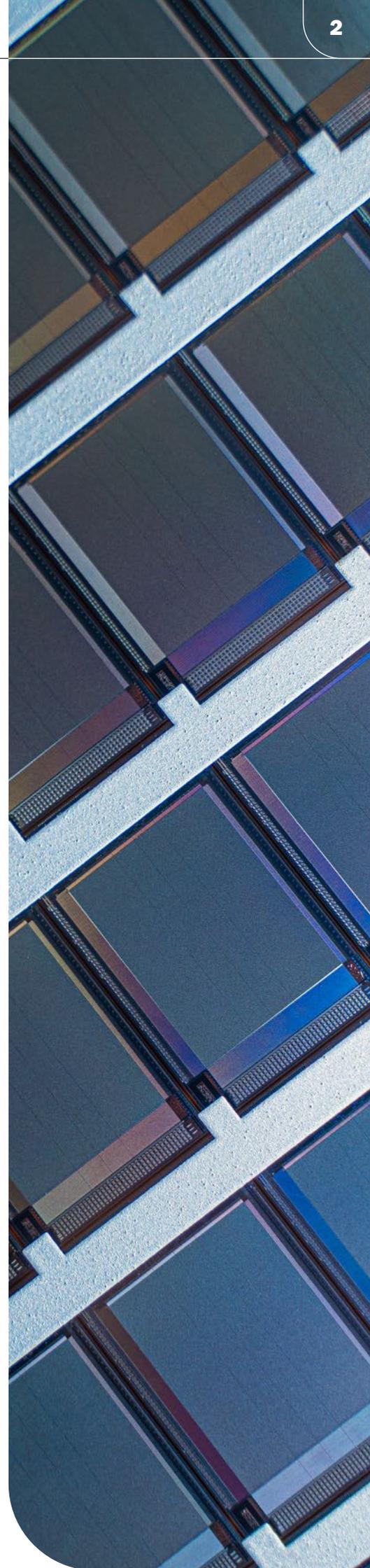


ANNUAL
REPORT
2022



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LETTER FROM THE CEO

DEAR SHAREHOLDERS,

Let us be honest, 2022 was a challenging year for NEXT and many of our newly won customers. On the other hand, we continued to win new customers and established a stronger distribution network while post C-19 micro-chip shortages were impacting NEXT and our customers.

Imagine you were running a product company and planned to launch a new product early 2022. You had just agreed to include a high security fingerprint sensor from NEXT. You would then be met with micro-chip and component scarcity resulting from C-19 pandemic shutdowns. Unless you were one of the largest global product companies in the world, you would find it difficult to get hold of several required components for your new product. And you would have to delay the launch of your new product with several months if not up to a year. Unfortunately, this became the harsh reality for many of NEXT's newly won customers, and unfortunately, these challenges limited NEXT's ability to deliver sensors to certain customers during 2022.

Another challenge for NEXT in 2022 was the delay of implementation of the next generation biometric framework in India. This also resulted in delayed shipments to NEXT's new partners in India. Still, we were able to secure a new India-based OEM partner, which placed a large FAP20 purchase order with NEXT.

The above was challenging for us, but there were also major positive developments in 2022.

To start with, we have signed contracts with additional new distributors in several strong biometric regions during 2022. The new distributors and sales partners are based in South America, South-East Asia, and China. This will increase our market reach within defined market segments and provide us with additional new customers, scaling up our business.

Another positive sign is that our increased customer focus has been well demonstrated in the constantly growing number of design-wins that we have announced during the year. 12 new customers decided that NEXT sensors are their preferred choice. We have now accumulated 36 design-wins since early 2020. I believe this to be a solid proof point for our products and our unique technology. With a high security level, slim form factor and competitive pricing we gain more and more traction with customers. As we have stated earlier, it's through new and existing design-wins (customers) that future revenues will be generated for NEXT.

We will maintain our cost discipline on our journey towards making NEXT a profitable company during 2023. We have come a long way from when I started as CEO in NEXT. The improved cost level was the first result. More importantly, we introduced the FAP20 product to the market and implemented other products and marketing improvements. This has lifted gross margins and together they demonstrate the true potential of our technology and products.

36 new design-wins provides external solid proof points in all our new customer engagements. Even though many of our recent design-wins are smaller products companies, I can observe that our sales funnel today contains customers with large volume potential, and we have almost 40 customer references to refer to from all four market segments and from several markets globally. We are working steadfast securing additional new design-wins and customers in 2023. I am looking forward to soon report on progress with our efforts to accelerate design-wins, acquiring larger volume customers and hence shipments of sensors in larger volumes.

Thank you.

Peter Heuman, CEO



NEXT BIOMETRICS AT A GLANCE



NEXT provides secure easy-to-use fingerprint sensor technology for authentication in four different market segments Public Security, Access control, Office and Notebooks, Payments and Fintech. 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 the four different market segments. The products are used in various applications such as point of sales terminals, Notebooks, Internet of Things applications.

The Group has the following main products:

- Notebook sensor products:
 - NEXT standard Notebook sensors
 - NEXT Secure Bio premium sensor for Notebooks
- FAP20 sensor products used in a variety of applications such as point of sales terminals, ID devices, Bluetooth printers and digital valets within Fintech applications.
 - Readers
 - Sensor Modules
- Aadhaar India products connected to the worlds' largest biometric market
 - Sensor modules

During 2022, the Group continued its product development focus working closely with customers and prospects on improving already developed solutions and accelerating 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 Notebook OEMs. Starting in 2020, the company established a diversified customer base, which includes Biometric technology companies, 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 Apotekergata 10B, 0180 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 market segments Payment & Fintech Public Security, Access Control, Office and Notebooks.

NEXT’s fingerprint sensors are unique, using active thermal conductivity to read the fingerprint image, as opposed to capacitive or optical sensing. This patented sensing principle allows designs uniquely compatible with low temperature polysilicon production processes (“LTSP”) used in high-end display factories. This enables significantly lower production cost for the Group’s fingerprint sensors compared to competing sensor technologies. 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 five 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) and NEXT Biometrics Solutions India Pvt. Ltd. (Bengaluru, India).

NEXT Biometrics Group ASA’s shares are listed on the Oslo Stock Exchange.

HIGHLIGHTS 2022

Key 2022 developments in NEXT:

- Revenues for 2022 of NOK 48.3 million compared to NOK 50.8 million in 2021.
- Gross margin of 31% for 2022 compared to 20% in 2021
- Adjusted EBITDA¹ of NOK -38.8 million in 2022 compared to NOK -32.0 million in 2021
- 12 new design-wins in 2022 and accumulated 36 design-wins as per December 2022, which will contribute to future revenues
- NEXT’s FAP20 product well positioned for new generation of India biometric standard in 2023 with local partners
- Established expanded global distributor and partnership network

¹ Please see section Alternative Performance measures on [page 75](#) for further details.

BUSINESS OVERVIEW

Biometric fingerprint sensing technology continues to gain traction across the world. Biometric technology is used in Notebooks and Governmental projects and businesses have started deploying the technology in medical services, devices for financial inclusions such as pension payments, point of sale devices (POS), Office and facility access, voting registration and Time and Attendance solutions.

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 Payment & Fintech, Public Security, Access control, Office and Notebooks and POS solutions. The Group has shipped close to 10 million units to its customers since the initiation of the company. 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.

NEXT continue to build and expand its global biometric distributor and partnership network. Biometric Distributors expands NEXT market reach, sales and distribution reach. As per end of 2022, NEXT has eight biometrics distributors with presence in the Americas, Asia Europe and Africa. NEXT is represented in major large and growing biometric markets with high-security needs and extensive use of biometrics.

In India, the Aadhaar program holds more than one billion people fingerprints registered. This provides access to different governmental services and benefit systems. The new generation of India's biometric standard has been launched in 2023. NEXT is working with local partners that will certify their products, which include NEXT's FAP20 sensors. These partners are expected to accelerate market deployment of the company's Active Thermal technology in India. 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.

In China, NEXT has engaged Wiser Group as local market entry partner, which is expected to accelerate market entry into NEXT's key market segments in China.

In the Americas, NEXT has two distributors covering US, Mexico and Brazil. The focus in these markets is to replace current installed base of bulky and expensive optical fingerprint products.

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 the FAP20 higher security implementations.

SUSTAINABILITY AND TRANSPARENCY

NEXT meets the authorities' requirements for sustainability reporting and further information can be found in Corporate Social Responsibility Report (see [page 22](#)). Reporting required by the Norwegian Transparency Act will be published at the latest on 30 June 2023 on the company's website (www.nextbiometrics.com).

FINANCIAL SUMMARY – THE GROUP

Comprehensive income

Revenues were NOK 48.3 million in 2022 compared to NOK 50.8 million in 2021.

Gross margin was NOK 14.8 million (31%) in 2022 compared to a gross margin of NOK 10.1 million (20%) in 2021.

Adjusted Gross margin was NOK 14.7 million (30%) in 2022 compared to an adjusted gross margin of NOK 16.3 million (32%) in 2021.

Payroll expenses were NOK 33.4 million in 2022, down from NOK 46.0 million in 2021. Average number of employees were 28 in 2022 compared to 26 employees in 2021. The Group had 27 employees at the end of 2022, compared to 26 employees at the end of 2021. Share-based remuneration, including related accrued social security tax, included in payroll expenses was, NOK 2.1 million in 2022, compared to NOK 13.0 million in 2021. The reduction in share based remuneration cost in 2022 is due to the reduced number of options awarded in 2022 and negative stock option social security cost resulting from the reduction in the company's stock price. Research and development (R&D) expenses included in payroll expenses were NOK 5.7 million in 2022 compared to NOK 9.9 million in 2021.

Other operating expenses were NOK 22.2 million in 2022, compared to NOK 15.3 million in 2021. R&D expenses included in other operating expenses were NOK 5.5 million in 2022, compared to NOK 5.5 million in 2021.

Total R&D expenses, included in both payroll and other operating expenses, were NOK 11.2 million in 2022, a decrease from NOK 15.2 million in 2021.

Depreciation, amortization and impairment were NOK 7.2 million in 2022, compared to NOK 7.1 million in 2021.

Net financial items amounted to a net gain of NOK 1.7 million in 2022, compared to a net loss of NOK 0.1 million in 2021. The gains in 2022 were mainly related to currency gains.

Income tax gain was NOK 0.1 million in 2022, compared to NOK 1.6 million cost in 2021.

EBITDA for the Group was negative NOK 40.8 million in 2022, compared to negative NOK 51.2 million in 2021.

Adjusted EBITDA for the Group was negative NOK 38.8 million in 2022, compared to negative NOK 32.0 million in 2021.

Loss after taxes for the Group was NOK 46.3 million in 2022, compared to NOK 60.0 million in 2021.

In the outlook section of NEXT's 2021 annual report it was stated that the company expected increased number of design-wins, increased revenues, and improved profitability. During 2022 NEXT increased its number of design win in line with expectations, revenues was lower than anticipated due to project and governmental approval delays from key customers while loss after taxes was reduced.

CHANGES IN ACCOUNTING POLICIES

The accounting policies applied in preparation of the financial statements for 2022 are consistent with those applied in the preparation of Annual Report for 2021 with the exception of the reclassified expenses that are described in [note 5](#).

Financial position and cash

Total assets as of 31 December 2022 amounted to NOK 121.9 million, compared to NOK 161.7 million as of 31 December 2021.

Total equity was NOK 96.0 million at the end of 2022 compared to NOK 134.3 million at the end of 2021.

The Group had non-current liabilities of NOK 1.3 million and current liabilities of NOK 24.6 million at the end of 2022, compared to non-current liabilities of NOK 2.0 million and current liabilities of NOK 25.4 million at the end of 2021.

Cash amounted to NOK 69.3 million at the end of 2022 compared to NOK 102.7 million at the end of 2021.

Cash flow

Net cash flow from operating activities was negative with NOK 32.4 million in 2022 compared to negative NOK 47.7 million in 2021. The improvement in cash flow in 2022 relative to 2021 is mainly due to the Group's reduced operating losses and accelerated collection of accounts receivables.

