



## NEXT Biometrics Group ASA

### Quarterly report – Q3 2016

#### Highlights

- MNOK 28.4 in Sales vs MNOK 26.6 in Q2
- First 1 million sensors shipped
- Generation 2 Sensors implemented in all modules
- Generation 2 ASIC in testing stage and on track
- Second volume Smart Card Sensors design win - 250K units

#### Status

**Product:** Implementation of the new generation low power, high yield sensor was completed in all modules late in Q3. Significantly higher yield rates contributed to COGS reductions from September onwards.

The first versions of the second generation ASIC was completed and testing commenced. The project is on track for implementation and volume module deliveries with major effects from Q3-17. This project represents major component reductions and will bring the company modules to its long targeted cost levels.

The Company continues in close collaboration with its strategic partner INNLOUX, to make advancements in its activities targeting flexible sensor mass production capacity within the end of Q2 2017. In parallel a range of system level activities are proceeding targeting volume deliveries of the world's first fully ISO-compliant flexible sensor Smart Cards in H2 2017.

**Sales and market:** The Company focuses its resources on quality dependent market segments that require high uncompromised 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 notebooks where the NEXT technology is uniquely positioned. The Smart Card segment is the primary focus for the Company. NEXT believes to hold fundamental competitive advantages within this market. Early Smart Card customer projects involve significant value propositions. The Company has over the last 12-18 months identified significant opportunities within several major Smart Card market segments.

The Smart Card order announced in April demonstrates the attractive early stage commercial viability of the Company Smart Card activities. The April order is followed by a new design win (announced in November)

with an Asian governmental customer project for an initial amount of 250.000 flexible sensors. The project is targeted to start in H2 2017 following completion of the on-going ramp-up project with the Company's mass production partner, INNOLUX.

## Key financial figures

### Amounts in MNOK

(except per share data)

	Q3-2016	Q2-2016	Q1-2016	YTD-2016	YTD-2015	2015
Total revenue	28.4	26.6	5.2	60.3	2.9	4.6
Operating profit (loss)	-43.4	-51.3	-49.0	-143.7	-76.3	-121.8
Net profit (loss) for the period	-44.5	-51.5	-49.5	-145.4	-74.0	-121.5
Opening cash balance	182.5	76.8	130.2	130.2	129.3	129.3
Net change in cash flows	-1.3	105.7	-53.4	26.8	-84.0	1.0
Closing cash balance	157.0	182.5	76.8	157.0	45.3	130.2
Total equity	221.5	235.2	125.2	221.5	90.1	172.7
Earnings per share - basic & diluted	-2.97	-3.81	-3.66	-10.20	-6.54	-10.44
Weighted average number of shares (in thousands)	14 963	13 900	13 499	14 257	11 318	11 639

## Interim condensed financial statements as of 30 September 2016 (Unaudited)

### Profit & loss statement

#### Revenues

Operating revenue in the third quarter of 2016 was MNOK 28.4, compared to MNOK 26.6 in the previous quarter and MNOK 0.2 in the third quarter of 2015.

For the first three quarters of 2016 revenue amounted to MNOK 60.3 compared to MNOK 2.9 for the first three quarters of 2015.

So far in 2016 several of the initial cost elements related to production and delivery are still one-offs or temporary and do not provide a clear and relevant indication of cost of goods sold. Significant improvements were realized late in Q3 and this continues into Q4 and Q1. The company expects the operation mode to normalize from Q1-17 and to make a leap in terms of margins from the introduction of the new ASIC from Q3-17.

#### Operating expenses

Payroll expenses amounted to MNOK 8.7 in the third quarter of 2016, compared to MNOK 16.4 in the previous quarter and MNOK 14.4 in the corresponding quarter of 2015. The reduction in payroll expenses in the third quarter of 2016 is explained by a reclassification of stock options of MNOK 3.7 from salary to operating expenses. In addition, social security tax of MNOK 5.7 was reversed. Adjusted for these two effects the payroll expenses amounted to MNOK 18.0, corresponding to MNOK 16.4 mill in the previous quarter.

Payroll expenses for the first three quarters of 2016 amounted to MNOK 40.9 compared to MNOK 33.1 for the first three quarters of 2015. The increase was mainly due to increased R&D employees in the US and operations staff in Asia.

