



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 3 2 0 1 9

One Touch.
One You.
NEXT Biometrics



HIGHLIGHTS

- Revenue YTD of NOK 75.2 million, down 5% compared to same period last year
- Revenue of NOK 17.6 million in Q3-2019, down 42% from Q3-2018 as the US tier 1 customer reduced the number of platforms using NEXT sensors
- Gross margin of 27% in Q3-2019 (30% in Q3-2018), excluding non-recurring inventory write down
- EBITDA ex options¹ of NOK -34.7 million
- Cash position NOK 131.7 million
- Peter Heuman appointed CEO of NEXT

CEO comment

“As a newly appointed CEO I can note that Q3 2019 was not in line with shareholders expectations. Currently, I’m in the middle of a 100-day program and have identified both great strengths and some areas of improvements. That said, the company is currently not at a level where we may avoid a temporary revenue impact as our single-largest customer reduces sensor purchases. My initial analysis shows important areas for the company to focus on going forward to drive revenue and value creation; create a tangible growth agenda, become more customer centric, and invest selectively in new products to ensure we are positioned to meet customer demand in our target markets.”

Peter Heuman, CEO of NEXT Biometrics Group ASA



AMOUNTS IN NOK MILLION (EXCEPT GROSS MARGIN)	Q3-2019	Q2-2019	Q1-2019	YTD-2019	YTD-2018	FY 2018
Total revenue	17.6	30.1	27.5	75.2	79.1	108.4
Gross margin (%)	11 %	32 %	34 %	28 %	26 %	28 %
EBITDA ex. Options ¹	-34.7	-30.5	-35.4	-100.6	-114.5	-149.5
Closing cash balance	131.7	163.5	188.9	131.7	70.8	46.3

¹ EBITDA ex. Options = “Profit (loss) before tax, depreciation and amortization” excluding “share based remuneration” (Salary part, employer’s part and operating part)



> OPERATIONAL REVIEW:

Third-quarter revenue was NOK 17.6 million, compared to NOK 30.1 million during the same period of 2018. Revenue for the first nine months of 2019 was NOK 75.6 million, down 5% when compared to the same period of 2018.

The decline in revenue reflects reduced shipments to the US tier 1 notebook customer in line with the previously communicated expected decline in number of platforms using NEXT's sensors. The decrease in revenue was partially mitigated by increased sensor shipments to Fujitsu and other customers in the quarter. Shipments to the US tier 1 customer is expected to further decline. NEXT continues to diversify its customer and revenue base across target markets. Still, due to prevailing sales lead-times and design-in cycles it will likely be challenging to, in the short term, fully offset the reduction in notebook revenue in the fourth quarter of 2019 and into early 2020.

In India, the overall market situation has normalized after the impact of the 2019 elections and the 2018 supreme court ruling. NEXT continues to sell and participate in tenders for modules to be integrated in POS terminals and other devices and for readers. However, slow integration processes and ramp of end-products at customer level have had led to a slower-than-expected increase in module shipments. In addition, several planned tenders for readers have been have delayed by the tender issuers.

The new FAP20 government grade sensor have been sampled to a wide range of customers and projects. These activities have generated initial customer interest in the government ID, access control and the commercial high security notebook markets. NEXT expects to start signing the first customer contracts upon receiving certification of the sensor from US authorities. The company expects to finalize the One Touch ID FAP20 sensor including certifications in December and are on track for volume production in first quarter of 2020.

On 16 September, Peter Heuman (43) was appointed CEO of NEXT Biometrics. Heuman holds a holds a Master of Science degree in Information Technology & Industrial Management and is a proven industry leader with fifteen years of international management experience, including CEO of the publicly listed media-tech company Done Management & Systems AB and as Managing Director Mobile Financial Services at Ericsson. Prior to joining NEXT, he acted as Senior Advisor for several European private equity firms.

NEXT will maintain a disciplined approach to both new investments and cost levels going forward. The adjusted cost level (excl. share-based remuneration) when excluding the Skattefunn government grant impact for the fourth quarter of 2018 was 50.5 million. For the second and third quarter of 2019 the comparable cost level was down to NOK 40.1 million and NOK 36.6 million, respectively.

Smart Card

NEXT's smart card product development activities focused on commercializing the dual interface solution progressed to plan with high customer activity across the smart card ecosystem.

Government ID

NEXT offers a market-leading product portfolio for government ID market and continued to develop the customer base based on its fingerprint readers and sensor modules certified for India's Aadhaar program. The FAP20 sensor will offer new opportunities from 2020 onwards. In the third quarter, NEXT signed two design-in contracts for POS-based Aadhaar payment solutions and added one new local distribution partner. Outside of India, NEXT signed a design-in agreement with a Chinese provider of mobile, smart payment, desktop and self-service devices covering both solutions for Aadhaar Enabled Payment System (AEPS) and POS terminals globally.