Net cash flow from investing activities was positive NOK 0.6 million in 2022 compared to positive NOK 0.5 million in 2021.

Net cash flow from financing activities was negative NOK 2.0 million in 2022. The cash flow from financing was positive NOK 83.3 million in 2021 as a result of the share issue that was performed in Q1 2021.

FINANCIAL SUMMARY – THE PARENT COMPANY

Comprehensive income

Total revenues for the parent company were NOK 9.5 million in 2022 compared to NOK 8.3 million in 2021. The revenues were mainly resulting from management fees and royalties charged to the subsidiary NEXT Biometrics AS.

Payroll expenses including share-based remuneration for the parent company were NOK 13.7 million in 2022, a decrease from NOK 21.7 million in 2021. The decrease is mainly resulting from reduced share-based remuneration and option costs in 2022 relative to 2021. There were 5 employees in the parent company at year-end 2022, compared to 4 employees at the end of 2021.

Other operating expenses for the parent company was NOK 6.7 million in 2022 compared to NOK 6.5 million in 2021.

Depreciation and amortization for the parent company was NOK 1.2 million in 2022 compared to NOK 1.1 million in 2021.

Net financial income was NOK 2.0 million in 2022 compared to a net financial income of NOK 1.7 million in 2021.

The parent company had a loss before taxes in 2022 and 2021. Hence, no payable taxes incurred. No deferred tax assets have been recognized during 2022 and 2021.

Loss after taxes for 2022 was NOK 10.0 million compared to NOK 19.3 million in 2021.

Financial position and cash

Total assets as of 31 December 2022 amounted to NOK 268.1 million, compared to NOK 275.0 million as of 31 December 2021.

The parent company had NOK 7.8 million in current liabilities at the end of 2022, compared to NOK 9.8 million at the end of 2021.

Cash amounted to NOK 37.5 million at the end of 2022 compared to NOK 77.5 million at the end of 2021.

Cash flow

Net cash flow from operating activities was negative NOK 8.2 million in 2022, compared to negative NOK 9.0 million in 2021. Net cash flow from investments was negative NOK 31.1 million in 2022 compared to negative NOK 42.4 million in 2021. Net cash flow from financing was negative NOK 0.7 million in 2022 compared to positive NOK 85.6 million in 2021.

Equity and allocation of profit (loss) after taxes

Equity for the parent company was NOK 259.8 million at the end of 2022 compared to NOK 265.3 million at the end of 2021.

The Board of Directors proposes that the loss after taxes of the parent company of NOK 10.0 million to be booked to retained earnings.

NEXT SHARES AND SHARE CAPITAL

NEXT ASA's shares are listed at Oslo Stock Exchange's main list with ticker NEXT. The 2022 year-end closing price was NOK 4.5, down from NOK 7.9 at the end of 2021. During 2022, the shares traded in the range of NOK 3.83 to NOK 7.5.

The issued share capital of the parent company at the end of 2022 amounted to NOK 91.98 million consisting of 91,980,763 ordinary shares, each share having a par value of NOK 1. At the end of 2022, there were a total of 4,392 registered shareholder accounts, compared to 5,377 at the end of 2021.

NEXT raised gross proceeds of NOK 0.7 million in one equity issue that was performed in August 2022 in relation to exercise of employee share options. Please see [note 19](#) 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 2022, NEXT has 11,932,228 share options outstanding. Please see [note 19](#) 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. NEXT's 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 additional revenue from existing and 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 office leases in multiple locations as per 31 December 2022.

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 and original equipment manufacturers of electronic components, primarily based in Asia, Europe and North America. 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.

LIABILITY INSURANCE

The Group has directors and officer's liability insurance with a NOK 45 million total coverage, and it covers legal costs, emergency costs and multiple other types of contingency costs.

EMPLOYEES

At the end of 2022, the Group had 27 employees (2021: 26), of which 5 are women (2021: 4). Additionally, the Group has individual technical/scientific specialists working at its premises on a contract basis. The female proportion of group employees was 18.5% (2021: 15%).

The parent company had 5 employees by the end of 2022. There were 4 male employees and 1 female employee at year-end. The female proportion of parent company employees was 20% (2021: 25%). 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 2022. The average sickness absence rate in the parent company was 0% in 2022 compared to 0% in 2021.

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 14 October 2021. 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 2022 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 2022 or the value of the Group or the parent company's assets and liabilities as of 31 December 2022, except events mentioned below.

OUTLOOK

The FAP20 product was introduced to an increased number of customers in 2022 relative to 2021, and it is being integrated into a number of new products that are to be launched. The short term FAP20 shipment volumes will mainly depend on our partners' progress in India. Longer-term, other customers and markets are also expected to become important revenue contributors for NEXT.

NEXT Notebook sensor orders have been strong in 2022. We now see indications that NEXT's PC sensor shipment volumes in 2023 will be similar to pre-2022 regular demand.

Our partners are making their preparations for launch in India towards late first half of 2023. We expect end-customers to start their procurement processes 2-3 months before market launch, and our partners are likely to place orders shortly in advance of end-customers' order inquiries (start of procurement processes). As announced recently, India authorities just launched the next generation biometric standard. Accordingly, we believe the market in India will grow significantly starting from the second half of 2023 onwards.

The company's accumulated 36 design-wins from end of 2019 up to end 2022 will contribute to future revenue growth. The existing portfolio of design-wins alone has the potential to make NEXT profitable.

We see increased customer activity across a wide range of industries, improving the design-win funnel. Short-term, we are still waiting to see the full impact of our enlarged portfolio of design-wins on our annual revenues. Many of our design-wins have low to medium potential while we believe some design-wins will develop into major successes in their respective market segments.

The continued increase in the accumulated number of design-wins is forming the basis for solid revenue growth in the longer term.

Oslo, 19 April 2023

The board of directors of NEXT Biometrics Group ASA

/Sign/

Petter Fjellstad
Chairman

/Sign/

Emine Lundkvist
Board member

/Sign/

Siri Børsum
Board member

/Sign/

Odd-Harald Hauge
Board member

/Sign/

Peter Heuman
CEO



CORPORATE GOVERNANCE REPORT

1. 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 a 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 in October 2021 and issued by the Norwegian Corporate Governance Policy Board. The Code is available at <http://www.nues.no/>.

2. 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.

3. 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. Moreover, the Company promotes and ensures sustainable business operations and supply chain. Additional information is included in the sections related to specific Environmental, Social, and Governance matters in this report.



4. 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 a 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.

Authorizations to the board of directors

The annual general meeting, held on 19 May 2022, gave the board authorization to increase the Company's share capital by up to NOK 18,336,000 to enable the Company to conduct share issues in an effective manner. The board of directors was also granted authorization to deviate from the shareholders' preferential rights when using the authorization.

Moreover, the board of directors was given an authorization to increase the Company's share capital for the option program by up to NOK 9,309,100, out of which NOK 1,860,000 can be used to issue shares to board members under options granted to board members in 2019, 2020 and 2022. 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 2023 general meeting or 30 June 2023, whichever comes first.

As of 31 December 2022, 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 its own shares. Any future authorizations given will be limited in time until the next general meeting, in accordance with the Code.

5. 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 for such decisions shall be publicly disclosed in a stock exchange announcement issued in connection with the increase in share capital.

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 to be related parties. All transactions with related parties will be carried out in accordance with the arm's length principle.

All transactions with related parties that are not immaterial will be publicly disclosed by NEXT. In the event that such a transaction occurs, 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 Norwegian Public Limited 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 2022 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.

6. 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.

7. 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 in 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 who are unable to attend the general meeting in person will be given the opportunity to, and encouraged to, vote by proxy or through written voting in a period prior to the general meeting. The Company will in this respect provide information on the procedure for representation at the general meeting and prepare a proxy form/written voting form that makes voting on each individual matter possible. The Company will nominate a person to act as a proxy for the shareholders.



8. 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 nomination committee members shall be independent of the board of directors and executive management. The members are elected for a period of up to two years.

The current nomination committee was elected at the annual general meeting on 19 May 2022 for the period until the annual general meeting in 2023. All of the members of the nomination committee have been selected to consider the interests of shareholders in general and are independent from both the Company's executive management and the Company's board of directors. As of 31 December 2022, the nomination committee consisted of Jon Frode Vaksvik (chairman), Haakon M. Sæter and Hans Herman Horn.

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.

9. 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 three to nine 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 emphasizes 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 2022, the board of directors comprises the following four members:

- Petter Fjellstad
- Odd Harald Hauge
- Emine Lundkvist
- Siri G. Børsum

All of the abovementioned board members are elected for the period until the annual general meeting in 2023.

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

The board's independence

NEXT believes that it is in the best interests 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.

It is the Company's view that directors who have developed a valuable insight into the Company and its operations over time make 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, however, directors are elected each year.

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.



10. 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 its administration and 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 1 November 2022.

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; approval of transactions with related parties 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 current instruction was revised 1 November 2022.

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 section 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 that 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 major important cases, where the decisions of the board of directors cannot be awaited without serious detriment to 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 annual 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 on 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 with respect to 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 section 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 in 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.

The audit committee consists of Petter Fjellstad (Chair) and Emine Lundkvist.

Remuneration Committee

The remuneration committee draws up guidelines and proposals for senior executive remuneration. The Company's remuneration policy, including remuneration to 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 remuneration committee consists of Odd Harald Hauge (Chair) and Siri G Børsum.

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.

11. 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, who continuously strive to improve 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 Group's operations and limited staff size necessarily lead to dependence on key individuals and a limitation on the possible implementation of internal control risk reduction measures.

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.

12. 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 prepares the proposed remuneration to the general meeting.

The remuneration of the board of directors is not linked to the Company's performance. The current board members were granted share options in 2019, 2020 and 2022, which were approved at the annual general meetings held in 2019, 2020 and 2022.

For more details on the remuneration to the board, please refer to [note 20](#) in the annual financial statements. Except for the one deviation above, the Company does not deviate from the Code in relation to remuneration of the board of directors.

13. 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. Following amendments to the Norwegian Public Limited Liability Companies Act with revised requirements for determining salaries and other remuneration of the executive management in 2021, the general meeting approved updated the remuneration guidelines in May 2021. The guidelines are available on the Company's website.

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

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

For details regarding remuneration to the executive management, see [note 20](#) in the annual financial statements, and for details regarding share option arrangements, see [note 19](#) in the annual financial statements.

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

14. 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 investor relations and is the main contact person of the Company for the capital market. 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 webcasts, is available on www.nextbiometrics.com/investors.

15. 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 2022.

There are no defense 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.

16. 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 20](#) 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 FOR NEXT BIOMETRICS GROUP ASA

Per 31 December 2022

§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 91,980,763, divided into 91,980,763 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 NEXT Biometrics Group ASA (“**NEXT**” or 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 regards 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 were last approved by the board on 1 November 2022 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.

NEXT has also established a Supplier Code of Conduct that requires NEXT Biometrics Group suppliers to conduct business in a responsible manner, based on the duty to respect human rights, labor rights, protect health, safety and the environment, prevent corruption and in general, apply sound business practices. NEXT’s Supplier Code of Conduct was last updated and approved by the Board on 1 November 2022.

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 Guidelines 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 Group's employees are encouraged to report any incident of discrimination to their nearest leader or through the applicable whistle-blow channels through our HR department.

NEXT's 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 27 employees in the NEXT group at the end of 2022, 5 are women. At year-end 2022, 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.

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 fables 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 AND CLIMATE IMPACT

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 environmentally friendly and resource efficient manner.

NEXT climate impact and potential risk is low in the short to medium term. The Group is not impacted by physical climate risk such as potential flooding or general increase in the sea level. Moreover, NEXT does not face any potential liabilities due to damage caused by climate change. Still, NEXT is likely to be impacted by the regulatory and technological changes that are to be implemented (in the future) to reach a carbon neutral society, which may lead to long term increased electronic component purchase and manufacturing costs.

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.

