Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	982 904 420
Organisasjonsform:	Allmennaksjeselskap
Foretaksnavn:	NEXT BIOMETRICS GROUP ASA
Forretningsadresse:	Apotekergata 10B 0180 OSLO

Regnskapsår

Årsregnskapets periode:	01.01.2020 - 31.12.2020

Konsern

Morselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	IFRS
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Anita Mobakken
Dato for fastsettelse av årsregnskapet:	12.05.2021

Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert

År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 21.06.2022

Resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	2	8 602 000	9 545 000
Annen driftsinntekt	2	363 000	
Sum inntekter		**8 965 000**	**9 545 000**
Kostnader			
Lønnskostnad	3	17 050 000	15 581 000
Avskrivning på varige driftsmidler og immaterielle eiendeler	7,8	1 528 000	1 707 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler	7,8	656 000	
Annen driftskostnad	4	7 935 000	10 650 000
Sum kostnader		**27 169 000**	**27 938 000**
Driftsresultat		**-18 204 000**	**-18 393 000**
Finansinntekter og finanskostnader			
Renteinntekt fra foretak i samme konsern	5	139 000	3 150 000
Annen renteinntekt	5	125 000	681 000
Sum finansinntekter		**264 000**	**3 831 000**
Nedskrivning av finansielle eiendeler	5,9		556 271 000
Annen rentekostnad	5	133 000	168 000
Annen finanskostnad	5	2 233 000	173 000
Sum finanskostnader		**2 366 000**	**556 612 000**
Netto finans		**-2 102 000**	**-552 781 000**
Ordinært resultat før skattekostnad		**-20 306 000**	**-571 174 000**
Skattekostnad på ordinært resultat	6	0	0
Ordinært resultat etter skattekostnad		**-20 306 000**	**-571 174 000**
Årsresultat		**-20 306 000**	**-571 174 000**
Overføringer og disponeringer			
Overføring til/fra fond		-20 306 000	-571 174 000
Sum overføringer og disponeringer		**-20 306 000**	**-571 174 000**

Resultatregnskap

Beløp i: NOK	Note	2020	2019

Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Konsesjoner, patenter, lisenser, varemerker og lignende rettigheter	7	3 749 000	4 499 000
Sum immaterielle eiendeler		**3 749 000**	**4 499 000**
Varige driftsmidler			
Tomter, bygninger og annen fast eiendom	8,15	705 000	2 338 000
Driftsløsøre, inventar, verktøy, kontormaskiner og lignende	8	0	163 000
Sum varige driftsmidler		**705 000**	**2 501 000**
Finansielle anleggsmidler			
Investering i datterselskap	9	132 828 000	107 822 000
Lån til foretak i samme konsern	10	18 237 000	0
Andre fordringer	11,15	704 000	0
Sum finansielle anleggsmidler		**151 769 000**	**107 822 000**
Sum anleggsmidler		**156 223 000**	**114 822 000**
Omløpsmidler			
Varer			
Sum varer		**0**	**0**
Fordringer			
Kundefordringer	11	322 000	0
Andre fordringer	11,15	1 570 000	786 000
Konsernfordringer	11	53 000	0
Sum fordringer		**1 945 000**	**786 000**
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	12	43 329 000	46 697 000
Sum bankinnskudd, kontanter og lignende		**43 329 000**	**46 697 000**
Sum omløpsmidler		**45 274 000**	**47 483 000**

Balanse

Beløp i: NOK	Note	2020	2019
SUM EIENDELER		**201 497 000**	**162 305 000**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	13	75 944 000	42 931 000
Overkurs	13	56 633 000	53 278 000
Annen innskutt egenkapital	13	62 638 000	58 260 000
Sum innskutt egenkapital		**195 215 000**	**154 469 000**
Sum egenkapital		**195 215 000**	**154 469 000**
Gjeld			
Langsiktig gjeld			
Sum avsetninger for forpliktelser			**0**
Annen langsiktig gjeld			
Øvrig langsiktig gjeld	14,15	1 164 000	1 660 000
Sum annen langsiktig gjeld		**1 164 000**	**1 660 000**
Sum langsiktig gjeld		**1 164 000**	**1 660 000**
Kortsiktig gjeld			
Leverandørgjeld		1 618 000	1 279 000
Skyldige offentlige avgifter	14	735 000	1 453 000
Annen kortsiktig gjeld	14,15	2 765 000	3 444 000
Sum kortsiktig gjeld		**5 118 000**	**6 176 000**
Sum gjeld		**6 282 000**	**7 836 000**
SUM EGENKAPITAL OG GJELD		**201 497 000**	**162 305 000**

Konsernets resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	3	57 770 000	84 436 000
Annen driftsinntekt	3	363 000	
Sum inntekter		**58 133 000**	**84 436 000**
Kostnader			
Varekostnad	9	49 387 000	63 865 000
Lønnskostnad	4	63 228 000	121 929 000
Avskrivning på varige driftsmidler og immaterielle eiendeler	5,6,11	15 279 000	16 805 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler	6	6 577 000	
Annen driftskostnad	7,8,10, 11	28 857 000	46 419 000
Sum kostnader		**163 328 000**	**249 018 000**
Driftsresultat		**-105 195 000**	**-164 582 000**
Finansinntekter og finanskostnader			
Annen renteinntekt	12	166 000	987 000
Annen finansinntekt	12	2 082 000	0
Sum finansinntekter		**2 248 000**	**987 000**
Annen rentekostnad	12	811 000	697 000
Annen finanskostnad	12	1 026 000	24 000
Sum finanskostnader		**1 837 000**	**721 000**
Netto finans		**411 000**	**266 000**
Ordinært resultat før skattekostnad		**-104 784 000**	**-164 316 000**
Skattekostnad på ordinært resultat	13	-2 990 000	2 131 000
Ordinært resultat etter skattekostnad		**-101 794 000**	**-166 447 000**
Årsresultat		**-101 794 000**	**-166 447 000**
Andre resultatkomponenter for IFRS-foretak		3 129 000	315 000
Sum resultatkomponenter for IFRS-foretak		3 129 000	315 000

Konsernets resultatregnskap

Beløp i: NOK	Note	2020	2019
Totalresultat		**-98 665 000**	**-166 132 000**
Overføringer og disponeringer			
Overføring til/fra fond		-20 306 000	-571 174 000
Udekket tap		-78 359 000	405 042 000
Sum overføringer og disponeringer		**-98 665 000**	**-166 132 000**

Konsernets balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Konsesjoner, patenter, lisenser, varemerker og lignende rettigheter	5	5 446 000	11 969 000
Utsatt skattefordel	13	58 000	9 000
Sum immaterielle eiendeler		**5 504 000**	**11 978 000**
Varige driftsmidler			
Tomter, bygninger og annen fast eiendom	6,11	1 170 000	7 523 000
Maskiner og anlegg	6	15 580 000	21 348 000
Driftsløsøre, inventar, verktøy, kontormaskiner og lignende	6	447 000	2 340 000
Sum varige driftsmidler		**17 197 000**	**31 211 000**
Finansielle anleggsmidler			
Andre fordringer	11	703 000	0
Sum finansielle anleggsmidler		**703 000**	**0**
Sum anleggsmidler		**23 404 000**	**43 189 000**
Omløpsmidler			
Varer			
Varer	9	21 725 000	25 961 000
Sum varer		**21 725 000**	**25 961 000**
Fordringer			
Kundefordringer	15	4 056 000	3 481 000
Andre fordringer	16	14 342 000	11 724 000
Sum fordringer		**18 398 000**	**15 205 000**
Investeringer			
Sum investeringer		**0**	**0**
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	17	67 950 000	88 541 000
Sum bankinnskudd, kontanter og lignende		**67 950 000**	**88 541 000**

Konsernets balanse

Beløp i: NOK	Note	2020	2019
Sum omløpsmidler		**108 073 000**	**129 707 000**
SUM EIENDELER		**131 477 000**	**172 896 000**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	18	75 944 000	42 931 000
Overkurs	18	56 633 000	53 278 000
Annen innskutt egenkapital	18	62 637 000	58 261 000
Sum innskutt egenkapital		**195 214 000**	**154 470 000**
Opptjent egenkapital			
Udekket tap		98 026 000	19 669 000
Sum opptjent egenkapital		**-98 026 000**	**-19 669 000**
Sum egenkapital		**97 188 000**	**134 801 000**
Gjeld			
Langsiktig gjeld			
Utsatt skatt	13	135 000	0
Sum avsetninger for forpliktelser		**135 000**	**0**
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	19	5 609 000	
Øvrig langsiktig gjeld	11,20	1 164 000	3 344 000
Sum annen langsiktig gjeld		**6 773 000**	**3 344 000**
Sum langsiktig gjeld		**6 908 000**	**3 344 000**
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	19	2 346 000	0
Leverandørgjeld		11 047 000	11 786 000
Betalbar skatt	13	60 000	188 000
Skyldige offentlige avgifter	20	952 000	2 004 000
Annen kortsiktig gjeld	11,20	12 976 000	20 773 000

Konsernets balanse

Beløp i: NOK	Note	2020	2019
Sum kortsiktig gjeld		**27 381 000**	**34 751 000**
Sum gjeld		**34 289 000**	**38 095 000**
SUM EGENKAPITAL OG GJELD		**131 477 000**	**172 896 000**

Skattedirektoratet

Saksbehandler	Deres dato	Vår dato
Geir Johannessen		17.03.2014
Telefon	Deres referanse	Vår referanse
22 66 11 14	Knut Stålen	2014/162446

NEXT BIOMETRICS GROUP AS
c/o Aker Brygge Business Centre
Postboks 1433, Vika
0115 OSLO

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for NEXT Biometrics Group AS, org.nr. 982 904 420

Det vises til deres brev mottatt 10. mars 2014 der dere søker om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for NEXT Biometrics Group AS. Utfyllende opplysninger er gitt i e-post.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering NEXT Biometrics Group AS dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd.

Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn
NEXT Biometrics Group AS er en ledende aktør innenfor industriområdet fingeravtrykksensorer, med mer enn 13 års drift. Selskapet driver utvikling og produksjon av fingeravtrykksensorteknologi. Denne teknologien kan brukes innenfor mange områder, som for eksempel for smarttelefoner, nettbrett, datamaskiner, inngangssystemer og sikkerhetsløsninger. Kundene til slike løsninger er hovedsakelig lokalisert i Asia, og produksjonen av løsningen skjer i Taiwan, Malaysia og Kina. Majoriteten av alle avtaler, både på innkjøp og kundesiden, er på engelsk og det benyttes USD som valuta for tilnærmet alle transaksjoner. All rapportering og kommunikasjon skjer på engelsk. Hovedkontoret er i Norge, men ledergruppen består også av personer som er lokalisert utenfor Norge (Kina, Tyskland og USA). Så å si alle brukerne av konsern- og selskapsregnskapene er utenlandske eller benytter engelsk som arbeidsspråk. Aksjonærmassen består først og fremst av erfarne investorer/fond som ikke skulle ha noe problem med å motta regnskapsinformasjon kun på engelsk. I tillegg er flere av aksjonærene utenlandske og selskapet forventer at det vil tiltrekke seg ytterligere utenlandske aksjonærene i løpet av 2014. Styret, som representerer aksjonærene, instruerte administrasjonen om å søke på siste styremøtet. Selskapet forventer at det velges utenlandske styremedlemmer den nærmeste tiden.

Postadresse
Postboks 9200 Grønland
0134 Oslo

Besøksadresse:
Se www.skatteetaten.no
Org.nr: 996250318
E-post: skatteetaten.no/sendepost

Sentralbord
800 80 000
Telefaks
22 17 08 60

Skattedirektoratets vurdering
Etter regnskapsloven § 3-4 tredje ledd skal "*årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk.*"

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

> *"Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon."*

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til *"informative regnskaper for ulike grupper av regnskapsbrukere"*. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt særlig vekt på at arbeidsspråket er engelsk, og at hovedtyngden av brukerne enten er utenlandske eller benytter engelsk som arbeidsspråk. Videre er det vektlagt at aksjonærene enten er utenlandske eller profesjonelle aktører som behersker engelsk.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad
Seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

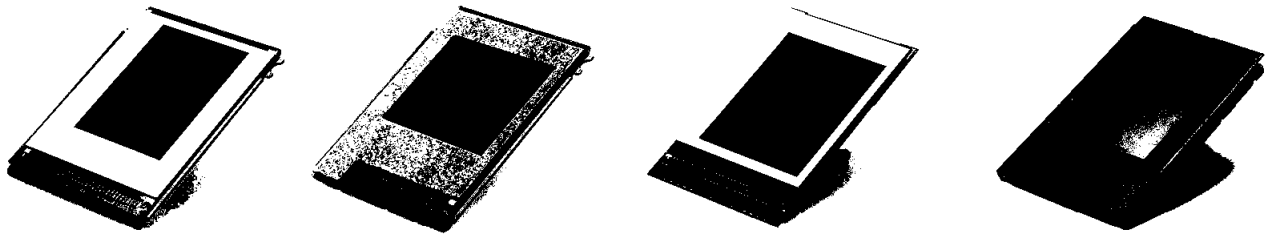
Geir Johannessen

N E X T B I O M E T R I C S

NEXT BIOMETRICS

NEXT BIOMETRICS GROUP ASA

A N N U A L R E P O R T 2 0 2 0



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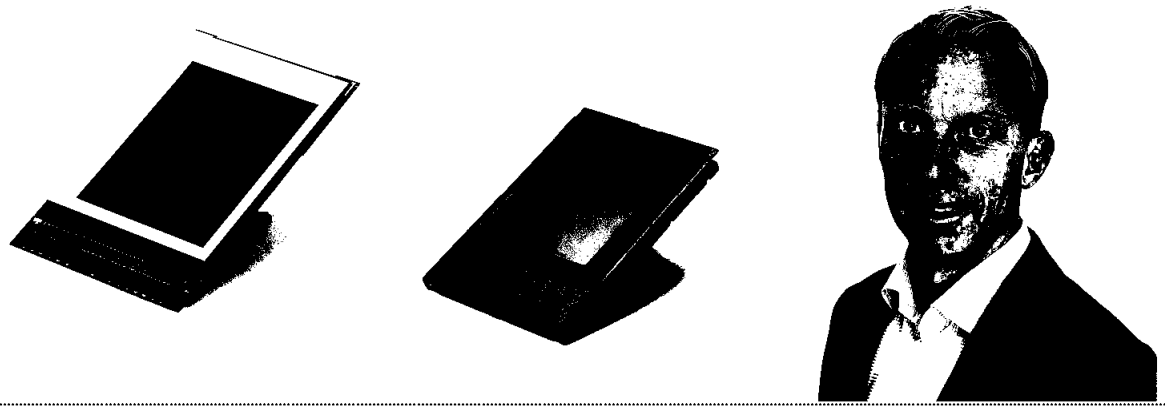


LETTER FROM THE CEO

DEAR SHAREHOLDERS,

The end of 2020 saw a completely transformed NEXT. We are now a company poised for growth, with a much lower cost base, solid funding and products where we have a competitive advantage.

The most significant transition in 2020 has been cost savings of 73 per cent. We set a Q4 OPEX target of NOK 5 million per month, and reached this one quarter ahead of plan. This was achieved by a complete reallocation of resources, with the aim of becoming a customer focused technology company.

Part of this reallocation has been to simplify our product portfolio. We focus on products where the unique NEXT technology brings a clear competitive advantage, and where we can achieve healthy gross margins. The effect of this is showing in the growing number of design-wins since May 2020. Put simply we have moved from deliveries to one customer to serving many.

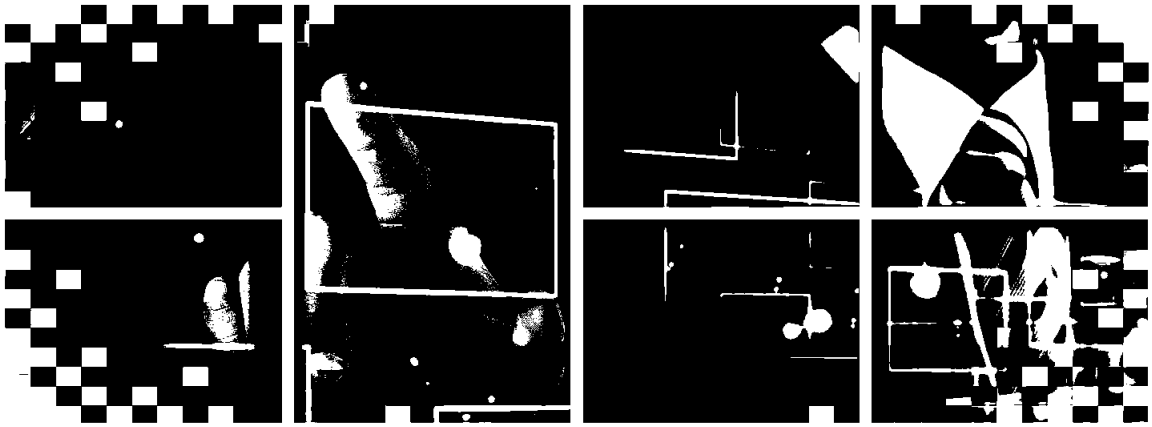
At the same time, the pandemic has of course impacted our sales efforts during 2020, with sales cycles in our industry becoming longer. This has slowed down our revenue growth. However, the situation is not expected to last, and we will continue to report new design-wins and purchase orders going forward.

We completed a private placement of NOK 50 million in Q2 2020, a subsequent share offering in Q3, and we again raised NOK 89 million in Q1 2021. This shows that shareholders believe in our new strategy. A financially stronger NEXT is important towards customers, employees and the stock market. Combined with our present cost base and growing sales and margins, the capital raised provides us with a defined road map to a break-even situation.

Events in early 2021 have shown that our efforts in 2020 are now being rewarded. We can safely say that we are on the right track. Especially we have a strong belief in the future success of our FBI certified FAP20 sensor. Together with our new partner, published in March 2021, we are in the position to disrupt a large and high growing market.

Thank you.

Peter Heuman
CEO of NEXT Biometrics Group ASA



NEXT BIOMETRICS AT A GLANCE

NEXT provides secure easy-to-use fingerprint sensor technology for authentication in government ID, access control, notebook and smart card markets. The Group's patented NEXT Active Thermal™ principle allows the development of large, high quality fingerprint sensors in both rigid and flexible formats.

PRODUCT DEVELOPMENT

Historically, NEXT has had a strong R&D focus and has made significant progress with its' product and technology development roadmaps. The Group has developed products for notebook, FAP20, Government-ID (globally and India's Aadhaar program), point of sales terminals and smart card markets.

As per early 2021, the Group has the following main products:

- PC sensor products:
  - NEXT standard PC sensors
  - NEXT Secure Bio premium sensor
- FAP20 sensor products used in a variety of applications
- Aadhaar India products
  - Readers
  - Sensor modules
- Dual Interface smart card solution (One Touch Flex CL)

During 2020, the Group reduced its R&D spending and increased its focus on sales and marketing activities, working with customers and prospects on improving already developed solutions and accelerate design-ins of new projects.

SALES AND MARKETING

The Group has a dedicated sales force that has established relationships with major OEMs active in selected market segments. Historically, the company has shipped most of its sensor products to PC OEMs. Starting in 2020, the company has established a diversified customer base, which include POS manufacturers, biometric HW manufacturers and Government ID providers.

The Group has established partner agreements with a number of players in different target markets to leverage the Group's large-size, highly secure, easy-to-use and cost-effective sensor products to drive increased revenue. NEXT's ongoing business development efforts are expected to bring additional volumes from new use cases and targeted niche applications.

MANUFACTURING

NEXT has established outsourced production with strong partners in Asia with proven ability to produce large volumes of high quality and robust sensors at very high yield rates for mass-market deployment which is highly recognized and appreciated by existing and potential new customers. The Group can increase production capacity rapidly when needed.

