



## NEXT Biometrics Group ASA

### Quarterly report – Q1 2016

#### Highlights

- Sales Q1-2016 NOK 5.2 mill.
- Introduction of the world's first full size, low cost embedded module.
- First flexible sensors showcased (April).
- First biometrics Smart Card volume order received (April).
- NOK 165 million raised for smart card expansions and operational development (May).

#### Status

**Product:** NEXT has during Q1-16 focused on the scale-up of mass production for deliveries to Dell. After initial deliveries in November and December volumes increase further in Q1-16. Costs related to transition to new products and volume ramp-up have been booked in Q1-16.

The NEXT ASIC project, a major element in the ongoing cost down program has completed its design phase and is targeting high volume shipment in March/April 2017.

In February the Company introduced the world's first full size, low cost embedded module (1411-S). This is expected to open up a range of new biometrics market segments. For the first time the market is offered a full size, high quality sensor solution combined with embedded processing. Developers can now integrate these secure and convenient modules with specifications strong enough to be used by close to 100% of a given user group. This is key in applications such as keys fobs, remote controls or tokens, where there is no pin-code or password available as a backup for authentication.

Continuing into 2016, NEXT has focused most of its R&D resources to Smart Card activities. The Company has made great leaps in the development of fully flexible sensors meeting all the ISO requirements and will continue to focus on this market in the future. The announced Smart Card order in April demonstrates the quality of our products and the commercial viability of the Smart Card related R&D efforts.

**Sales and market:** The Company focuses its resources on quality dependent market segments that require high levels of security and convenience coupled with the ability to serve close to 100% of a given population. These markets include Smart Cards, NEXT-Enabled markets, traditional markets, high-end security focused smartphones and quality notebooks. The NEXT technology is perfectly positioned for these markets.

The first Smart Card customers are able to generate substantial benefits from introducing fingerprint sensors in their applications/solutions. These early customer projects are larger than initially estimated, and are expected to generate positive margins from an early stage. NEXT sees significant opportunities within several of the major Smart Card market segments.

**Financing:** The negative cash flow in Q1-16 required new capital to expand flexible sensor production capacity, further Smart Card related R&D and operational developments. Consequently, the Company raised approximately NOK 165 million in the beginning of May.

## Key financial figures

Amounts in NOK million  
(except per share data)

	Q1-2016	Q1-2015	Q4-2015	2015	2014	2013
Total revenue	5,2	2,4	1,7	4,6	6,7	0,0
Operating profit (loss)	-49,0	-22,2	-45,5	-121,8	-82,6	-37,6
Net profit (loss) for the period	-49,5	-19,6	-47,6	-121,5	-79,7	-38,8
Opening cash balance	130,2	129,3	45,3	129,3	69,7	0,6
Net change in cash flows	-53,4	-30,5	85,0	1,0	59,5	69,1
Closing cash balance	76,8	98,7	130,2	130,2	129,3	69,7
Total equity	125,2	142,0	172,7	172,7	161,6	63,2
Earnings per share - basic & diluted	-3,66	-1,73	-3,78	-10,44	-7,92	-5,06
Weighted average number of shares (in thousands)	13 499	11 318	12 593	11 639	10 057	7 673

## **Interim condensed financial statements as of 31 March 2016 (Unaudited)**

### **Profit & loss statement**

#### **Revenues**

Operating revenue in the first quarter of 2016 was NOK 5.2 million, compared to NOK 1.7 million in the previous quarter and NOK 2.4 million in the first quarter of 2015.

Due to low initial production volumes, the production costs were high for these initial delivered sensors and are currently included in other operating expenses. Several of the initial cost elements related to production and delivery of these units are one-offs or temporary and do not give a clear and relevant indication of cost of goods sold.

#### **Operating expenses**

Payroll expenses amounted to NOK 15.8 million in the first quarter of 2016, compared to NOK 20.9 million in the previous quarter and NOK 8.4 million in the corresponding quarter of 2015. The decrease from the previous quarter of NOK 5.1 million was mainly related to lower accrued social cost related to share-based remuneration.