Other operating expenses amounted to MNOK 62.1 in the third quarter of 2016, compared to MNOK 60.7 in the previous quarter and MNOK 15.5 in the corresponding quarter of 2015. The increase from the corresponding quarter last year of MNOK 46.6 was mainly related to higher costs of goods sold due to increased sales. The R&D costs included in other operating expenses are MNOK 15.6 in the third quarter of 2016, compared to MNOK 18.7 in the previous quarter and MNOK 7.6 in the corresponding quarter of 2015.

Other operating expenses amounted to MNOK 160.2 for the first three quarters of 2016 compared to MNOK 44.9 for the first three quarters of 2015. The increase of MNOK 115.2 was mainly related to increased sales and R&D costs.

Total R&D expenses, included in both payroll and other operating expenses, amounted to MNOK 77.2 for the first three quarters of 2016, compared to MNOK 38.7 for the first three quarters 2015 (see note 4).

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

Depreciation and amortisation amounted to MNOK 1.1 in the third quarter of 2016 compared to MNOK 0.8 in the previous quarter and MNOK 0.7 in the corresponding quarter of 2015. For the first three quarters of 2016 depreciation and amortisation amounted to MNOK 2.9 compared to MNOK 1.8 for the first three quarters of 2015.

Investments amounted to MNOK 0.3 in the third quarter of 2016 compared to MNOK 0.8 in the third quarter of 2015. Investments for the first three quarters of 2016 amounted to MNOK 0.4 compared to MNOK 17.8 for the first three quarters of 2014. The main investment in the first three quarters of 2015 was the MNOK 15.5 investment in coating technology tools completed in the second quarter of 2015.

#### **Net financial items**

Net financial items amounted to a net cost of MNOK 1.0 in the third quarter of 2016 compared to a net cost of MNOK 0.2 in the previous quarter and a net gain of MNOK 0.5 in corresponding quarter of 2015. For the first three quarters of 2016 net financial items amounted to a net cost of MNOK 1.7 compared to a net income of MNOK 2.4 for the first three quarters of 2015. The decrease was mainly related to foreign exchange gains and losses.

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

Net loss in the third quarter of 2016 was MNOK 44.4 compared to a loss of MNOK 51.5 in the previous quarter and a loss of MNOK 29.9 in the corresponding quarter of 2015. Improved yield after introduction of the new sensor reduces the production costs and is the major sources of the improvement from Q2 to Q3. Net loss for the first three quarters of 2016 amounted to MNOK 145.4 compared to a loss of MNOK 74.0 for the first three quarters of 2015.

NEXT operated at a loss and did not incur deferred or payable income taxes for the first three quarters 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 MNOK 157.0 by the end of the first three quarters of 2016 compared to MNOK 130.2 by the end of 2015. The operations, including investments, consumed cash in an amount of MNOK 54.7 in the third quarter of 2016 compared to MNOK 54.3 in the previous quarter and MNOK 30.6 in the third quarter of 2015. Total amount for the first three quarters of 2016, including investments, amounted to MNOK 162.7 compared to MNOK 83.9 for the first three quarters of 2015.

The net proceeds from the private placement of 200,000 new shares in July 2016 wer MNOK 25.5. In addition, 207,125 incentive stock options were exercised in the beginning of September and gave net proceeds of MNOK 3.6. The Company's share capital is NOK 15,158,980, divided into 15,158,980 shares with a par value of NOK 1 per share.

### **Equity**

Equity amounted to MNOK 221.5 by the end of the first three quarters of 2016 compared to MNOK 172.7 by the end of 2015 and MNOK 90.1 by the end of the first three quarters of 2015. This was mainly due to the net proceeds of MNOK 160.0 in the second quarter and the net proceeds of MNOK 29.1 in the third quarter described above and the loss of MNOK 145.4 for the first three quarters of 2016.