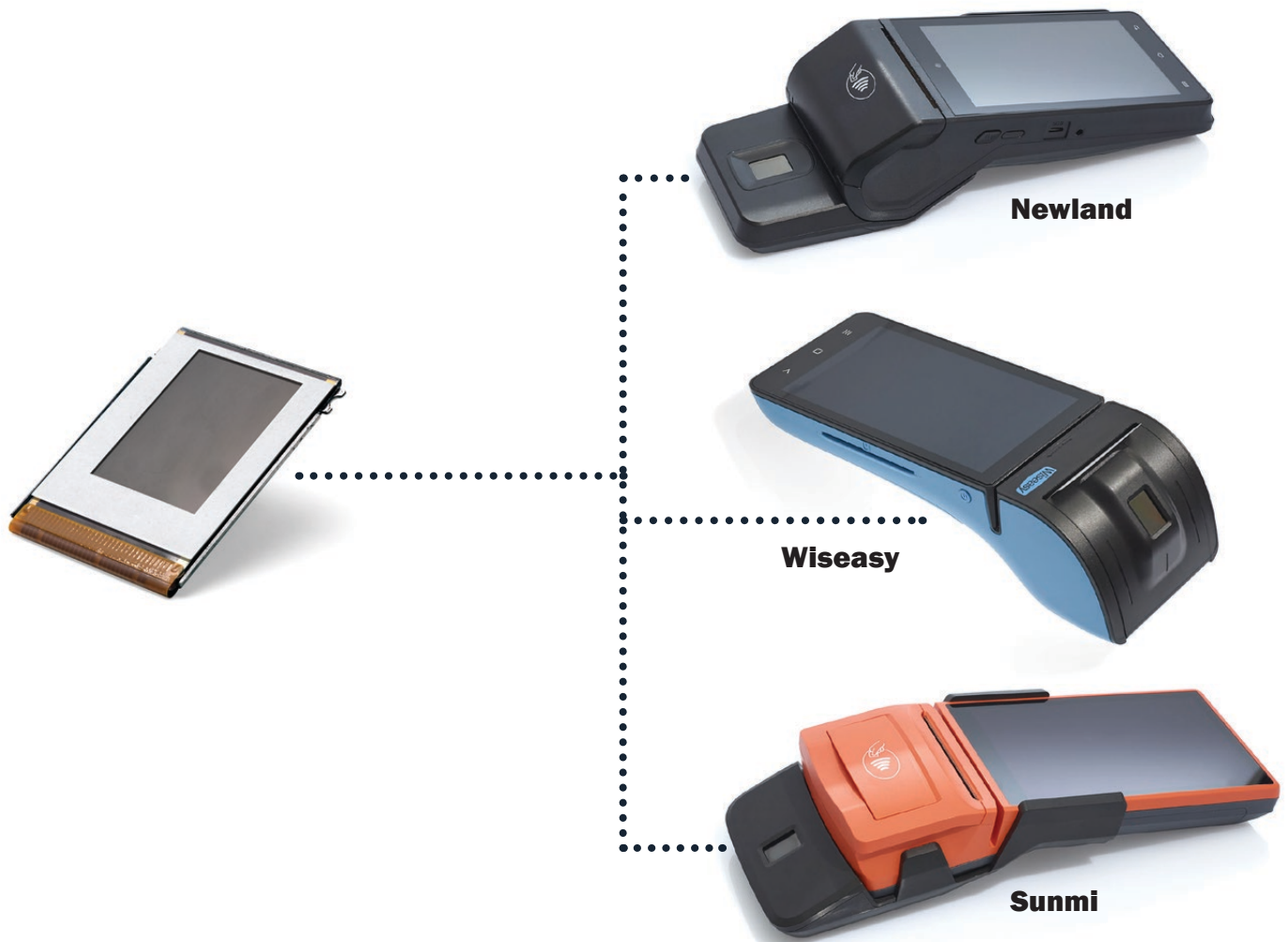
Access Control

The access control segment is a highly fragmented and regional business. NEXT's strategy is to drive market penetration through regional distributors and by leveraging its existing product portfolio and the new FAP20 sensor for physical access control and time & attendance applications. On 20, September NEXT received a purchase order valued at approximately USD 100,000 for sensor modules for delivery in fourth quarter of 2019 and into 2020. In October, NEXT introduced sensor modules targeting harsh conditions.