Other operating expenses amounted to NOK 37.3 million in the first quarter of 2016, compared to NOK 25.6 million in the previous quarter and NOK 15.9 million in the corresponding quarter of 2015. The increase from the previous quarter of NOK 11.7 million was mainly related to increased R&D costs. The R&D costs included in other operating expenses increased to NOK 17.1 million in the first quarter of 2016, compared to NOK 5.6 million in the previous quarter and NOK 6.8 million in the corresponding quarter of 2015.

Total R&D expenses, included in both payroll and other operating expenses, amounted to NOK 25.8 million in the first quarter of 2016, compared to NOK 13.9 million in the previous quarter and NOK 12.3 million in the corresponding quarter of 2015 (see note 4).

#### **Depreciation, amortisation and investments**

Depreciation and amortisation amounted to NOK 1.0 million in the first quarter of 2016 compared to NOK 0.7 million in previous quarter and NOK 0.2 million in the corresponding quarter of 2015.

Investments amounted to NOK 0.1 million in the first quarter of 2016 compared to NOK 0.7 million in previous quarter and NOK 1.4 million in the corresponding quarter of 2015.

#### **Net financial items**

Net financial items amounted to a net cost of NOK 0.4 million in the first quarter of 2016 compared to a net cost of NOK 2.0 million in the previous quarter and a net income of NOK 2.6 million in corresponding quarter of 2015. The decrease in net cost of NOK 1.6 million from the previous quarter was mainly related to the termination of the royalty agreement in the fourth quarter of 2015.

#### **Net profit (loss) for the period**

Net loss in the first quarter of 2016 was NOK 49.5 million compared to a loss of NOK 47.5 million in the previous quarter and a loss of NOK 19.6 in the corresponding quarter of 2015.

NEXT operated at a loss and did not incur deferred or payable income taxes in the first quarter of 2016 or in 2015, except for an insignificant amount in the fourth quarter of 2015.

## **Cash flow and balance sheet**

### **Cash and cash equivalents**

Cash and cash equivalents amounted to NOK 76.8 million by the end of the first quarter of 2016 compared to NOK 130.2 million by the end of 2015. The operations, including investments, consumed cash in an amount of NOK 53.7 million in the first quarter of 2016 compared to NOK 44.2 million in the previous quarter.

The Company's share capital is NOK 13,511,855, divided into 13,511,855 shares with a par value of NOK 1 per share.

### **Equity**

Equity amounted to NOK 125.2 million by the end of 2016 compared to NOK 172.7 million by the end of 2015.

The new funds raised in the beginning of May 2016 gave total gross proceeds of approximately NOK 165 million. NEXT will after these new funds have adequate equity and liquidity for longer than 12 months from the date of this report.

### **Outlook**

- Sales in April grew to NOK 8.5 mill (vs NOK 5.2 mill in Q1)
- New Smart Card sales projects
- Increase mass production capacity of flexible sensors to 2 mill/ month from H1-2017
- "NEXT-Enabled Markets" to generate high volume / long term business
- Further investments in 2018 generation Smart Cards
- New ASIC Generation – Significant cost down