### **Outlook (3-9 months)**

- Q4 Sales in level with previous quarters
- Strong focus on flexible sensor mass production ramp-up H1-2017
- Continued progress and negotiations with major players in the Smart Card industry
- Further improved production yields and higher production capacity
- Implementation of second generation major cost down ASICs
- Continued focus on NEXT-Enabled segments

**Oslo, November 21, 2016**  
**Board of directors**  
**NEXT Biometrics Group ASA**

**NEXT Biometrics Group ASA**  
**Condensed interim statements of comprehensive income (unaudited)**  
**30 September 2016**

Amounts in NOK 1,000	Notes	Q3-2016	Q3-2015	YTD-2016	YTD-2015	2015
<b><u>PROFIT AND LOSS</u></b>						
<b>Revenue</b>						
Operating revenue	3	28 434	199	60 251	2 867	4 571
Other revenue	3	0	0	0	0	0
<b>Total revenue</b>		<b>28 434</b>	<b>199</b>	<b>60 251</b>	<b>2 867</b>	<b>4 571</b>
<b>Operating expenses</b>						
Payroll expenses	4	8 657	14 373	40 912	33 077	54 000
Other operating expenses	4	62 147	15 470	160 152	44 944	70 520
<b>Total operating expenses</b>		<b>70 803</b>	<b>29 843</b>	<b>201 065</b>	<b>78 021</b>	<b>124 520</b>
<b>Profit (loss) before tax, depreciation and amortization</b>		<b>-42 369</b>	<b>-29 644</b>	<b>-140 813</b>	<b>-75 154</b>	<b>-119 949</b>
Depreciation and amortisation	5.6	1 075	692	2 900	1 180	1 866
<b>Operating profit (loss)</b>		<b>-43 444</b>	<b>-30 336</b>	<b>-143 714</b>	<b>-76 334</b>	<b>-121 815</b>
Net financial items	7	-1 010	468	-1 654	2 365	304
Taxes		0	0	0	0	-22
<b>Net profit (loss) for the period</b>		<b>-44 454</b>	<b>-29 868</b>	<b>-145 367</b>	<b>-73 970</b>	<b>-121 533</b>
<b>Earnings per share - basic and diluted</b>	9	<b>-2.97</b>	<b>-2.64</b>	<b>-10.20</b>	<b>-6.54</b>	<b>-10.44</b>
<b><u>Other comprehensive income</u></b>						
<b>Items that will be reclassified to profit and loss</b>						
Exchange rates differences		135	-72	92	-99	-41
<b>Total other comprehensive income</b>		<b>135</b>	<b>-72</b>	<b>92</b>	<b>-99</b>	<b>-41</b>
<b>Total comprehensive income for the period</b>		<b>-44 319</b>	<b>-29 940</b>	<b>-145 275</b>	<b>-74 068</b>	<b>-121 574</b>
<b><u>Total comprehensive income for the period attributable from:</u></b>						
Owners of the parent company		-44 319	-29 940	-145 275	-74 068	-121 574
<b>Total</b>		<b>-44 319</b>	<b>-29 940</b>	<b>-145 275</b>	<b>-74 068</b>	<b>-121 574</b>

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

Amounts in NOK 1,000		30 Sep 2016	30 Sep 2015	31 Dec 2015
<b><u>ASSETS</u></b>				
<b>Non-current assets</b>				
Patens and other intangible assets	5		6 705	6 972
Machinery and office equipment	6		16 584	18 820
<b>Total non-current assets</b>			<b>23 289</b>	<b>25 792</b>
<b>Current assets</b>				
<b>Inventory</b>			<b>16 974</b>	<b>23 570</b>
<b>Receivables</b>				
Accounts receivable			12 867	865
Other receivables			14 570	10 281
Prepayments - Other investments			24 198	0
<b>Total receivables</b>			<b>51 636</b>	<b>11 146</b>
<b>Cash and cash equivalents</b>			<b>157 001</b>	<b>45 282</b>
<b>Total current assets</b>			<b>225 611</b>	<b>79 998</b>
<b>Total assets</b>			<b>248 900</b>	<b>105 791</b>
<b><u>EQUITY AND LIABILITIES</u></b>				
<b>Equity</b>				
Share capital	8		15 159	11 318
Share premium			566 170	268 155
Other paid in capital			24 823	19 136
Retained earnings			-384 640	-208 525
<b>Total equity</b>			<b>221 513</b>	<b>90 083</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Other non-current provisions	7		0	7 292
<b>Total non-current liabilities</b>			<b>0</b>	<b>7 292</b>
<b>Current liabilities</b>				
Accounts payable			17 198	4 076
Public duties payable			425	153
Other current liabilities			9 764	4 187
<b>Total current liabilities</b>			<b>27 387</b>	<b>8 415</b>
<b>Total liabilities</b>			<b>27 387</b>	<b>15 707</b>
<b>Total equity and liabilities</b>			<b>248 900</b>	<b>105 791</b>