REPORT FROM THE BOARD OF DIRECTORS

A GLOBAL LEADER IN FINGERPRINT SENSOR TECHNOLOGY

NEXT Biometrics Group ASA ("Parent Company") is a public limited liability company incorporated and domiciled in Norway, with headquarters in Oslo, Norway. The Parent company and its subsidiaries ("NEXT" or "the Group") provides advanced fingerprint sensor technology that delivers uncompromised security and accuracy for the best possible user experience in the FAP20, notebook, government ID, access control and smart card markets.

NEXT's fingerprint sensors are unique, using active thermal conductivity to read the fingerprint, as opposed to capacitive or optical sensing used by others. This patented sensing principle allows simple designs uniquely compatible with the low temperature polysilicon production processes ("LTPS") used in high-end display factories. This enables significantly lower production cost for the Group's fingerprint sensors compared to competing sensors of similar quality. The Group has developed and markets a portfolio of fingerprint sensor modules, readers and flexible biometric subassemblies, which may be incorporated into a wide range of products and solutions.

The Group has six wholly owned 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), NEXT Biometrics Solutions India Pvt. Ltd. (Bengaluru, India) and NEXT Biometrics s.r.o. (Prague, Czech Republic).

The Parent company's shares are listed on the Oslo Stock Exchange.

HIGHLIGHTS 2020

Key 2020 developments in NEXT:

- Operating revenues for 2020 of NOK 57.8 million compared to NOK 84.4 million in 2019
- Gross margin of 15% for 2020 compared to 24% in 2019
- Total operating expenses reduced to NOK 113.9 million in 2020, compared to NOK 185.2 million in 2019. Efficiency and cost reduction program completed as part of company turnaround plan. Adjusted OPEX in Q4 2020 reduced by 73% relative to Q4 2019
- EBITDA ex options of NOK -83.3 million in 2020 compared to NOK -144.9 million in 2019
- Announced 8 FAP20 design-wins and shipped FAP20 sensors to multiple customers. First FAP20 high volume order shipped in June 2020. Achieved total 15 design-wins from Q4 2019 up February 2021, which will contribute to future revenues
- Improved organizational sales and customer focus and NEXT new growth agenda in combination with complete reallocation of resources, which provided increased number of design-wins and improved sales funnel
- Completed a private placement in June and subsequent offering in July 2020 raising gross proceeds of NOK 60.8 million during 2020

BUSINESS OVERVIEW

Biometric fingerprint sensing technology is gaining traction across the world. The technology is being used in PCs and governments and businesses have started deploying the technology in medical services, devices for pension payments, point of sale (POS) recording, facility access, voting registration and Time and Attendance solutions. In India, the Aadhaar program has more than one billion people registered with their fingerprints for access to different governmental services and benefit systems. The Group (NEXT) is a key player in this market. India's deployment of fingerprint technology and solutions has raised interest in other developing countries to deploy national ease of use fingerprint-based biometric infrastructure and devices for similar purposes.

The Group has developed products, established its manufacturing platform and sales and marketing to establish a business with significant footprint and customers in key markets such as Notebook, Government ID and POS solutions for voting and financial applications. The Group has shipped close to 8 million units to its customers after initiation of the company.

In the Notebook market the Group is working to increase the run rate revenues from existing clients. The Group is also working on new business opportunities with additional laptop manufacturers, focusing both on developing new opportunities with standard sensors and high security implementations based on the Microsoft Secure Bio standard. Subsequent to year-end, the Group announced its first order and design-win for its new Secure Bio laptop product with its largest existing laptop customer. The sensor product will be included in several of the customer's laptop products scheduled to enter market in the second half of 2021, following Microsoft's introduction of its Secure BIO standard.

In the Government ID market, the Group has been established as a key player in India with Aadhaar certified devices. The Group also has established a foothold in Africa with sales of sensors and readers. The new FAP20 high security solution is used by both existing customers as well as new customers for POS solutions for voting, financial inclusion and other solutions requiring ease of use and high security authentication. The Group's FAP20 sensor has been granted Personal Identity Verification (PIV) Certification in the US following tests by the Federal Bureau of Investigation (FBI). During 2020, the Group announced design-wins and shipped FAP20 sensors to multiple customers including LLC NF Citizen ID project in Russia, Newland Payment Technology's project in Nigeria and NCS' customized fingerprint readers targeted for the Singapore market. Late 2020, the Group announced that the FAP20 sensor integrated into Newland´s POS device received formal certification by Nigeria Inter-Bank Settlement System (NIBSS). The FAP20 sensor is addressing a large market with strong growth, and the Group believes that the FAP20 sensor has a potential to disrupt a sizeable portion of this market. The Group continues its dialogue with current and prospective customers to increase sales of the FAP20 sensor technology for POS, Government ID and Access control applications. The product is sold both through the Group's direct sales force and partner network.

The Group has a unique proven technology that outperforms competitive solutions in key markets from form factor (size and thickness), biometric performance, quality, standard compliance and unit cost. In the access control market, the Group has launched a new module for harsh conditions late 2019. Moreover, the Group has completed the development phase of its dual interface smart card solution, which is ready to be deployed to new potential customers. The Group has a long-term focus on the broader smart card market which is expected to have growth potential with higher gross margins compared to pure biometric payments cards.

FINANCIAL SUMMARY – THE GROUP

Comprehensive income

Operating revenues were NOK 57.8 million in 2020 compared to NOK 84.4 million in 2019.

Gross margin was NOK 8.7 million (15%) in 2020 compared to a gross margin of NOK 20.6 million (24%) in 2019.

Payroll expenses were NOK 63.2 million in 2020, down from NOK 121.9 million in 2019. Average number of employees were 40 in 2020 compared to 80 employees in 2019. The Group had 29 employees at the end of 2020, compared to 65 employees at the end of 2019. The reduction of employees is due to the implementation of the Group's cost reduction program. Share-based remuneration, including related accrued social security tax, included in payroll expenses was, NOK 4.0 million in 2020, compared to NOK 3.5 million in 2019. Research and development (R&D) expenses included in payroll expenses were NOK 28.9 million in 2020 compared to NOK 65.8 million in 2019.

Other operating expenses were NOK 28.9 million in 2020, compared to NOK 46.4 million in 2019. R&D expenses included in other operating expenses were NOK 7.0 million in 2020, compared to NOK 24.9 million in 2019.

Total R&D expenses, included in both payroll and other operating expenses, were NOK 35.9 million in 2020, a decrease from NOK 90.7 million in 2019.

Depreciation, amortization and impairment were NOK 21.9 million in 2020, compared to NOK 16.8 million in 2019. The increase in 2020 is mainly related to impairment losses amounting to NOK 6.6 million.

Net financial items amounted to a gain of NOK 0.4 million in 2020, compared to a net gain of NOK 0.3 million in 2019.

Income tax gain was NOK 3.0 million in 2020, compared to NOK 2.1 million cost in 2019. The gains in 2020 are relating to net reversal of tax costs in foreign subsidiaries in the Group.

Loss after taxes for the Group was NOK 101.8 million in 2020, compared to NOK 166.4 million in 2019.

Financial position and cash

Total assets as of 31 December 2020 amounted to NOK 131.5 million, compared to NOK 172.9 million as of 31 December 2019.

Total equity was NOK 97.2 million at the end of 2020 compared to NOK 134.8 million at the end of 2019.

The Group had non-current liabilities of NOK 6.9 million and current liabilities of NOK 27.4 million at the end of 2020, compared to non-current liabilities of NOK 3.3 million and current liabilities of NOK 34.8 million at the end of 2019.

Cash and cash equivalents amounted to NOK 68.0 million at the end of 2020 compared to NOK 88.5 million at the end of 2019.

Cash flow

Net cash flow from operating activities was negative with NOK 80.4 million in 2020 compared to negative NOK 131.4 million in 2019. The improvement in cash flow in 2020 relative to 2019 is mainly due to the Group's reduced operating losses.

Net cash flow from investing activities was NOK 0.0 million in 2020 compared to a negative cash flow of NOK 1.2 million in 2019.

Net cash flow from financing activities was positive with NOK 61.3 million in 2020, mainly due to net proceeds from new share issues of NOK 55.7 million and net proceeds from loans of NOK 10.1 million. The cash flow from financing was positive NOK 174.5 million in 2019.

FINANCIAL SUMMARY – THE PARENT COMPANY

Comprehensive income

Operating revenues for the parent company was NOK 8.6 million in 2020, compared to NOK 9.5 million in 2019, and consisted of management fees and royalties charged to the subsidiary NEXT Biometrics AS.

Payroll expenses for the parent company were NOK 17.0 million in 2020, an increase from NOK 15.6 million in 2019. There were 3 employees in the parent company at year-end 2020, compared to 8 employees at the end of 2019.

Other operating expenses for the parent company decreased to NOK 7.9 million in 2020 from NOK 10.7 million in 2019.

Depreciation and amortization for the parent company was NOK 1.5 million in 2020 compared to NOK 1.8 million in 2019. Impairment losses were NOK 0.7 million in 2020 compared to NOK 0.0 million in 2019.

Net financial cost was NOK 2.1 million in 2020 compared to a net financial cost of NOK 552.8 million in 2019.

The parent company had a loss before taxes in 2020 and 2019. Hence, no payable taxes incurred. No deferred tax assets have been recognized during 2020 and 2019.

Loss after taxes for 2020 was NOK 20.3 million compared to NOK 571.2 million in 2019.

Financial position and cash

Total assets as of 31 December 2020 amounted to NOK 201.5 million, compared to NOK 162.3 million as of 31 December 2019.

The parent company had NOK 2.1 million in lease liabilities at the end of 2020, compared to NOK 2.4 million at the end of 2019.

Cash and cash equivalents amounted to NOK 43.3 million at the end of 2020 compared to NOK 46.7 million at the end of 2019.

Cash flow

Net cash flow from operating activities was negative NOK 13.8 million in 2020, compared to negative NOK 12.2 million in 2019. Net cash flow from investments was negative NOK 44.4 million compared to negative NOK 141.3 million in 2019. Net cash flow from financing was NOK 54.9 million in 2020 compared to NOK 178.1 million in 2019.

Equity and allocation of profit (loss) after taxes

Equity for the parent company was NOK 195.2 million at the end of 2020 compared to NOK 154.5 million at the end of 2019. The change was mainly related to net funds raised from share issues of NOK 55.7 million.

The Board of Directors proposes that the loss after taxes of the parent company to be transferred from share premium in the amount of NOK 20.3 million.

THE NEXT SHARE AND SHARE CAPITAL

The Parent company's shares are listed at Oslo Stock Exchange's main list with ticker NEXT. The 2020 year-end closing price was NOK 2.6, down from NOK 3.4 at the end of 2019. During 2020, the shares traded in the range of NOK 1.0 to NOK 3.9.

The issued share capital of the parent company at the end of 2020 amounted to NOK 75.9 million consisting of 75,944,489 ordinary shares, each share having a par value of NOK 1. At the end of 2020, there were a total of 2,850 registered shareholder accounts, compared to 1,702 at the end of 2019.

In June and July 2020, NEXT total raised gross proceeds of NOK 60.8 million in a private placement and a subsequent offering at a subscription price at NOK 2.00. Please see note 18 in group consolidated financial statement for further details.

The Group has entered into, and plan to continue to enter into, stock option agreements to attract talented, experienced and highly valued employees. As per 31 December 2020, NEXT has 6,694,208 long-term share options outstanding. Please see note 18 in group consolidated financial statement for further details.

FINANCIAL RISK, CAPITAL MANAGEMENT

NEXT is exposed to certain financial risks related to exchange rates and interest levels. These are, however, insignificant compared to the business risk. Business risk may be summarized in:

(a) NEXT currently has higher costs than revenues and has negative cash flow from operations.
(b) NEXT's business plan assumes revenue from new products under development.
(c) Revenue from NEXT's products depends, among other things, on market factors which are not controlled by NEXT.
(d) Competing companies' products have entered the commercial stage, and the competitive situation for NEXT's products is constantly changing.
(e) NEXT's intended markets are undergoing rapid technological changes.

NEXT manages its liquidity passively, which means that funds are placed in floating-interest bank accounts. The majority of cash is held in Norwegian kroner at parent company level and is distributed when appropriate to the affiliates. This is both to have control of the overall liquidity situation and to manage expense levels in the affiliates.

NEXT has financial liabilities related to one US dollar denominated loan and office leases in multiple locations as per 31 December 2020.

NEXT's sales and production cost are in US dollars. Other operating expenses are mainly in Norwegian kroner (NOK) and US dollars (USD), depending on the location. Equity transactions are in NOK. In the parent company, the majority of the cost and all equity transactions are in NOK. NEXT does not use financial instruments to hedge this risk.

The Group is exposed to credit risk, although this has historically not resulted in significant losses. NEXT sells its sensors to leading international distributors of electronic components, primarily based in Asia. The Group's receivables are not credit insured, but credit monitoring routines are in place for setting up credit lines and demanding advance payments when required.

EMPLOYEES

At the end of 2020, the Group had 29 employees (2019: 65), of which 4 are women (2019: 9). Additionally, the Group has individual technical/scientific specialists working at its premises on a contract basis. The female proportion of group employees was 14% (2019: 14%).

The parent company had 3 employees by the end of 2020. There were 2 male employees and 1 female employee at year-end. There are currently 4 members of the board, of which 2 are women.

The parent company had no long-term leave of absence due to illness or any work-related incidents or accidents resulting in material damage or personal injury during 2020.

CORPORATE GOVERNANCE

NEXT's guidelines for corporate governance are in accordance with the Norwegian Accounting Act §3-3b and seek to comply with the Norwegian code of Practice for Corporate Governance, dated 17 October 2018. Please see annual report section "Principles of corporate governance" Annual Report for further details.

SOCIAL RESPONSIBILITY

NEXT's guidelines for social responsibilities are in accordance with the Norwegian Accounting Act §3-3c. Please see separate annual report section "Corporate Social Responsibility Report" for more information.

GOING CONCERN

In accordance with § 3-3a of the Norwegian Accounting Act, the Board of Directors confirms that the financial statements have been prepared under the assumption of going concern.

SUBSEQUENT EVENTS

Between 31 December 2020 and the resolution of these financial statements, there has not been any event which have had any noticeable impact on the Group's or the parent company's result for 2020 or the value of the Group or the parent company's assets and liabilities as of 31 December 2020, except events mentioned below.

On February 17, 2021, NEXT successfully completed a private placement issuing 14,819,897 new shares at a subscription price of NOK 6.0 per share, corresponding to gross proceeds of NOK 89 million. Please refer to note 22 in group consolidated financial statement for further details.

Early 2020, the COVID-19 pandemic spread to multiple countries where the Group has offices, outsourced production facilities and customers. The COVID-19 pandemic continues to affect the operation of the Group in 2021. Please see note 22 for further details.

OUTLOOK

The markets for NEXT's fingerprint sensor technology are expected to grow in 2021. The Board considers that NEXT's unique, current product portfolio and patented technology has considerable revenue potential.

The Group's main focus is to increase the number of customers choosing to design-in NEXT FAP20 sensors, Notebook sensors and India Aadhaar program products. The Group has achieved multiple FAP20 design-wins during 2020, which is the outmost important commercial step towards future recurring high margin orders. The design-wins include customers Newland Payment Technology (China), Credence ID (USA) and EKEMP Secure Identity (China). The recently announced large order from Credence ID amounting to NOK 7 million and the new 5-year partnership agreement with a world market leader in the biometric space confirms the market potential for NEXT's FAP20 product.

NEXT standard Notebook sensor shipments are scheduled to increase in 2021. In particular, the Group expects growth in the Laptop sensor segment from the second half of 2021. NEXT has received its first order for a new Microsoft compliant sensor product from one of its laptop customers. NEXT is also working with other laptop manufacturers with potential product launch(es) from late 2021 and during 2022.

Sales of the NEXT FAP20 sensor has the highest priority due to its considerable market potential and higher gross margin. The company is expecting to announce more FAP20 design-ins and additional purchase orders during 2021.

The fingerprint sensor and reader market in India has picked up in early 2021. NEXT is a part of the bidding process for multiple tenders and contracts to be awarded in the India market during 2021.

The implementation of the Group's cost reduction plan has been completed. The Group expects to continue to benefit from its lowered operating expense run rate running at approximately NOK 15 million per quarter in 2021.

NEXT expects growing revenues in 2021. The Group has achieved 15 design-wins from Q4 2019 up February 2021, which will contribute to future revenues. Additional design wins are expected to be announced during the remaining part of 2021. Moreover, with the Group's expected improvement in product mix, gross margin is expected to increase gradually towards the Group's targeted 35-40% during 2021, by improving product mix and increasing production and sales volumes. With the new lowered operating cost level, NOK 120-150 million in annualized revenues are likely required to reach break-even. The future revenues and gross margin will depend on general market growth, speed of adoption of NEXT's FAP20 product, partner demand for FAP20 sensors, laptop sensor demand, NEXT sales effectiveness and closing rate. Moreover, the targeted gross margin level is based on a changed future product mix with FAP20 products being at a much higher level than in Q4 2020. Overall, we believe the fingerprint solution markets and our thermal technology-based sensors have potential to grow significantly in the longer term as more and more design-wins are added.

Oslo, 20 April 2021

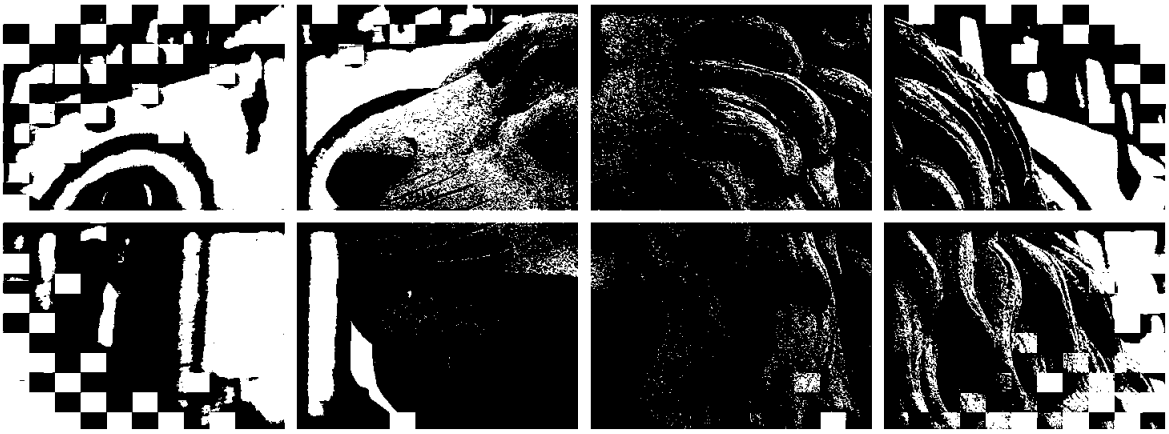
/sign/
Petter Fjellstad
Chairman

/sign/
Emine Lundkvist
Board member

/sign/
Live Haukvik
Board member

/sign/
Odd Harald Hauge
Board member

/sign/
Peter Heuman
CEO



CORPORATE GOVERNANCE REPORT

0. INTRODUCTION

For NEXT Biometrics Group ASA ("**NEXT**" or the "**Company**"), good corporate governance is about doing the right things, and doing the things right. The manner in which the Company is managed is vital to the development of the Company's value over time. The Company's corporate governance framework has been designed to provide foundation for value creation, business risk reduction, and to ensure good control mechanisms.

NEXT believes in open and honest communication with the shareholders, and interaction between shareholders, the board of directors and the Company's management. NEXT aims to show respect and responsibility for shareholders as well as with all stakeholder groups, such as co-operating partners, customers, suppliers, employees and authorities.

NEXT is subject to corporate governance reporting requirements according to section 3-3b of the Norwegian Accounting Act and the Continuing obligations of stock exchange listed companies at Oslo Stock Exchange. Further, NEXT's board of directors endorses "The Norwegian Code of Practice for Corporate Governance" (the "**Code**"), most recently revised on 17 October 2018 and issued by the Norwegian Corporate Governance Policy Board. The Code is available at http://www.nues.no/.