**Oslo, May 23, 2016**

**Board of directors**

**NEXT Biometrics Group ASA**

**NEXT Biometrics Group ASA**  
**Condensed interim statements of comprehensive income (unaudited)**  
**31 March 2016**

Amounts in NOK 1,000	Notes	2016 1.1-31.3	2015 1.1-31.3	2015 1.1-31.12
<b>PROFIT AND LOSS</b>				
<b>Revenue</b>				
Operating revenue	3	5 171	2 385	4 571
Other revenue	3	0	0	0
<b>Total revenue</b>		<b>5 171</b>	<b>2 385</b>	<b>4 571</b>
<b>Operating expenses</b>				
Payroll expenses	4	15 843	8 395	54 000
Other operating expenses	4	37 311	15 926	70 520
<b>Total operating expenses</b>		<b>53 154</b>	<b>24 321</b>	<b>124 520</b>
<b>Profit (loss) before tax, depreciation and amortization</b>		<b>-47 983</b>	<b>-21 936</b>	<b>-119 949</b>
Depreciation and amortisation	5,6	1 030	235	1 866
<b>Operating profit (loss)</b>		<b>-49 013</b>	<b>-22 170</b>	<b>-121 815</b>
Net financial items	7	-448	2 595	304
Taxes		0	0	-22
<b>Net profit (loss) for the period</b>		<b>-49 461</b>	<b>-19 575</b>	<b>-121 533</b>
<b>Earnings per share - basic and diluted</b>	9	<b>-3,66</b>	<b>-1,73</b>	<b>-10,44</b>
<b>Other comprehensive income</b>				
<b>Items that will be reclassified to profit and loss</b>				
Exchange rates differences		0	-33	-41
<b>Total other comprehensive income</b>		<b>0</b>	<b>-33</b>	<b>-41</b>
<b>Total comprehensive income for the period</b>		<b>-49 461</b>	<b>-19 609</b>	<b>-121 574</b>
<b>Total comprehensive income for the period attributable from:</b>				
Owners of the parent company		-49 461	-19 609	-121 574
<b>Total</b>		<b>-49 461</b>	<b>-19 609</b>	<b>-121 574</b>

**Condensed interim statements of financial position (unaudited)**

Amounts in NOK 1,000		31.mar.16	31.mar.15	31.des.15
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	5	6 947	7 134	7 068
Machinery and office equipment	6	17 373	3 247	18 725
<b>Total non-current assets</b>		<b>24 320</b>	<b>10 381</b>	<b>25 793</b>
<b>Current assets</b>				
<b>Inventory</b>		<b>27 128</b>	<b>23 968</b>	<b>22 140</b>
<b>Receivables</b>				
Account receivables		3 051	4 356	1 678
Other receivables		14 024	19 813	12 916
<b>Total receivables</b>		<b>17 075</b>	<b>24 169</b>	<b>14 594</b>
<b>Cash and cash equivalents</b>		<b>76 850</b>	<b>98 748</b>	<b>130 231</b>
<b>Total current assets</b>		<b>121 053</b>	<b>146 884</b>	<b>166 964</b>
<b>Total assets</b>		<b>145 373</b>	<b>157 265</b>	<b>192 757</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	8	13 512	11 318	13 474
Share premium		378 803	268 155	378 453
Other paid in capital		21 759	16 599	20 158
Retained earnings		-288 883	-154 066	-239 365
<b>Total equity</b>		<b>125 190</b>	<b>142 006</b>	<b>172 720</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Other non-current provisions	7	0	7 195	0
<b>Total non-current liabilities</b>		<b>0</b>	<b>7 195</b>	<b>0</b>
<b>Current liabilities</b>				
Accounts payable		6 916	3 731	7 929
Public duties payable		370	241	179
Other current liabilities		12 897	4 092	11 930
<b>Total current liabilities</b>		<b>20 183</b>	<b>8 064</b>	<b>20 037</b>
<b>Total liabilities</b>		<b>20 183</b>	<b>15 259</b>	<b>20 037</b>
<b>Total equity and liabilities</b>		<b>145 373</b>	<b>157 265</b>	<b>192 757</b>

**NEXT Biometrics Group ASA**  
**Condensed interim statements of comprehensive income (unaudited)**  
**31 March 2016**

Amounts in NOK 1,000	Notes	2016 1.1-31.3	2015 1.1-31.3	2015 1.1-31.12
<b><u>PROFIT AND LOSS</u></b>				
<b>Revenue</b>				
Operating revenue	3	5 171	2 385	4 571
Other revenue	3	0	0	0
<b>Total revenue</b>		<b>5 171</b>	<b>2 385</b>	<b>4 571</b>
<b>Operating expenses</b>				
Payroll expenses	4	15 843	8 395	54 000
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<b>Profit (loss) before tax, depreciations and amortization</b>		<b>-47 983</b>	<b>-21 936</b>	<b>-119 949</b>
Depreciations and amortisation	5,6	1 030	235	1 866
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Net financial items	7	-448	2 595	304
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<b>Net profit (loss) for the period</b>		<b>-49 461</b>	<b>-19 575</b>	<b>-121 533</b>
<b>Earnings per share - basic and diluted</b>	9	<b>-3,66</b>	<b>-1,73</b>	<b>-10,44</b>
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Owners of the parent company		-49 461	-19 609	-121 574
<b>Total</b>		<b>-49 461</b>	<b>-19 609</b>	<b>-121 574</b>