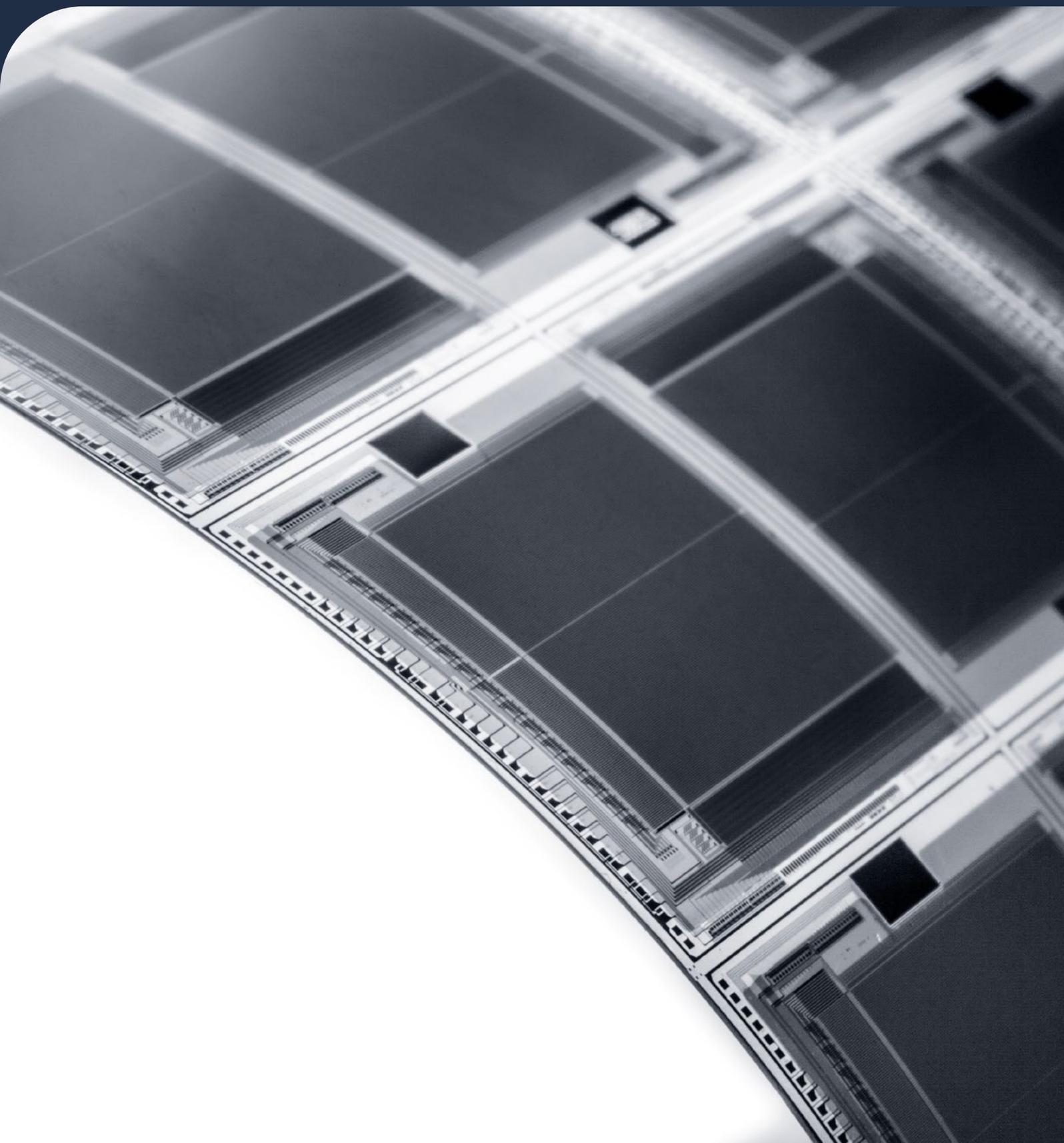
The NEXT Biometrics' Ethical and Corporate Social Responsibility Guidelines contain guidelines for ethical behavior in business relations. These clearly states that NEXT strongly oppose all forms of corruption or bribery. NEXT encourages reporting of suspected misconduct; a «whistle-blower» communication 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 focus on these guidelines and incorporate them into our company culture. The Group will do this by updating and educating the organization.

FINANCIAL STATEMENTS - GROUP



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

(amounts in NOK 1,000)	Notes	2022	2021
Operating revenues	3	46,508	49,788
Other revenues	3	1,784	967
Cost of goods sold	5,12	-33,593	-34,431
Inventory write-downs	12	52	-6,251
Gross margin		14,752	10,073
Payroll expenses	4	-33,385	-45,983
Other operating expenses	5,6,18	-22,207	-15,272
Depreciation and amortization	10,11	-7,229	-7,069
Total operating expenses		-62,822	-68,324
Operating profit (loss)		-48,070	-58,250
Financial income	7	712	1,048
Financial expenses	7	-118	-1,299
Net currency gains (losses)	7	1,082	108
Net financial items		1,676	-143
Profit (loss) before taxes		-46,394	-58,394
Income tax expenses	8	60	-1,621
Profit (loss) after taxes		-46,333	-60,014
Earnings per share (in NOK)			
Basic and diluted	9	-0.50	-0.67
<i>Other comprehensive income (loss) that may be reclassified subsequently to profit and loss:</i>			
Translation differences on net investments in foreign operations		2,610	1,593
Other comprehensive income (loss)		2,610	1,593
Total comprehensive income (loss)		-43,723	-58,422
Profit (loss) after taxes attributable to:			
Owners of the parent company		-46,333	-60,014
Total comprehensive income (loss) attributable to:			
Owners of the parent company		-43,723	-58,422

The consolidated financial statements should be read in conjunction with the accompanying notes.

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

(amounts in NOK 1,000)	Notes	2022	2021
ASSETS			
Deferred tax assets	8	38	32
Intangible assets	10	2,579	3,926
Property, plant and equipment	11	12,347	16,504
Total non-current assets		14,964	20,462
Inventories	12	22,935	18,987
Accounts receivables	13	6,261	11,801
Lease receivables	18	-	517
Other current assets	14	8,387	7,181
Cash	15	69,302	102,706
Total current assets		106,886	141,193
Total assets		121,850	161,655
EQUITY AND LIABILITIES			
Share capital	19	91,981	91,681
Share premium	19	4,049	47,335
Other reserves	19	26,069	71,442
Retained earnings		-26,099	-76,205
Total equity		96,000	134,253
Non-current lease liabilities	18	1,218	1,899
Other non-current liabilities	17	61	128
Total non-current liabilities		1,279	2,027
Accounts payables		7,776	6,786
Income tax payables	8	143	317
Current lease liabilities	18	1,748	2,597
Other current liabilities	17	14,904	15,676
Total current liabilities		24,571	25,376
Total equity and liabilities		121,850	161,655

Oslo, 19 April 2023

The board of directors of NEXT Biometrics Group ASA

/Sign/

Petter Fjellstad
Chairman

/Sign/

Emine Lundkvist
Board member

/Sign/

Siri Børsum
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	2022	2021
Profit (loss) before taxes		-46,394	-58,394
Share based remuneration	19	4,733	8,805
Share based payments social security expense	19	-2,663	4,207
Income taxes paid	8	56	2,386
Depreciation and amortization	10,11	7,229	7,069
Inventory write-downs	12	-52	6,251
Change in inventories		-3,949	2,738
Change in accounts receivables		5,540	-7,745
Change in accounts payables		990	-4,261
Change in other working capital items and other		2,130	-8,738
Net cash flow from operating activities		-32,378	-47,681
Proceeds from disposal of property, plant and equipment and intangible assets	10,11	-	2
Purchase of property, plant and equipment and intangible assets	10,11	-70	-204
Proceeds from lease receivables	18	696	691
Net cash flow from investing activities		626	489
Net proceeds from issue of shares	19	738	86,681
Repayments of interest-bearing loans	16	-	-626
Payment of lease liabilities	18	-2,738	-2,787
Net cash flow from financing activities		-2,000	83,268
Net change in cash flow		-33,751	36,076
Cash balance as of 1 January		102,706	67,950
Effects of exchange rate changes on cash and cash equivalents		347	-1,320
Cash balance as of 31 December		69,302	102,706
Comprising of:			
Cash and cash equivalents	15	69,302	102,706

The consolidated financial statements should be read in conjunction with the accompanying notes.

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 2022		91,681	47,335	71,442	-76,205	134,253
Profit (loss) after taxes					-46,333	-46,333
Other comprehensive income (loss)					2,610	2,610
Total comprehensive income (loss)		-	-	-	-43,723	-43,723
Share issues	19					-
Share issues, options to employees	19	300	447			747
Share issue costs	19		-9			-9
Share based remuneration	19			4,733		4,733
Share-based remuneration reclassification	19			-50,106	50,106	-
Transfer of loss to share premium	19		-43,723		43,723	-
As of 31 December 2022		91,981	4,049	26,069	-26,099	96,000
As of 1 January 2021		75,944	56,633	62,637	-98,027	97,188
Profit (loss) after taxes			-80,244		20,229	-60,014
Other comprehensive income (loss)					1,593	1,593
Total comprehensive income (loss)		-	-80,244	-	21,822	-58,422
Share issues	19	14,820	74,099			88,919
Share issues, options to employees	19	916	1,796			2,712
Share issue costs	19		-4,951			-4,951
Share-based remuneration	19			8,805		8,805
As of 31 December 2021		91,681	47,335	71,442	-76,205	134,253

The consolidated financial statements should be read in conjunction with the accompanying notes.



NOTES TO THE FINANCIAL STATEMENTS - GROUP

NOTE 1 – GENERAL INFORMATION

NEXT Biometrics Group ASA (“Parent company”) is a public limited liability company, incorporated and domiciled in Norway, with headquarter in Apotekergata 10B, 0180 Oslo. 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 five operating subsidiaries (all are 100% owned): NEXT Biometrics AS (Norway) and its subsidiaries NEXT Biometrics Inc. (Seattle, USA), NEXT Biometrics China Ltd. (Shanghai, China), NEXT Biometrics Taiwan Ltd. (Taipei, Taiwan) and NEXT Biometrics Solutions India Pvt. Ltd. (Bengaluru, India).

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 19 April 2023 and is subject to approval by the Annual General Meeting on 12 May 2023.

CHANGES IN ACCOUNTING POLICIES

The accounting policies applied in preparation of the financial statements for the year ended 31 December 2022 are consistent with those applied in the preparation of the prior year financial statements with the exception of the reclassified expenses that are described in [note 5](#).

New and amended standards and interpretations adopted by the Group as of 1 January 2022

The following new amendments applicable for the first time for the annual reporting period commencing 1 January 2022 have been adopted by Next Biometrics Group. The amendments listed below did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-2020, and
- Reference to the Conceptual Framework – Amendments to IFRS 3.

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 2022. These amendments listed below have not been early adopted by the Group and are not expected to have a material impact on the Group.

- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies
- Amendments to IAS 8 – Definition of accounting estimates

- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- FRS 17 Insurance Contracts
- Amendments to IAS 1 – Non-current liabilities with covenants
- IAS 1 Presentation of financial statements – classification of liabilities

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 2022.

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.

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 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 Group's 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 recognizes 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 considers 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

Cash include cash in hand, deposits held at call with banks and bank deposits related to employee withholding tax (restricted funds).

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 it 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 the 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.

Share-based remuneration and option social security costs related to employees and members of the board are charged as payroll expenses, while costs related to 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 judgments 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 cost of options granted to employees and employee option social security costs are classified as employee costs while cost of options granted to consultants/contractors are classified as other operating costs. The Group has applied the 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)	2022	2021
Fingerprint sensor technology	46,508	49,788
Total operating revenues	46,508	49,788

THE GROUP

The Group targets four markets for the technology;

- (i) Notebook
- (ii) Government ID
- (iii) Access control
- (iv) Smart Cards

The same generic fingerprint sensor technology and products is used for all customers. Most of the Group's key IP, including our NEXT Active Thermal™ is shared and used in all products. The employees in the Group work across all products and customers. The R&D personnel are focused on technology, rather than specific customer groups 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 2022 and in 2021, was mainly related to customers geographically located in Asia (Japan, Singapore, China, Taiwan and India).