1. NEXT'S IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

NEXT aspires to comply with the recommendations of the Code. Taking into account the size and maturity of the Company, there may be deviations from the Code. If the Code is deviated from, the deviation is described and explained in the relevant section of this report.

The Company's policies, instructions and internal processes are continuously developed. A review of the Company's corporate governance policy is performed annually to ensure continued compliance with the Code.

2. BUSINESS

NEXT's business is clearly described in the Company's articles of association:

"The objective of the company is to conduct research, development and commercialization of security products, participation and investment in companies conducting similar activities as well as other activities that will naturally fall under this".

The Company's articles of association are available at the Company's homepage, www.nextbiometrics.com.

Basic corporate values

The Company has formulated three basic corporate values to form a guideline for the Company's business operations: (i) innovative business models, (ii) close client relationship and (iii) global reach. "The ethical and corporate social responsibility guideline" has been set out in accordance with these values.

Ethics and corporate social responsibility

The Company has implemented ethical and corporate social responsibility guidelines, in accordance with its basic corporate values. A report on corporate social responsibility is included in the annual report.

3. EQUITY AND DIVIDENDS

Capital structure

The board of directors and the management of the Company seek, at all times, to have a sound relation between the Company's capital structure and the Company's objectives, strategies and risk profile. The board shall immediately take adequate steps should it be apparent at any time that the Company's equity or liquidity is less than adequate.

Dividend policy

It is a long-term objective of the Company to generate returns to shareholders in the form of dividends and capital appreciation, at a level which is at least equal to other investment possibilities with comparable risk.

Since NEXT is in an accelerated growth-phase, no dividend has been paid so far. Further, no dividend has been proposed for the coming year. When the Company reaches a steady state position, NEXT intends to establish a clear and predictable dividend policy which will form the basis for any proposals on dividend payments to be resolved by the general meeting.

Authorisations to the board of directors

The annual general meeting, held on 12 May 2020, gave the board authorization to increase the Company's share capital by up to NOK 19,084,662 to enable the Company to conduct share issues in an effective manner. The board of directors was also granted authorization to deviate from the shareholder's preferential rights when using the authorization.

At the extraordinary general meeting held on 19 June 2020, the board of directors was given an authorization to increase the Company's share capital for the option program by up to NOK 6,113,751. The authorization covers capital increases by way of contributions in kind, but does not cover capital increases in connection with mergers, and the board may decide that the shareholders' pre-emption right to the new shares can be deviated from. The authorization is limited in time until the 2021 general meeting or 30 June 2021, whichever comes first.

At the extraordinary general meeting, held on 19 June 2020, the board of directors was also given authorization to increase the Company's share capital for options to the board of directors by up to NOK 1,600,000. The issuance of shares was given pursuant with the terms and conditions set of in the recommendation from the nomination committee. The authorization covers capital increases by way of contributions in kind, but does not cover capital increases in connection with mergers, and the board may decide that the shareholders' pre-emption right to the new shares can be deviated from. The authorization is limited in time until the 2020 general meeting or 30 June 2021, whichever comes first.

As of 31 December 2020, there are no further authorizations granted to the board of directors, neither to increase the share capital by issuing new shares, nor to the Company to purchase own shares. Any future authorizations given will be limited in time until the next general meeting, in accordance with the Code.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

Class of shares

The Company has one class of shares and there are no voting restrictions. Each share represents one vote and equal rights at the Company's general meeting. The par value per share is NOK 1,00.

Pre-emption rights of existing shareholders

NEXT's existing shareholders have pre-emption rights to subscribe for shares in the event of a share capital increase, unless otherwise indicated by special circumstances. Any decision to deviate from the pre-emption rights of existing shareholders shall be justified. The justification shall be publicly disclosed in a stock exchange announcement issued in connection with the increase in share capital.

In May 2020, NEXT raised NOK 50 million in gross proceeds in a private placement at a subscription price of NOK 2 per share. Completion of the private placement implied a deviation from the existing shareholders pre-emptive rights to subscribe for and be allocated new shares. The board of directors carefully considered such deviation and resolved that the private Placement was in the best interests of the Company and its shareholders. In reaching this conclusion the board took into consideration the Company's share price, alternative financing sources, the dilutive effect of the share issue, the investor interest in the transaction, the strengthening of the shareholder base that will be achieved by the private placement, and that a subsequent offering was expected to be carried out. The issuance of the new shares was approved at the extraordinary general meeting on 19 June 2020. In order to accommodate for the shareholders who were not able to take part in this subscription, NEXT offered a subsequent offering and listing of up to 10,000,000 shares at a subscription price of NOK 2 in July 2020.

Transactions with close associates

The Company's significant shareholders, a shareholder's parent company, board members, executive personnel and close associates of any such parties are considered related parties. All transactions with related parties will be carried out in accordance with the arm's length principle.

All transactions with related parties which are not immaterial will be publicly disclosed by NEXT. In the event of such transactions, the board will arrange for a valuation to be obtained from an independent third party. This will not apply if the transaction requires the approval of the general meeting pursuant to the requirements of the Public Companies Act.

If NEXT should carry out any transaction in its own shares, this will be carried out either through the stock exchange or at prevailing stock exchange prices to ensure equal treatment of all shareholders.

Other than this, the board is not aware of any transactions in 2020 between the Company and the shareholders, a shareholder's parent company, directors, executive personnel or parties closely related to such individuals that qualify as material transactions.

5. SHARES AND NEGOTIABILITY

The shares in the Company are freely transferable, and the Company's articles of association contain no restrictions on transferability, ownership, trading or voting.

6. GENERAL MEETINGS

The general meeting is the Company's supreme governing body, and all shareholders are guaranteed participation and the opportunity to exercise their rights.

The Company's board takes steps to ensure that the shareholders can participate at the general meetings of the Company. The board of directors will ensure that:

- the resolutions and any supporting information distributed are sufficiently detailed, comprehensive and specific to allow shareholders to form a view on all matters to be considered at the general meeting;
- members of the board of directors, the chairman of the nomination committee and the auditor (if the items to be considered are of such a nature that the auditor's attendance must be regarded as essential) are present at the general meeting;
- the general meeting is able to elect an independent chairperson for the general meeting; and
- that shareholders are able to vote on each independent matter, including on each individual candidate nominated for election.

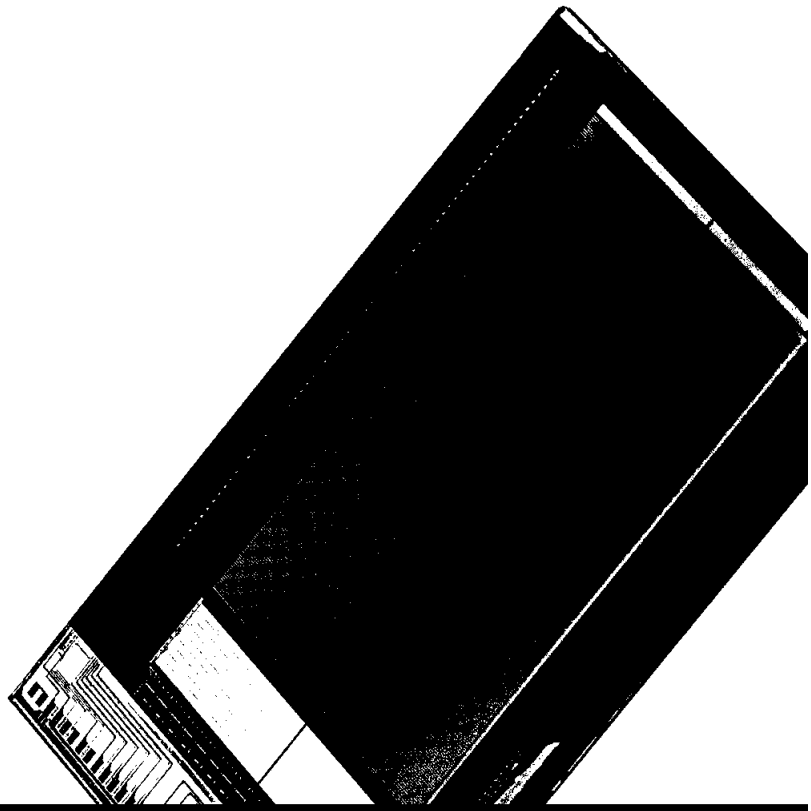
Shareholders are encouraged to give notice of their intention to attend the AGM, with a deadline as close to the date of the General Meeting as possible, typically one day in advance.

Shareholders that are unable to attend in person are given the opportunity to, and encouraged to, vote by proxy. The Company will provide information on the procedure for representation at the general meeting and prepare a proxy form including nominating a person to act as proxy for the shareholders.

Agenda and execution

In accordance with the code, the Company will make arrangements to ensure an independent chairman for the general meeting is elected.

The Company will facilitate the use of prepare a proxy form which allow separate voting instructions to be given for each item on the agenda.



7. NOMINATION COMMITTEE

Article 6 of the Company's articles of association sets out the requirements for the nomination committee.

Composition

The nomination committee shall consist of two to three members, where all members, including the chairman, are elected by the general meeting, which also have approved guidelines for the duties and remuneration of the nomination committee. The members are elected for a period of up to two years.

The current nomination committee was elected at the annual general meeting on 12 May 2020 for the period until the annual general meeting in 2021. All of the members of the nomination committee have been selected to take into account the interests of shareholders in general and are independent from both the Company's management and the Company's board. As of 31 December 2020, the nomination committee consisted of Jon Frode Vaksvik (chairman) and Haakon M. Sæter.

NEXT is not aware of the existence of any agreements or business partnerships between the Company and any third parties in which members of the nomination committee have direct or indirect interests.

Instructions and work

Instructions to the nomination committee were last revised by the general meeting held on 16 May 2014. The nomination committee is responsible for seeking out and nominating qualified candidates for the board of directors and the nomination committee, and for proposing the remuneration to be paid to the board of directors and the nomination committee, including an explanation of how it came to its recommendations. The nomination committee has contact with shareholders, the board of directors and the Company's executive personnel as part of its work on proposing candidates for election to the board.

The Company provides information on the membership of the committee.

8. THE BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

Composition of the board of directors

The articles of association state that the Company's board of directors should comprise 3-9 board members elected by the general meeting. The chairman of the board is elected by the general meeting and among the Company's board.

NEXT emphasises that the board shall have requisite competency to independently evaluate the cases presented by the executive management team as well as the Company's operation. It is also considered important that the board can function well as a body of colleagues.

As of 31 December 2020, the board of directors comprises the following four members:

- Petter Fjellstad
- Odd Harald Hauge
- Emine Lundkvist
- Live Haukvik

All of the abovementioned board members are elected for the period until the annual general meeting in 2021.

A presentation of the board can be found at the Company's website.

The board's independence

NEXT believes that it is in the best interest of the Company and its shareholders to have independent directors and applies the Code's list of criteria for evaluating whether a director is considered independent.

Two out of the four board members are women, and none of the members of the Company's executive management or main business connections are members of the board of directors. The members of the board of directors are independent of the Company's main shareholders. The composition of the board ensures that it can attend to the common interests of all shareholders and meet the Company's need for expertise, capacity and diversity, and that it can operate independently of any special interests.

Each independent director who experiences a change in circumstances that could affect such director's independence is obligated to deliver a notice of such change to the chairman of the board.

Members of the board are encouraged to own shares in the Company.

Election of the board of directors

The general meeting appoints the members of the board of directors based on the proposal from the Company's nomination committee. The chairman of the board is elected by the General Meeting.

Directors are elected each year. It is the Company's view that directors who have developed a valuable insight into the Company and its operations over time provide an important contribution to the board as a whole. On this background, the Company does not wish to establish time limits in relation to the term of office for board members.

To ensure that the board continues to generate new ideas and operate effectively, the board evaluates and assesses their performance annually, and takes necessary steps in order to continue their service as directors.

A member of the board is entitled to retire prior to the end of his or her term of appointment if special circumstances arise. If possible, the board and the nomination committee shall be given reasonable prior notice thereof.

9. THE WORK OF THE BOARD OF DIRECTORS

The board's responsibilities

Norwegian law lays down the tasks and responsibilities of the board of directors. These include the overall management and supervision of the Company. This means that the board bears the ultimate responsibility for managing the Company and for monitoring administration and the business activities. The board is responsible for establishing internal control systems and for ensuring that the Company operates in compliance with the adopted value platform and Code of Ethics. The directors of the board shall discharge their duties in a loyal manner.

The fundamental responsibility of the directors is to oversee day-to-day management and evaluate strategy, to exercise their business judgment to act in what they reasonably believe to be the best interests of the Company and its shareholders. The board is also to oversee such matters as are required by statutory law, the Company's articles of association, policies, instructions and procedures as well as resolutions of the general meeting. It is the duty of the board to oversee the management's performance to ensure that the Company operates in an effective, efficient and ethical manner in order to produce value for the Company's shareholders. The board also evaluates the Company's overall strategy and monitors the Company's performance against its operating plan.

The board is responsible for supervising strategic, financial and execution risks and exposures associated with the Company's business strategy, product innovation and sales road map, policy matters, significant litigation and regulatory exposures, and other current matters that may present material risk to the Company's financial performance, operations, infrastructure, plans, prospects or reputation, acquisitions and divestitures. Further, the board shall ensure that the ongoing activities of the Company are subject to adequate control.

Annual plan

The board of directors sets an annual plan for its work, with particular emphasis on financial objectives, strategy and implementation. This plan covers the follow-up of the Company's operations, internal control, strategy development and other issues.

Instructions for the board of directors

The board of directors has implemented instructions for its own work. The board's instructions are subject to review every second year and are revised as needed. The current instruction was revised 11 November 2019.

The instructions cover the following items: appointment of the board of directors; board member independence; tenure and retirement; by-election; the duties of the board; committees; takeovers; allocation of the work within the board; the working procedures of the board; meeting – including meeting plan; quorum; disqualification; majority requirements; categories of decision; minutes; safety procedures and duty of confidentiality; information concerning the work of the board; evaluation of the work of the board and board committees; directors' liability insurance; liability for damages; new board members or CEO awareness of instructions; waiver and amendment; and communications with shareholders.

Instruction for the CEO

There is a clear segregation of duties between the board of directors and the executive management. The board has prepared a set of instructions for the CEO.

The CEO shall follow the guidelines and instructions issued by the board of directors. The CEO is responsible for the day-to-day management of the Company, pursuant to § 6-14 in the Norwegian Public Limited Companies Act. The CEO ensures that the board receives relevant information in an accurate, sufficient and timely manner in order to allow the board to carry out its duties. The CEO represents the Company externally in matters which form part of the day-to-day management. The day-to-day management does not cover matters of extraordinary nature or of major importance. However, the CEO is authorized to decide on matters of extraordinary nature or of major importance in cases, where the decisions of the board of directors cannot be awaited without serious detriment for the Company. The board of directors must be notified of the decision as soon as possible.

Financial reporting

The board is responsible for ensuring the integrity of financial information. The board evaluates the integrity of the Company's accounting and financial reporting systems, including the audit of the Company's annual financial statements by the independent auditors, and that appropriate disclosure controls and procedures and systems of internal control are in place.

Quarterly and annually financial reports are reviewed and approved at board meetings and form the basis for external financial reporting.

In connection with the presentation of the year-end financial statements, the CEO and the CFO declare that the accounts have been prepared in accordance with generally accepted accounting principles, and that to the best of their knowledge all information is accurate and no material information has been omitted.

Board meetings

The board shall deliberate matters and make decisions in meetings, unless the chairman of the board finds that the matter may be presented in writing or be dealt with in another satisfactory manner.

The directors are free to consult the Company's executives as needed. Any board member or the CEO can require specific matters to be deliberated by the board. The CEO shall, in consultation with the chairman of the board, prepare matters to be deliberated by the board. Any matter shall always be prepared and presented in such a manner as to provide the board with a satisfactory basis for making a decision.

The CEO has a right and a duty to attend the board's deliberation of matters, unless otherwise determined by the board in respect of each individual matter. The CEO is not entitled to cast votes. Other participants are called in as needed.

Conflicts of interest and disqualification

The board of directors ensures that members of the board of directors and executive personnel make the Company aware of any material interest that they may have in items to be considered by the board of directors.

A member of the board or the executive management may not participate in the discussion or decision of issues of such special and prominent interest to the person in question, or to any closely related party of said person, that the board member or member of the executive management must be regarded as having a distinct personal or financial interest in the matter. This is in compliance with §6-27 of the Norwegian Public Limited Companies Act.

Chairman of the board of directors

The chairman of the board of directors ensures that the board of directors operates well and carries out its duties. In addition, the chairman of the board of directors also has certain specific duties in respect of the general meeting. Matters to be considered by the board are prepared by the chief executive in collaboration with the chairman, who chairs the meetings of the board.

Board Committees

The board has appointed a separate audit committee. The committee shall prepare, draw up and present items for consideration by the board as a whole.

Audit Committee

The Company's audit committee is governed by the Norwegian Public Limited Companies Act and a separate instruction adopted by the board. A majority of the members shall have qualifications within accounting or auditing. The principal tasks of the audit committee are:

- prepare the board of directors' supervision of the Company's financial reporting process;
- monitor the systems for internal control and risk management;
- have continuous contact with the Company's auditor regarding the audit of the annual accounts;
- review and monitor the independence of the Company's auditor, including in particular the extent to which services other than auditing provided by the auditor or the audit firm represent a threat to the independence of the auditor;
- monitor the Company's compliance with applicable legal and regulatory requirements;
- handle and investigate concerns raised by the Company`s employees related to the internal revision or audit; and
- evaluate the audit committee`s activities.

As of 31 December 2020, the audit committee consisted of Emine Lundkvist (Chair) and Live Haukvik.

Remuneration Committee

The remuneration committee draw up guidelines and proposals for remuneration to senior executives. The Company's remuneration policy, including remuneration for the CEO and the senior executives, are dealt with at one of the board meetings and accounted for in the Board's annual report.

The committee consist of Petter Fjeldstad (Chair) and Odd Harald Hauge.

The board of director's evaluation of its own work

The board shall annually evaluate its activities, performance and competence, and has adopted a self-assessment questionnaire for the purpose thereof. The assessment results shall be submitted to the nomination committee.

10. RISK MANAGEMENT AND INTERNAL CONTROL

It is ultimately the responsibility of the board of directors to ensure that NEXT has sound internal controls and risk management systems appropriate to the Company's size and business. The board, and the management, have increased focus on risk management and internal controls. The board of directors forms its opinion on the Company's internal controls and risk management systems based on the information presented to it by the management.

The executive management closely monitors the main risk factors, to ensure the Company has proper guidelines, processes and internal controls in place. The board of directors conducts annual reviews of the Company's most important areas of exposure to risk and such areas' internal control arrangements.

NEXT has experienced finance and accounting personnel, which continuously strives for improving routines and internal control systems. Initiatives are ongoing to ensure risks are efficiently managed, and that key controls are in place to achieve financial goals, operational goals, and compliance with regulations. The Company's internal controls and systems also cover the Company's corporate values, ethical guidelines and principles of corporate social responsibility.

The size of the Company's operations and staff number necessarily leads to dependence on key individuals. At the same time, these factors also provide for transparency and inherent risk reduction. The Norwegian entities of NEXT have an internal risk management, finance and accounting function.

The board presents an in-depth review of NEXT's financial status in the "Report from the board of directors" as part of this annual report.

11. REMUNERATION OF THE BOARD OF DIRECTORS

The remuneration of the board reflects the board's responsibility, expertise, time commitment and the complexity of the Company's activities.

The general meeting approves the remuneration paid to the board of directors each year. The nomination committee makes the proposal for remuneration.

The remuneration of the board of directors is not linked to the Company's performance. The current board members have been granted share options in 2020 (see section 4 above), which were approved at the Annual General Meeting held in 2020.

For more details on the remuneration to the board, please refer to note 4 to the annual financial statements.