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<b><u>ASSETS</u></b>				
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<b>Cash and cash equivalents</b>		<b>76 850</b>	<b>98 748</b>	<b>130 231</b>
<b>Total current assets</b>		<b>121 053</b>	<b>146 884</b>	<b>166 964</b>
<b>Total assets</b>		<b>145 373</b>	<b>157 265</b>	<b>192 757</b>
<b><u>EQUITY AND LIABILITIES</u></b>				
<b>Equity</b>				
Share capital	8	13 512	11 318	13 474
Share premium		378 803	268 155	378 453
Other paid in capital		21 759	16 599	20 158
Retained earnings		-288 883	-154 066	-239 365
<b>Total equity</b>		<b>125 190</b>	<b>142 006</b>	<b>172 720</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Other non-current provisions	7	0	7 195	0
<b>Total non-current liabilities</b>		<b>0</b>	<b>7 195</b>	<b>0</b>
<b>Current liabilities</b>				
Accounts payable		6 916	3 731	7 929
Public duties payable		370	241	179
Other current liabilities		12 897	4 092	11 930
<b>Total current liabilities</b>		<b>20 183</b>	<b>8 064</b>	<b>20 037</b>
<b>Total liabilities</b>		<b>20 183</b>	<b>15 259</b>	<b>20 037</b>
<b>Total equity and liabilities</b>		<b>145 373</b>	<b>157 265</b>	<b>192 757</b>

**NEXT Biometrics Group ASA**  
**Condensed interim statements of cash flow (unaudited)**

Amounts in NOK 1,000	Notes	2016 1.1-31.3	2015 1.1-31.3	2015 1.1-31.12
<b>Cash flows from operating activities</b>				
Profit (loss) before taxes		-49 461	-19 575	-121 511
Taxes payable		0	0	-22
Share based remuneration (equity part)		1 600	5	3 564
Depreciations and amortisation	5,6	1 030	235	1 866
Change in working capital items		-6 813	-9 708	6 474
<b>Net cash flows from operating activities</b>		<b>-53 643</b>	<b>-29 043</b>	<b>-109 629</b>
<b>Cash flows from investing activities</b>				
Purchase of tangible assets		-68	-1 441	-18 484
<b>Net cash flows from investing activities</b>		<b>-68</b>	<b>-1 441</b>	<b>-18 484</b>
<b>Cash flows from financing activities</b>				
Change in non-current debt		0	0	0
Share issue net of expenses		388	0	129 121
<b>Net cash flows from financing activities</b>		<b>388</b>	<b>0</b>	<b>129 121</b>
Translation differences		-57	-33	-41
<b>Net change in cash flows</b>		<b>-53 381</b>	<b>-30 517</b>	<b>966</b>
Opening cash balance		130 231	129 265	129 265
Closing cash balance		76 850	98 748	130 231