All of the group's revenue is point in time type of revenue.

Other revenue of NOK 1.8 million mainly relates to sale of electronical components.

The CEO is the chief operating decision maker (CODM) of the group.

NOTE 4 – PAYROLL EXPENSES AND REMUNERATION

(amounts in NOK 1,000)	2022	2021
Salaries, fees	-27,025	-28,563
Share based remuneration (salary part)	-4,728	-8,471
Share based remuneration (employer's tax)	2,663	-4,495
Social security taxes	-2,598	-3,002
Pension contribution	-747	-675
Other personnel expenses	-951	-779
Total payroll expenses	-33,385	-45,983
Average numbers of employees	27	26

The Group employed an average number of employees of 27. In addition, the company has 9 contractors who are working for the company on a part time or full time basis.

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 offers an employee pension plan with an annual contribution of 6% of the salary, but capped at TWD 9000 per month per employee (NOK 2900 per month).

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

NOTE 5 – OTHER OPERATING EXPENSES

(amounts in NOK 1,000)	2022	2021
Product and marketing costs	-2,657	-1,796
R&D costs	-5,516	-5,252
Business services costs	-6,793	-9,769
R&D and government grants ¹	224	10,505
Fees to contractors, auditors, lawyers and others ²	-4,615	-6,124
Other expenses ³	-2,845	-2,872
Share based remuneration (operating part) ⁴	-5	36
Total other operating expenses	(22,207)	(15,272)

¹) R&D grants and other government grants are related to Skattefunn grants in 2021/2022 and US-COVID-19 loan relief in 2021

²) Fees to contractors, auditors, lawyers refers to amounts paid the company's contractors and service providers who are working for the company on a part time or full time basis

³) Share based remuneration (operating part) refers to share options granted to consultants (see [note 19](#) for further information)

⁴) Share based remuneration (operating part) refers to share options granted to contractors (see [note 19](#) for further information)

The company changed its accounting policy on the classification of certain types of transport and logistic costs connected to intra-factory movements in Asia with effect from January 2022. Prior to January 2022, these costs were included in the costs of goods sold cost category. These costs have now been reclassified to other operating expenses. As a result of the change in accounting policy, the company has made the following restatements for the comparative accounting periods in 2021. As a result of the changed cost classification, NEXT costs of goods sold was reduced by NOK 1.1 million for 2021 while other operating costs was increased by the same amounts. See table below for further details.

(amounts in NOK 1 000)	2021	Adjustment	Restated 2021
Operating revenues	49,788		49,788
Other revenues	967		967
Cost of goods sold	-35,531	1,100	-34,431
Inventory write downs	-6,251		-6,251
Gross margin	8,973	1,100	10,073
Payroll expenses	-45,983		-45,983
Other operating expenses	-15,272	-1,100	-16,372
EBITDA	-52,282	-	-52,282
Gross margin (%)	18%		20%
Adjusted Gross margin (%)	30%		32%

NOTE 6 – RESEARCH AND DEVELOPMENT COST

In general, research costs are expensed when incurred. Internal and external researching and development performed in 2022 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 10.2 million in 2022 (2021: NOK 15.5 million), of which NOK 5.7 million (2021: NOK 9.9 million) is presented in payroll expenses and NOK 5.5 million (2021: NOK 5.3 million) in other operating expenses.

Government grants

The subsidiary NEXT Biometrics AS' estimated R&D public grant in connection with SkatteFUNN (Norwegian tax deduction scheme) for 2022 is NOK 1.5 million (2021: NOK 2.5 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 7 – FINANCIAL ITEMS

(amounts in 1,000 NOK)	2022	2021
Interest income	693	646
Interest income on sub-leases (see note 18)	19	62
Other financial income	-	340
Total financial income	712	1,048
Interest expenses	-20	-108
Interest expenses right-to-use assets (see note 18)	-111	-238
Other financial expenses	13	-953
Total financial expenses	-118	-1,299
Realized currency gains (losses)	125	-339
Change in unrealized currency gains (losses)	957	446
Net currency gains (losses)	1,082	108
Net financial items	1,676	-143

Other financial income in 2021 includes fair value gain of NOK 0.3 million of US government loan that was repaid in 2021.

NOTE 8 – INCOME TAXES

(amounts in NOK 1,000)	2022	2021
Current taxes	49	1,730
Change in deferred taxes	-109	-109
Total income tax expenses	-60	1,621

INCOME TAX EXPENSE RECONCILIATION:

(amounts in NOK 1,000)	2022	2021
Profit (loss) before taxes	-46,394	-58,394
Expected income tax expenses at Norwegian nominal tax rate (22%)	-10,207	-12,847
Difference between local tax rates and Norwegian nominal tax rate	-88	40
Effect of change in local tax rates	-	-
Tax effect of permanent differences	529	-1,643
Change in deferred tax assets not recognized	11,020	18,409
Prior year underaccrual/(overaccrual) of income tax	-5,513	-
Other	4,199	-2,338
Actual income tax expenses	-60	1,621
Effective tax rate	0%	-3%

Deferred tax related to the following temporary differences:

(amounts in NOK 1,000)	2022	2021
Property, plant and equipment	-1,783	-3,152
Inventories	-13,254	-13,207
Accounts receivables and other assets	-3,175	-2,005
Lease liabilities	-863	-1,225
Other temporary differences	-2,817	-4,497
Tax losses carried forward	-1,262,587	-1,213,105
Total temporary differences and tax losses carried forward	-1,284,480	-1,237,190
Deferred tax assets	282,560	272,184
Deferred tax assets not recognized	-282,598	-272,216
Deferred tax assets(-)/liability(+) in the balance sheet	-38	-32

As of 31 December 2022, NOK 1 263 million (2021: NOK 1 213 million) of tax losses carried forward are related to the Norwegian companies with no limitations 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)	2022	2021
Deferred tax assets	38	32
Deferred tax liabilities	-	-
Net deferred taxes as of 31 December	38	32

NOTE 9 – EARNINGS PER SHARE

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

	2022	2021
Profit (loss) after taxes (NOK 1,000)	-46,333	-60,014
Number of shares outstanding as of 1 January	91,680,763	75,944,489
New shares issued during the year (see note 19)	-	14,819,897
Exercised incentive options during the year (see note 19)	300,000	916,377
Number of shares outstanding as of 31 December	91,980,763	91,680,763
Weighted average number of shares for the year *	91,791,722	89,246,049
Effect of dilution option programmes	-	-
Weighted average number of shares adjusted for effect of dilution	91,791,722	89,246,049
Earnings per share, basic and diluted (NOK)	-0.50	-0.67

* 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 10 – 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)	2022	2021
Accumulated cost as of 1 January	27,471	26,780
Additions	-	-
Disposals at cost	-	-
Translation differences	2,308	691
Accumulated cost as of 31 December	29,779	27,471
Accumulated amortization and impairment losses as of 1 January	-23,545	-21,345
Amortization	-1,393	-1,607
Accumulated amortization and impairment losses of disposed items	-	-
Translation differences	-2,262	-593
Accumulated amortization and impairment losses as of 31 December	(27,200)	(23,545)
Carrying amount as of 31 December	2,579	3,926
Amortization period in years (straight line)	3-12	3-12

As of 31 December 2022, in carrying amount, there is no internally generated assets, the net book value of intangible assets of NOK 2.6 million (2021: NOK 3.9 million) are separately acquired assets. There are no impairments related to intangible assets in 2022 and 2021.

The patent and know-how (IP) is amortized over 12 years (equal to the patent life from initial recognition) and the source code license is amortized over 5 years.

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

(amounts in NOK 1,000)	2022			2021		
	PPE	RoU-assets	Total	PPE	RoU-assets	Total
Accumulated cost as of 1 January	41,595	4,852	46,447	55,251	8,769	64,020
Additions	68	1,020	1,089	203	3,828	4,031
Disposals at cost	-6,924	-817	-7,741	-15,548	-7,850	-23,398
Translation differences	1,357	366	1,724	1,689	104	1,794
Accumulated cost as of 31 December	36,097	5,421	41,519	41,595	4,852	46,447
Accumulated depreciation and impairment losses as of 1 January	-28,581	-1,361	-29,942	-39,224	-7,599	-46,823
Depreciation	-3,946	-1,887	-5,833	-3,734	-1,728	-5,461
Impairment losses	-	-	-	-	-	-
Accumulated depreciation and impairment losses of disposed items	6,875	817	7,692	15,500	7,850	23,350
Translation differences	-977	-111	-1,088	-1,123	116	-1,007
Accumulated depreciation and impairment losses as of 31 December	(26,629)	(2,542)	(29,171)	(28,581)	(1,361)	(29,942)
Carrying amount as of 31 December	9,468	2,879	12,347	13,014	3,491	16,504
Depreciation period in years (straight line)	3-10	2-4		3-10	2-4	

As of 31 December 2022, carrying amount of property, plant and equipment consists of machinery of NOK 9.3 million (2021: NOK 12.7 million) and office equipment of NOK 0.2 million (2021: NOK 0.3 million). Additions in 2022 for right-of-use assets (RoU-assets) were mainly related to new office lease in Oslo. See also [note 18](#) for further information regarding leases. There are no impairments related to property, plant and equipment in 2022 and 2021.

Right-of-use assets (RoU-assets) represent office leases.



NOTE 12 – INVENTORIES

(amounts in NOK 1,000)	2022	2021
Raw material, consumables and supplies	12,732	10,587
Work in progress	3,139	3,367
Finished products	7,065	5,033
Total inventories	22,935	18,987

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 2022, net reversal of write-downs on inventories was NOK 0.05 million (reversal of writedown) while the write-down of inventories was NOK 6.3 million in 2021 (net cost).

NOTE 13 – ACCOUNTS RECEIVABLES

(amounts in NOK 1,000)	2022	2021
Accounts receivables - gross	9,115	14,092
Accounts receivables - loss allowance	-2,853	-2,291
Total accounts receivables as of 31 December	6,261	11,801

2022

(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)	3,754	1	80	276	
Loss allowance (Class 1 and 2)	-	-	2	14	15
Gross carrying amount (Class 3)			2,165	2,839	
Loss allowance (Class 3: individual assessment)				2,839	2,839
Total loss allowance					2,854

2021

(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)	10,851	351	29	12	
Loss allowance (Class 1 and 2)	-	4	1	1	5
Gross carrying amount (Class 3)				2,540	
Loss allowance (Class 3: individual assessment)				2,286	2,286
Total loss allowance					2,291

(amounts in NOK 1,000)	2022	2021
Opening balance	2,291	2,350
This year's allowance for expected credit loss	15	5
This year actual credit loss	-4	-
Change in estimate previous year's expected credit loss	551	(64)
Closing balance	2,854	2,291

NEXT's major customers are represented in class one while other customers are defined as class two. Further, class three customers are defined as customers that have significant overdue balances and/or where there is an increased risk of non-payment relative to class one and two.

IMPAIRMENT OF FINANCIAL ASSETS

The increase in allowance for expected credit loss as per 31 December is due to increased provisions on long dated receivables and strengthening of the USD/NOK exchange rate from 2021 to 2022.

NOTE 14 – OTHER NON-CURRENT AND CURRENT ASSETS

(amounts in NOK 1,000)	2022	2021
Prepayments	2,060	2,575
Government grants (see note 6)	1,541	2,525
Deposits	923	896
Income taxes and other taxes receivables	325	843
Other receivables	3,538	342
Total other current assets as of 31 December	8,387	7,181

The group had NOK 3.5 million in other receivables as per 31 December 2022, of which NOK 1.7 million that mainly relates to estimated refunds of public duties.

NOTE 15 - CASH

(amounts in NOK 1,000)	2022	2021
Cash - unrestricted	68,682	101,998
Cash - employee withholding tax deposits	621	708
Total cash	69,302	102,706

NOTE 16 – INTEREST-BEARING LOANS

The group had no interest bearing loans as per year-end 2022 and 2021. 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. NEXT qualified for loan forgiveness amounting to NOK 8.0 million and repaid the remaining loan balance of NOK 0.6 million during 2021. Interest expense for 2021 amounted to NOK 0.1 million (2020: NOK 0.3 million). Net fair value, interest and exchange gain was NOK 0.7 million in 2021.