Except for the one deviation above, the Company does not deviate from the Code.

12. REMUNERATION OF EXECUTIVE MANAGEMENT

The board establishes guidelines for the remuneration of the executive management team setting out the main principles applied in determining the salary and other remuneration of the executive management team. The guidelines are communicated to the annual general meeting, and the board of director's guidelines will be presented in a separate appendix to the agenda for the general meeting.

The main principle in the Company's policy for remuneration is that the leading employees shall be offered competitive terms to attract and retain the competence which the Company needs.

The general meeting has approved the Company's share option arrangement.

For details regarding remuneration to the executive management, see note 4 in the annual financial statements, and for details regarding share option arrangements, see note 18 in the annual financial statements.

The Company deviates from the Code by not having a cap on the performance-related remuneration.

13. INFORMATION AND COMMUNICATIONS

NEXT believes in open and honest communication with the shareholders, and interaction between shareholders, the board of directors and the Company's management. The board of directors and the executive management team assign considerable importance to giving the shareholders and other stakeholders, relevant and current information about the Company and its activity areas.

Regular information is published through annual reports, quarterly reports, press releases, notices to the stock exchange and investor presentations in accordance with what is deemed appropriate from time to time. Information on value drivers and risk factors is provided through the interim reporting, which will enable investors to evaluate NEXT's performance and risk.

The CEO is responsible for the investor relations and is the main contact person of the Company for the capital marked. All communication is done solely in the English language.

All reports and notices are issued and distributed according to the rules and regulations of the Oslo Stock Exchange. Information relevant to investors is published at Oslo Stock Exchange and made available on the Company's website. Shareholder information, including a financial calendar and information about web casts, is available on www.nextbiometrics.com/investors.

14. TAKE-OVERS

The Company has established guidelines for the board on how it will act in the event of a take-over bid. The board will handle take-over bids in accordance with Norwegian law, including the Norwegian Securities Trading Act and the Code. The Company has not been subject to any take-over bids in 2020.

There are no defence mechanisms against take-over bids in the Company's articles of association nor any underlying steering document. In corporate take-over or restructuring situations, the board shall exercise due and proper care so that all shareholder values and interests are preserved. During the course of a take-over process, the board and management shall ensure that the shareholders are treated equally, and that the Company's business activities are not disrupted unnecessarily. The board has a particular responsibility to ensure that shareholders are given sufficient information and time to form a view on the offer. The board of directors otherwise concurs with what is stated in the Code regarding this issue.

15. AUDITOR

The Company's auditor is elected by the general meeting and is fully independent from the Company. PricewaterhouseCoopers AS is the company's auditor. NEXT represents a small share of the auditor's business. NEXT does not obtain significant business or tax planning advice from its auditor. For further information, see note 10 to the group financial statements.

The board of directors is responsible for ensuring that the board and the audit committee are provided with sufficient insight into the work of the auditor. In this regard, the board of directors ensures that the auditor submits the main features of the plan for the audit of the Company to the audit committee annually. The board of directors invites the auditor to participate in board meeting(s) that deal with the annual accounts. At these meetings, the auditor (i) reports on any material changes in the Company's accounting principles and key aspects of the audit, (ii) comments on any material estimated accounting figures, and (iii) reports all material matters on which there has been disagreement between the auditor and the executive management of the Company.

The audit committee shall at least once a year perform a review of the Company's internal control procedures with the auditor, including weaknesses identified and proposals for improvement. The board and the audit committee shall review periodically the use of the auditor for services other than the audit. At least once a year, the audit committee and the board will meet the auditor without the presence of the CEO or other members of executive management.

At the annual general meeting, the board shall present a review of the auditor's compensation as paid for audit work required by law and remuneration associated with other assignments.

In connection with the auditor's presentation to the board of the annual work plan, the board considers if the auditor to a satisfactory degree also carries out a control function.

ARTICLES OF ASSOCIATION (as of 17 February 2021)

§ 1 – The Company name
The name of the company is NEXT Biometrics Group ASA. The company is organised as a public limited liability company.

§ 2 – Business office
The company's registered office is in Oslo municipality.

§ 3 – Business Activities
The objective of the company is research and development, and commercialisation of safety products, trade and investment in such companies and what is connected with such business.

§ 4 – Share capital
The company's share capital is NOK 90,764,386, divided into 90,764,386 shares, each with a nominal value of NOK 1. The company's shares shall be registered in the Norwegian Central Securities Depository.

§ 5 – Board of Directors
The Company's board of directors shall consist of 3 – 9 members as appointed by the general meeting.

§ 6 – Nomination Committee
The company shall have a nomination committee. The nomination committee shall consist of two or three members appointed by the general meeting. The members of the nomination committee, including the director, shall be elected by the general meeting. The nomination committee shall be elected for a period of two years, if not other period is decided upon by the general meeting.

The nomination committee makes recommendations to the general meeting regarding election of board members and members to the nomination committee, and regarding remuneration to the board members and members of the nomination committee. The general meeting shall resolve the remuneration to the members of the nomination committee. The general meeting may lay down guidelines for the nomination committee.

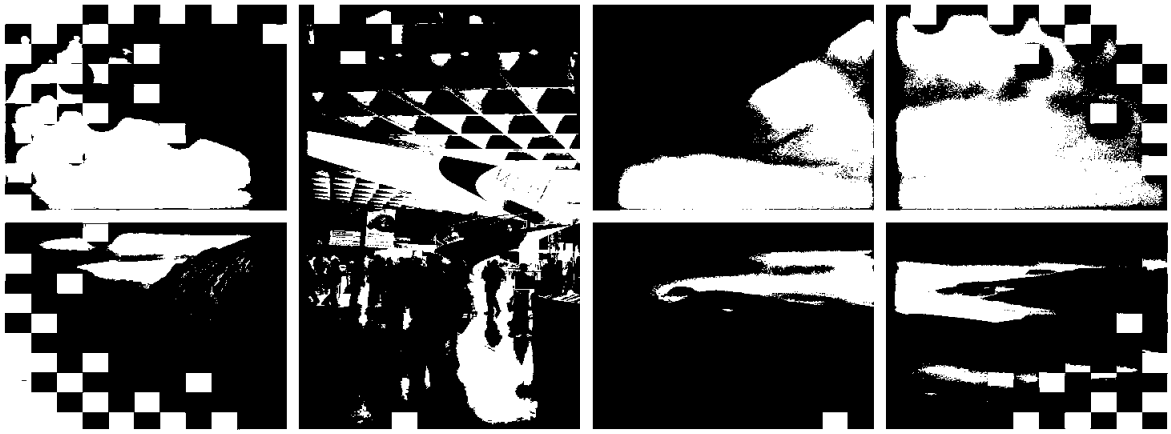
§ 7 – Signatory Rights
Two board members jointly have the right to sign on behalf of the company. The board of directors may give power of procuration.

§ 8 – General Meeting
Documents regarding matters to be discussed at the general meeting of the company, also applying documents that, pursuant to law, shall be included in, or attached to the notice of the general meeting of shareholders, can be made available at the company's website. The requirement regarding physical distribution shall then not apply. A shareholder may in any case request to be sent documents that shall be discussed at the general meeting.

The shareholder may vote in writing, including by way of electronic communication in advance in a period prior to the general meeting. The board of directors may establish guidelines for such advanced voting. It shall be stated in the notice for the general meeting the guidelines laid down.

At the ordinary general meeting the following matters shall be addressed and decided upon:

1. Approval of the annual accounts and annual report, including the distribution of dividends.
2. Other matters that pursuant to law or the articles of association must be dealt with at the general meeting.



CORPORATE SOCIAL RESPONSIBILITY REPORT

This review of the Group's Corporate Social Responsibility principles and practice is prepared in compliance with Section 3-3c of the Norwegian Accounting Act.

NEXT's business consists of research & development, commercialization and manufacturing of fingerprint technology and products for a variety of uses. NEXT works closely with world class manufacturing subcontractors and distribution partners. NEXT is committed to be a good corporate citizen and demonstrate integrity and high ethical standards in all its business dealings.

NEXT's board and management are committed to maintaining high ethical standards and have implemented guidelines with regard to values and ethics. The purpose of these standards and guidelines is to create a sound corporate culture and to preserve the integrity of NEXT by helping employees to promote standards of good business practice. NEXT's Ethical and Social Responsibility Guidelines was last approved by the Board on 11 November 2019 and applies to all employees of the Group. They also apply to anyone who holds a position of trust in the Group (including membership of boards) and hired consultants acting on behalf of the Group. They aim to provide guidance to our people for a common platform.

The Group strives for a business culture characterized by openness. Openness is a prerequisite for motivation, trust, confidence and safety at work. Everyone shall feel confident to raise any concern, small or large, with their manager or another colleague.

The ethical and corporate social responsibility rules support NEXT's vision, core values and principles. The guidelines are instrumental for NEXT's approach to human rights, fair working environment and equal rights, health and safety, environment, business ethics and anti-corruption. The Group regularly reviews the guidelines and take steps to update and educate the organization.

HUMAN RIGHTS

In addition to following national rules and regulations, NEXT conducts its business in line with fundamental international rules. Including those described in international human rights conventions such as the UN Convention on Human Rights and the labour rights conventions of the International Labour Organization (ILO).

The Group respects the right to freedom of association and opposes any form of child labour, forced labour or discrimination. NEXT practices equal opportunities and rights and encourage all business relations to follow the same principles. Any violations of basic human rights are unacceptable to the Group.

It is our goal to have no form of human rights abuse or labor issue at any stage related to production of our products.

FAIR WORKING ENVIRONMENT

NEXT has a personnel policy designed to prevent discrimination on the grounds of race, color, gender, sexual orientation, age, disability, language, religion, legitimate political or other opinions, national or social origin, property, birth or other status.

The Group employs many different nationalities from a diversity of cultures and has built an international mindset for years. Employees are encouraged to treat each other and business contacts with respect and act according to local laws and regulations, as well as to pay attention to local values and norms for social conduct.

The Group does not tolerate degrading treatments towards any employee. The Groups employees are encouraged to report any incident of discrimination to their nearest leader or through the applicable whistle-blow channels through our HR department.

The NEXT board and management seek to create a working environment that is pleasant, stimulating, safe and beneficial to all employees. The working environment complies with the existing rules and regulations. The board has not found reason to implement special measures. No employee has suffered work-related injury resulting in sick leave. No accidents nor incidents involving the assets of the Group have occurred.

EQUAL RIGHTS

All facilities are equally well equipped for females and males. Traditionally, fewer women than men have graduated in NEXT's fields of work, and the candidates available for recruiting have often predominantly been males. The management structure reflects the composition of the technical staff. Of the 29 employees at the end of 2020, 4 are women. At year-end 2020, the parent company has 4 board members, of which 2 are women. The parent company complies with Norwegian legal requirement with respect to gender representation in the board of directors. The board has not taken any special measures.

Raising awareness of employees on Human rights and Labor principles and relevant issues are regularly done by internal training and as part of the introduction program for new employees.

HEALTH AND SAFETY

Health and safety are an indispensable component in all the Group's activities. All hazards and risks to health and safety must be avoided. Generally, NEXT's business involves low safety risk in the day-to-day activities, without use of heavy machinery or equipment that can cause damage or injuries. As a fabless biometrics company, production has been outsourced to specialized manufacturers. NEXT is concerned for safety of employees in third-party-factories and it is an integral part of the evaluation criteria which the Group applies ahead of being classified as a "NEXT certified vendor/ partner".

None of the processes in use by the suppliers are known to be of particular hazard to the staff.

ENVIRONMENT

NEXT does not own or operate manufacturing facilities. Manufacturing is done through third parties that comply with the ISO 14001 environmental standard, among others. Consequently, there is little pollution associated with the Group's operations. NEXT seeks to limit resource consumption, prevent unnecessary environmental pollution including optimizing transportation of goods, and manage waste in an environment friendly and resource efficient manner.

BUSINESS ETHICS & ANTI-CORRUPTION

The Group's operations depend on the trust of contractual parties, the authorities, shareholders, employees and society in general. In order to gain trust, the Group is dependent upon professionalism, expertise and high ethical standards in all aspects of the Group's work. This applies to the way the Group operates and to the conduct of each individual. All employees are therefore expected to behave with care, integrity and professionalism and abstain from actions that may weaken trust in the Group.

The NEXT Biometrics' Ethical and Corporate Social Responsibility Guidelines contain guidelines for ethical behaviour in business relations. These clearly states that NEXT strongly oppose all forms of corruption or bribery. NEXT encourages reporting of suspected misconduct; a «whistle-blower» communication channel. NEXT adheres to national and foreign antitrust laws.

No one may receive benefits for themselves or for others from the Group's business contacts if such benefits are based on the employment relationship. Correspondingly, no one shall give such benefits to the Group's business contacts. The guidelines explicitly govern conflict of interests, gifts and money laundering. Business courtesies of modest value, conforming to normal social customs and not intended for influence, are not considered bribes. All gifts with an estimated value of more than NOK 1,000 must be reported to the Group's CFO, who will keep a log over such gifts and assess whether the relevant gift can be retained or provided, based on a case by case evaluation.

NEXT has to date not been accused of, or involved in, any cases pertaining to any form of corruption or bribery. NEXT encourages each employee to report on possible censurable incidents. NEXT's employees have an obligation to report on criminal activity and on incidents which could endanger life or health. The board of directors and management are not aware of any breach of our code of conduct.

Raising awareness of the guideline has been the Group's main action with regard to this area. The Group is not aware of any breach of the implemented guideline. The Group does not have any other guidelines or actions regarding Corporate Social Responsibility due to the limited size and resources of the parent company. The Group will continue to have high focus on these guidelines and incorporate them into our company culture. The Group will do this by updating and educating the organization.

NEXT's Ethical and Corporate Social Responsibility Guideline is publicly available on NEXT' website.

> Financial Statements

GROUP - CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - 1 JANUARY - 31 DECEMBER

(amounts in NOK 1 000)	Notes	2020	2019
Operating revenues	3	57,770	84,436
Other revenues	3	363	-
Cost of goods sold	9	-49,387	-63,865
Gross margin		**8,746**	**20,570**
Payroll expenses	4	-63,228	-121,929
Other operating expenses	7,8,10,11	-28,857	-46,419
Depreciation and amortization	5,6,11	-15,279	-16,805
Impairment losses	6	-6,577	-
Total operating expenses		**-113,941**	**-185,152**
Operating profit (loss)		**-105,195**	**-164,582**
Financial income	12	2,248	987
Financial expenses	12	-811	-697
Net currency gains (losses)	12	-1,026	-23
Write-down on investments in subsidiaries		-	-
Net financial items		**411**	**266**
Profit (loss) before taxes		**-104,784**	**-164,316**
Income tax expenses	13	2,990	-2,131
Profit (loss) after taxes		**-101,794**	**-166,447**
Other comprehensive income (loss) that may be reclassified subsequently to profit and loss:			
Translation differences on net investments in foreign operations		3,129	315
Other comprehensive income (loss)		**3,129**	**315**
Total comprehensive income (loss)		**-98,665**	**-166,132**
Profit (loss) after taxes attributable to:			
Owners of the parent company		-101,794	-166,447
Total comprehensive income (loss) attributable to:			
Owners of the parent company		-98,665	-166,132
Earnings per share (in NOK)			
Basic and diluted	14	-1.58	-3.34

GROUP - CONSOLIDATED STATEMENT OF FINANCIAL POSITION - AS OF 31 DECEMBER

(amounts in NOK 1 000)	Notes	2020	2019
ASSETS			
Deferred tax assets	13	58	9
Intangible assets	5	5,446	11,969
Property, plant and equipment	6,11	17,197	31,212
Other non-current assets	11	704	-
Total non-current assets		**23,404**	**43,189**
Inventories	9	21,725	25,961
Accounts receivables	15	4,056	3,481
Other current assets	16	14,342	11,724
Cash and cash equivalents	17	67,950	88,541
Total current assets		**108,072**	**129,706**
Total assets		**131,477**	**172,896**
EQUITY AND LIABILITIES			
Share capital	18	75,944	42,931
Share premium	18	56,633	53,278
Other reserves	18	62,637	58,261
Accumulated losses		-98,027	-19,668
Total equity		**97,188**	**134,801**
Deferred tax liabilities	13	135	-
Non-current interest-bearing loans	19	5,609	-
Other non-current liabilities	11,20	1,164	3,344
Total non-current liabilities		**6,908**	**3,344**
Current interest-bearing loans	19	2,346	-
Accounts payables		11,047	11,786
Income tax payables	13	60	188
Other current liabilities	11,20	13,928	22,777
Total current liabilities		**27,381**	**34,751**
Total equity and liabilities		**131,477**	**172,896**

Oslo, 20 April 2021

/sign/
Petter Fjellstad
Chairman

/sign/
Emine Lundkvist
Board member

/sign/
Live Haukvik
Board member

/sign/
Odd Harald Hauge
Board member

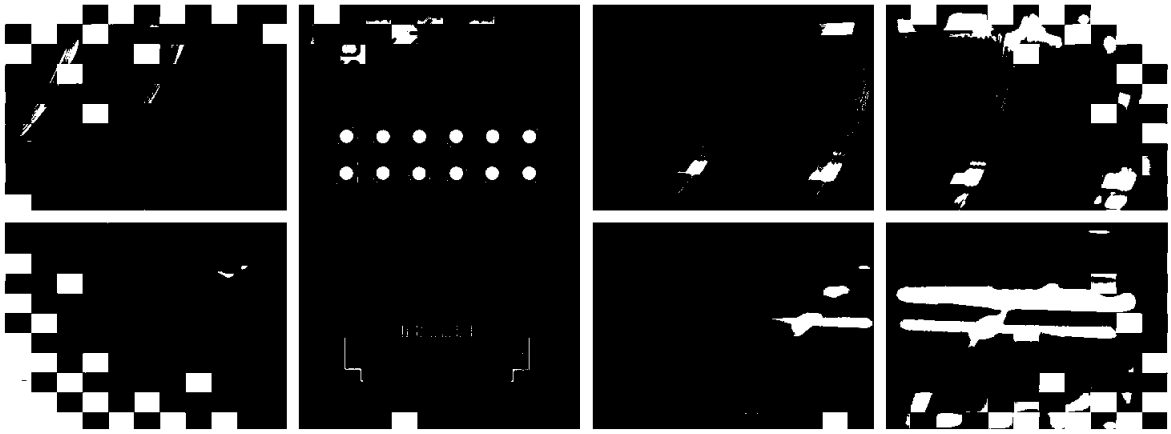
/sign/
Peter Heuman
CEO

GROUP - CONSOLIDATED STATEMENT OF CASH FLOW - 1 JANUARY - 31 DECEMBER

(amounts in NOK 1 000)	Notes	2020	2019
Profit (loss) before taxes		-104,784	-164,316
Share-based remuneration (equity part)	18	4,376	2,893
Income taxes paid	13	-408	-2,141
Depreciation and amortization	5,6,11	15,279	16,805
Impairment losses	6	6,577	-
Change in inventories		4,236	3,412
Change in accounts receivables		-575	9,316
Change in accounts payables		-740	-7,310
Change in other working capital items and other		-4,329	9,947
Net cash flow from operating activities		**-80,369**	**-131,394**
Proceeds from disposal of property, plant and equipment and intangible assets	5,6	11	-
Purchase of property, plant and equipment and intangible assets	5,6	-88	-1,199
Proceeds from lease receivables	11	117	-
Net cash flow from investing activities		**40**	**-1,199**
Net proceeds from issue of shares	18	55,720	178,752
Proceeds from interest-bearing loans	19	10,152	-
Payment of lease liabilities	11	-4,574	-4,233
Net cash flow from financing activities		**61,297**	**174,519**
Effects of exchange rate changes on cash and cash equivalents		-1,559	315
Net change in cash flow		**-20,591**	**42,242**
Cash balance as of 1 January		88,541	46,299
Cash balance as of 31 December		**67,950**	**88,541**
Comprising of:			
Cash and cash equivalents	17	67,950	88,541

GROUP - CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - 1 JANUARY - 31 DECEMBER

		ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY				
(amounts in NOK 1 000)	**Notes**	**Share capital**	**Share premium**	**Other reserves**	**Accumulated losses**	**Total equity**
As of 1 January 2019		**19,431**	**469,200**	**55,369**	**-424,710**	**119,289**
Profit (loss) after taxes			-571,174		404,727	-166,447
Other comprehensive income (loss)					315	315
Total comprehensive income (loss)		**-**	**-571,174**	**-**	**405,042**	**-166,132**
Share issues	18	23,500	164,500			188,000
Share issue costs	18		-9,248			-9,248
Share-based remuneration	18			2,893		2,893
As of 31 December 2019		**42,931**	**53,278**	**58,261**	**-19,668**	**134,801**
As of 1 January 2020		**42,931**	**53,278**	**58,261**	**-19,668**	**134,801**
Profit (loss) after taxes			-20,306		-81,488	-101,794
Other comprehensive income (loss)					3,129	3,129
Total comprehensive income (loss)		**-**	**-20,306**	**-**	**-78,359**	**-98,665**
Share issues	18	33,014	33,232			66,246
Share issue costs	18		-9,570			-9,570
Share-based remuneration	18			4,376		4,376
As of 31 December 2020		**75,944**	**56,633**	**62,637**	**-98,027**	**97,188**



NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – GENERAL INFORMATION

NEXT Biometrics Group ASA ("Parent company") is a public limited liability company, incorporated and domiciled in Norway, with headquarter in Oslo, Norway. The Parent company and its subsidiaries ("NEXT" or "the Group") provides advanced fingerprint sensor technology that delivers uncompromised security and accuracy for the best possible user experience in the smart card, government ID, access control and notebook markets.