**Condensed interim statements of changes in equity (unaudited)**

Amounts in NOK 1,000	Notes	Share capital	Share premium	Other paid- in capital	Retained earnings	Total Equity
<b>Balance 1 January 2016</b>		<b>13 474</b>	<b>378 453</b>	<b>20 158</b>	<b>-239 365</b>	<b>172 720</b>
Shares issue	8	38	350			388
Share based compensation				1 600		1 600
Translation differences					-57	-57
Net profit (loss)					-49 461	-49 461
<b>Balance 31 March 2016</b>		<b>13 512</b>	<b>378 803</b>	<b>21 759</b>	<b>-288 883</b>	<b>125 190</b>
<b>Balance 1 January 2015</b>		<b>11 318</b>	<b>268 155</b>	<b>16 594</b>	<b>-134 457</b>	<b>161 609</b>
Shares issue	8	0	0			0
Share based compensation				5		5
Translation differences					-33	-33
Net profit (loss)					-19 575	-19 575
<b>Balance 31 March 2015</b>		<b>11 318</b>	<b>268 155</b>	<b>16 599</b>	<b>-154 066</b>	<b>142 006</b>
<b>Balance 1 January 2015</b>		<b>11 318</b>	<b>268 155</b>	<b>16 594</b>	<b>-134 457</b>	<b>161 609</b>
Shares issue	8	2 156	126 965			129 121
Share based compensation				3 564		3 564
Translation differences					-41	-41
Net profit (loss)			-16 667		-104 867	-121 533
<b>Balance 31 December 2015</b>		<b>13 474</b>	<b>378 453</b>	<b>20 158</b>	<b>-239 365</b>	<b>172 720</b>

# Notes to the condensed interim financial statements

## 31 March 2016 (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 whose headquarter is located in Oslo, Norway, with subsidiaries in Shanghai, Seattle, Taipei and Prague. NEXT's shares were listed at Oslo Stock Exchange main list, OB Match, as of 17 December 2015.

The operations of the Group are carried out by the Group's operating subsidiaries. As per the end of the first quarter of 2016, the Group has 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).

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 related activities that will naturally fall under this.

### 2. Basis of preparation, accounting policies

This condensed interim financial report for the first quarter of 2016 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 2015.

The IFRS accounting policies applied in this condensed interim financial report are consistent with those applied and described in the annual financial statements for 2015.

The going concern assumption has been applied when preparing this financial report. In 2015 NEXT raised additional funds to enable NEXT to enter the commercial phase. By the end of the first quarter of 2016 NEXT had earned revenue from commercial volumes, but still at modest levels.

In the beginning of May 2016 new funds were raised and gave total gross proceeds of approximately NOK 165 million. After this financing NEXT will have sufficient equity and liquidity for longer than 12 months from the date of this report.

This interim financial report has not been subject to audit.

The board of directors approved the report on 23 May 2016.



### 3. Revenue and segment reporting

<b>Operating revenue - Per business segment (amounts in NOK)</b>	<b>2016 1.1-31.3</b>	<b>2015 1.1-31.3</b>	<b>2015 1.1-31.12</b>
Fingerprint sensor technology	5 170 893	2 385 156	4 571 441
<b>Total</b>	<b>5 170 893</b>	<b>2 385 156</b>	<b>4 571 441</b>

NEXT has grouped the use of the technology into four main market segments;

- (i) Smart Cards
- (ii) NEXT-Enabled and Traditional markets
- (iii) Notebooks and Tablets
- (iv) Smartphones

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

<b>Payroll expenses (amounts in NOK)</b>	<b>2016 1.1-31.3</b>	<b>2015 1.1-31.3</b>	<b>2015 1.1-31.12</b>
R&D related payroll expenses	8 754 224	5 518 397	27 807 955
Other payroll expenses	5 692 565	2 961 865	17 694 395
Share based remuneration (salary part)	1 490 046	-32 795	3 327 298
Share based remuneration (employer's tax)	-93 650	-52 078	5 170 345
<b>Total</b>	<b>15 843 185</b>	<b>8 395 389</b>	<b>53 999 993</b>

<b>Other operating expenses (amounts in NOK)</b>	<b>2016 1.1-31.3</b>	<b>2015 1.1-31.3</b>	<b>2015 1.1-31.12</b>
R&D related operating expenses	17 077 575	6 769 543	24 779 397
Other expenses	20 123 031	9 118 214	45 504 128
Share based remuneration (operating part)	110 243	37 988	236 941
<b>Total</b>	<b>37 310 849</b>	<b>15 925 745</b>	<b>70 520 466</b>

<b>Total - Operating expenses</b>	<b>53 154 034</b>	<b>24 321 134</b>	<b>124 520 459</b>
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Cost of goods sold is included in other operating expenses.