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

(amounts in NOK 1,000)	2022	2021
Opening balance	-	7,955
Loan relief	-	-8,040
Changes from financing cash flows	-	-626
Net changes in foreign exchange rates and fair value	-	710
Closing balance as of 31 December	-	-

NOTE 17 – OTHER CURRENT LIABILITIES

(amounts in NOK 1,000)	2022	2021
Accrued salary, vacation pay and board remuneration	1,797	2,704
Public duties payable	3,430	1,825
Share options social security tax	1,614	4,277
Unearned revenue	-	59
Other current liabilities	8,064	6,810
Total other current liabilities	14,904	15,676

Other current liabilities of NOK 8.1 million mainly relates to uninvoiced goods and services that has been received by the group.

For financial liabilities at amortised cost, the carrying amount is assessed to be a reasonable approximation of fair value. All items above are at amortised cost or nominal value.

NOTE 18 – LEASES

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

(amounts in NOK 1,000)	2022	2021
Property - office leases (included in "Property, plant and equipment")	2,879	3,491
Total right-of-use assets	2,879	3,491
Current lease receivables	-	517
Total lease receivables	-	517
Non-current lease liabilities	1,218	1,899
Current lease liabilities	1,748	2,597
Total lease liabilities	2,966	4,496

See [note 11](#) for more information regarding right-of-use assets.

In 2021, the office lease agreements in China, USA and Taiwan expired and the Group entered into new office leases with significantly smaller individual office sizes and monthly cost. The individual lease terms for the new leases are 2-3 years including extension periods. The new lease agreements were recognized with NOK 3.8 million in right-of-use assets and NOK 3.7 million in lease liabilities.

The office lease in Norway related to the company's previous office was subleased from October 2020. Related lease receivable for the sublease was NOK 0.5 million as per 31 December 2021. The office lease expired and the sublease was terminated in December 2022.

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

(amounts in NOK 1,000)	2022	2021
Gain on sub-lease (included in "Other revenues")	-	-
Depreciation property right-of-use assets (included in "Depreciation and amortization")	-1,887	-1,728
Impairment losses property right-of-use assets (included in "Impairment losses")	-	-
Expenses relating to low-value leases (included in "Other operating expenses")	-	-
Expenses relating to short-term leases (included in "Other operating expenses")	-	-
Gain on changes in lease liabilities (included in "Other financial income")	-	-
Interest income (included in "Financial income")	19	62
Interest expenses (included in "Financial expenses")	-111	-238
Net expenses related to leases	-1,979	-1,903

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

(amounts in NOK 1,000)	2022	2021
Opening balance	4,496	3,254
Changes from financing cash flows	-2,738	-2,787
Changes in lease liabilities due to new/amended lease agreements or CPI adjustments	992	3,774
Other changes	-88	66
Translation differences	304	190
Closing balance as of 31 December	2,966	4,496

The total cash outflow for leases in 2022 was NOK 2.7 million (2021: NOK 2.8 million).

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

(amounts in NOK 1,000)	2022	2021
Within one year	2,140	2,725
More than 1 year but within 5 years	1,033	1,987
After 5 years	-	-
Total contractual cash flows related to leases	3,173	4,712

NOTE 19 – 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 91,980,763 shares in the company on 31 December 2022, compared to 91,680,763 shares on 31 December 2021. At the end of 2022 there were 4,392 shareholder accounts compared to 5,377 at the end of 2021.

NUMBER OF SHARES OUTSTANDING		
(amounts in NOK 1,000)	2022	2021
Opening balance	91,680,763	75,944,489
Share issue(s)	-	14,819,897
Exercised incentive share options	300,000	916,377
Closing balance	91,980,763	91,680,763

In August 2022, 300,000 share options were exercised at an average subscription price of NOK 2.49 per share, corresponding to gross proceeds of NOK 0.7 million. Total net proceeds from share issues for the year 2022 amounted to NOK 0.7 million.

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

In February 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 was NOK 4.8 million and net proceeds were NOK 84 million. Moreover, in May and September 2021, NEXT issued additional 916,377 shares and raised total gross proceeds of NOK 2.7 million in two equity issues related to exercise of employee share options. Total net proceeds for the year 2021 amounted to NOK 86.7 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 has no interest bearing debt by the end of 2022.

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

Equity ratio	2022	2021
Total equity	96,000	134,253
Total assets	121,850	161,655
Equity share	79%	83%

Capital resources	2022	2021
Current debt	24,571	25,376
Non-current debt	1,279	2,027
Less cash	-69,302	-102,706
Net debt (net cash)	-43,452	-75,303
Total equity	96,000	134,253
Total capital resources	52,548	58,949
Gearing ratio (%)	-83%	-128%

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

Top 20 shareholders at 31 December 2022	Number of shares	Percent of shares
Skandinaviska Enskilda Banken AB	7,413,614	8.1 %
TVENGE TORSTEIN INGVALD	6,000,000	6.5 %
SILVERCOIN INDUSTRIES AS	5,360,770	5.8 %
NORUS AS	4,600,000	5.0 %
UBS Switzerland AG	3,369,331	3.7 %
BNP Paribas	3,257,000	3.5 %
NORUS HOLDING DATTER AS	3,135,000	3.4 %
SONGA CAPITAL AS	2,505,486	2.7 %
LUCELUM AS	2,350,000	2.6 %
CAMIKO AS	2,109,912	2.3 %
CAMACA AS	1,950,602	2.1 %
DNB Markets Aksjehandel/-analyse	1,868,325	2.0 %
ECOMNEX HOLDING AS	1,519,484	1.7 %
AS AUDLEY	1,474,037	1.6 %
MUEN INVEST AS	1,300,000	1.4 %
Avanza Bank AB	1,276,927	1.4 %
HANOMA HOLDING AS	1,201,000	1.3 %
SPECTER INVEST AS	1,186,000	1.3 %
AVEO INVEST AS	1,160,000	1.3 %
SIX-SEVEN AS	1,124,909	1.2 %
TOTAL top 20	54,162,397	58.9 %
Others	37,818,366	41.1%
Total number of shares	91,980,763	100.0%

Shares owned by Executives and Directors of the Board	Number of shares	Percent of shares	Held through
Senior Executives			
Peter Heuman, CEO	0	0.00%	
Eirik Underthun, CFO	0	0.00%	
Ulf Ritsvall, SVP Sales and Marketing	0	0.00%	
Board of Directors			
Petter Fjeldstad, Chairman	832,779	0.91%	Aponia AS
Odd-Harald Hauge	548,907	0.60%	Odd-Harald Hauge
Siri Børsum	0	0.00%	
Emine Lundkvist	79,738	0.09%	
Nomination Committee			
Jon Frode Vaksvik	35,000	0.04%	Jon Frode Vaksvik & Skavak Invest AS
Haakon Sæter ¹	6,485,679	7.05%	Silvercoin Industries AS, Six-Seven AS & Haakon Sæter
Hans Herman Horn	8,510,000	9.25%	NORUS AS, Norus Holding Datter AS, Edgewater Datter AS & Hans Herman Horn
	16,492,103	17.93%	

¹⁾ In addition to the shares held directly through Silvercoin Industries AS and Six-Seven AS, Silvercoin Industries AS held futures contracts on 2,000,000 NEXT shares as per 31 December 2022.

As of 31 December 2022, the Company has one share option program:

1) 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 are fully vested as per 31. December 2021. The options in the 2021 program vest 1/3 in quarter three 2021, 1/3 in quarter three 2022 and 1/3 in quarter three 2023. The options allocated to employees in the 2022 program vest 1/3 in quarter three 2022, 1/3 in quarter three 2023 and 1/3 in quarter three 2024. The options allocated to the board member in the 2022 program vest 1/2 in quarter three 2022 and 1/2 in quarter three 2023. The options in the 2020, 2021 and 2022 program expire 3 years after the options have been granted.

There are currently an accumulated 11,932,228 (13.0% of total number of shares in the Company) share options outstanding. Out of these, 8,755,897 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 Annual General Meeting (AGM) 19 May 2022 the Board of Directors was granted authorization to issue up to 9,309,100 shares in the company in relation to options granted to employees and board members.

2022			2021	
Options - movement	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding options - Beginning period	9,828,646	4.84	6,682,460	5.17
Granted	2,681,000	4.83	4,649,998	6.09
Exercised	-300,000	2.49	-916,377	2.96
Forfeited or expired	-277,418	-	-587,435	-
Modifications	-	-	-	-
Outstanding options - End period	11,932,228	4.86	9,828,646	4.84
Vested options - End period	8,755,897	4.66	6,665,419	4.25

2022			2021	
	Number of options	Weighted average fair value	Number of options	Weighted average fair value
Granted options - During period	2,681,000	1.32	4,649,998	2.58

2022				
	Net expense in the period (NOK 1,000)	Of which adjustment prior periods expense because 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)
2016-2019 grants	39		-	623,565
2020 grants	-	-	-	4,586,000
2021 grants	3,540	-183	1,057	4,140,997
2022 grants	1,154	-20	2,238	2,581,666
Total	4,733	-203	3,296	11,932,228

2022				
	Range of exercise price	Weighted average remaining contractual life (years)	Number of options expected to vest (number of options)	Total number of options outstanding (number of options)
2016-2019 grants	3,13-78,04	2.3	623,565	623,565
2020 grants	2,49-3,21	0.47	4,586,000	4,586,000
2021 grants	4,32-7,45	1.47	4,001,031	4,140,997
2022 grants	4,48-4,89	2.41	2,362,082	2,581,666
Total	-	-	11,572,678	11,932,228

The fair value for the share-based options granted in the year has been calculated by use of the Black (1976) option-pricing model for 2021 and Black-Scholes for 2022 and the following assumptions have been applied in 2022 and 2021:

Exercise price:

2022: Weighted average NOK 4.83 per share

2021: Weighted average NOK 6.09 per share

Vesting period:

2022 employee options: 1/3 have 1 years, 1/3 have 2 years and 1/3 have 3 years

2022 board of director options: 1/2 have 1 years, 1/2 have 2 years

2021: 1/3 have 1 years, 1/3 have 2 years and 1/3 have 3 years

Volatility:

2022: 45%-93% depending on time to maturity of individual options.

2021: 90%

Risk free interest rate:

2022: 1.24%-2.92% depending on time to maturity of individual options.

2021: 0.33%-0.73% depending on time to maturity of individual options.

Attrition:

2022: Estimated 10%-15% attrition depending on time to maturity of individual non-vested share-based options.

2021: Estimated 10%-15% attrition depending on time to maturity of individual non-vested share-based options.

No expected dividend payment

NOTE 20 – REMUNERATION KEY PERSONNEL AND AUDIT FEES

ACTUAL REMUNERATION - SENIOR EXECUTIVES

2022

(amounts in NOK 1,000)	Board remuneration	Salary	Bonus	Other benefits	Pension cost	Fair value granted options *	Total remuneration
Senior Executives							
Peter Heuman, CEO	-	3,493	800	4	162	1,509	5,968
Eirik Underthun, CFO	-	1,805	-	4	162	704	2,675
Ulf Ritsvall, SVP Sales and marketing	-	1,706	-	2	-	1,402	3,110
Board of Directors							
Petter Fjeldstad, Chairman	500	-	-	-	-	-	500
Odd Harald Hauge	200	-	-	-	-	-	200
Emine Lundkvist	200	-	-	-	-	-	200
Siri Børsum ¹	-	-	-	-	-	96	96
Live Haukvik ²	200	-	-	-	-	-	200
Nomination committee							
Jon Frode Vaksvik, Chairman	30	-	-	-	-	-	30
Haakon Sæter	20	-	-	-	-	-	20
Hans-Herman Horn	20	-	-	-	-	-	20
Total remuneration	1,170	7,004	800	10	324	3,712	13,020

* 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).

¹ Siri Børsum was board member from 19 May 2022.