Notebook

Shipments to the US tier-1 customer declined as announced in the third quarter as it reduced the number of platforms using NEXT sensors. The Company expects the development to continue through the fourth quarter into 2019. Shipments to Fujitsu ramp are according to plan as more platforms with NEXT sensors are launched in the market.

Technology evaluation with additional notebook manufacturers based on the existing sensor portfolio and on the new FAP20 sensor continued through the third quarter.



> INTERIM CONDENSED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2019 (UNAUDITED)

PROFIT & LOSS STATEMENT

Operating revenue for the third quarter of 2019 was NOK 17.6 million, compared to NOK 30.2 million in the third quarter of 2018. The reduction of 12.6 million was mainly related to reduced shipments to the US tier 1 notebook customer. For the first three quarters of 2019, operating revenue amounted to NOK 75.2 million, compared to NOK 79.1 million for the first three quarters of 2018.

Third-quarter gross margin was 27% before write-down of inventory, compared to 30% in the third quarter of 2018. Including the write-down of NOK 3.0 million, the gross margin was 11%. The low margin in the third quarter is explained by inventory write-down of an older generation of sensors held in stock. The write-down will have no cash effect.

For the first three quarters of 2019, the gross margin was 28%, compared to 26% in the same period of 2018. The gross margin will fluctuate over time based on the mix of products sold.

Payroll expenses were NOK 24.3 million in the third quarter of 2019, compared to NOK 30.6 million in the third quarter of 2018. For the first three quarters of 2019 payroll expenses amounted to NOK 88.5 million, compared NOK 84.6 million for the first three quarters of 2018. In the first quarter of 2019, NEXT booked NOK 4.8 million of severance pay and other non-recurring costs as part of its program to reduce OPEX by 20% from the second-quarter 2018 level. OPEX for the second and third quarter of 2019 reflect the full impact of the strategic decision to optimize the organization.

Other operating expenses were NOK 8.8 million in the third quarter of 2019, compared NOK 17.6 million in the third quarter of 2018. In addition to lower expenses NEXT received NOK 3.8 million in tax refund (Sales and Use tax) received in the US subsidiary. For the first three quarters of 2019, other operating expenses amounted to NOK 35.0 million, compared NOK 58.0 million for the first three quarters of 2018. The total R&D related costs included in payroll and other operating expenses decreased to NOK 68.4 million for the first three quarters of 2019 from NOK 86.9 million for the first three quarters of 2018. Additionally, the implementation of IFRS 16 has led to a NOK 3.7 million reduction of operating cost for the first three quarters of 2019.

Due to the implementation of IFRS 16 (Leases) right-of-use assets was capitalized with NOK 12.0 million in the opening balance as of 1 January 2019.

Net loss for the third quarter of 2019 was NOK 33.7 million, compared to a loss of NOK 42.6 million in the third quarter of 2018. The loss reduction was mainly related to the reduced share-based remuneration cost and the tax refund (Sales and Use tax) effect. This was partly offset by the inventory write-down. Net loss for the first three quarters of 2019 amounted to NOK 114.8 million, compared to a loss of NOK 132.0 million for the first three quarters of 2018.

NEXT operated at a loss and did not incur deferred or payable income tax for the first three quarters of 2019. In 2018, payable taxes of NOK 1.9 million related to foreign subsidiaries and were expensed in the fourth quarter. At the same time, deferred taxes related to foreign subsidiaries reduced the tax expenses by NOK 0.4 million.

CASH FLOW AND BALANCE SHEET

Cash and cash equivalents amounted to NOK 131.7 million at the end of the first three quarters of 2019, compared to NOK 46.3 million at the end of 2018.

Cash flow from operating activities was negative with NOK 31.5 million in the third quarter of 2019, compared to a negative NOK 41.7 million in the third quarter of 2018. For the first three quarters of 2019, cash flow from operations was negative with NOK 92.9 million, compared to negative NOK 119.6 million for the first three quarters of 2018.

Investments were NOK 1.2 million in the third quarter of 2019, compared to NOK 0.4 million in the third quarter of 2018. For the first three quarters of 2019, investments also amounted to NOK 1.2 million, compared to NOK 3.8 million for the first three quarters of 2018.

Net cash flow from financing activities was NOK 178.8 million for the first three quarters of 2019, compared to NOK 114.4 for the first three quarters of 2018. The positive cash effect for the first three quarters of 2019 came from a private placement of 23,500,000 new shares. The net positive effect for the first three quarters of 2018 came from a private placement of 2,860,855 new shares.

At the end of September 2019, the Company's share capital was NOK 42,930,575, divided into 42,930,575 shares with a par value of NOK 1 per share.

Equity amounted to NOK 186.2 million as at 30 September 2019, compared to NOK 119.3 million at the end of 2018. The increase of NOK 66.9 million was mainly related to the net proceeds of NOK 178.8 million from the private placement of new shares, less the net loss of NOK 114.8 million.