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

Amounts in NOK 1,000	Notes	Q3-2016	Q3-2015	YTD-2016	YTD-2015	2015
<b>Cash flows from operating activities</b>						
Profit (loss) before taxes		-44 454	-29 868	-145 367	-73 970	-121 511
Taxes payable		0	0	0	0	-22
Share based remuneration (equity part)		1 535	1 308	4 665	2 542	3 564
Depreciations and amortisation	5.6	1 075	692	2 900	1 180	1 866
Change in prepayments		-24 198	0	-24 198	0	0
Change in working capital items		11 666	-1 881	-328	4 161	6 474
<b>Net cash flows from operating activities</b>		<b>-54 377</b>	<b>-29 750</b>	<b>-162 329</b>	<b>-66 087</b>	<b>-109 629</b>
<b>Cash flows from investing activities</b>						
Purchase of tangible assets		-327	-847	-396	-17 797	-18 484
<b>Net cash flows from investing activities</b>		<b>-327</b>	<b>-847</b>	<b>-396</b>	<b>-17 797</b>	<b>-18 484</b>
<b>Cash flows from financing activities</b>						
Change in non-current debt		0	0	0	0	0
Share issue net of expenses		29 050	0	189 403	0	129 121
<b>Net cash flows from financing activities</b>		<b>29 050</b>	<b>0</b>	<b>189 403</b>	<b>0</b>	<b>129 121</b>
Translation differences		135	-72	92	-99	-41
<b>Net change in cash flows</b>		<b>-25 518</b>	<b>-30 669</b>	<b>26 770</b>	<b>-83 983</b>	<b>966</b>
Opening cash balance		182 520	75 951	130 231	129 265	129 265
Closing cash balance		157 001	45 282	157 001	45 282	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 July 2016</b>		<b>14 752</b>	<b>537 527</b>	<b>23 288</b>	<b>-340 320</b>	<b>235 246</b>
Shares issue	8	407	28 643			29 050
Share based compensation				1 535		1 535
Translation differences					135	135
Net profit (loss)					-44 454	-44 454
<b>Balance 30 September 2016</b>		<b>15 159</b>	<b>566 170</b>	<b>24 823</b>	<b>-384 640</b>	<b>221 513</b>
<b>Balance 1 July 2015</b>		<b>11 318</b>	<b>268 155</b>	<b>17 829</b>	<b>-178 585</b>	<b>118 716</b>
Shares issue	8	-	0			0
Share based compensation				1 308		1 308
Translation differences					-72	-72
Net profit (loss)					-29 868	-29 868
<b>Balance 30 September 2015</b>		<b>11 318</b>	<b>268 155</b>	<b>19 136</b>	<b>-208 525</b>	<b>90 083</b>
<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	1 685	187 717			189 403
Share based compensation				4 665		4 665
Translation differences					92	92
Net profit (loss)					-145 367	-145 367
<b>Balance 30 September 2016</b>		<b>15 159</b>	<b>566 170</b>	<b>24 823</b>	<b>-384 640</b>	<b>221 513</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
Share based compensation				2 542		2 542
Translation differences					-99	-99
Net profit (loss)					-73 970	-73 970
<b>Balance 30 September 2015</b>		<b>11 318</b>	<b>268 155</b>	<b>19 136</b>	<b>-208 525</b>	<b>90 083</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**

### **30 September 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, OB Match, as of 17 December 2015. From 25 June 2016, NEXT's shares were included in the Oslo Stock Exchange main list, OSEBX.

The operations of the Group are carried out by the Group's operating subsidiaries. As per the end of the third 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 three quarters 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.

NEXT has adequate equity and liquidity for being a going concern for longer than 12 months from the date of this report.