## 5. Intangible assets

The company entered into a royalty agreement on 8 May 2008 regarding NEXT Biometrics Group ASA right to use the patent described as the *Active Thermal Sensing Principle*. This purchase was recognized at net present value and included in the opening balance as of 1 January 2012. The book value is depended on the successful development of the fingerprint technology in the parent company and its subsidiaries.

	<b>2016</b>	<b>2015</b>	<b>2015</b>
<b>Intangible assets (amounts in NOK)</b>	<b>1.1-31.3</b>	<b>1.1-31.3</b>	<b>1.1-31.12</b>
Cost - Opening balance	7 674 081	7 458 255	7 458 255
Additions	0	0	215 826
Disposals at cost	0	0	0
Currency adjustments	0	0	0
Cost - Closing balance	7 674 081	7 458 255	7 674 081
Accumulated depreciation - Opening balance	605 699	243 204	243 204
Depreciation	121 069	81 068	362 495
Accumulated depreciation of disposed items	0	0	0
Currency adjustments	0	0	0
Accumulated depreciation - Closing balance	726 768	324 272	605 699
<b>Book value - Closing balance</b>	<b>6 947 313</b>	<b>7 133 983</b>	<b>7 068 382</b>

The patent is amortized over the patent life from the time revenue was recognized.

## 6. Tangible assets

<b>Machinery and equipment (amounts in NOK)</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>
	<b>1.1-31.3</b>	<b>1.1-31.3</b>	<b>1.1-31.12</b>
Cost - Opening balance	22 138 707	3 535 656	3 535 656
Additions	68 442	1 270 006	17 948 643
Disposals at cost	0	0	0
Currency adjustments	-674 697	312 174	654 409
Cost - Closing balance	21 532 451	5 117 835	22 138 708
Accumulated depreciation - Opening balance	3 413 753	1 575 766	1 575 766
Depreciation	908 974	153 914	1 503 503
Accumulated depreciation of disposed items	0	0	0
Currency adjustments	-163 134	141 118	334 484
Accumulated depreciation - Closing balance	4 159 593	1 870 798	3 413 753
<b>Book value - Closing balance</b>	<b>17 372 858</b>	<b>3 247 037</b>	<b>18 724 954</b>
Depreciation period (straight line) years	3-10	3-10	3-10

## 7. Provisions

### Royalty payments

NEXT Biometrics Group ASA and former board member Ngoc Minh Dinh entered into a royalty agreement in 2008. In October 2015, NEXT and Ngoc Minh Dinh agreed to terminate the royalty payments.

<b>Royalty payments (amounts in NOK)</b>	<b>2016 1.1-31.3</b>	<b>2015 1.1-31.3</b>	<b>2015 1.1-31.12</b>
<b>Opening balance</b>	<b>0</b>	<b>7 546 803</b>	<b>7 546 803</b>
Time value	0	48 410	145 230
Additional	0	0	0
Payment	0	0	-7 692 033
<b>Closing balance</b>	<b>0</b>	<b>7 595 213</b>	<b>0</b>

  

<b>Presented as:</b>	<b>2016 1.1-31.3</b>	<b>2015 1.1-31.3</b>	<b>2015 1.1-31.12</b>
Current liability	0	400 000	0
Non-current liability	0	7 195 213	0
<b>Closing balance</b>	<b>0</b>	<b>7 595 213</b>	<b>0</b>

After the termination of the royalty agreement NEXT does not have any contingent assets or contingent liabilities. NEXT has not issued any guarantees.

## 8. Shares and incentive options

<b>Shares</b>	<b>2016 1.1-31.3</b>	<b>2015 1.1-31.3</b>	<b>2015 1.1-31.12</b>
Opening balance	13 473 515	11 317 665	11 317 665
Share issue(s)	38 340	0	2 093 750
Exercised financial options	0	0	62 100
<b>Closing balance</b>	<b>13 511 855</b>	<b>11 317 665</b>	<b>13 473 515</b>

In the first quarter of 2016 38.340 options were exercised and the share capital was increased accordingly. After the exercise of these options the Company's share capital is NOK 13,511,855, divided into 13,511,855 shares with a par value of NOK 1 per share.