OUTLOOK

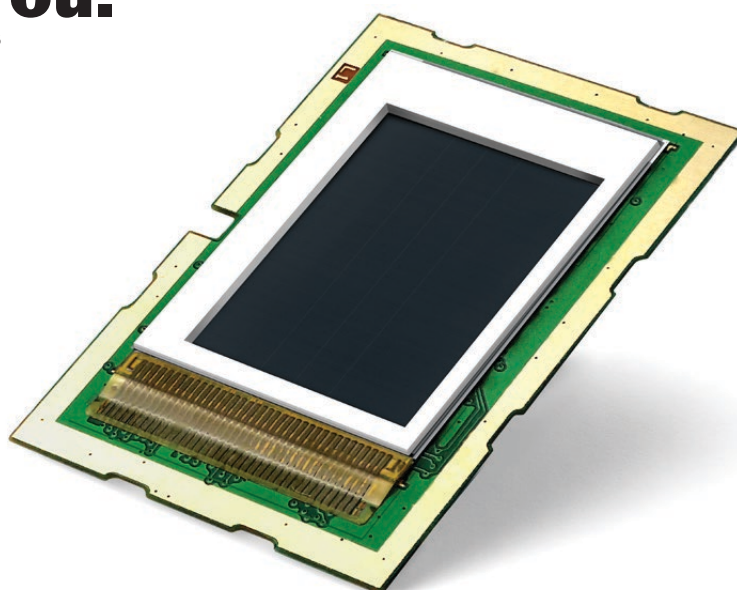
Reduced shipments to the US tier-1 notebook customer is expected to impact revenue in the fourth quarter and early 2020. Current sales lead-times and design-in cycles makes it challenging to immediately offset the associated decrease in Group revenue.

NEXT will continue to diversify its customer base and generate increased revenue across target markets. The key priorities will be to strengthen sales, deliver customer and end-user focused solutions which reduce product lead times and accelerate revenue generation, and by selectively investing in new products tailored to meet growing demand in target markets.

Oslo, November 11, 2019
Board of Directors
NEXT Biometrics Group ASA

One Touch.
One You.
 NEXT Biometrics

FAP20 sensor,
Active sensing
area (mm):
15.24 x 20.32



NEXT BIOMETRICS GROUP ASA

**CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
30 SEPTEMBER 2019**

**AMOUNTS IN NOK 1,000
PROFIT AND LOSS**

	NOTES	Q3-2019	Q3-2018	YTD-2019	YTD-2018	2018
Revenue						
Operating revenue	3	17 621	30 227	75 201	79 114	108 392
Total revenue		17 621	30 227	75 201	79 114	108 392
Cost of goods sold		15 761	21 113	54 429	58 815	77 612
Gross margin		1 860	9 114	20 772	20 298	30 780
Operating expenses						
Payroll expenses	4	24 319	30 647	88 458	84 561	116 077
Other operating expenses	4	8 758	17 569	34 991	58 016	75 569
Total operating expenses		33 077	48 216	123 448	142 578	191 647
Profit (loss) before tax, depreciation and amortization						
		-31 216	-39 102	-102 676	-122 279	-160 867
Amortization of intangible assets	5	1 745	1 797	5 236	4 465	6 204
Depreciation right-of-use-assets	6	1 173		3 443		
Depreciation of tangible assets	7	1 270	949	3 787	2 853	3 823
Operating profit (loss)		-35 405	-41 849	-115 143	-129 597	-170 894
Net financial items		1 736	-768	339	-2 426	-425
Net profit (loss) before tax		-33 668	-42 616	-114 804	-132 024	-171 319
Taxes		0	0	1	2	-1 582
Net profit (loss) for the period		-33 668	-42 616	-114 803	-132 021	-172 901
Earnings per share - basic and diluted	9	-0.78	-2.21	-2.98	-7.21	-9.30
Other comprehensive income						
Items that may be reclassified to profit and loss						
Exchange rates differences		1 014	-3	765	7	708
Total other comprehensive income		1 014	-3	765	7	708
Total comprehensive income for the period		-32 654	-42 619	-114 038	-132 015	-172 194
Total comprehensive income for the period attributable from:						
Owners of the parent company		-32 654	-42 619	-114 038	-132 015	-172 194
Total		-32 654	-42 619	-114 038	-132 015	-172 194