The going concern assumption has been applied when preparing this financial report. In the second and third quarter of 2016 NEXT raised additional funds to enable NEXT to enter the commercial phase. During the first three quarters of 2016 NEXT earned revenue from commercial volumes, but still at rather modest levels.

This interim financial report has not been subject to audit.

The board of directors approved the report on 21 November 2016.

### 3. Revenue and segment reporting

Operating revenue - Per business segment (amounts in NOK)	2016	2015	
	YTD-Q3	YTD-Q3	2015
Fingerprint sensor technology	60 251 490	2 866 676	4 571 441
<b>Total</b>	<b>60 251 490</b>	<b>2 866 676</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

Payroll expenses (amounts in NOK)	2016	2015	
	YTD-Q3	YTD-Q3	2015
R&D related payroll expenses	25 825 185	19 466 897	27 807 955
Other payroll expenses	17 463 732	11 344 914	17 694 395
Share based remuneration (salary part)	706 215	2 375 214	3 327 298
Share based remuneration (employer's tax)	-3 082 737	-110 134	5 170 345
<b>Total</b>	<b>40 912 395</b>	<b>33 076 891</b>	<b>53 999 993</b>

Other operating expenses * (amounts in NOK)	2016	2015	
	YTD-Q3	YTD-Q3	2015
R&D related operating expenses	51 373 808	19 189 271	24 779 397
Other expenses	104 752 916	25 588 070	45 504 128
Share based remuneration (operating part)	4 025 337	166 829	236 941
<b>Total</b>	<b>160 152 061</b>	<b>44 944 170</b>	<b>70 520 466</b>
<b>Total - Operating expenses</b>	<b>201 064 456</b>	<b>78 021 061</b>	<b>124 520 459</b>

\*Cost of goods sold is included in other operating expenses.

The reduction in payroll expenses in the third quarter of 2016 is explained by a reclassification of stock options of MNOK 3.7 from salary to operating expenses, based on new best estimates. In addition, social security tax of MNOK 5.7 was reversed. Adjusted for these two effects the payroll expenses YTD-2016 amounted to MNOK 50.3.



## 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>Intangible assets (amounts in NOK)</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>
	<b>YTD-Q3</b>	<b>YTD-Q3</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
<b>Cost - Closing balance</b>	<b>7 674 081</b>	<b>7 458 255</b>	<b>7 674 081</b>
Accumulated depreciation - Opening balance	605 699	243 204	243 204
Depreciation	363 205	243 204	362 495
Accumulated depreciation of disposed items	0	0	0
Currency adjustments	0	0	0
<b>Accumulated depreciation - Closing balance</b>	<b>968 904</b>	<b>486 408</b>	<b>605 699</b>
<b>Book value - Closing balance</b>	<b>6 705 177</b>	<b>6 971 847</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>YTD-Q3</b>	<b>YTD-Q3</b>	
Cost - Opening balance	22 138 708	3 535 656	22 138 707
Additions	695 770	17 539 126	68 442
Disposals at cost	0	0	0
Currency adjustments	-548 508	508 240	-674 697
<b>Cost - Closing balance</b>	<b>22 285 969</b>	<b>21 583 021</b>	<b>21 532 451</b>
Accumulated depreciation - Opening balance	3 413 753	1 575 766	3 413 753
Depreciation	2 537 047	936 819	908 974
Accumulated depreciation of disposed items	0	0	0
Currency adjustments	-248 696	250 200	-163 134
<b>Accumulated depreciation - Closing balance</b>	<b>5 702 105</b>	<b>2 762 785</b>	<b>4 159 593</b>
<b>Book value - Closing balance</b>	<b>16 583 864</b>	<b>18 820 236</b>	<b>17 372 858</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 YTD-Q3</b>	<b>2015 YTD-Q3</b>	<b>2015</b>
<b>Opening balance</b>	<b>0</b>	<b>7 546 803</b>	<b>7 546 803</b>
Time value	0	145 230	145 230
Additional	0	0	0
Payment	0	0	-7 692 033
<b>Closing balance</b>	<b>0</b>	<b>7 692 033</b>	<b>0</b>

  

<b>Presented as:</b>	<b>2016 YTD-Q3</b>	<b>2015 YTD-Q3</b>	<b>2015</b>
Current liability	0	400 000	0
Non-current liability	0	7 292 033	0
<b>Closing balance</b>	<b>0</b>	<b>7 692 033</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>Number of shares outstanding</b>	<b>2016 YTD-Q3</b>	<b>2015 YTD-Q3</b>	<b>2015</b>
Opening balance	13 473 515	11 317 665	11 317 665
Share issue(s)	1 440 000	0	2 093 750
Exercised incentive options	245 465	0	62 100
<b>Closing balance</b>	<b>15 158 980</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. Net proceeds amounted to MNOK 0.4.