NEXT's fingerprint sensors are unique, using active thermal conductivity to read the fingerprint, as opposed to capacitive or optical sensing used by others. This patented sensing principle allows simple designs uniquely compatible with the low temperature polysilicon production processes ("LTPS") used in high-end display factories. This enables significantly lower production cost for the Group's fingerprint sensors compared to competing sensors of similar quality. The Group has developed and markets a portfolio of fingerprint sensor modules, readers and flexible biometric subassemblies, which may be incorporated into a wide range of products and solutions.

The Group has six 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), NEXT Biometrics Solutions India Pvt. Ltd. (Bengaluru, India) and NEXT Biometrics s.r.o. (Prague, Czech Republic).

NEXT ASA's shares are listed on the Oslo Stock Exchange.

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.

The financial statements have been approved for issuance by the Board of Directors on 20 April 2021 and is subject to approval by the Annual General Meeting on 12 May 2021.

Changes in accounting policies

The accounting policies applied are consistent with those applied in the previous financial year as described below.

New and amended standards and interpretations adopted by the Group:

There have not been any new and amended standards and interpretations adopted with effect from 1 January 2020 that had a material impact on the Group.

New and amended standards and interpretations not yet adopted:

Certain new and amended standards and interpretations have been published but are not mandatory for financial statements as of 31 December 2020. They have not been early adopted by the Group and are not expected to have a material impact on the Group.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU, being standards and interpretations issued by the International Accounting Standards Board ("IASB"), in force at 31 December 2020.

Going concern

In accordance with § 3-3a of the Norwegian Accounting Act, the Board of Directors confirms that the financial statements have been prepared under the assumption of going concern.

Measurement basis

The financial statements have been prepared under the historical cost convention, unless otherwise presented in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. NEXT uses market observable data to the extent possible when measuring the fair value of an asset or a liability. If the fair value of an asset or a liability is not directly observable, it is estimated by NEXT using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Financial risk and capital management

NEXT is exposed to certain financial risks related to exchange rates and interest levels. These are, however, insignificant compared to the business risk. Business risk may be summarized in:
(a) NEXT currently has limited revenue compared to cost. The Group has reported accumulated financial losses.
(b) NEXT's business plan assumes revenue from new products under development.
(c) Revenue from NEXT's products depends, among other things, on market factors which are not controlled by NEXT.
(d) Competing companies' products have entered the commercial stage, and the competitive situation for NEXT's products is constantly changing.
(e) NEXT's intended markets are undergoing rapid technological changes.

NEXT manages its liquidity passively, which means that funds are placed in floating-interest bank accounts. The majority of cash is held in Norwegian kroner at Parent company level and is distributed when appropriate to the affiliates. This is both to have control of the overall liquidity situation and to manage expense levels in the affiliates.

NEXT's US subsidiary has obtained a loan in USD currency (see note 19). NEXT has no other financial non-current debt by the end of 2020, except for lease liabilities.

NEXT's sales and production cost are in US dollars. Other operating expenses are mainly in Norwegian kroner (NOK) and US dollars (USD), depending on the location. Equity transactions are in NOK. In the Parent company, the majority of the cost and all equity transactions are in NOK. NEXT does not use financial instruments to hedge this risk.

Investments in fixed assets are only made when mandatory for the needs of the core business. NEXT has mainly been funded by equity and will prepare and implement comprehensive capital management and funding policies as and when needed.

The Group is exposed to credit risk, although this has historically not resulted in significant losses. NEXT sells its sensors to leading international distributors of electronic components, primarily based in Asia. The Group's receivables are not credit insured, but credit monitoring routines are in place for setting up credit lines and demanding advance payments when required.

Consolidation

NEXT's consolidated financial statements comprise of the Parent company and companies in which the Parent company has a controlling interest. A controlling interest is normally obtained when the Group holds more than 50 per cent of the voting rights or has decisive power on the entity's operational and financial management. Minority interests are included in the Group's equity. Intragroup transactions and balance sheet items and any unrealized gains or losses or revenue and cost related to intragroup transactions have been eliminated when preparing the consolidated financial statements.

Revenue from contracts with customers

The Group develops, manufactures and sell fingerprint sensors. In general, sales are recognized when control of the products has transferred at delivery according to delivery terms. The Group delivers products and send invoices both to distributors and directly to end customers. The Group assess individual contracts and makes determines whether a distributor is a customer or a sales agent. When making this assessment it will be considered whether the buyer could have the opportunity to return products to the Group, whether the distributor/agent independently can set end customer prices and sell products to any end customer. The classification of a distributor as a customer or a sales agent will have an impact on the timing and measurement of revenue recognition

The goods are sold based on fixed prices with no variable consideration. No significant element of financing is deemed present as the sales are normally made with a credit term of 30 days upon delivery, which is consistent with market practice. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Currency

These financial statements are presented in Norwegian kroner, which is also the Parent company's functional currency. Each entity in the Group determines its own functional currency based on local operations, and items included in the financial statements are measured using that functional currency.

Monetary assets and liabilities denominated in foreign currency are converted to the functional currency using the exchange rates of the balance sheet date. Revenues and expenses in foreign currency are converted using the exchange rate at the transaction date.

Assets and liabilities in foreign operations are translated into the presentation currency using the exchange rates on the balance sheet date. Incomes and expenses relating to foreign operations are translated into the presentation currency using the average exchange rate. Translation differences are recognized in other comprehensive income (loss). Translation differences previously recognized in other comprehensive income (loss) are reversed and recognized in profit and loss when the foreign operations are disposed.

Intangible assets

Separately acquired intangible assets

On initial recognition, intangible assets acquired separately are measured at cost. The cost of a separately acquired intangible asset comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and any directly attributable cost of preparing the asset for its intended use.

After initial recognition, intangible assets are carried at cost less any accumulated amortization and impairment losses. The estimated useful life and amortization method are revised at the end of each reporting period with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset - measured as the difference between the net disposal proceeds and the carrying amount of the asset - are recognized in profit or loss when the asset is derecognized.

Internally generated intangible assets

Development costs represent typical internally generated intangible assets of relevance for the Group. Costs incurred in relation to individual projects are capitalized only when the future economic benefit of the project is probable and the following main conditions are met: (i) the development costs can be measured reliably, (ii) the technical feasibility of the product has been ascertained and (iii) Management has the intention and ability to complete the intangible asset and use or sell it.

When expenditure is initially recognized as an expense, for example where it cannot be determined whether future economic benefits are probable, it cannot later be recognized as part of the cost of an intangible asset.

Research costs are expensed as incurred.

Property, plant and equipment

Property, plant and equipment are held at cost less accumulated depreciation and impairment losses. When assets are sold or disposed, the gross carrying amount and accumulated depreciations are reversed. Any gain or loss on the sale or disposal is recognized in the profit and loss.

The gross carrying amount is the purchase price, including duties/taxes and direct acquisition costs related to making the asset ready for use. Subsequent costs, such as repair and maintenance expenses, are normally recognized in profit or loss as incurred. When increased future economic benefits as a result of repair/maintenance work can be proven, such expenses will be recognized in the balance sheet as additions to property, plant and equipment.

The assets are depreciated using the straight-line method over each asset's useful life. Estimated useful life and residual value are reviewed at least at each financial year end.

Impairment of assets

Assessments of indications that assets may be impaired are made by the end of each reporting period. If an asset's carrying amount is higher than the asset's recoverable amount, an impairment loss will be recognized in profit and loss. The recoverable amount is the higher of the fair value less costs to sell and the discounted cash flow from continued use. The fair value less costs to sell is the net amount that can be obtained from a sale to an independent third party. The recoverable amount is determined separately for each asset.

Provisions

Provisions are recognized when, and only when, the Group has a valid liability (legal or constructive) as a result of events that have taken place and it is more probable than not that a financial settlement will take place as a result of the event(s), and the size of the amount can be measured reliably. Provisions are reviewed on each balance sheet date and their level reflects the best estimate of the liability. When the effect of time is insignificant, the provisions will be equal to the size of the expense necessary to be free of the liability. When the effect of time is significant, the provisions will amount to the present value of future payments to cover the liability. Any increase in the provisions due to time is recorded as other financial expenses.

Financial assets and liabilities

Initial recognition and measurement

Financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. Trade receivables are initially recognized when they are originated. A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

The Group makes an assessment of the objective of the business model in which a financial asset is held. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial asset or both. In assessing whether the contractual cash flows are solely payments of principal and interest (SPPI test), the Group considers the contractual terms of the instrument. The Groups financial assets at amortized cost includes trade receivables. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

Financial asset impairment

The Group recognizes loss allowances for ECLs on financial assets measured at amortized cost. For trade receivables that do not contain a significant financing component, the simplified approach is applied, and the Group recognize lifetime expected credit loss (ECL). The Group applies the provision matrix as a practical expedient to calculate ECL. The provision matrix is based on historical losses and forward-looking information and is updated at each reporting date. In addition, the trade receivables are grouped in customer segments that have a similar loss pattern. For trade receivables which are individually assessed the ECL is calculated as the exposure at default multiplied with the probability of default multiplied with the exposure at default. The Group consider the rebuttable presumption that default does not occur later than 90 days past due as its policy.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

ECLs are discounted at the effective interest rate of the financial asset. For trade receivables without significant financing component, the time value of money will not need to be considered as it is insignificant and the ECL will therefore not be discounted. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Financial asset write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Inventory

Raw materials, work in progress and finished products are valued at the lower of cost and net realizable value after deduction for obsolescence. Net realizable value is estimated as the selling price less cost of completion and the cost necessary to make the sale. Costs are determined using the FIFO method. Work in progress and finished goods includes variable cost and non-variable cost which can reasonably be allocated to items based on normal capacity.

Finished products, work in progress and raw materials are valued at the lower of cost and net realizable value. Net realizable value is estimated as the selling price less cost of completion and the cost necessary to make the sale. Costs are determined using the weighted average method. Raw materials, work in progress and finished products includes variable cost and non-variable cost which can be allocated to items based on normal capacity.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

Taxes

The tax expense consists of the tax payable and changes in deferred tax. Deferred tax has been calculated based on the temporary differences between the recorded and tax values, as well as on any tax loss carry-forward at the balance sheet closing date. Any temporary differences increasing or reducing tax that will or may reverse in the same period, have been netted.

A deferred tax asset will be recognized when it is probable that the Group will have sufficient profit for tax purposes to utilize the tax asset. At each balance sheet date, the Group reviews its unrecognized deferred tax assets and the value it has recognized. The Group recognizes an unrecognized deferred tax asset to the extent that is has become probable that the Group can utilize the deferred tax asset. Similarly, the Group will reduce its deferred tax asset to the extent that it can no longer utilize it.

Deferred tax and deferred tax assets are measured on the basis of the expected future tax rates.

Contingent liabilities and assets

Contingent liabilities are possible obligations resulting from past events which existence depends on future events; obligations that are not recognized because it is not probable that they will lead to an outflow of resources; and obligations that cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the annual financial statements but will be disclosed in the notes if applicable. A contingent asset is not recognized in the annual financial statements but is disclosed in the notes if there is a degree of probability that a benefit will accrue to the Group.

Share-based remuneration

Share-based payments are equity-settled share options granted to employees, contractors and members of the board of directors. The options are charged against the income statements at their fair value over the vesting period, with a corresponding increase in equity. The fair value of share-based options is determined using a Black & Scholes option-pricing model.

The social security contribution payable in connection with the exercise of the share options is accrued on a straight-line basis as current liabilities, based on the intrinsic value of the share options at the end of each accounting period with consequent charges to the payroll expenses.

Costs related to employees and members of the board are charged as payroll expenses, while costs related to members of the advisory board and contractors are charged as other operating expenses.

Leasing agreements

The Group recognizes the lease liability and a corresponding right-of-use asset at the commencement date of the lease. Lease liabilities are measured at the present value of the remaining lease payments not paid at the commencement date. The lease payments are discounted using the lessee's interest rate implicit in the lease, or incremental borrowing rate when the interest rate implicit in the lease cannot be readily determined. Lease payments consists of the following elements: fixed payments, variable lease payment that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease if the lease term reflects the lessee exercising that option. A corresponding asset representing the right to use the underlying asset during the lease term (right-of-use asset) is recognized, adjusted for prepayments done before commencement date, and initial direct costs and restoration costs if any. The right-of-use-asset is depreciated over the lease term and the depreciation expense is recognized as an operating expense. Interest expense on the lease liability is recognized as a financial expense.

Lease contracts entered with a duration of less than 12 months and leases with a low value will not be recognized in the statement of financial position but recognized as an operating expense over the lease period. 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.

Termination benefits

Termination benefits are payable when the employment is terminated by the Group before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when the Group can no longer withdraw the offer.

Earnings per share

Earnings per share are calculated by dividing the profit or loss for the period by the weighted average number of ordinary shares outstanding over the course of the period. Earnings per share fully diluted are calculated based on the result or the year divided by the average number of shares fully diluted. The effect of dilution is not counted in when the result is a decrease loss per share. .

Equity transactions

Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

Cash flow

The cash flow statement has been drawn up in accordance with the indirect method and reports cash flows during the period classified by operating, investing and financing activities.

Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received, and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as a reduction in expense. When the grant can be viewed as payment for a deliverable or performance of service, it is recognized as other revenue.

Segment reporting

The Group currently reports only in one business segment. Hence, all revenue and cost are related to the fingerprint sensor technology business segment.

Income taxes

Deferred tax assets related to losses carried forward is recognized when it is probable that the loss carried forward may be utilized. Evaluation of probability is based on historical earnings, expected future margins and the size of the order backlog. Future events may lead to these estimates being changed. Such changes will be recognized when reliable new estimates can be made.

Estimates and judgements

Preparation of financial statements in accordance with IFRS requires that the management makes judgements and prepares estimates and assumptions which have an impact on the recognized amounts for assets, liabilities, revenue and costs. Estimates and related assumptions have been based on the management's best knowledge of past and recent events, experience and other factors which are considered reasonable under the circumstances. Actual results may deviate from such assumptions. Estimates and underlying assumptions are subject to continuous evaluation.

Critical account estimates for the Group are:

Share-based remuneration:

The Group estimates the fair value of options at the grant date. The Group has applied a Black & Scholes option-pricing model when valuing the options. The option valuation is based on assumptions about share price, volatility, interest rates and duration of the options. The cost of share-based remuneration is expensed over the vesting period. Estimates with regards to future attrition are applied. Such estimates are updated at the balance sheet date. Changes in this estimate will impact the expensed cost of share-based remuneration in the period.

Research and development expenses/ Intangible assets:

Research costs are expensed as incurred. An intangible asset arising from the development expenditure on an individual project is recognized only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention and capability of completing the development and realize the assets, and the net future financial benefits of use or sale.

NOTE 3 - REVENUES AND SEGMENT REPORTING

(amounts in NOK 1,000)	2020	2019
Fingerprint sensor technology	57,770	84,436
Total operating revenues	**57,770**	**84,436**

THE GROUP

The Group targets four markets for the technology;

- **(I)** Notebook
- **(II)** Government ID
- **(III)** Access control
- **(Iv)** Smart cards

The available technology is generic into the four markets. Most of the Group's key IP, including our NEXT Active Thermal™ is shared and used in all four markets. Most employees in the Group works broad, adding value to all markets and technologies. The R&D personnel are focused on technology, rather than markets such as notebook or Government ID. Based on this, the Group consider that we only operate within one business segment, and therefore also report only within one business segment, "Fingerprint sensor technology".

The operating revenue, both in 2020 and in 2019, was mainly related to customers geographically located in Asia.

Other revenue of NOK 0.4 million relates to gain on sublease of office, see note 11 for further information.

NOTE 4 – PAYROLL EXPENSES AND REMUNERATION

(amounts in NOK 1,000)	2020	2019
Salaries, fees	-51,014	-100,810
Share based remuneration (salary part)	-3,882	-3,609
Share based remuneration (employer's tax)	-69	106
Social security taxes	-3,728	-9,510
Pension contribution	-859	-1,072
Other personnel expenses	-3,675	-7,033
Total payroll expenses	**-63,228**	**-121,929**
Average numbers of employees	**40**	**80**

The parent company, NEXT Biometrics Group ASA, provides a contribution-based pension insurance scheme for all employees. The scheme satisfies the mandatory service pension ('OTP') in Norway.

NEXT Biometrics Inc has a 401-K plan for its employees, which allows employees to save for retirement with pre-tax funds. The company currently does not contribute to this plan but pays for its administration.

NEXT Biometrics Taiwan Ltd has a pension plan to save for retirement by paying 6% of the salary but limited to TWD 9,000 (NOK 2,700) a month per employee.

NEXT Biometrics China Ltd and NEXT Biometrics Solutions Pvt Ltd have no local pension plans.

ACTUAL REMUNERATION - SENIOR EXECUTIVES 2020

(amounts in NOK 1,000)	Board remuneration	Salary	Other benefits	Pension cost	Fair value granted options*	Total remuneration
Senior Executives						
Peter Heuman, CEO	-	3,525	7	110	2,594	6,236
Eirik Underthun, CFO [1]	-	1,451	7	119	987	2,564
Knut Stålen, CFO [2]	-	1,703	2	19	-678	1,046
Dan Cronin, COO [3]	-	2,732	1,030	-	722	4,484
Board of Directors						
Petter Fjeldstad, Chairman	200	-	-	-	1,030	1,230
Odd Harald Hauge	-	-	-	-	197	197
Emine Lundkvist	200	-	-	-	240	440
Live Haukvik	-	-	-	-	197	197
Magnus Mandersson [4]	630	-	125	-	-75	680
Brita Eilertsen [4]	200	-	-	-	-45	155
Emanuel Lang [4]	260	-	-	-	-45	215
Nomination committee						
Jon Frode Vaksvik, Chairman	-	-	-	-	-	-
Haakon Sæter	20	-	-	-	-	20
Matei Gaburici [5]	20	-	-	-	-	20
Total remuneration	**1,530**	**9,411**	**1,171**	**248**	**5,124**	**17,484**

* Fair value of granted options is equal to expensed share option remuneration for the year, which is based on fair value at grant date and vesting period (see note 2 for further information).

Board remuneration reported above is based on paid-out amounts.

1) Eirik Underthun was CFO effective from 29 February 2020.

2) Knut Stålen was CFO until 29 February 2020.