NEXT BIOMETRICS GROUP ASA

**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION (UNAUDITED)
30 SEPTEMBER 2019**

AMOUNTS IN NOK 1,000

ASSETS	NOTES	30 SEP 2019	30 SEP 2018	31 DEC 2018
Non-current assets				
Deferred tax assets		370		354
Patens and other intangible assets	5	13 714	20 352	18 951
Right-of-use assets	6	8 756		
Machinery and office equipment	7	25 081	27 034	27 125
Total non-current assets		47 922	47 386	46 430
Current assets				
Inventory		23 399	27 515	29 373
Receivables				
Accounts receivable		6 054	12 311	12 797
Other receivables		15 643	17 360	15 147
Prepayments		0	3 081	0
Total receivables		21 696	32 752	27 945
Cash and cash equivalents		131 728	70 791	46 299
Total current assets		176 823	131 057	103 617
Total assets		224 745	178 444	150 046
EQUITY AND LIABILITIES				
Equity				
Share capital	8	42 931	19 431	19 431
Share premium		624 451	799 487	469 200
Other paid in capital		57 513	51 128	55 369
Accumulated losses		-538 740	-714 818	-424 710
Total equity		186 154	155 228	119 289
Liabilities				
Non-current liabilities				
Non-current lease liabilities	6	3 212		
Total current liabilities		3 212	0	0
Current liabilities				
Current lease liabilities	6	5 802		
Accounts payable		15 063	15 790	19 096
Public duties payable		1 197	928	1 330
Other current liabilities		13 316	6 497	10 331
Total current liabilities		35 379	23 216	30 757
Total liabilities		38 590	23 216	30 757
Total equity and liabilities		224 745	178 444	150 046

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**CONDENSED INTERIM STATEMENTS OF CASH FLOW (UNAUDITED)
30 SEPTEMBER 2019**

AMOUNTS IN NOK 1,000

CASH FLOWS FROM OPERATING ACTIVITIES	NOTES	Q3-2019	Q3-2018	YTD-2019	YTD-2018	2018
Profit (loss) before taxes		-33 668	-42 616	-114 804	-132 024	-171 319
Taxes payable		0	0	1	2	-1 936
Share based remuneration (equity part)		-3 540	2 831	2 144	7 692	11 933
Amortization of intangible assets	5	1 745	1 797	5 236	4 465	6 204
Depreciation right-of-use-assets	6	1 173	0	3 443	0	0
Depreciation of tangible assets	7	1 270	949	3 787	2 853	3 823
Change in prepayments		0	0	0	-11	3 070
Change in working capital items		1 487	-4 694	7 337	-2 533	3 810
Net cash flows from operating activities		-31 533	-41 733	-92 856	-119 555	-144 416
Cash flows from investing activities						
Purchase of intangible assets	5	0	-230	0	-3 363	-3 701
Purchase of tangible assets	7	-1 233	-218	-1 233	-444	-438
Net cash flows from investing activities		-1 233	-448	-1 233	-3 807	-4 138
Cash flows from financing activities						
Change in non-current debt		0	0	0	0	0
Share issue net of expenses		0	82	178 752	114 424	114 424
Net cash flows from financing activities		0	82	178 752	114 424	114 424
Translation differences		1 014	-3	765	7	708
Net change in cash flows		-31 751	-42 102	85 428	-8 931	-33 423
Opening cash balance		163 479	112 893	46 299	79 722	79 722
Closing cash balance		131 728	70 791	131 728	70 791	46 299



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**CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
30 SEPTEMBER 2019**

AMOUNTS IN NOK 1,000	NOTES	SHARE CAPITAL	SHARE PREMIUM	OTHER PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL EQUITY
Balance 1 July 2019		42 931	624 451	61 052	-506 110	222 325
Shares issue	8	-	-			0
Share based compensation				-3 540		-3 540
Translation differences					1 014	1 014
Net profit (loss)					-33 668	-33 668
Balance 30 September 2019		42 931	624 451	57 513	-538 740	186 154
Balance 1 July 2018		19 243	799 592	48 298	-672 199	194 934
Shares issue	8	187	-105			82
Share based compensation				2 831		2 831
Translation differences					-3	-3
Net profit (loss)					-42 616	-42 616
Balance 30 September 2018		19 431	799 487	51 128	-714 818	155 228
Balance 1 January 2019		19 431	469 200	55 369	-424 710	119 289
Shares issue	8	23 500	155 252			178 752
Share based compensation				2 144		2 144
Translation differences					765	765
Net profit (loss)					-114 803	-114 803
Balance 30 September 2019		42 931	624 451	57 513	-538 740	186 154
Balance 1 January 2018		16 382	688 111	43 436	-582 804	165 126
Shares issue	8	3 048	111 376			114 424
Share based compensation				7 692		7 692
Translation differences					7	7
Net profit (loss)					-132 021	-132 021
Balance 30 September 2018		19 431	799 487	51 128	-714 818	155 228
Balance 1 January 2018		16 382	688 111	43 436	-582 804	165 126
Shares issue	8	3 048	111 376			114 424
Share based compensation				11 933		11 933
Translation differences					708	708
Net profit (loss)			-330 288		157 387	-172 901
Balance 31 December 2018		19 431	469 200	55 369	-424 710	119 289

> NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS 30 SEPTEMBER 2019 (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 with headquarter in Oslo, Norway.