In May 2016 NEXT completed a successful placement of shares. The placement involved 1,240,000 new shares at a subscription price of NOK 133 corresponding to a total subscription amount of MNOK 164.9. Expenses and commission fee connected with this placement amounted to MNOK 4.9 and net proceeds were MNOK 160.0.

In July 2016 NEXT completed a subsequent repair issue. The placement involved 200,000 new shares at a subscription price of NOK 133 corresponding to a total subscription amount of MNOK 26.6. Expenses and commission fee connected with this placement amounted to MNOK 1.2 and net proceeds were MNOK 25.4.

In addition, 207,125 incentive stock options were exercised in the beginning of September and gave net proceeds of MNOK 3.6.

After the exercise of options and the issue of the new shares the Company's share capital is NOK 15,158,980, divided into 15,158,980 shares with a par value of NOK 1 per share.

### Share options

At the Annual General Meeting (AGM) 15 June 2016 the Board of Directors was granted authorization to increase the Company's share capital by up to NOK 1,335,936 for the Company's existing share option program. The remaining amount under the board authorization is NOK 1,128,811.

The AGM gave a consultative vote on management remuneration policy as described in the remuneration statement from the Board of Directors, thereby approving the proposed share option scheme for the Company going forward.

The new share option scheme allows the board of directors to issue up to 330,000 share options (equal to approximately 2.2% of the Company's outstanding shares as of the general meeting) which each entitle the holder to subscribe for one new share in the Company. The share options shall vest over a period of four years from allocation. 1/3 of the share options shall vest two years after allotment, and then 1/3 for each additional year. Exercise of the share options shall also be subject to fulfilment of certain achievement based conditions developed for each individual share option holder.

On 17 October 2016, the board of directors resolved to allot 229,000 conditional share options. As stated above, the total number approved by the general meeting was 330,000 conditional share options for this program, and the board of directors has therefore additionally 101,000 conditional share options available for allotment.

The total number of unconditional options outstanding is 1,128,811 and the remaining amount under the board authorisation is NOK 1,128,811.

<b>Options</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>
	<b>YTD-Q3</b>	<b>YTD-Q3</b>	<b>2015</b>
Opening balance	1 374 276	1 299 876	1 299 876
Grant of incentive options	0	136 500	209 500
Exercised incentive options	-245 465	0	-62 100
Forfeited incentive options	0	-53 000	-73 000
Expired incentive options	0	0	0
<b>Closing balance</b>	<b>1 128 811</b>	<b>1 383 376</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.

Options	YTD-Q3 2016		2015		2014	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
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	-245 465	16.98	-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	1 128 811	34.23	1 374 276	31.16	1 299 876	28.65
Vested options	778 635	25.31	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	1 128 811	144 104 710	1 374 276	105 596 159	857 700	29 369 951
Intrinsic value vested options at the end of the period	778 635	106 430 878	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 price per share in the period, the incentive options are not counted as being dilutive.

	2016	2015	2015
	YTD-Q3	YTD-Q3	2015
Profit (loss) attributable to the shareholders (NOK)	-145 367 189	-73 969 710	-121 533 300
Number of ordinary shares issue at 30 Sept/31 Dec.	15 158 980	11 317 665	13 473 515
Weighted average basic number of shares	14 257 176	11 317 665	11 639 238
Weighted average diluted number of shares	15 575 528	12 649 931	12 971 504
<b>Profit (loss) per share (NOK)</b>	<b>-10.20</b>	<b>-6.54</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

Between 30 September 2016 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 three quarters of 2016 or the value of the Company's assets and liabilities at 30 September 2016.