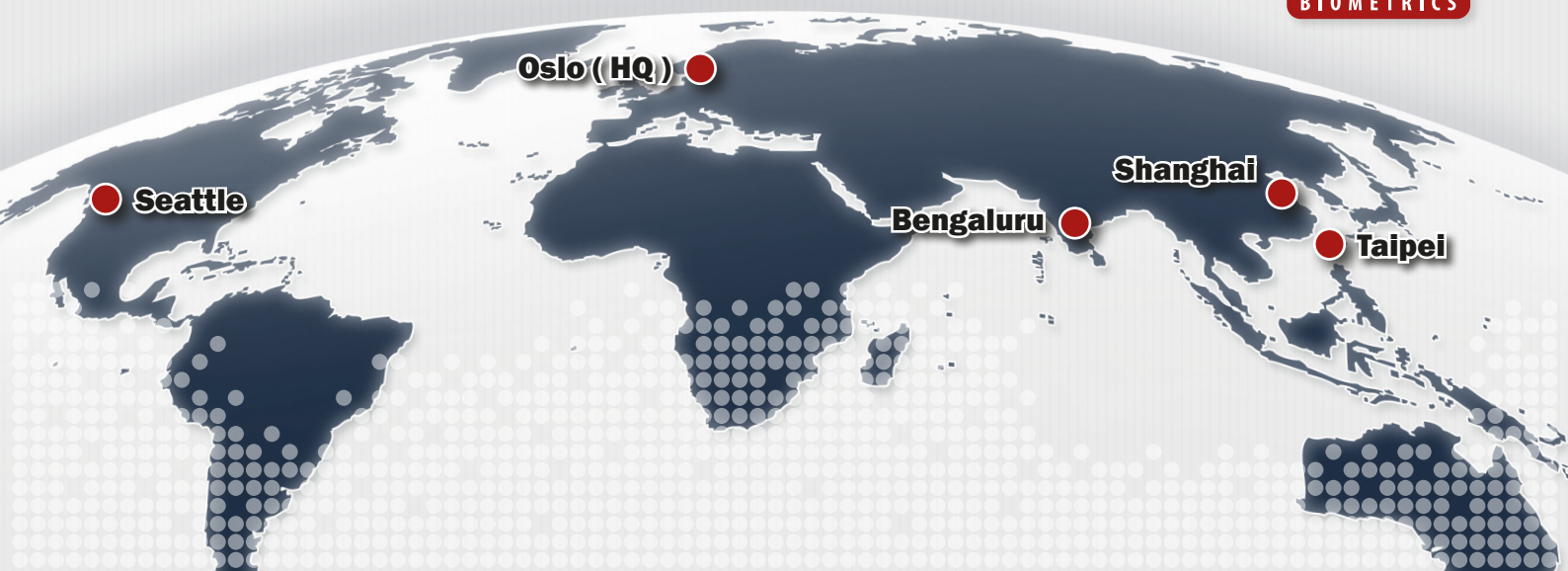
Operating expenses (OPEX)

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)	Q1 2022	Q1 2021	Full year 2021
Operating expenses (OPEX)	14 116	19 533	60 155
Deducted share-based remuneration (salary part)	-1 158	-575	-8 471
Deducted share-based remuneration (employer's tax)	1 021	-4 013	-4 495
Deducted share-based remuneration (operating part)	-	-59	36
Operating expenses ex. options (OPEX ex. options)	13 979	14 887	47 226



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.