² Live Haukvik was board member until 19 May 2022.

ACTUAL REMUNERATION - SENIOR EXECUTIVES

2021

2021 (amounts in NOK 1,000)	Board remuneration	Salary	Bonus	Other benefits	Pension cost	Fair value granted options *	Total remuneration
Senior Executives							
Peter Heuman, CEO	-	3,534	1,700	4	145	3,209	8,592
Eirik Underthun, CFO	-	1,731	-	5	145	1,257	3,138
Ulf Ritsvall, SVP Sales and marketing ¹	-	366	-	5	-	180	551
Board of Directors							
Petter Fjeldstad, Chairman	500	-	-	-	-	-	500
Odd Harald Hauge	200	-	-	-	-	-	200
Emine Lundkvist	200	-	-	-	-	-	200
Live Haukvik	200	-	-	-	-	-	200
Nomination committee							
Jon Frode Vaksvik, Chairman	30	-	-	-	-	-	30
Haakon Sæter	20	-	-	-	-	-	20
Hans-Herman Horn ²	-	-	-	-	-	-	-
Total remuneration	1,150	5,631	1,700	14	290	4,646	13,431

¹ Ulf Ritsvall was SVP sales and marketing effective from 18 October 2021.

² Hans Herman Horn was elected as new member of the nomination committee at the annual general meeting held on 12 May 2021.

CEO REMUNERATION

Peter Heuman has a salary of NOK 2.9 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 2022 and 2021 and the company also paid pension benefits as salary for the amount in excess of the company's standard pension contribution for 2022 and 2021, which is reported under salary in the tables above.

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 as per 31 December 2022.

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 of share options will represent a dilution. At the end of 2022, the number of outstanding options to senior executives amounted to 9,780,000 corresponding to 10.6% of the share capital. At the end of 2021, the number of outstanding options to senior executives amounted to 8,080,000 corresponding to 8.8% of the share capital. For further details regarding share-based remuneration, see [note 19](#).

OPTIONS - SHARE BASED REMUNERATION

2022	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	4,720,000	-	-	-	-	4,720,000	3.99
Eirik Underthun, CFO	1,300,000	200,000	-	-	-	1,500,000	4.67
Ulf Ritsvall, SVP Sales and Marketing	400,000	1,500,000	-	-	-	1,900,000	5.34
Board of Directors							
Petter Fjeldstad, Chairman	1,030,000	-	-	-	-	1,030,000	2.66
Odd Harald Hauge	200,000	-	-	-	-	200,000	2.49
Emine Lundkvist	230,000	-	-	-	-	230,000	3.27
Siri Børsum	-	200,000	-	-	-	200,000	4.89
Live Haukvik	200,000	-	-	-200,000	2.49	-	-
Total	8,080,000	1,900,000	-	-		9,780,000	

2021	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	2,720,000	2,000,000	-	-	-	4,720,000	3.99
Eirik Underthun, CFO	1,000,000	800,000	-	-500,000	2.49	1,300,000	4.63
Ulf Ritsvall, SVP Sales and Marketing	-	400,000	-	-	-	400,000	7.25
Board of Directors							
Petter Fjeldstad, Chairman	1,030,000	-	-	-	-	1,030,000	2.66
Odd Harald Hauge	200,000	-	-	-	-	200,000	2.49
Emine Lundkvist	230,000	-	-	-	-	230,000	3.27
Live Haukvik	200,000	-	-	-	-	200,000	2.49
Total	5,380,000	3,200,000	-	-		8,080,000	

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)

AUDIT FEES

(amounts in NOK 1,000)	2022	2021
Audit fee	829	693
Attestation	75	-
Tax services	74	241
Non-audit services	-	22
Total audit fees	979	956

NOTE 21 – CLIMATE RISK

The Group does not own or operate manufacturing facilities. Manufacturing is done through third parties. Climate impact and potential risk is low in the short to medium term. The Group is not directly impacted by physical climate risk such as potential flooding or general increase in the sea level. Moreover, the Group does not face any potential liabilities due to damage caused by climate change. Still, the Group is likely to be impacted by the regulatory and technological changes that are to be implemented (in the future) to reach a carbon neutral society, which may lead to long term increased electronic component purchase and manufacturing costs.

NOTE 22 - RELATED PARTIES

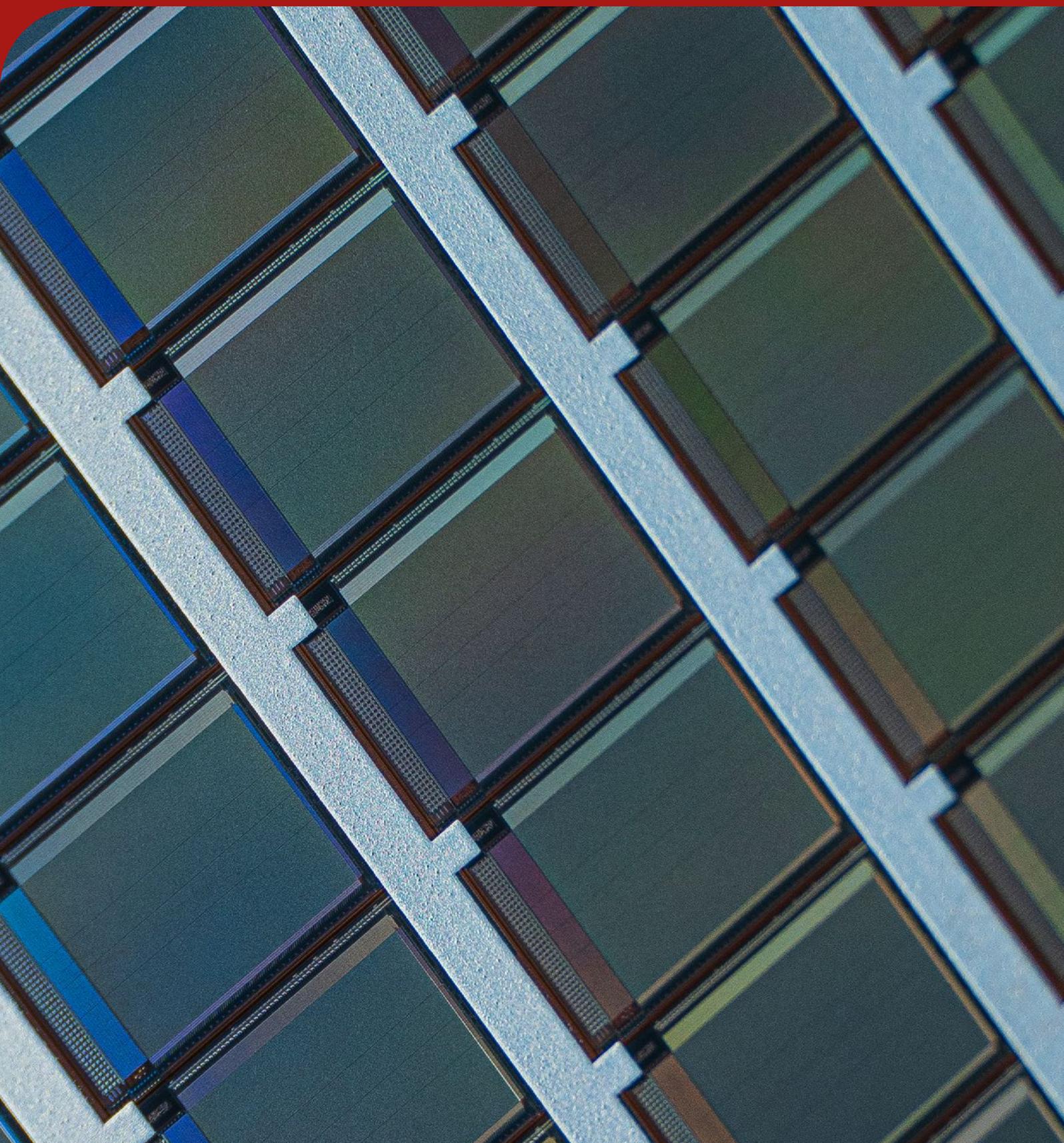
The Group's significant shareholders, board members and management are considered related parties. Transactions between related parties are always aims at being carried at arm's length principle.

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 20](#).

NOTE 23 - EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Between 31 December 2022 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 2022 or the value of the Group or the parent company's assets and liabilities as of 31 December 2022.

FINANCIAL STATEMENTS - PARENT COMPANY



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

(amounts in NOK 1,000)	Notes	2022	2021
Operating revenues	2	9,324	8,253
Other revenues	2	179	65
Total revenues		9,503	8,318
Payroll expenses	3	-12,551	-11,532
Share based remuneration	3	-1,197	-10,166
Other operating expenses	4	-6,656	-6,527
Depreciation and amortization	7,8	-1,170	-1,139
Impairment losses	7,8	-	-
Total operating expenses		-21,574	-29,364
Operating profit (loss)		-12,070	-21,046
Financial income	5	1,165	1,171
Financial expenses	5	-11	-250
Net currency gains (losses)	5	870	796
Net financial items		2,024	1,717
Profit (loss) before taxes		-10,046	-19,329
Income tax expenses	6	-	-
Profit (loss) after taxes		-10,046	-19,329
Other comprehensive income (loss)		-	-
Total comprehensive income (loss)		-10,046	-19,329

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

(amounts in NOK 1,000)	Notes	2022	2021
Intangible assets	7	2,250	3,000
Property, plant and equipment	8,15	935	333
Shares in subsidiaries	9	215,870	173,870
Loans to group companies	10	8,532	18,021
Total non-current assets		227,588	195,223
Accounts receivables	11	-	307
Lease receivables	15	-	517
Other current assets	11,15	2,981	1,471
Cash	12	37,486	77,523
Total current assets		40,467	79,819
Total assets		268,054	275,042
EQUITY AND LIABILITIES			
Share capital	13	91,981	91,681
Share premium	13	108,687	108,250
Other reserves	13	19,091	65,337
Retained earnings	13	40,060	-
Total equity		259,819	265,268
Non-current lease liability	15	403	-
Total non-current liabilities		403	-
Accounts payables		528	543
Current lease liabilities	15	461	1,225
Other current liabilities	14	6,843	8,006
Total current liabilities		7,832	9,774
Total equity and liabilities		268,054	275,042

Oslo, 19 April 2023

The board of directors of NEXT Biometrics Group ASA

/Sign/

Petter Fjellstad
Chairman

/Sign/

Emine Lundkvist
Board member

/Sign/

Siri Børsum
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	2022	2021
Profit (loss) before taxes		-10,046	-19,329
Share based remuneration	13	3,860	5,958
Accrued share option social security cost	13	-2,663	4,207
Depreciation and amortization	7,8	1,170	1,139
Change in accounts receivables		307	15
Change in accounts payables		-14	-1,138
Change in other working capital items and other		-862	134
Net cash flow from operating activities		-8,248	-9,013
Net financing of subsidiary	9,10	-31,860	-43,065
Proceeds from lease receivables	15	723	691
Net cash flow from investing activities		-31,137	-42,374
Net proceeds from issue of shares	13	738	86,681
Payment of lease liabilities	15	-1,390	-1,100
Net cash flow from financing activities		-652	85,581
Net change in cash flow		-40,037	34,194
Cash balance as of 1 January		77,523	43,329
Effects of exchange rate changes on cash and cash equivalents		652	67
Cash balance as of 31 December		37,486	77,523
Comprising of:			
Cash and cash equivalents	12	37,486	77,523

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	Retained earnings	Total equity
As of 1 January 2022		91,681	108,250	65,337	-	265,268
Profit (loss) after taxes					-10,046	-10,046
Other comprehensive income (loss)						-
Total comprehensive income (loss)		-	-	-	-10,046	-10,046
Share issues	13					
Share issues, options to employees	13	300	438			738
Share issue costs	13					-
Share-based remuneration				3,860		3,860
Share-based remuneration, reclassification	13			-50,106	50,106	-
As of 31 December 2022		91,981	108,687	19,091	40,060	259,819
As of 1 January 2021		75,944	56,633	62,637	-	195,215
Profit (loss) after taxes			-19,329			-19,329
Other comprehensive income (loss)						-
Total comprehensive income (loss)		-	-19,329	-	-	-19,329
Share issues	13	14,820	74,099			88,919
Share issues, options to employees	13	916	1,796			2,712
Share issue costs	13		-4,951			-4,951
Share-based remuneration	13			2,700		2,700
As of 31 December 2021		91,681	108,250	65,337	-	265,268

NOTES TO THE FINANCIAL STATEMENTS - PARENT COMPANY

NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NEXT Biometrics Group ASA is a holding company and contains the activities that are performed in Norway including 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 2022.