Group operations are carried out by the operating subsidiaries. As per the end of the first three quarters of 2019, the Group had 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) and NEXT Biometrics India (Bengaluru, India).

NEXT's shares are listed at Oslo Stock Exchange and is traded on the exchange's main list as part of the OSEBX index.

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 activities that will naturally fall under this.

2. Basis of preparation, accounting policies

This condensed interim financial report for first three quarters of 2019 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 2018.

The IFRS accounting policies applied in this condensed interim financial report are consistent with those applied and described in the annual financial statements for 2018.

The going concern assumption has been applied when preparing this financial report. By the end of the first three quarters of 2019, NEXT earned revenue from commercial volumes with positive gross margins, but still at rather modest levels. In the first quarter of 2019, NEXT raised NOK 178.8 million in net proceeds in a private placement.

This interim financial report has not been subject to audit.

The Board of Directors approved the report on 11 November 2019.

The accounting policies applied are consistent with those applied in the previous financial year, except for the implementation of IFRS 16 - Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

The group has, with effect from 1 January 2019, adopted IFRS 16 using the modified retrospective approach. Accordingly, comparable information has not been restated, and the effect is entered in the statement of financial position in the implementation year 2019. Upon implementation, the right-of-use asset and lease liability are the same amount and did not impact on equity.

At the commencement date of a lease, a lessee will recognize a liability at the present value of lease payments with a corresponding asset representing the right to use the underlying asset during the lease term (right-of-use asset). The recognized asset is amortized over the lease period and the depreciation expense is recognized as an operating expense on an ongoing basis. The lease liabilities will be discounted at the incremental borrowing rate, and the interest expense on the lease commitment is recognized as a financial expense.

NEXT has identified office buildings to be the only material lease agreements. The group has used the relief option for leases with a duration of less than 12 months as at 1 January 2019 and leases with low value, and these leases will not be recognized in the statement of financial position but recognized as an operating expense over the lease period. This approach will be applied consistently to all lease contracts.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The impacts of IFRS 16 adoption per 1 January 2019 and the first three quarters of 2019 impact from IFRS 16 are summarized in note 6.

3. Revenue and segment reporting

OPERATING REVENUE - PER BUSINESS SEGMENT (AMOUNTS IN NOK 1,000)	2019 YTD-Q3	2018 YTD-Q3	2018
Fingerprint sensor technology	75 201	79 114	108 392
Total	75 201	79 114	108 392

NEXT targets four markets for the technology;

- (i) Smart Card
- (ii) Government ID
- (iii) Access Control
- (iv) Notebook

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.

Most NEXT employees also work broad, adding value to all our markets and technologies. Our R&D personnel are focused on technology, such as sensor or ASIC, rather than markets such as Smart cards or Notebook. More than 90 % of our revenues comes from the Notebook market. Based on this, NEXT consider that we only operate within one business segment, and therefore also report only within one business segment, "Fingerprint sensor technology".

4. Operating expenses

PAYROLL EXPENSES (AMOUNTS IN NOK 1,000)	2019 YTD-Q3	2018 YTD-Q3	2018
R&D related payroll expenses	48 293	51 671	69 591
Other payroll expenses	37 433	25 145	35 445
Share based remuneration (salary part)	2 838	7 641	11 562
Share based remuneration (employer's tax)	-107	105	-520
Total	88 458	84 561	116 077

OTHER OPERATING EXPENSES (AMOUNTS IN NOK 1,000)	2019 YTD-Q3	2018 YTD-Q3	2018
R&D related operating expenses	20 064	35 223	45 143
Other expenses	15 582	22 739	30 086
Share based remuneration (operating part)	-656	55	340
Total	34 991	58 016	75 569

Total - Operating expenses	123 448	142 578	191 647
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5. Intangible assets

Intangible assets consist of acquisition of right to use the patent and know-how (IP) described as the *NEXT Active Thermal™* Sensing principle and the internally generated ASIC designs.

The additions in 2018 relates to the source code license acquisition.