3) Dan Cronin was COO until 31 October 2020 and consultant to the company from 1 November 2020.

4) Board members Magnus Manderson, Brita Eilertsen and Emanuel Lang Cronin were not elected for a renewed term in the company's general meeting in May 2020.

5) Nomination committee member Matei Gaburici was not elected for a renewed term in the company's general meeting in May 2020.

ACTUAL REMUNERATION - SENIOR EXECUTIVES 2019

(amounts in NOK)	Board remuneration	Salary	Other benefits	Pension cost	Fair value granted options*	Total remuneration
Senior Executives						
Peter Heuman, CEO	-	817	2	32	11	862
Ritu Favre, CEO	-	3,887	81	-	-1,560	2,408
Knut Stålen, CFO	-	2,018	11	110	1,193	3,333
Dan Cronin, CEO/COO	-	2,622	134	-	1,692	4,448
Zehira Dadon-Sitbon, Chief of Staff & HR Officer	-	896	22	-	318	1,236
Alain Faburel, Chief Sales and Marketing Officer	-	2,161	26	286	605	3,078
Board of Directors						
Magnus Mandersson, Chairperson	630	-	-	-	75	705
Brita Eilertsen	330	-	-	-	45	375
Petter Fjeldstad	-	-	-	-	45	45
Emanuel Lang	260	-	-	-	45	305
Emine Lundkvist	200	-	-	-	45	245
Nomination committee						
Odd-Harald Hauge, Chairperson	30	-	-	-	-	30
Haakon Sæter	20	-	-	-	-	20
Matei Stefan Gaburici	20	-	-	-	-	20
Total remuneration	**1,490**	**12,402**	**276**	**428**	**2,515**	**17,110**

CEO REMUNERATION

Peter Heuman has a salary of NOK 2.8 million per year. In addition, he is part of the Company's option plan and the bonus program, which provides annual bonuses based upon the achievement of performance objectives established by the company. Further, the CEO is entitled to a pension benefit of 15% of annual base salary. Peter Heuman was awarded a bonus in 2020 and the company also paid pension benefits as salary for the amount in excess of the company's standard pension contribution for 2019 and 2020.

SEVERANCE

Peter Heuman has a severance agreement whereby he will receive 100% pay for 6 months for termination by the Company without cause.

LOANS AND GUARANTEES FOR SENIOR EXECUTIVES

The Company has not made any advance payments or issued loans to, or guarantees in favor of, any senior executives or members of the board.

SHARE BASED REMUNERATION

Salary, pension and any bonuses will attract employer's tax, which will be expensed simultaneously with the remuneration. The notional cost of options as share-based remuneration is expensed, but the equity effect is nil because the contra item is a notional equity injection of equal amount. In addition, employer's tax is accrued on the intrinsic value of the option on the balance sheet date.

For the shareholders, a possible exercise will represent a dilution. At the end of 2020, the number of outstanding options to senior executives amounted to 5,661,501 corresponding to 7.5% of the share capital. At the end of 2019, the number of outstanding options to senior executives amounted to 992,416 corresponding to 2.3 % of the share capital.

For further details regarding share-based remuneration, see note 18.

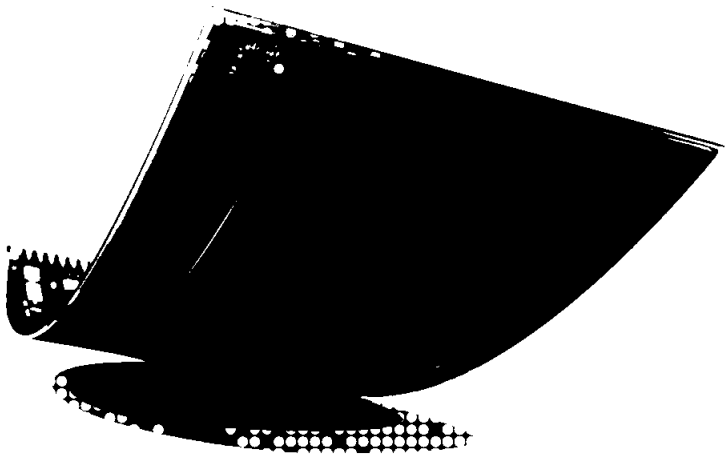
OPTIONS - SHARE BASED REMUNERATION 2020

(amounts in NOK)	Accumulated quantity options OB	Granted options	Expired/ adjusted options	Exercised options	Average exercise price - A	Accumulated quantity options CB	Average exercise price - B
Senior Executives							
Peter Heuman, CEO	220,000	2,500,000	-	-	-	2,720,000	2.55
Eirik Underthun, CFO	0	1,000,000	-	-	-	1,000,000	2.49
Dan Cronin, COO	306,500	-	-24,999	-	-	281,501	24.18
Board of Directors							
Petter Fjeldstad, Chairman	30,000	1,000,000		-	-	1,030,000	2.66
Odd Harald Hauge	0	200,000		-	-	200,000	2.49
Emine Lundkvist	30,000	200,000		-	-	230,000	3.27
Live Haukvik	0	200,000		-	-	200,000	2.49
Total	**586,500**	**5,100,000**	**-24,999**	**-**		**5,661,501**	

OPTIONS - SHARE BASED REMUNERATION 2019

(amounts in NOK)	Accumulated quantity options OB	Granted options	Expired/ adjusted options	Exercised options	Average exercise price - A	Accumulated quantity options CB	Average exercise price - B
Senior Executives							
Peter Heuman, CEO	-	220,000	-	-	0.00	220,000	3.18
Ritu Favre, CEO	275,000	-	-233,334	-	0.00	41,666	94.82
Knut Stålen, CFO	108,752	126,500	-42,502	-	0.00	192,750	40.83
Dan Cronin, CEO/COO	100,002	206,500	-2	-	0.00	306,500	25.99
Zehira Dadon-Sitbon, Chief of Staff & HR Officer	50,000	-	-26,667	-	0.00	23,333	80.14
Alain Faburel, Chief Sales and Marketing Officer	75,000	126,500	-30,000	-	0.00	171,500	18.03
Board of Directors							
Magnus Mandersson, Chairperson	-	50,000	-	-	0.00	50,000	8.44
Brita Eilertsen	-	30,000	-	-	0.00	30,000	8.44
Petter Fjeldstad	-	30,000	-	-	0.00	30,000	8.44
Emanuel Lang	-	30,000	-	-	0.00	30,000	8.44
Emine Lundkvist	-	30,000	-	-	0.00	30,000	8.44
Nomination committee							
Odd-Harald Hauge, Chairperson	-	-	-	-	0.00	-	0.00
Haakon Sæter	-	-	-	-	0.00	-	0.00
Matei Stefan Gaburici	-	-	-	-	0.00	-	0.00
Total	**608,754**	**849,500**	**-332,505**	**-**		**1,125,749**	

A - Average exercise price for options exercised during the financial year (amounts in NOK)
B - Average exercise price for quantity of options by the end of the financial year (amounts in NOK)



NOTE 5 – INTANGIBLE ASSETS

Intangible assets mainly consist of the patent and know-how (IP) described as the NEXT Active Thermal™ Sensing principle, internally generated ASIC designs and source code license.

(amounts in NOK 1,000)	2020	2019
Accumulated cost as of 1 January	26,996	26,996
Additions	-	-
Disposals at cost	-216	-
Translation differences	-	-
Accumulated cost as of 31 December	**26,780**	**26,996**
Accumulated amortization and impairment losses as of 1 January	-15,027	-8,045
Amortization	-6,534	-6,982
Accumulated amortization and impairment losses of disposed items	216	-
Translation differences	-	-
Accumulated amortization and impairment losses as of 31 December	**(21,345)**	**(15,027)**
Carrying amount as of 31 December	**5,435**	**11,969**
Amortization period in years (straight line)	**3-12**	**3-12**

As of 31 December 2020, carrying amount consists of NOK 0.0 million (2019: NOK 4.9 million) in internally generated assets and NOK 5.4 million (2019: NOK 7.0) in separately acquired assets.

The patent and know-how (IP) is amortized over 12 years, equal to the patent life from recognition as of 1 January 2012. ASIC designs are amortized over 3 years, and source code license is amortized over 5 years.

An impairment test of intangible assets has been performed and it was concluded that there were no need for impairment on these assets.

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

(amounts in NOK 1,000)	2020			2019		
	PPE	RoU-assets	Total	PPE	RoU-assets	Total
Accumulated cost as of 1 January	55,435	12,118	67,553	53,410	-	53,410
Implementation effect IFRS 16	-	-	-	-	11,998	11,998
Additions	88	1,141	1,229	1,199	65	1,264
Disposals at cost	-849	-4,472	-5,321	-	-	0
Translation differences	578	-19	559	826	55	881
Accumulated cost as of 31 December	**55,251**	**8,769**	**64,020**	**55,435**	**12,118**	**67,553**
Accumulated depreciation and impairment losses as of 1 January	-31,746	-4,595	-36,342	-26,285	-	-26,285
Depreciation	-5,205	-3,540	-8,745	-5,176	-4,647	-9,823
Impairment losses	-3,348	-3,229	-6,577	-	-	-
Accumulated depreciation and impairment losses of disposed items	840	3,353	4,193	-	-	-
Translation differences	235	412	647	-285	52	-234
Accumulated depreciation and impairment losses as of 31 December	**(39,224)**	**(7,599)**	**(46,823)**	**(31,746)**	**(4,595)**	**(36,342)**
Carrying amount as of 31 December	**16,027**	**1,170**	**17,197**	**23,689**	**7,523**	**31,212**
Depreciation period in years (straight line)	**3-10**	**2-4**		**3-10**	**2-4**	

As of 31 December 2020, carrying amount of property, plant and equipment consists of machinery of NOK 15.6 million (2019: NOK 21.3 million) and office equipment of NOK 0.4 million (2019: NOK 2.3 million). Additions in 2020 for right-of-use assets (RoU-assets) were mainly related to CPI adjustments of existing office leases and new office lease in Oslo. The lease term for the new office lease is 2 years. See also note 11 for further information regarding leases.

During 2020, RoU-assets were impaired by NOK 3.2 million and machineries related to smart card were impaired by NOK 3.3 million due to limited use of the assets .

NOTE 7 – OTHER OPERATING EXPENSES

(amounts in NOK 1,000)	2020	2019
R&D related operating expenses	-6,983	-24,889
Fees to consultants, lawyers and others	-13,128	-14,767
Travel expenses	-302	-3,605
Lease and rent expenses	-272	-375
Sales and marketing expenses	-793	-1,148
Other product expenses	-1,554	-1,516
Loss allowance expected and actual credit loss	-3,090	-181
Other expenses	-2,242	-594
Share based remuneration (operating part) [1]	-494	656
Total other operating expenses	**(28,857)**	**(46,419)**

[1] Share based remuneration (operating part) refers to share options granted to consultants (see note 18 for further information)

NOTE 8 – RESEARCH AND DEVELOPMENT COST

In general, research costs are expensed when incurred. Internal and external researching and development performed in 2020 do not meet the Group's capitalization criteria.

The reported research and development (R&D) costs includes external project costs for work and material purchased from various companies and institutions. The payroll cost of R&D staff is included in payroll, and any capitalization reported as a credit on a separate line. The major parts of the R&D costs are related to development of the sensor technology as well as production trials and pilot production of new sensor modules.

Expensed R&D costs for the Group amounted to NOK 35.9 million in 2020 (2019: NOK 90.7 million), of which NOK 28.9 million (2019: NOK 65.8 million) is presented in payroll expenses and NOK 7.0 million (2019: NOK 24.9 million) in other operating expenses.

GOVERNMENT GRANTS:

The subsidiary NEXT Biometrics AS has been granted public subsidies in connection with SkatteFUNN (Norwegian tax deduction scheme) in the amount of NOK 4.9 million for 2020 (2019: NOK 5.0 million). The total amount is presented as part of "Other current assets" in the balance sheet and has correspondingly led to a reduction in other operating expenses. The grant is subject to final approval by the tax authorities.

NOTE 9 – INVENTORIES

(amounts in NOK 1,000)	2020	2019
Raw material, consumables and supplies	8,834	4,838
Work in progress	4,862	7,163
Finished products	8,030	13,960
Total inventories	**21,725**	**25,961**

Cost of goods sold is defined as cost of materials and production service expenses.

Cost of goods sold includes net write-downs of inventories. In 2020, net write-downs on inventories was NOK 1.4 million (NOK 4.1 million in 2019).

As of 31 December 2020, carrying amount of inventory include write-downs of NOK 9.5 million (2019: NOK 8.1 million).

NOTE 10 – AUDIT FEES

(amounts in NOK 1,000)	2020	2019
Audit fee	911	952
Attestation	0	56
Tax services	125	21
Non-audit services	16	283
Total audit fees	**1,051**	**1,311**

NOTE 11 – LEASES

The table below shows the amounts related to leases recognized in the statement of financial position:

(amounts in NOK 1,000)	2020	2019
Property - office leases (included in "Property, plant and equipment")	1,170	7,523
Total right-of-use assets	**1,170**	**7,523**
Non-current lease receivables (included in "Other non-current assets")	704	-
Current lease receivables (included in "Other current assets")	497	-
Total lease receivables	**1,200**	**-**
Non-current lease liabilities (included in "Other non-current liabilities")	1,164	3,344
Current lease liabilities (included in "Other current liabilities")	2,090	4,487
Total lease liabilities	**3,254**	**7,830**

See note 6 for more information regarding right-of-use assets.

In 2020, the office lease agreement in Czech was terminated, which resulted in a gain of NOK 0.5 million. In USA, the office lease agreements were renegotiated, which resulted in reduced lease liabilities of NOK 0.7 million. There was no change in lease term or leased office space in the renegotiated agreements. The gains are included in "Financial income".

The office lease in Norway was subleased from October 2020. Related right-of-use asset of NOK 1.2 million was derecognized, and a lease receivable for the sublease of NOK 1.5 million was recognized. Gain on sublease of NOK 0.3 million is included as part of "Other revenues".

The table below shows the amounts related to leases recognized in the statement of comprehensive income:

(amounts in NOK 1,000)	2020	2019
Gain on sub-lease (included in "Other revenues")	347	-
Depreciation property right-of-use assets (included in "Depreciation and amortization")	-3,540	-4,647
Impairment losses property right-of-use assets (included in "Impairment losses")	-3,229	-
Expenses relating to low-value leases (included in "Other operating expenses")	-13	-44
Expenses relating to short-term leases (included in "Other operating expenses")	-37	-63
Gain on changes in lease liabilities (included in "Other financial income")	1,243	-
Interest income (included in "Financial income")	22	-
Interest expenses (included in "Financial expenses")	-383	-652
Net expenses related to leases	**(5,858)**	**(5,406)**

In 2020, the Group had NOK 0.1 million in government granted rent exemptions due to outbreak of COVID-19 pandemic. The rent exemptions have been accounted as variable lease payments in the periods.

The table below shows a reconciliation of the opening and closing balance for lease liabilities arising from financing activities:

(amounts in NOK 1,000)	2020	2019
Opening balance	7,830	-
Implementation effect IFRS 16	-	11,998
Changes from financing cash flows	-4,574	-4,233
Changes in lease liabilities due to new/amended lease agreements or CPI adjustments	-148	65
Other changes	-187	-
Translation differences	332	-1
Closing balance as of 31 December	**3,254**	**7,830**

The total cash outflow for leases in 2020 was NOK 4.9 million (2019: NOK 5.2 million).

The table below shows the maturity profile for the lease liabilities based on contractual undisocunted payments:

(amounts in NOK 1,000)	2020	2019
Within one year	2,456	4,797
More than 1 year but within 5 years	1,194	3,367
After 5 years	-	-
Total contractual cash flows related to leases	**3,650**	**8,164**

NOTE 12 – FINANCIAL ITEMS

(amounts in NOK 1,000)	2020	2019
Interest income	144	987
Interest income on sub-leases (see note 11)	22	-
Other financial income	2,082	-
Total financial income	**2,248**	**987**
Interest expenses	-428	-46
Interest expenses right-to-use assets (see note 11)	-383	-652
Total financial expenses	**(811)**	**(697)**
Currency gains	15,065	5,844
Currency losses	-16,092	-5,868
Net currency gains (losses)	**(1,026)**	**(23)**
Net financial items	**411**	**266**

Financial income in 2020 includes fair value gain of NOK 0.8 million of US government loan and gain on reduced lease liabilities of NOK 1.2 million (see note 11). Interest expenses includes NOK 0.3 million accrued interest on government loan in USA (see note 19 for further details).

NOTE 13 – INCOME TAXES

(amounts in NOK 1,000)	2020	2019
Current taxes	-3,075	1,729
Change in deferred taxes	85	403
Total income tax expenses	**-2,990**	**2,131**

NEXT's US subsidiary recognized a tax refund of NOK 3.2 million. The tax refund is due to taxable loss in 2020 which can be carried back to previous financial years and offset previously paid taxable income, thus resulting in a refund.

Income tax expense reconciliation:	2020	2019
Profit (loss) before taxes	-104,784	-164,316
Expected income tax expenses at Norwegian nominal tax rate (22%)	**-23,053**	**-36,149**
Difference between local tax rates and Norwegian nominal tax rate	216	-105
Effect of change in local tax rates	-	73
Tax effect of permanent differences	-2,167	-3,057
Change in deferred tax assets not recognized	22,555	40,055
Prior year underaccrual/(overaccrual) of income tax	3	1,181
Other	-544	134
Actual income tax expenses	**-2,990**	**2,131**
Effective tax rate	**3%**	**-1%**

The reason for the difference between income tax payable for the Group in the balance sheet of NOK 0.1 million is due to advance payment of taxes and expected refund of taxes (see also note 16).

NOTE 13 – INCOME TAXES

Deferred tax related to the following temporary differences:

(amounts in NOK 1,000)	2020	2019
Property, plant and equipment	-3,353	6,687
Inventories	-9,466	-8,124
Accounts receivables and other assets	-3,907	-180
Lease liabilities	-2,144	-7,830
Other temporary differences	-299	-29,006
Tax losses carried forward	-1,139,464	-1,046,844
Total temporay differences and tax losses carried forward	**-1,158,634**	**-1,085,298**
Deferred tax assets	**-244,333**	**-238,340**
Deferred tax assets not recognized	244,410	238,331
Deferred tax assets(-)/liability(+) in the balance sheet	**77**	**-9**

As of 31 December 2020, NOK 1 137 million (2019: NOK 1 046 million) of tax losses carried forward are related to the Norwegian companies with no limitiations in expiry date.

Due to a history of losses, deferred tax assets are not recognized.

The following table illustrates the deferred tax balance recognized in the statement of financial position:

(amounts in NOK 1,000)	2020	2019
Deferred tax assets	58	9
Deferred tax liabilities	-135	-
Net deferred taxes as of 31 December	**-77**	**9**

NOTE 14 – EARNINGS PER SHARE

The calculations of earnings per share attributable to the equity holders of the parent company are based on the following data:

(amounts in NOK 1,000)	2020	2019
Profit (loss) after taxes (NOK 1,000)	**-101,794**	**-166,447**
Number of shares outstanding as of 1 January	42,930,575	19,430,575
New shares issued during the year (note 18)	33,013,914	23,500,000
Excercised incentive options during the year (note 18)	-	-
Number of shares outstanding as of 31 December	**75,944,489**	**42,930,575**
Weighted average number of shares for the year *	**64,265,596**	**49,760,791**
Effect of dilution option programmes	-	-
Weighted average number of shares adjusted for effect of dilution	**64,265,596**	**49,760,791**
Earnings per share, basic and diluted (NOK)	**-1.58**	**-3.34**

* Weighted average number of shares for 2019 has been adjusted retrospectivly as a result of share issues in 2020

When the period result is a loss, diluted earnings per share is not to be reduced by the diluted number of shares but equals to basic earnings per share.