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 2022, 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 from NEXT Biometrics AS totals to NOK 9.3 million in 2022 (2021: NOK 8.3 million).

Other revenues amounting to NOK 0.2 million represent rental income and sale of office equipment relating to the company's prior office location in Oslo.

NOTE 3 - PAYROLL EXPENSES

(amounts in NOK 1,000)	2022	2021
Salaries, fees	-9,815	-9,543
Share based remuneration (salary part)	-3,860	-5,958
Share based remuneration (employer's tax)	2,663	-4,207
Social security taxes	-2,225	-1,615
Pension contribution	-440	-432
Other personnel expenses	-70	57
Total payroll expenses	-13,748	-21,698
Average numbers of employees	5	3

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 2022, there were 5 employees in the parent company.



NOTE 4 – OTHER OPERATING EXPENSES

(amounts in NOK 1,000)	2022	2021
Fees to consultants, lawyers and others	-4,142	-3,948
Travel expenses	-297	-90
Other expenses	-2,217	-2,489
Total other operating expenses	-6,656	-6,527

Other expenses include insurance, marketing expenses, Oslo stock exchange fees, DNB stock register fee and other costs.

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

(amounts in NOK 1,000)	2022	2021
Audit fee	-479	-353
Attestation	-75	-
Tax services	-74	-241
Non-audit services	-	-22
Total audit fees	-629	-616

NOTE 5 – FINANCIAL ITEMS

(amounts in 1,000 NOK)	2022	2021
Interest income from group companies (see note 10)	574	527
Interest income on sub-leases (see note 15)	19	62
Interest income	572	581
Total financial income	1,165	1,171
Interest expenses	-6	-57
Interest expenses right-to-use assets (see note 15)	38	-100
Other financial expenses (leases)	-44	-93
Total financial expenses	-11	-250
Realized currency gains (losses)	646	287
Change in unrealized currency gains (losses)	225	509
Net currency gains (losses)	870	796
Write-down on investments in subsidiaries (see note 9)	-	-
Net financial items	2,024	1,717

NOTE 6 – INCOME TAXES

(amounts in NOK 1,000)	2022	2021
Current taxes	-	-
Change in deferred taxes	-	-
Total income tax expenses	-	-
Income tax expense reconciliation:		
Profit (loss) before taxes	-10,046	-19,329
Expected income tax expenses at Norwegian nominal tax rate (22%)	-2,210	-4,252
Tax effect of permanent differences	850	224
Change in deferred tax assets not recognized	1,360	4,029
Actual income tax expenses	-	-
Effective tax rate	0%	0%

Deferred tax related to the following temporary differences:

(amounts in NOK 1,000)	2022	2021
Property, plant and equipment	935	332
Long term loans	-	-
Lease receivables	-	-39
Lease liabilities	-	-
Other temporary differences	-2,801	-5,541
Tax losses carried forward	-216,511	-206,986
Total temporary differences and tax losses carried forward	-218,377	-212,234
Deferred tax assets	-48,043	-46,691
Deferred tax assets not recognized	48,043	46,691
Deferred tax assets in the balance sheet	-	-

Tax losses carried forward has no limitations 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)	2022	2021
Deferred tax assets	-	-
Deferred tax assets	-	-
Net deferred taxes as of 31 December	-	-

The following table illustrates the basis for calculation of current tax:

(amounts in NOK 1,000)	2022	2021
Profit (loss) before taxes	-10,046	-19,329
Permanent differences	3,864	1,017
Change in temporary differences	-3,343	3,547
Basis for current taxes	-9,525	-14,765

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)	2022	2021
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	-4,459	-3,709
Amortization	-750	-750
Accumulated amortization and impairment losses of disposed items	-	-
Translation differences	-	-
Accumulated amortization and impairment losses as of 31 December	-5,209	-4,459
Carrying amount as of 31 December	2,250	3,000
Amortization period in years (straight line)	12	12

The individual intangible asset is not considered as separate cash generating units. Rather, that assets are evaluated for impairment in combination with other assets. Therefore, impairment tests have been performed as part of an overall impairment assessment. Consequently, it was concluded that there was no need for impairment of intangible assets. See [note 9](#) for further information.

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT

(amounts in NOK 1,000)	2022			2021		
	Office furniture and equipment	RoU-assets	Total	Office furniture and equipment	RoU-assets	Total
Accumulated cost as of 1 January	532	817	1,349	532	801	1,333
Additions	-	1,020	1,020	-	16	16
Disposals at cost	-532	-817	-1,349	-	-	-
Accumulated cost as of 31 December	-	1,021	1,021	532	817	1,349
Accumulated depreciation and impairment losses as of 1 January	-532	-485	-1,017	-532	-96	-628
Depreciation	-	-417	-417	-	-389	-389
Impairment losses	-	-	0	-	-	-
Accumulated depreciation and impairment losses of disposed items	532	817	1,349	-	-	-
Accumulated depreciation and impairment losses as of 31 December	-	-85	-85	-532	-485	-1,017
Carrying amount as of 31 December	-	935	935	-	332	332
Depreciation period in years (straight line)	3	2-4		3	2-4	

Right-of-use assets (RoU-assets) represent office leases. Additions in 2022 for right-of-use assets (RoU-assets) were related to renewal of the existing office lease in Oslo. The lease term for the new office lease is 2 years. See also [note 15](#) for further information regarding leases.

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 % 2022	Ownership / voting interest in % 2021
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%

Next Biometrics s.r.o was liquidated early 2022.

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

(amounts in NOK 1,000)	2022	2021
NEXT Biometrics AS	215,870	173,870
Total shares in subsidiaries	215,870	173,870

The change in carrying amount from 31 December 2021 to 31 December 2022, is related to capital increases of NOK 42 million.

The individual share in subsidiary asset is not considered as separate cash generating units. Rather, that assets is evaluated for impairment in combination with other assets. The main asset in the parent company is shares in subsidiaries. The market value of equity is considered to be the market value of equity based on the closing stock price at Oslo Stock Exchange at year-end 2022. The closing stock price was NOK 4,495 per share, which corresponds to a total market value of NOK 413.5 million. The market value of the company was higher than book value of equity of the parent company as per 31 December 2022, and management assessed that there was no indication of impairment.

NOTE 10 – LOANS TO GROUP COMPANIES

(amounts in NOK 1,000)	2022	2021
Loan to NEXT Biometrics Taiwan Ltd.	8,532	13,669
Loan to NEXT Biometrics AS	-	4,351
Total loans group companies as of 31 December	8,532	18,021

The loan to NEXT Biometrics Taiwan Ltd. was charged with NIBOR 6 months + 1.0%. Interest for 2022 amounted to NOK 0.4 million (2021: NOK 0.3 million).

The parent company also had a short-term loan to NEXT Biometrics AS as per 31 December 2021. Interest was charged with NIBOR 6 months + 2.0%. Interest for 2022 amounted to NOK 0.2 million (2021: NOK 0.2 million). The loan was repaid in November 2022.

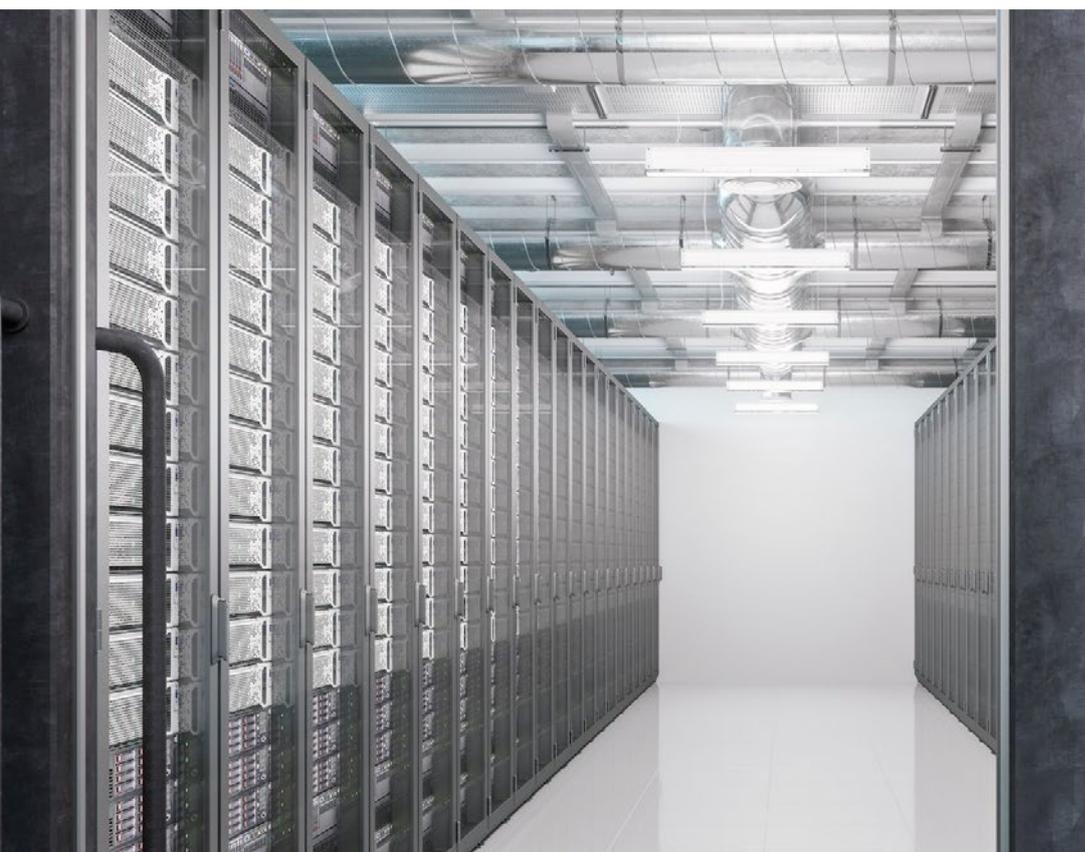
NOTE 11 – ACCOUNTS RECEIVABLES AND OTHER ASSETS

(amounts in NOK 1,000)	2022	2021
Accounts receivables - gross	-	307
Total accounts receivables	-	307
Lease receivables (see note 15)	-	517
Total lease receivables	-	517
Receivables NEXT Biometrics AS	141	63
Prepayments	397	470
Deposits	692	676
Other receivables	1,751	262
Total other current assets	2,981	1,471

The company had NOK 2.9 million in other current assets as per 31 December 2022, of which NOK 1.7 million is classified as other receivables that mainly relates to estimated refunds of public duties.

NOTE 12 - CASH

(amounts in NOK 1,000)	2022	2021
Cash - unrestricted	36,865	76,814
Cash - employees withheld payroll tax deposits	621	708
Total cash	37,486	77,523



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	2022	2021
Opening balance	91,680,763	75,944,489
Share issue(s)		14,819,897
Exercised incentive share options	300,000	916,377
Closing balance	91,980,763	91,680,763

For further information regarding share capital, shareholder's information and share-based options, please refer to [note 19](#) in group consolidated financial statement.

NOTE 14 - OTHER LIABILITIES

(amounts in 1,000 NOK)	2022	2021
Accrued salary, vacation pay and board remuneration	1,598	1,418
Public duties payable	3,327	1,690
Share options social security tax	1,614	4,277
Unearned revenue	-	59
Other current liabilities	304	562
Total other current liabilities	6,843	8,006

For financial liabilities at amortised cost, the carrying amount is assessed to be a reasonable approximation of fair value. All items above are at amortised cost or nominal value.