INTANGIBLE ASSETS (AMOUNTS IN NOK 1,000)	2019 YTD-Q3	2018 YTD-Q3	2018
Cost - Opening balance	26 996	23 295	23 295
Additions	0	3 363	3 701
Disposals at cost	0	0	0
Currency adjustments	0	0	0
Cost - Closing balance	26 996	26 658	26 996
Accumulated amortization - Opening balance	8 045	1 841	1 841
Amortization	5 236	4 465	6 204
Accumulated amortization of disposed items	0	0	0
Currency adjustments	0	0	0
Accumulated amortization - Closing balance	13 282	6 306	8 045
Book value - Closing balance	13 714	20 352	18 951
Amortization period (straight line) years	3-12	3-12	3-12

Of the book value of NOK 13.7 million by the end of the first three quarters of 2019, NOK 6.9 million is related to internally generated assets and NOK 6.8 million is related to separately acquired assets.

The patent and know-how (IP) are amortised over 12 years, equal to the patent life from the recognition in the opening balance 1 January 2012. The investments in ASIC are amortized over 3 years, starting from the completion of the different projects. The source code license is amortised over 5 years.

6. Leases

LEASES IN THE STATEMENTS OF INCOME (AMOUNTS IN NOK 1,000)	2019 YTD-Q3
Other operating expense	-3 695
Profit (loss) before tax, depreciation and amortization	3 695
Depreciation of right-to-use assets	3 443
Operating profit (loss)	251
Interest expenses on lease liabilities	510
Net profit (loss) before tax	-258

LEASES IN THE STATEMENTS OF FINANCIAL POSITION (AMOUNTS IN NOK 1,000)	2019 YTD-Q3	2019 JAN. 01
Assets		
Right-of-use assets - Office buildings	8 756	11 998
Total lease assets	8 756	11 998
Liabilities		
Current lease liabilities	5 802	5 508
Non-current lease liabilities	3 212	6 490
Total lease liabilities	9 014	11 998

At the implementation date 1 January 2019, the right-of-use assets and lease liabilities were at the same amount and equity was not impacted.

RECONCILIATION OF LEASE COMMITMENTS TO LEASE LIABILITIES (AMOUNTS IN NOK 1,000)	2019 JAN. 01
Operating lease obligation at 31 December 2018	14 347
New contract and currency adjustments identified per 1 January 2019	-1 237
Gross lease liabilities at 1 January 2019	13 110
Effect of discounting using incremental borrowing rate	-1 112
Total lease liabilities	11 998

Leases with a lease term of 12 months or shorter, and low value leases, were not capitalized. As at 1 January 2019, this was mainly leased office equipment with a total value of NOK 152 thousand.

Some of the leasing contracts includes an option for renewal. At implementation date, management has assessed that the probability for execution of these options are low, and they are not reflected in total lease liabilities.

The weighted average incremental borrowing rate applied to lease liabilities recognized in the statement of financial positions at 1 January 2019 was 6.5%.

7. Tangible assets

FIXED ASSETS MACHINERY AND EQUIPMENT (AMOUNTS IN NOK 1,000)	2019 YTD-Q3	2018 YTD-Q3	2018
Cost - Opening balance	53 410	52 080	52 080
Additions	1 233	444	437
Disposals at cost	0	0	-27
Currency adjustments	1 007	-699	920
Cost - Closing balance	55 649	51 825	53 410
Accumulated depreciation - Opening balance	26 285	21 994	21 994
Depreciation	3 787	2 853	3 823
Accumulated depreciation of disposed items	0	0	-27
Currency adjustments	496	-56	495
Accumulated depreciation - Closing balance	30 568	24 791	26 285
Book value - Closing balance	25 081	27 034	27 125
Depreciation period (straight line) years	3-10	3-10	3-10

Of the book value of NOK 25.1 million by the end of the first three quarters of 2019, NOK 22.4 million is related to machinery and NOK 2.7 million is related to office equipment.

The additions in 2019 is related to purchase of test equipment in the third quarter. In 2018 there were no investments related to machinery and only NOK 0.4 million investments in office equipment.

8. Shares and incentive options

NUMBER OF SHARES OUTSTANDING	2019 YTD-Q3	2018 YTD-Q3	2018
Opening balance	19 430 575	16 382 480	16 382 480
Share issue(s)	23 500 000	2 860 855	2 860 855
Exercised incentive options	0	187 240	187 240
Closing balance	42 930 575	19 430 575	19 430 575

In the first quarter of 2019, NEXT raised NOK 178.8 million in net proceeds in a private placement. The private placement was divided into two tranches, followed by a repair issue.

Tranche 1, finalized under the current board authorization, consisted of 1,923,000 new shares at a subscription price of NOK 8. This corresponded to a total gross amount of NOK 15.4 million. Expenses and commission fee connected with tranche 1 of the placement amounted to NOK 1.1 million and net proceeds were NOK 14.3 million.