NOTE 15 – ACCOUNTS RECEIVABLES

(amounts in NOK 1,000)	2020	2019
Accounts receivables - gross	6,406	3,661
Accounts receivables - loss allowance	-2,350	-180
Total accounts receivables as of 31 December	**4,056**	**3,481**

(amounts in NOK 1,000)	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected loss rate	0%	1%	2%	5%	
Gross carrying amount (Class 1 and 2)	3,109	150	49	187	
Loss allowance (Class 1 and 2)	**-**	**1**	**1**	**9**	**12**
Gross carrying amount (Class 3)				2,584	
Loss allowance (Class 3: individual assessment)				**2,338**	**2,338**
Total loss allowance as of 31 December 2020					**2,350**

Income tax expense reconciliation:	2020	2019
Opening balance	180	-
This year's allowance for expected credit loss	2,673	180
This year actual credit loss	-637	-
Change in estimate previous year's expected credit loss	134	-
Total allowance for expected credit loss as of 31 December	**2,350**	**180**

Due to short period to maturity, the carrying amount of accounts receivables approximates fair value.

IMPAIRMENT OF FINANCIAL ASSETS

Expected credit loss based on the Group's provision matrix is as of 31 December 2020 immaterial. Based on individual assessment of certain customers an expected credit loss of NOK 2.4 million has been recognized in accordance with the Group's policy.

NOTE 16 – OTHER NON-CURRENCT AND CURRENT ASSETS

(amounts in NOK 1,000)	2020	2019
Lease receivables (see note 11)	704	-
Total other non-current assets as of 31 December	**704**	**-**
Prepayments	3,119	5,041
Government grants (see note 8)	4,852	5,000
Lease receivables (see note 11)	497	-
Other receivables	5,874	1,682
Total other current assets as of 31 December	**14,342**	**11,724**

Other receivables as of 31 December 2020 includes income taxes and other taxes receivables of NOK 4.6 million.

Due to short period to maturity, the carrying amount of trades receivables and other receivables approximates fair value.

NOTE 17 - CASH AND CASH EQUIVALENTS

(amounts in NOK 1,000)	2020	2019
Cash and cash equivalents - unrestricted	52,525	86,979
Cash and cash equivalents - employees withheld payroll tax deposits	421	369
Cash and cash equivalents - other restricted balances	15,004	1,193
Total cash and cash equivalents	**67,950**	**88,541**

The fair value for this class of financial instruments is assessed to be equal to the nominal amount.

RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash and cash equivalents consists of withheld payroll tax deposits for employees, deposits on escrow accounts and other restricted deposits that needs to be notified one month upfront of withdrawal.

NOTE 18 – SHARE CAPITAL, SHAREHOLDER'S INFORMATION AND SHARE-BASED OPTIONS

There is one class of shares. All shares have equal rights and are freely negotiable. The share capital is fully paid in. The par value of the shares is NOK 1 per share.

There were 75,944,489 shares in the company on 31 December 2020, compared to 42,930,575 shares on 31 December 2019. At the end of 2020 there were 2,850 shareholder accounts compared to 1,702 at the end of 2019.

(amounts in NOK 1,000)	2020	2019
Opening balance	42,930,575	19,430,575
Share issue(s)	33,013,914	23,500,000
Exercised incentive share options	-	-
Closing balance	**75,944,489**	**42,930,575**

In June 2020, NEXT successfully completed a private placement issuing 25,000,000 new shares at a subscription price of NOK 2.00 per share, corresponding to a total gross amount of NOK 50.0 million. Direct expenses and underwriting commission in relation to the private placement was NOK 8.7 million, of which NOK 4.5 million for the underwriting commission was settled by issuing 2,262,027 new shares at NOK 2.00 per share. The net proceeds from the private placement were NOK 45.8 million. A subsequent share offering was completed in July 2020, issuing 5,382,887 new shares at a subscription price of NOK 2.00 per share, corresponding to a total gross amount of NOK 10.8 million. The share issues were approved at the extraordinary general meeting held on 19 June 2020. In July 2020, the board agreed to issue 0.37 million shares in the company at a subscription price of NOK 2.59 per share to executive CTO/COO Dan Cronin to settle an agreed bonus payment. Total net proceeds for the year 2020 amounted to NOK 55.7 million.

There are no authorizations to the board to purchase own shares.

2019

In the first quarter of 2019, NEXT raised NOK 178.8 million in net proceeds in a private placement and 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 trance 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.

Total net proceeds for the year 2019 amounted to NOK 178.8 million.

CAPITAL RESOURCES

NEXT manages its liquidity passively, which means that funds are placed in floating-interest bank accounts. The majority of cash is held in Norwegian kroner at parent company level and is distributed when appropriate to the affiliates. This is both to have control of the overall liquidity situation and to manage expense levels in the affiliates.

NEXT was granted a loan amounting to USD 1.0 million under the COVID-19 USA government sponsored loan program (see note 19 for further details). Other than the US government sponsored loan, NEXT has no other financial debt by the end of 2020 and does not hold any other financial instruments in the balance sheet or any such instruments outside the balance sheet.

NEXT targets to have an equity ratio above 80%, measured as total equity divided by total assets.

Equity ratio	2020	2019
Total equity	97,188	134,801
Total assets	131,477	172,896
Equity share	**74%**	**78%**

Capital resources	2020	2019
Current debt	27,381	34,751
Non-current debt	6,908	3,344
Less cash and cash equivalents	-67,950	-88,541
Net debt (net cash)	**-33,661**	**-50,446**
Total equity	97,188	134,801
Total capital resources	63,527	84,355
Gearing ratio (%)	**-53%**	**-60%**

The largest shareholders at year end and shares owned by executive and Directors of the Board:

Top 20 shareholders at 31 December 2020	Number of shares	Percent of shares
GREENBRIDGE INVESTMENT L.P.	7,413,614	9.8%
NORUS AS	2,900,000	3.8%
SILVERCOIN INDUSTRIES AS	2,877,094	3.8%
Avanza Bank AB	2,666,488	3.5%
BNP Paribas Securities Services	2,465,000	3.2%
TVENGE, TORSTEIN INGVALD	2,250,000	3.0%
TVENGE, ØYSTEIN ERLING	2,060,944	2.7%
TOLUMA NORDEN AS	2,049,917	2.7%
CORPORATE INVESTMENT CONSULTING AS	2,035,000	2.7%
SONGA CAPITAL AS	2,003,491	2.6%
LUCELLUM AS	1,700,000	2.2%
Nordnet Bank AB	1,554,562	2.0%
ECOMNEX HOLDING AS	1,519,484	2.0%
DNB BANK ASA	1,490,562	2.0%
SPECTER INVEST AS	1,035,000	1.4%
RONGEVÆR, OTTO	1,004,481	1.3%
LOTHE, HARALD ARNE	1,000,501	1.3%
TVECO AS	1,000,000	1.3%
TVENGE, MARIANNE	1,000,000	1.3%
SIX SIS AG	857,735	1.1%
TOTAL top 20	**40,883,873**	**53.8 %**
Others	**35,060,616**	**46.2%**
Total number of shares	**75,944,489**	**100.0%**

Shares owned by Executives and Directors of the Board	Number of shares	Percent of shares	Held through
Senior Executives			
Peter Heuman, CEO [1])	0	0.00%	
Eirik Underthun, CFO [2])	0	0.00%	
Dan Cronin, COO [3])	422,643	0.56%	
Board of Directors			
Petter Fjeldstad, Chairman	832,779	1.10%	Aponia AS
Odd-Harald Hauge	548,907	0.72%	Odd-Harald Hauge
Live Haukvik	100,000	0.13%	Spurv Invest AS
Emine Lundkvist	79,738	0.10%	
Nomination Committee			
Jon Frode Vaksvik	2,000	0.00%	
Haakon Sæter	3,277,094	4.31%	Silvercoin Industries AS & Haakon Sæter
	5,263,161	21.33%	

[1]) Peter Heuman was CEO effective from 16 September 2019.

[2]) Eirik Underthun was CFO effective from 29 February 2020.

[3]) Dan Cronin was COO in the period up to 31 October 2020 and he was an advisor to the company after this date.

As of 31 December 2020, the Company has one share option program:

I) LONG-TERM SHARE OPTIONS PROGRAM

NEXT has allotted long-term share options to employees. The options in the 2016-2019 program vest 1/3 after 1 year, additionally 1/3 after 2 years, additionally 1/3 after 3 years. The options expire after 6 years. The options in the 2020 program vest 1/2 in quarter three 2020 and 1/2 in quarter three 2021. These options expire 3 years after the options have been granted.

There are currently an accumulated 6,682,460 (8.8% of total number of shares in the Company) share options outstanding. Out of these, 3,475,485 share options have vested.

Each option gives the holder the right to acquire one share from the Company at a strike price defined in the individual share option agreement.

The option agreements include a clause on accelerated vesting in case of a majority of shares in the Company are (i) sold to an acquirer, (ii) the Company is merged with another company, (iii) a demerger occurs, and (iv) if the company's shares are delisted.

At the Extraordinary General Meeting (AGM) 19 June 2020 the Board of Directors was granted authorization to issue up to 6,113,751 share options which each entitle the holder to subscribe for one new share in the company. 1/2 of the share options shall vest in quarter three 2020 and the remaining 1/2 shall vest in quarter three 2021. The date of expiry for all vested options is the date falling 36 months after the date of grant. Any options that are not exercised at, or prior to, this date will elapse.

	2020		2019	
Options - movement	**Number of options**	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Outstanding options - Beginning period	1,732,476	28.90	1,633,568	52.04
Granted	5,872,000	2.49	1,437,650	6.45
Exercised	-	-	-	-
Forfeited or expired	(965,919)	-	(1,130,594)	-
Modifications	43,903	-	(208,149)	-
Outstanding options - End period	**6,682,460**	**5.17**	**1,732,476**	**28.90**
Vested options - End period	3,475,485	8.79	408,811	63.05

	2020		2019	
	Number of options	**Weighted average fair value**	**Number of options**	**Weighted average fair value**
Granted options - During period	5,872,000	1.36	1,437,650	2.81

	Net expense in the period (NOK 1,000)	**Of which adjustment prior periods expense beause of change in estimated number of options that will vest (NOK 1,000)**	**Remaining expense future periods (NOK 1,000)**	**Number of options expected to vest (number of options)**
2016 grants	0	0	0	34,500
2017 grants	-898	-1082	0	79,000
2018 grants	-856	-1245	28	77,500
2019 grants	292	-535	247	619,460
2020 grants	5866	0	1843	5,872,000
Total	**4404**	**-2862**	**2118**	**6,682,460**

The fair value for the share-based options granted in the year has been calculated by use of the Black & Scholes option-pricing model applying the following assumptions applied in 2020 and 2019:

EXERCISE PRICE:
2020: Weighted average NOK 2.49 per share
2019: Weighted average NOK 6.45 per share

DURATION:
2020: 1/2 have 2 years and 1/2 have 3 years
2019: 1/3 have 1 years, 1/3 have 2 years and 1/3 have 3 years

VOLATILITY:
2020: 90%
2019: 69% - 79%, average 73%

RISK FREE INTEREST RATE:
2020: 0.2%
2019: 1.2%-1.4%, average 1.2%

ATTRITION:
2020: Estimated 10% attrition for employees and executives for non-vested share-based options.

No expected dividend payment

NOTE 19 – INTEREST-BEARING LOANS

(amounts in NOK 1,000)	2020	2019
Non-current interest-bearing loans	5,609	-
Current interest-bearing loans	2,346	-
Total interest-bearing loans as of 31 December	**7,955**	**-**

In April 2020, NEXT Biometrics Inc. was granted a loan amounting to USD 1.0 million under the COVID-19 US government sponsored loan program. The loan is to cover payroll and help cover overhead expenses in NEXT's US operation. NEXT may qualify for loan forgiveness for a sizable portion of the loan and has submitted an application for loan forgiveness during Q4 2020. Due to uncertainty, estimated loan forgiveness is not recognized. The loan has an interest rate of 1%, a two-year term and is unsecured. The loan is measured at amortized cost. Fair value gain at the inception of the loan was NOK 0.8 million and interest expense for 2020 amounted to NOK 0.3 million.

The table below shows a reconciliation of the opening and closing balance for liabilities arising from financing activities:

(amounts in NOK 1,000)	2020
Opening balance	-
Changes from financing cash flows	10,152
Fair value gain at inception of loan	-809
Amortized interest expenses	340
Changes in foreign exchange rates	-1,728
Closing balance as of 31 December	**7,955**

The table below summarises the maturity profile based on contractual undiscounted payments:

(amounts in NOK 1,000)	2020
In 2021	2,483
In 2022	6,095
Total undiscounted repayments as of 31 December	**8,578**

NOTE 20 – OTHER NON-CURRENT AND CURRENT LIABILITIES

(amounts in 1,000 NOK)	Category	2020	2019
Lease liabilities (see note 11)	Amortised cost	1,164	3,344
Total other non-current liabilities		**1,164**	**3,344**
Accrued salary, vacation pay and board remuneration	Amortised cost	3,821	8,022
Lease liabilities (see note 11)	Amortised cost	2,090	4,487
Public duties payable	Non-financial liabilities	952	2,004
Share options social security tax	Non-financial liabilities	69	1
Unearned revenue	Non-financial liabilities	243	-
Other current liabilities	Amortised cost	6,752	8,263
Total other current liabilities		**13,928**	**22,777**

For financial liabilities at amortised cost, the carrying amount is assessed to be a reasonable approximation of fair value.

NOTE 21 – RELATED PARTY TRANSACTIONS

The Company's significant shareholders, board members and management are considered related parties. All transactions with related parties have been carried out on arm's length principle.

Board members have received remuneration according to the general meetings decisions. In addition, board members have been granted options. Salary and board remuneration to related parties have been disclosed in note 4.

NOTE 22 - EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Between 31 December 2020 and the resolution of these financial statements, there has not been any event which have had any noticeable impact on the Group's or the parent company's result for 2020 or the value of the Group or the parent company's assets and liabilities as of 31 December 2020, except events mentioned below.

On February 17, 2021, NEXT successfully completed a private placement issuing 14,819,897 new shares at a subscription price of NOK 6.0 per share, corresponding to gross proceeds of NOK 89 million. Estimated expenses related to the private placement is NOK 4.8 million and net proceeds were NOK 84 million.

Early 2020, the COVID-19 pandemic spread to multiple countries where the Group has offices, outsourced production facilities and customers. The COVID-19 pandemic continues to affect the operation of the Group in 2021. The Group has had sufficient inventory to cover customer product demand, but is experiencing longer lead times from its suppliers. Moreover, during 2020 and early 2021, the Group has experienced slower demand from customers and lengthened sales cycles. The Group has implemented measures and COVID-19 policies in line with local government regulations in office locations globally to address the pandemic.

> Financial Statements

PARENT COMPANY - STATEMENT OF COMPREHENSIVE INCOME - 1 JANUARY - 31 DECEMBER

(amounts in NOK 1 000)	Notes	2020	2019
Operating revenues	2	8,602	9,545
Other revenues	2	363	-
Total revenues		**8,965**	**9,545**
Payroll expenses	3	-17,050	-15,581
Other operating expenses	4	-7,935	-10,650
Depreciation and amortization	7.8	-1,528	-1,707
Impairment losses	7.8	-656	-
Total operating expenses		**-27,169**	**-27,938**
Operating profit (loss)		**-18,204**	**-18,393**
Financial income	5	265	3,830
Financial expenses	5	-133	-168
Net currency gains (losses)	5	-2,234	-173
Write-down on investments in subsidiaries	5.9	-	-556,271
Net financial items		**-2,102**	**-552,781**
Profit (loss) before taxes		**-20,306**	**-571,174**
Income tax expenses	6	-	-
Profit (loss) after taxes		**-20,306**	**-571,174**
Other comprehensive income (loss)		**-**	**-**
Total comprehensive income (loss)		**-20,306**	**-571,174**

PARENT COMPANY - STATEMENT OF FINANCIAL POSITION - AS OF 31 DECEMBER

(amounts in NOK 1 000)	Notes	2020	2019
ASSETS			
Intangible assets	7	3,749	4,499
Property, plant and equipment	8.15	705	2,501
Shares in subsidiaries	9	132,828	107,822
Loans to group companies	10	18,237	-
Other non-current assets	11.15	704	-
Total non-current assets		**156,223**	**114,822**
Accounts receivables	11	322	-
Other current assets	11.15	1,623	786
Cash and cash equivalents	12	43,329	46,697
Total current assets		**45,274**	**47,483**
Total assets		**201,497**	**162,305**
EQUITY AND LIABILITIES			
Share capital	13	75,944	42,931
Share premium	13	56,633	53,278
Other reserves	13	62,637	58,261
Accumulated losses		-	-
Total equity		**195,215**	**154,469**
Other non-current liabilities	14.15	1,164	1,660
Total non-current liabilities		**1,164**	**1,660**
Accounts payables		1,618	1,279
Other current liabilities	14.15	3,500	4,897
Total current liabilities		**5,118**	**6,176**
Total equity and liabilities		**201,497**	**162,305**

Oslo, 20 April 2021

/sign/
Petter Fjellstad
Chairman

/sign/
Emine Lundkvist
Board member

/sign/
Live Haukvik
Board member

/sign/
Odd Harald Hauge
Board member

/sign/
Peter Heuman
CEO

PARENT COMPANY - STATEMENT OF CASH FLOW - 1 JANUARY - 31 DECEMBER

(amounts in NOK 1 000)	Notes	2020	2019
Profit (loss) before taxes		-20,306	-571,174
Share-based remuneration	13	4,370	2,893
Depreciation and amortization	7.8	1,528	1,707
Impairment losses	7.8	656	-
Change in accounts receivables		-322	-
Change in accounts payables		339	-45
Change in other working capital items and other		-75	-1,838
Net cash flow from operating activities		**-13,811**	**-12,185**
Net financing of subsidiary	9,10	-44,539	-141,335
Proceeds from lease receivables	15	117	-
Net cash flow from investing activities		**-44,423**	**-141,335**
Net proceeds from issue of shares	13	55,720	178,752
Payment of lease liabilities	15	-856	-699
Net cash flow from financing activities		**54,865**	**178,053**
Effects of exchange rate changes on cash and cash equivalents		-1,030	-
Net change in cash flow		**-3,369**	**24,533**
Cash balance as of 1 January		46,697	22,165
Cash balance as of 31 December		**43,329**	**46,697**
Comprising of:			
Cash and cash equivalents	12	43,329	46,697

PARENT COMPANY - STATEMENT OF CHANGES IN EQUITY - 1 JANUARY - 31 DECEMBER

		ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY				
(amounts in NOK 1 000)	**Notes**	**Share capital**	**Share premium**	**Other reserves**	**Accumulated losses**	**Total equity**
As of 1 January 2019		**19,431**	**469,200**	**55,369**	**-**	**543,999**
Profit (loss) after taxes			-571,174			-571,174
Other comprehensive income (loss)					-	-
Total comprehensive income (loss)		**-**	**-571,174**	**-**	**-**	**-571,174**
Share issues	13	23,500	164,500			188,000
Share issue costs	13		-9,248			-9,248
Share-based remuneration	13			2,893		2,893
As of 31 December 2019		**42,931**	**53,278**	**58,261**	**-**	**154,469**
As of 1 January 2020		**42,931**	**53,278**	**58,261**	**-**	**154,469**
Profit (loss) after taxes			-20,306			-20,306
Other comprehensive income (loss)					-	-
Total comprehensive income (loss)		**-**	**-20,306**	**-**	**-**	**-20,306**
Share issues	13	33,014	33,232			66,246
Share issue costs	13		-9,570			-9,570
Share-based remuneration	13			4,376		4,376
As of 31 December 2020		**75,944**	**56,633**	**62,637**	**-**	**195,215**

NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NEXT Biometrics Group ASA is a holding company and contains the Group Management.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU, being standards and interpretations issued by the International Accounting Standards Board ("IASB"), in force at 31 December 2020.