### Share options

At the Annual General Meeting (AGM) 16 May 2014 the Board of Directors was granted authorization to increase the Company's share capital by up to NOK 1,393,000 for the company's option program. The remaining amount under the board authorization is NOK 1,162,560.

After the exercised options, the total numbers of options outstanding are 1,335,936.

<b>Options</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>
	<b>1.1-31.3</b>	<b>1.1-31.3</b>	<b>1.1-31.12</b>
Opening balance	1 374 276	1 299 876	1 299 876
Grant of incentive options	0	0	209 500
Exercised incentive options	-38 340	0	-62 100
Forfeited incentive options	0	-53 000	-73 000
Expired incentive options	0	0	0
<b>Closing balance</b>	<b>1 335 936</b>	<b>1 246 876</b>	<b>1 374 276</b>

In order to attract talented, experienced and high value networked human resources the Company has entered and plan to continue to enter into share option agreements. NEXT has granted incentive options to employees, contractors and high value networked individuals and members of the advisory board.

<b>Options</b>	<b>Weighted Average Exercise Price</b>		<b>Weighted Average Exercise Price</b>		<b>Weighted Average Exercise Price</b>	
	<b>Shares</b>	<b>Price</b>	<b>Shares</b>	<b>Price</b>	<b>Shares</b>	<b>Price</b>
	<b>01.01.2016 - 31.3.2016</b>		<b>01.01.2015 - 31.12.2015</b>		<b>01.01.2014 - 31.12.2014</b>	
Outstanding at the beginning of period	1 374 276	31,16	1 299 876	28,65	1 275 332	25,46
Granted	-	-	209 500	55,44	224 544	47,63
Exercised	-38 340	13,87	-62 100	35,16	-130 000	25,00
Cancelled	-	-	-	-	-	-
Forfeited	-	-	-73 000	52,67	-60 000	25,00
Expired	-	-	-	-	-10 000	75,00
Adjusted quantity	-	-	-	-	-	-
Modification / Dividends	-	-	-	-	-	-
Outstanding at the end of period	1 335 936	31,66	1 374 276	31,16	1 299 876	28,65
Vested options	985 760	23,68	1 004 100	22,29	970 210	19,63

Weighted Average Fair Value of Options Granted during the period	-	-	209 500	39,80	251 544	26,26
Intrinsic value outstanding options at the end of the period	1 335 936	98 720 011	1 374 276	105 596 159	857 700	29 369 951
Intrinsic value vested options at the end of the period	985 760	80 651 623	1 004 100	86 064 831	827 710	29 055 056

## 9. 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 per share in the period, the incentive options are not counted as being dilutive.

	<b>2016</b>	<b>2015</b>	<b>2015</b>
	<b>1.1-31.3</b>	<b>1.1-31.3</b>	<b>1.1-31.12</b>
Profit (loss) attributable to the shareholders (NOK)	-49 460 988	-19 575 265	-121 533 300
Number of ordinary shares issue at 31 March/31 Dec.	13 511 855	11 317 665	13 473 515
Weighted average basic number of shares	13 498 794	11 317 665	11 639 238
Weighted average diluted number of shares	14 775 392	12 594 263	12 971 504
<b>Profit (loss) per share (NOK)</b>	<b>-3,66</b>	<b>-1,73</b>	<b>-10,44</b>

## **10. Risk management**

A description of risk factors can be found in Note 2 of NEXT Biometrics Group ASA's 2015 annual report.

## **11. Events occurring after the balance sheet date**

In the beginning of May 2016 new funds were raised and gave total gross proceeds of approximately NOK 165 million.

Between 31 March 2016 and the resolution of these condensed consolidated interim financial statements, there has not been any other event which has had any noticeable impact on NEXT's result in the first quarter of 2016 or the value of the company's assets and liabilities at 31 March 2016.