NOTE 15 – LEASES

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

(amounts in NOK 1,000)	2022	2021
Property - office leases (included in "Property, plant and equipment")	935	332
Total right-of-use assets	935	332
Current lease receivables (included in "Other current assets")	-	517
Total lease receivables	-	517
Non-current lease liabilities (included in "Other non-current liabilities")	403	-
Current lease liabilities (included in "Other current liabilities")	461	1,225
Total lease liabilities	863	1,225

See [note 8](#) for more information regarding right-of-use assets.

The office lease in Norway related to the company's previous office was subleased from October 2020. Related lease receivable for the sublease was NOK 0.5 million as per 31 December 2021. The sublease was terminated in December 2022.

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

(amounts in NOK 1,000)	2022	2021
Gain on sub-lease (included in "Other revenues")	-	-
Depreciation property right-of-use assets (included in "Depreciation and amortization")	-417	-389
Impairment losses property right-of-use assets (included in "Impairment losses")	-	-
Expenses relating to low-value leases (included in "Other operating expenses")	-	-
Expenses relating to short-term leases (included in "Other operating expenses")	-	-
Interest income (included in "Financial income")	19	62
Interest expenses (included in "Financial expenses")	38	-100
Net expenses related to leases	-359	-427

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

(amounts in NOK 1,000)	2022	2021
Opening balance	1,225	2,144
Changes from financing cash flows	-1,390	-1,100
Changes in lease liabilities due to new/amended lease agreements or CPI adjustments	992	93
Other changes	37	88
Closing balance as of 31 December	863	1,225

The total cash outflow for leases in 2022 was NOK 1.4 million (2021: NOK 1.1 million).

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

(amounts in NOK 1,000)	2022	2021
Within one year	495	1,225
More than 1 year but within 5 years	330	-
Total contractual cash flows related to leases	825	1,225

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 22](#) 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 10](#) for overview of loans to group companies.

NOTE 17 - EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Between 31 December 2022 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 2022 or the value of the Group or the parent company's assets and liabilities as of 31 December 2022.





RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge, the financial statements for the period from 1 January to 31 December 2022 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, 19 April 2023
The board of directors of NEXT Biometrics Group ASA

/Sign/

Petter Fjellstad
Chairman

/Sign/

Emine Lundkvist
Board member

/Sign/

Siri Børsum
Board member

/Sign/

Odd-Harald Hauge
Board member

/Sign/

Peter Heuman
CEO



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 2022, 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 of 31 December 2022, 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.

In our opinion

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, 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, and
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, 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.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with 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 relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 4 years from the election by the general meeting of the shareholders on 21 May 2019 for the accounting year 2019.



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 Group's business activities are largely unchanged compared to last year. We have not identified regulatory changes, transactions or other events that qualified as new key audit matters. *Revenue recognition* has the same characteristics and risks this year as the previous year and continues to be an area of focus also for the 2022 audit.

Key Audit Matters	How our audit addressed the Key Audit Matter
<p>Revenue recognition</p> <p>The Group develops and sells fingerprint sensors for authentication in the smartcard, government ID, access control and notebook markets. The Group's sales are either handled through distributors or sales directly to end customers.</p> <p>We consider revenue recognition to be an area of focus because 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, when distributors are used by the Group. The complexity of the arrangements with customers and distributors results in an inherent risk of misinterpretation of the terms, and consequently, a risk that revenue is recorded 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. Consequently, there is a risk that both revenue and cost of goods sold are understated by the same amount.</p> <p>We refer to note 2 where Management describes their principle for revenue recognition.</p>	<p>Our audit procedures included, among others, a review of customer contracts and distribution contracts, and an 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.</p> <p>To test whether revenue was recognised in the correct period, we tested transactions in the period close to year end. For recognised revenue related to goods shipped to the distributor acting as agent to the Group, we assessed based on materiality whether any part of this revenue was related to goods not transferred to end-customers before year end. Furthermore, we evaluated Management's assessment of the probability of return of goods. Our evaluation was also supported by performed tests of credit notes after year end, and analysis of historical returns.</p> <p>In addition to the audit procedures tailored to the identified key audit matter, invoiced sales to the largest customers representing 91% of total revenue in 2022, was tested by obtaining confirmations from customers.</p> <p>No material errors were noted during our audit.</p> <p>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.</p>



Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appear to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view 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 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 ISAs, we exercise professional judgment and maintain professional skepticism 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 and 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's 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 Audit Committee 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 Report on Compliance with Requirement on European Single Electronic Format (ESEF)

Opinion

As part of the audit of the financial statements of Next Biometrics Group ASA , we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name “NB Group ASA Annual report 2022-12-31.zip”, have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format, and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF regulation.

Management's Responsibilities

Management is responsible for the preparation of the annual report in compliance with the ESEF regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

Auditor's Responsibilities

For a description of the auditor's responsibilities when performing an assurance engagement of the ESEF reporting, see: <https://revisorforeningen.no/revisjonsberetninger>

Oslo, 19 April 2023

PricewaterhouseCoopers AS

Anne Kristin Huuse
State Authorised Public Accountant
(This document is signed electronically)

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 Adjusted EBITDA.

REVENUES ADJUSTED FOR UNFULFILLED ORDER BACKLOG

Revenues for the period adjusted for unfulfilled order backlog is defined as revenues for the year plus unfulfilled purchase orders received by the company with requested customer delivery in the same year. In most cases such unfulfilled orders were not delivered due to supply chain delays.

GROSS MARGIN / GROSS MARGIN (%)

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

(amounts in NOK 1,000)	2022	2021
Operating revenues	46,508	49,788
Other revenues	1,784	967
Cost of goods sold	-33,593	-34,431
Inventory write-downs	52	-6,251
Gross margin	14,752	10,073
Gross margin	14,752	10,073
Divided by operating revenue and other revenues	48,293	50,755
Gross margin (%)	31%	20%

ADJUSTED GROSS MARGIN / ADJUSTED GROSS MARGIN (%)

Adjusted gross margin is defined as operating revenue plus other income less cost of goods sold and excluding inventory write-downs.

Adjusted gross margin (%) is expressed as a percentage of operating revenue and other income.

(amounts in NOK 1,000)	2022	2021
Operating revenues	46,508	49,788
Other revenues	1,784	967
Cost of goods sold	-33,593	-34,431
Inventory write-downs	52	-6,251
Added back inventory write-downs	-52	6,251
Adjusted gross margin	14,700	16,324
Adjusted gross margin	14,700	16,324
Divided by operating revenue and other revenues	48,293	50,755
Adjusted gross margin (%)	30%	32%

EBITDA / ADJUSTED EBITDA

EBITDA is earnings before interest, taxes, depreciation, amortization and impairment losses.

Adjusted EBITDA ex options is equal to EBITDA excluding "share-based remuneration" (salary part, employer's part and operating part) and inventory write-downs.

(amounts in NOK 1,000)	2022	2021
Operating profit (loss)	-48,070	-58,250
Added back depreciation and amortization	7,229	7,069
Added back impairment losses	-	-
EBITDA	-40,840	-51,182
Added back share-based remuneration (salary part)	4,728	8,471
Added back share-based remuneration (employer's tax)	-2,663	4,495
Added back share-based remuneration (operating part)	5	-36
Added back inventory write-downs	-52	6,251
Adjusted EBITDA	-38,822	-32,001

COST OF GOODS SOLD (COGS)

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

INVENTORY WRITE-DOWNS

Inventory write-downs are costs related to excess inventory in relation to raw materials, semi-finished goods, products and product lines that are discontinued and/or in the process of being discontinued.

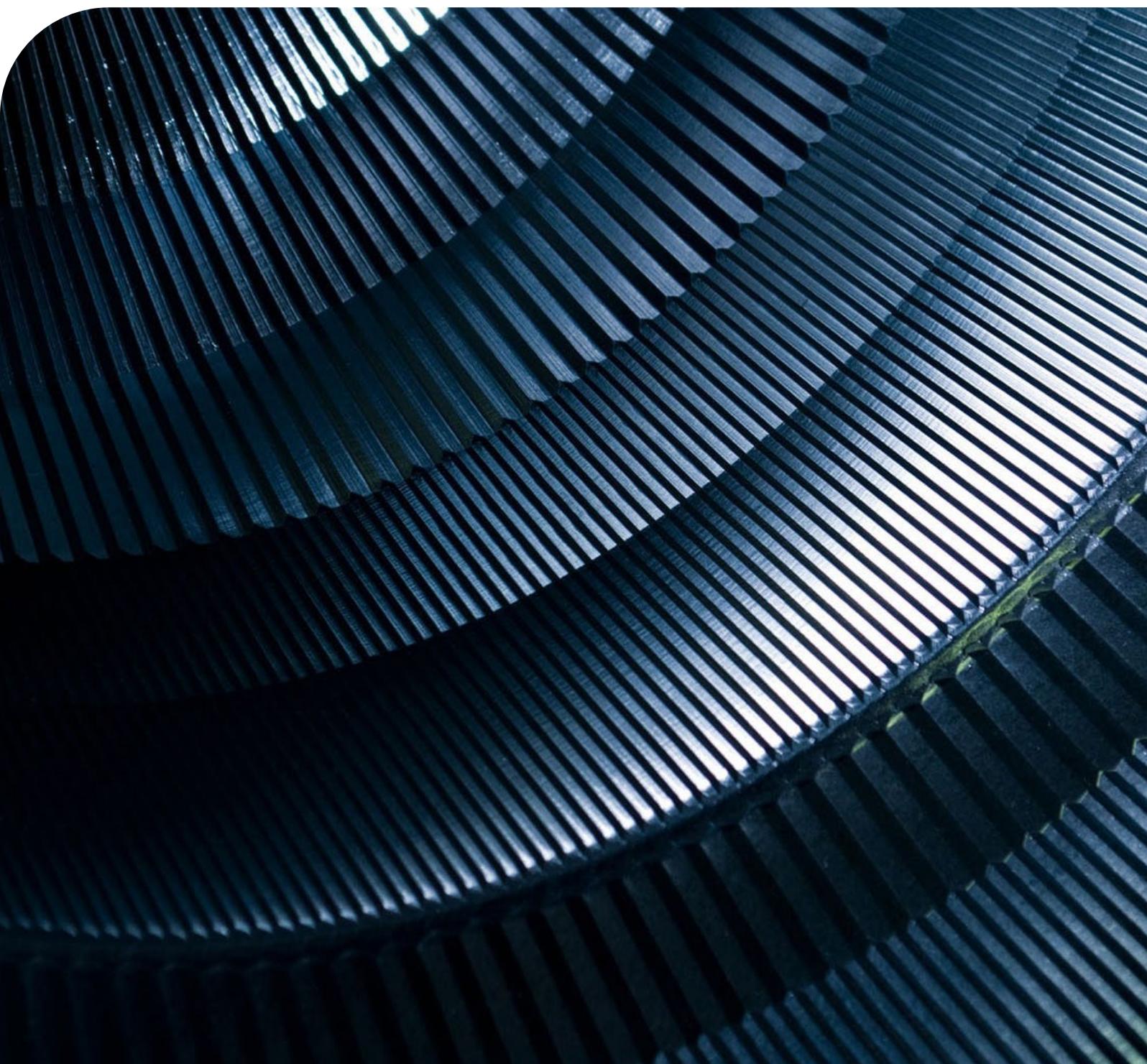
OPERATING EXPENSES (OPEX)

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

OPERATING EXPENSES EX. OPTIONS (OPEX EX. OPTIONS)

Operating expenses excluding options (OPEX ex options) is defined as salaries and personnel cost and other operating expenses excluding share based remuneration.

(amounts in NOK 1,000)	2022	2021
Operating expenses (OPEX)	55,592	61,255
Deducted share-based remuneration (salary part)	-4,728	-8,471
Deducted share-based remuneration (employer's tax)	2,663	-4,495
Deducted share-based remuneration (operating part)	-5	36
Operating expenses ex. options (OPEX ex. options)	53,522	48,326





BIOMETRICS BASED ON WHO YOU ARE