NEXT Biometrics Group ASA's accounting principles are consistent with the accounting principles for the Group, as described in note 2 of the consolidated financial statements. Where the notes for the parent company are substantially different from the notes for the Group, these are shown below. Otherwise, refer to the notes to the consolidated financial statements.

Shares in subsidiaries are accounted for using the cost method. The investments in subsidiaries are valued at cost unless impairment is required. When the parent has an obligation to settle share-based remuneration to employees in subsidiaries in its own equity instruments, this is accounted for as an increase in equity and a corresponding increase in shares in subsidiaries.

Shares in subsidiaries and loans provided to subsidiaries are evaluated at the lower of cost or fair value. Assessments of impairment on shares in subsidiaries are done by the end of each reporting period. At year-end 2020, the market value of NEXT Biometrics Group ASA at Oslo Stock Exchange was higher than the book value of the equity in the parent company. Hence, no indication of impairment.

NOTE 2 – REVENUES

Operating revenues are management fee and royalty charged to the subsidiary NEXT Biometrics AS. Revenues to NEXT Biometrics AS totals to NOK 8.6 million in 2020 (2019: NOK 9.5 million).

In 2020, NEXT Biometrics Group ASA also had revenues of NOK 0.4 million related to gain on sublease of office and other rental income, see note 15 for further information.

NOTE 3 – PAYROLL EXPENSES

(amounts in NOK 1,000)	2020	2019
Salaries, fees	-10,277	-10,904
Share based remuneration (salary part)	-4,370	-109
Share based remuneration (employer's tax)	-69	-1
Social security taxes	-1,518	-1,582
Pension contribution	-438	-677
Other personnel expenses	-379	-2,307
Total payroll expenses	**-17,050**	**-15,581**
Average numbers of employees	**4**	**7**

The parent company, NEXT Biometrics Group ASA, provides a contribution-based pension insurance scheme for all employees. The scheme satisfies the mandatory service pension ('OTP') in Norway. By the end of 2020, there were 3 employees in the parent company.

NOTE 4 – OTHER OPERATING EXPENSES

(amounts in NOK 1,000)	2020	2019
Fees to consultants, lawyers and others	-5,278	-8,979
Travel expenses	-94	-767
Lease expenses	-13	-9
Other expenses	-2,551	-894
Total other operating expenses	**(7,935)**	**(10,650)**

Fees to consultants, lawyers and others includes remuneration to auditor, see specification in table below:

(amounts in NOK 1,000)	2020	2019
Audit fee	661	524
Attestation	-	30
Tax services	40	21
Non-audit services	-	141
Total audit fees	**701**	**716**

NOTE 5 – FINANCIAL ITEMS

(amounts in 1,000 NOK)	2020	2019
Interest income from group companies (see note 10)	139	3,150
Interest income on sub-leases (see note 15)	22	-
Interest income	103	681
Total financial income	**265**	**3,830**
Interest expenses	-5	-5
Interest expenses right-to-use assets (see note 15)	-128	-162
Total financial expenses	**(133)**	**(168)**
Currency gains	2,755	112
Currency losses	-4,989	-285
Net currency gains (losses)	**(2,234)**	**(173)**
Write-down on investments in subsidiaries (see note 9)	-	(556,271)
Net financial items	**-2,102**	**-552,781**

NOTE 6 – INCOME TAXES

(amounts in NOK 1,000)	2020	2019
Current taxes	-	-
Change in deferred taxes	-	-
Total income tax expenses	**-**	**-**

Income tax expense reconciliation:		
Profit (loss) before taxes	-20,306	-571,174
Expected income tax expenses at Norwegian nominal tax rate (22%)	**-4,467**	**-125,658**
Tax effect of permanent differences	-1,144	120,372
Change in deferred tax assets not recognized	5,611	5,286
Actual income tax expenses	**-**	**-**
Effective tax rate	**0%**	**0%**

Deferred tax related to the following temporary differences:

(amounts in NOK 1,000)	2020	2019
Property, plant and equipment	705	2,338
Long term loans	-1,353	-
Lease receivables	1,202	-
Lease liabilities	-2,144	-2,418
Other temporary differences	-69	1
Tax losses carried forward	-192,221	-168,296
Total temporay differences and tax losses carried forward	**-193,881**	**-168,376**

Deferred tax assets	**-42,654**	**-37,043**
Deferred tax assets not recognized	42,654	37,043
Deferred tax assets in the balance sheet	**-**	**-**

Tax losses carried forward has no limitiations in expiry date.

Due to a history of losses, deferred tax assets are not recognized.

The following table illustrates the deferred tax balance recognized in the statement of financial position:

	2020	2019
Deferred tax assets	-	-
Deferred tax liabilities	-	-
Net deferred taxes as of 31 December	**-**	**-**

The following table illustrates the deferred tax balance recognized in the statement of financial position:

(amounts in NOK 1,000)	2020	2019
Profit (loss) before taxes	-20,306	-571,174
Permanent differences	-5,200	547,147
Change in temporay differences	1,580	81
Basis for current taxes	**-23,926**	**-23,945**

NOTE 7 – INTANGIBLE ASSETS

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

(amounts in NOK 1,000)	2020	2019
Accumulated cost as of 1 January	7,458	7,458
Additions	-	-
Disposals at cost	-	-
Translation differences	-	-
Accumulated cost as of 31 December	**7,458**	**7,458**
Accumulated amortization and impairment losses as of 1 January	-2,959	-2,209
Amortization	-750	-750
Accumulated amortization and impairment losses of disposed items	-	-
Translation differences	-	-
Accumulated amortization and impairment losses as of 31 December	**(3,709)**	**(2,959)**
Carrying amount as of 31 December	**3,749**	**4,499**
Amortization period in years (straight line)	12	12

The individual intangible asset is not considered as separate cash generating units. Rather, that assets is evaluated for impairment in combination with other assets. Therefore, impairment test have been done as part of an overall impairment assessment, and it was concluded that there were no need for impairment on these assets. See note 9 for further information.

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT

(amounts in NOK 1,000)	2020			2019		
Accumulated cost as of 1 January	**Office furniture and equipment**	**RoU-assets**	**Total**	**Office furniture and equipment**	**RoU-assets**	**Total**
Accumulated cost as of 1 January	532	3,117	3,649	532	-	532
Implementation effect IFRS 16	-	-	-	-	3,079	3,079
Additions	-	795	795	-	37	37
Disposals at cost	-	-3,111	-3,111	-	-	-
Accumulated cost as of 31 December	**532**	**801**	**1,334**	**532**	**3,117**	**3,649**
Accumulated depreciation and impairment losses as of 1 January	-369	-779	-1,148	-191	-	-191
Depreciation	-163	-615	-778	-178	-779	-957
Impairment losses	-	-656	-656	-	-	-
Accumulated depreciation and impairment losses of disposed items	-	1,954	1,954	-	-	-
Accumulated depreciation and impairment losses as of 31 December	**(532)**	**(96)**	**(628)**	**(369)**	**(779)**	**(1,148)**
Carrying amount as of 31 December	**-**	**705**	**705**	**163**	**2,338**	**2,501**
Depreciation period in years (straight line)	3	2-4		3	4	

Additions in 2020 for right-of-use assets (RoU-assets) were mainly related to CPI adjustments of existing office leases and new office lease in Oslo. The lease term for the new office lease is 2 years. See also note 15 for further information regarding leases.

During 2020, RoU-assets (legacy office lease in Oslo) were impaired by NOK 0.7 million due to limited use of the assets.

NOTE 9 – SHARES IN SUBSIDIARIES AND GROUP COMPANIES

The table below shows the subsidiaries in the Group. All subsidiaries are consolidated in the Group's financial statements.

(amounts in NOK 1,000)	Office	"Owned directly by Parent company"	Ownership / voting interest in % 2020	Ownership / voting interest in % 2019
NEXT Biometrics AS	Oslo, Norway	x	100%	100%
NEXT Biometrics Inc.	Seattle, USA		100%	100%
NEXT Biometrics China Ltd.	Shanghai, China		100%	100%
NEXT Biometrics Taiwan Ltd.	Taipei, Taiwan		100%	100%
NEXT Biometrics Solutions Pvt. Ltd.	Bengaluru, India		100%	100%
NEXT Biometrics s.r.o	Prague, Czech Republic		100%	100%

The table below shows the carrying amount of shares in subsidaries for the Parent company as of 31 December:

(amounts in NOK 1,000)	2020	2019
NEXT Biometrics AS	132,828	107,822
Total shares in subsidiaries	**132,828**	**107,822**

The change in carrying amount from 31 December 2019 to 31 December 2020, is related to capital increases of NOK 25.0 million and share-based remuneration to employees in subsidiaries of NOK 0.0 million.

The main asset in the parent company is shares in subsidiaries. The market value of equity is considered to be the closing stock price at Oslo Stock Exchange at year-end 2020, which was NOK 2.60 per share and equals to a total market value of NOK 197.8 million. The market value of the company was higher than book value of equity of the parent company as per 31 December 2020, and management assessed that there was no indication of impairment.

NOTE 10 – LOANS TO GROUP COMPANIES

(amounts in NOK 1,000)	2020	2019
Loan to NEXT Biometrics Taiwan Ltd.	18,237	-
Total loans group companies as of 31 December	**18,237**	**-**

Loan to NEXT Biometrics Taiwan Ltd. was charged with NIBOR 6 months + 1.0%. Interest for 2020 amounted to NOK 0.1 million (2019: NOK 0.0 million).

The parent company also had a short-term loan to NEXT Biometrics AS. Interest was charged with NIBOR 6 months + 2.0%. Interest for 2020 amounted to NOK 0.0 million (NOK 3.1 million for loan in 2019). The loan was was repaid in December 2020.

NOTE 11 – ACCOUNTS RECEIVABLES AND OTHER ASSETS

(amounts in NOK 1,000)	2020	2019
Lease receivables (see note 15)	704	-
Total other non-current assets	**704**	**-**
Accounts receivables - gross	322	-
Total accounts receivables	**322**	**-**
Receivables NEXT Biometrics AS	53	-
Lease receivables (see note 15)	497	-
Prepayments	344	786
Other receivables	729	-
Total other current assets	**1,623**	**786**

The carrying amount of accounts receivables and other assets is considered approximates fair value.

Impairment of financial assets

Expected credit loss for accounts receivables is considered immaterial and is not recognized. Accounts receivables per 31 December 2020 was not due.

NOTE 12 - CASH AND CASH EQUIVALENTS

(amounts in NOK 1,000)	2020	2019
Cash and cash equivalents - unrestricted	27,904	45,723
Cash and cash equivalents - employees withheld payroll tax deposits	421	369
Cash and cash equivalents - other restricted balances	15,004	606
Total cash and cash equivalents	**43,329**	**46,697**

The fair value for this class of financial instruments is assessed to be equal to the nominal amount.

Restricted cash and cash equivalents

Restricted cash and cash equivalents consists of withheld payroll tax deposits for employees, deposits on escrow accounts and other restricted deposits that needs to be notified one month upfront of withdrawal.

NOTE 13 - EQUITY

There is one class of shares. All shares have equal rights and are freely negotiable. The share capital is fully paid in. The par value of the shares is NOK 1 per share.

Number of shares outstanding	2020	2019
Opening balance	42,930,575	19,430,575
Share issue(s)	33,013,914	23,500,000
Exercised incentive share options	-	-
Closing balance	**75,944,489**	**42,930,575**

For further information regarding share capital, shareholder's information and share-based options, please refer to note 18 in group consolidated financial statement.

NOTE 14 – OTHER LIABILITIES

(amounts in 1,000 NOK)	Category	2020	2019
Lease liabilities (see note 15)	Amortised cost	1,164	1,660
Total other non-current liabilities		**1,164**	**1,660**
Accrued salary, vacation pay and board remuneration	Amortised cost	1,353	2,294
Lease liabilities (see note 15)	Amortised cost	980	759
Public duties payable	Non-financial liabilities	735	1,453
Share options social security tax	Non-financial liabilities	69	1
Unearned revenue	Non-financial liabilities	57	-
Other current liabilities	Amortised cost	306	391
Total other current liabilities		**3,500**	**4,897**

For financial liabilities at amortised cost, the carrying amount is assessed to be a reasonable approximation of fair value.

NOTE 15 – LEASES

(amounts in NOK 1,000)	2020	2019
Property - office leases (included in "Property, plant and equipment")	705	2,338
Total right-of-use assets	**705**	**2,338**
Non-current lease receivables (included in "Other non-current assets")	704	-
Current lease receivables (included in "Other current assets")	497	-
Total lease receivables	**1,200**	**-**
Non-current lease liabilities (included in "Other non-current liabilities")	1,164	1,660
Current lease liabilities (included in "Other current liabilities")	980	759
Total lease liabilities	**2,144**	**2,418**

See note 8 for more information regarding right-of-use assets.

The office lease in Norway was subleased from October 2020. Related right-of-use asset of NOK 1.2 million was derecognized and lease receivable for the sublease of NOK 1.5 million was recognized. Gain on sublease of NOK 0.3 million is included as part of "Other revenues".

The table below shows the amounts related to leases recognized in the statement of comprehensive income:

(amounts in NOK 1,000)	2020	2019
Gain on sub-lease (included in "Other revenues")	347	-
Depreciation property right-of-use assets (included in "Depreciation and amortization")	-615	-779
Impairment losses property right-of-use assets (included in "Impairment losses")	-656	-
Expenses relating to low-value leases (included in "Other operating expenses")	-13	-6
Expenses relating to short-term leases (included in "Other operating expenses")	-	-
Interest income (included in "Financial income")	22	-
Interest expenses (included in "Financial expenses")	-128	-162
Net expenses related to leases	**(1,390)**	**(948)**

The table below shows a reconciliation of the opening and closing balance for lease liabilities arising from financing activities:

(amounts in NOK 1,000)	2020	2019
Opening balance	2,418	-
Implementation effect IFRS 16	-	3,079
Changes from financing cash flows	-856	-699
Changes in lease liabilities due to new/amended lease agreements or CPI adjustments	768	37
Other changes	-187	-
Closing balance as of 31 December	**2,144**	**2,418**

The total cash outflow for leases in 2020 was NOK 1.0 million (2019: NOK 0.9 million).

The table below shows the maturity profile for the lease liabilities based on contractual undisocunted payments:

(amounts in NOK 1,000)	2020	2019
Within one year	1,310	877
More than 1 year but within 5 years	1,194	1,754
After 5 years	-	-
Total contractual cash flows related to leases	**2,504**	**2,631**

NOTE 16 – RELATED PARTY TRANSACTIONS

The parent company's significant shareholders, board members and management, are considered related parties. For overview of transactions with them, please refer to note 21 in group consolidated financial statement.

Companies within the Group are also considered related parties. See note 2 for overview of sales to group companies and note 11 for overview of loans to group companies.

NOTE 17 - EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

For an overview of events occured after the balance sheet date, please refer to note 22 in group consolidated financial statement.

RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge, the financial statements for the period from 1 January to 31 December 2020 have been prepared in accordance with IFRS as adopted by the EU, with such additional information as required by the Norwegian Accounting Act, and give a true and fair view of the Group's and Parent company's assets, liabilities, financial position and result of operations, and that the Board of Directors' report gives a true and fair view of the development, performance and financial position of the Group and the Parent company, and includes a description of the principal risks and uncertainties that they face.

Oslo, 20 April 2021

/sign/
Petter Fjellstad
Chairman

/sign/
Emine Lundkvist
Board member

/sign/
Live Haukvik
Board member

/sign/
Odd Harald Hauge
Board member

/sign/
Peter Heuman
CEO

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To the General Meeting of Next Biometrics Group ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Next Biometrics Group ASA, which comprise:

- The financial statements of the parent company Next Biometrics Group ASA (the Company), which comprise the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and

- The consolidated financial statements of Next Biometrics Group ASA and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.

- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in

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accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The nature of the company's operations have remained largely unchanged compared to last year. It has not been regulatory changes, transactions or events that have led to the identification of new key audit matters. Our focus areas have therefore been the same in 2020 as last year. Key audit matter on impairment of shares in subsidiaries from last year, however, is no longer deemed key to our audit, as no impairment indicators were identified for 2020.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue Recognition The Group develops and sells fingerprint sensors for authentication in the smart card, government ID, access control and notebook markets. The Group's sales are either handled through distributors or sales directly to end-customers. In situations where the group sells through a distributor it is challenging to determine based on the terms of the contracts and the business set up, whether a distributor is considered an agent or a principal for accounting purposes. The complexity of the arrangements with distributors and end-customers lead to an inherent risk of misinterpretation of the terms, and as a consequence, a risk that revenue is recorded in a financial period before control has passed over to the customer. Furthermore, there is a risk that revenue is recorded net of service charge to distributors if the distributor is considered an agent rather than a principal. If that were to happen, revenue and cost of goods sold would both be understated by the same amount. We refer to note 2 where management describes their principle for revenue recognition.	Our audit procedures included among others, a review of customer contracts and distribution contracts and assessment of contract terms and business set up to understand how they relate to IFRS requirements for revenue recognition. Further, we assessed whether the distributor, when acting in line with the stipulations in the agreements, was an agent or a principal and when control of the goods was transferred from the Group. To test whether revenue was recognized in the correct period, we tested transactions in the period close to year end. We also performed a review of goods shipped to the distributor acting as agent to the Company and assessed whether there were goods not transferred to end-customers as per 31 December 2020. Furthermore, we evaluated management's assessment of probability of return of goods. Our evaluation was also based on testing of credit notes after 31 December 2020. Invoiced sales to the largest distributors representing material part of total revenue in 2020, was tested by obtaining confirmations from the distributors. To test whether revenue was recorded net of service charge, we performed a review of invoices sent to the distributor acting as agent to the Company and compared the price to the price agreed with the end customer and the level of service charge (margin) as agreed in the distribution contract. We read the note relevant to revenue recognition and found that the note gave an adequate description of how the Group applies IFRS on revenue recognition.

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Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one

resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 20 April 2021
PricewaterhouseCoopers AS

Anne Kristin Huuse
State Authorised Public Accountant

(This document is signed electronically)

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ALTERNATIVE PERFORMANCE MEASURES

NEXT's financial information has been prepared in accordance with International Financial Reporting Standards (IFRS). In addition, it is management's intent to provide alternative performance measures that are regularly reviewed by management to enhance the understanding of NEXT's performance, but not instead of, the financial statements prepared in accordance with IFRS. The alternative performance measures presented may be determined or calculated differently by other companies.

DEFINITIONS

Most of these key figures are alternative performance measures according to ESMA's definition. How these key figures are used is described below, as is how they are calculated. The alternative performance measures are used to provide a more comprehensive description of how the operational activities are developing, such as gross margin and EBITDA ex options. .

GROSS MARGIN / GROSS MARGIN (%)

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

(AMOUNTS IN NOK 1,000)	2020	2019
Operating revenues	57,770	84,436
Other revenues	363	-
Cost of goods sold	-49,387	-63,865
Gross margin	**8,746**	**20,570**
Gross margin	8,746	20,570
Divided by operating revenue and other revenues	58,133	84,436
Gross margin (%)	**15%**	**24%**

EBITDA EX OPTIONS

EBITDA is earnings before interest, taxes, depreciation, amortization and impairment losses.
EBITDA ex options is equal to EBITDA excluding "share-based remuneration"
(salary part, employer's part and operating part).

(AMOUNTS IN NOK 1,000)	2020	2019
Operating profit (loss)	-105,195	-164,582
Added back depreciation and amortization	15,279	16,805
Added back impairment losses	6,577	-
EBITDA	**(83,339)**	**(147,777)**
Added back share-based remuneration (salary part)	3,882	3,609
Added back share-based remuneration (employer's tax)	69	-106
Added back share-based remuneration (operating part)	494	-656
EBITDA ex. options	**(78,894)**	**(144,931)**

COST OF GOODS SOLD (COGS)

Cost of goods sold (COGS) is cost of materials and production service expenses.

OPERATING EXPENSES (OPEX)

Operating expenses (OPEX) consist of salaries and personnel cost and other operating expenses.

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