Tranche 2 consisted of 18,077,000 new shares at a subscription price of NOK 8, corresponding to a total gross amount of NOK 144.6 million. The issuance of the new shares in tranche 2 was approved at the extraordinary general meeting on 15 February 2019. Expenses and commission fee connected with tranche 2 of the placement amounted to NOK 6.1 million and net proceeds were NOK 138.5 million.

The repair issue was performed in March and 3,500,000 new shares were subscribed at a subscription price of NOK 8, corresponding to a total gross amount of NOK 28.0 million. Expenses and commission fee connected with the repair issue amounted to NOK 2.0 million and net proceeds were NOK 26.0 million.

Share options

The Company has entered into, and plan to continue to enter into, stock option agreements in order to attract talented, experienced and high value networked human resources. NEXT has three different option programs; unconditional long-term share options, milestone-based share options and conditional long-term share options.

In the first quarter of 2019, a total of 61,400 new share options were granted. In addition, a total of 10,000 new share options under the 2017 program was granted. In the second quarter of 2019, a total of 777,650 new share options were granted.

In the third quarter of 2019 a total of 440,000 new share options were granted.

The following primary insider was allotted conditional share options:

- Dan Cronin (Chief Operating Officer) was allotted 200,000 options at a strike price NOK 5.63. After grant, Dan Cronin holds total of 306,500 options and 53,643 shares.
- Alain Faburel (Chief of sales and Marketing Officer) was allotted 120,000 conditional options at a strike price NOK 5.63. After grant, Alain Faburel holds total 171,500 conditional options and 3,658 shares.
- Knut Stålen (Chief Financial Officer) was allotted 120,000 conditional options at a strike price NOK 5.63. After grant, Knut Stålen holds total 232,750 conditional options and 40,000 shares.

OPTIONS	YTD-Q3 2019		YTD-Q3 2018		2018	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding - Beginning period	1 325 331	52.04	1 504 717	63.08	1 504 717	63.08
Granted	1 217 650	7.04	332 500	44.00	334 500	44.04
Exercised	-	-	-187 240	1.00	-187 240	1.00
Cancelled	-	-	-7 244	1.00	-7 244	1.00
Forfeited	-369 355	71.55	-103 002	84.04	-122 669	78.11
Expired	-	-	-	-	-103 590	46.47
Modification	-	-	-44 750	42.04	-44 750	42.04
Adjusted quantity ¹	303 238	72.04	-132 495	39.60	-48 394	0.89
Outstanding - End of period	2 481 863	28.90	1 362 486	43.89	1 325 330	52.04
Vested options - End of period	1 050 549	48.67	876 945	43.26	845 305	44.56

	NUMBER OF OPTIONS	WEIGHTED AVERAGE FAIR VALUE	NUMBER OF OPTIONS	WEIGHTED AVERAGE FAIR VALUE	NUMBER OF OPTIONS	WEIGHTED AVERAGE FAIR VALUE
Granted Options - During the period	1 217 650	3.13	332 500	20.83	334 500	40.54

	NUMBER OF OPTIONS	INTRINSIC VALUE	NUMBER OF OPTIONS	INTRINSIC VALUE	NUMBER OF OPTIONS	INTRINSIC VALUE
Outstanding options - End of the period	-	-	1 046 333	20 371 325	260 930	2 809 891
Vested options - End of the period	-	-	761 077	16 129 747	260 930	2 809 891

¹ Adjusted quantity of 303,238 for the first three quarters of 2019 represents the adjustment for the probability of all conditions related to the granted share options being met. Total adjusted quantity at the end of the first three quarters was 0 and therefore the maximum closing balance, if all conditions are met, are also 2,481,863 options outstanding.



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.

BASIS FOR CALCULATION - EARNINGS PER SHARE	2019 YTD-Q3	2018 YTD-Q3	2018
Profit (loss) attributable to the shareholders (NOK 1,000)	-114 803	-132 021	-172 901
Number of ordinary shares issued at 30 September/31 Dec.	42 930 575	19 430 575	19 430 575
Weighted average basic number of shares	38 561 168	18 312 159	18 594 061
Weighted average diluted number of shares	38 561 168	20 083 866	20 383 160
Profit (loss) per share, basic and diluted (NOK)	-2.98	-7.21	-9.30

10. Risk management

A description of risk factors can be found in Note 2 of NEXT Biometrics Group ASA's 2018 annual report.

11. Events occurring after the balance sheet date

Between 30 September 2019 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 for the first three quarters of 2019 or the value of the Company's assets and liabilities at 30 September 2019.



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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, Silicon Valley, Taipei, Prague, Bengaluru and Shanghai.

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