

> NEXT BIOMETRICS GROUP ASA – H2 2016



At the start of 2017, NEXT Biometrics can look back on a year in which the company took major steps toward becoming the leading player in the field of flexible fingerprint sensors. In parallel, with significant technological and operational developments we secured a strong competitive advantage within important segments of the rigid fingerprint sensor market.

The highlights of the 2H 2016 include :

- Flexible sensor smart cards demonstrated at Trustech 2016.
- Mass production of the flexible sensor on track for summer 2017.
- Successful release of the second generation rigid sensors.
Industry standard high level yields realized in sensor modules from Q4-2016.
- Successful tests of the second generation ASIC.
Project for cost down in excess of \$ 2.50 per module on track.
- After the first smartcard order signed in May, 2016, NEXT won two more volume orders for flexible sensors.
- NEXT have to date been chosen as supplier for all known smart card market volume projects.
- NEXT has demonstrated its ability to serve world class customers.



AUGUST

The second generation sensors are implemented in all modules.



SEPTEMBER

NEXT invests \$ 4 million in tools to expand rigid and flexible sensor mass production capacity.

> SMART CARD MARKET:

At Trustech 2016 in Cannes, France, NEXT demonstrated the world's first flexible fingerprint sensor that meets all ISO standard requirements. Meeting all the specifications is considered to be mandatory in high volume governmental and financial markets. First customers have already signed three volume orders for delivery from H2 2017. The total volume of the first orders are well above 1 million sensors.

The aim is to enter into mass production by the end of Q2 2017, and the project remains on track for this timing target. A team of 25 highly skilled engineers from display industry giant Innolux and NEXT are now working on this production ramp-up project. The aim is to build a capacity of 2 million sensors per month in 2017 and to grow this capacity to 10 million fingerprint sensors per month during 2018.



OCTOBER

Module yields based on second generation sensors surges well above 90% level.

> NOTEBOOKS & TABLETS:

There are clear signs that the market for fingerprint sensors for notebooks and tablets is growing and NEXT expects penetration will increase in the near future.

Most of NEXT revenue in 2016 came from this segment. It is expected that revenue from notebooks and tablets will further increase in 2017. This will materialize from the first quarter of 2017.



Q4-2016

First silicon on second generation ASICs successfully tested. Company on track towards a module costdown in excess of \$ 2.5

> NEXT-ENABLED MARKETS:

NEXT continues to see huge opportunities in the "NEXT-enabled markets", where the low cost and high quality of the NEXT embedded module opens up completely new markets. In this segment competition is limited and margins healthy, as other suppliers cannot compete with the NEXT ability to serve these quality dependent markets with uncompromised security and convenience (smaller sensors and pin-code back-ups are not acceptable).

Most of the NEXT-enabled projects have multiple year life cycles and they will implement the new generation ASIC, scheduled to be deliverable in volumes from Q3 this year.

> SECOND GENERATION ASIC - MAJOR COST DOWN:

The new generation ASIC is on track for sampling at the end of Q1 2017, and transfer to mass production in early Q3 of this year. This will bring down production costs by more than \$ 2.50 per sensor module. Along with other general economies of scale, NEXT will reach the cost levels estimates we previously communicated, a production cost 70 % lower than competing same size/same quality sensors.

From Q1-2017, NEXT will start reporting on cost of goods sold. The company already enjoys high yields from its second generation sensors and from implementation of the new ASIC, healthy margins will be realized in all market segments of NEXT.

> STRATEGIC FOCUS 2017:

With NEXT having a technological leadership within the flexible sensors market, related projects and markets will be strategically focused. The smart card market represents almost endless opportunities, and with the flexible sensor already prototyped NEXT emphasis now is on ramping up for volume production along with our partner Innolux in Taiwan. Our target is to complete this process within the end of H1-2017.

The new generation ASIC is key to achieving cost down in all market segments, and thus fully realizing the NEXT technology cost advantages. Management therefore, is focusing special attention on keeping this project on track in the coming months.

Further focused areas for 2017 include:

- New smart card industry volume customer projects.
- Realization of first volume NEXT-Enabled projects.
- Continued expansion within the market for Notebooks and Tablets.
- Organisational expansion.
- Further costdowns and attractive margins in all market segments.

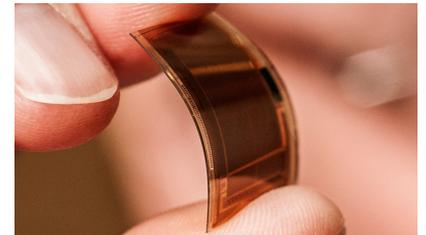


Tore Etholm-Idsøe
CEO of NEXT Biometrics



NOVEMBER

NEXT secures its second smart card volume project.



NOVEMBER

...and a third one bringing accumulated flex volume well above 1 million.



DECEMBER

NEXT showcases the first flexible smartcards at Trustech/Cannes.