NEXT BIOMETRICS GROUP ASA

(A public limited liability company incorporated under the laws of Norway)

Initial public offering of 1,600,000 New Shares and up to 130,000 Sale Shares

Listing of the Company's shares on Oslo Axess

This prospectus (the "**Prospectus**") has been prepared in connection with the initial public offering and listing (the "**Listing**") on Oslo Axess "**Oslo Axess**"), a regulated market place operated by Oslo Børs ASA (the "**Oslo Stock Exchange**"), of all the shares, each with a nominal value of NOK 1 (the "**Shares**") in NEXT Biometrics Group ASA (the "**Company**"), a public limited liability company incorporated under the laws of Norway (together with its direct and indirect subsidiaries, the "**Group**").

The offering (the "**Offering**") comprises (i) 1,600,000 new shares to be issued by the Company (the "**New Shares**") raising a minimum of NOK 120 million in gross proceeds to the Company and (ii) up to 130,000 existing shares (the "**Sale Shares**") offered by the Selling Shareholders (as defined herein). The total number of New Shares offered may be increased at the discretion of the Company. However, in no event will more than 2,400,000 New Shares be issued pursuant to the Offering, excluding any New Shares issued pursuant to the Over-allotment Option (as defined below). The final number of New Shares to be issued will depend on the final size of the Offering which shall be determined in conjunction with the determination of the final initial public offering price (the "**Offer Price**"). The Offering consists of (i) a private placement in which Offer Shares are offered (a) to institutional and professional investors in Norway, (b) to investors outside Norway and the United States of America (the "**U.S.**" or the "**United States**"), subject to applicable exemptions from the prospectus requirements, and (c) to "qualified institutional buyers" ("**QIBs**") in the United States as defined in, and in reliance on, Rule 144A ("**Rule 144A**") or another exemption from the registration requirements under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), subject to a minimum application of NOK 500,000 for investors in Norway and NOK 1,000,000 for investors outside Norway (the "**Institutional Offering**"), and (ii) a retail offering to the public in Norway subject to a minimum application amount of NOK 10,500 and a maximum application amount of NOK 499,999 (the "**Retail Offering**"). All offers and sales outside the United States will be made in compliance with Regulation S under the U.S. Securities Act, as amended, ("**Regulation S**"). In addition, the Company has granted the Managers (as defined below), an option to require the Company to issue new shares equal to up to 15% of the aggregate number of New Shares and Sale Shares to be sold in the Offering (the "**Over-Allotment Shares**", and together with the New Shares and the Sale Shares, the "**Offer Shares**") exercisable, in whole or in part, within a 30-day period commencing at the time at which trading in the Shares commences on Oslo Axess to cover any over-allotments made in connection with the Offering on the terms and subject to the conditions described in this Prospectus (the "**Over-Allotment Option**"). Assuming the Over-Allotment Option is exercised in full, the Offering will amount to up to approximately NOK 262 million by issuance of up to 2,779,500 New Shares and sale of up to 130,000 Sale Shares. The Company will not receive any of the proceeds from the sale of the Sale Shares, if any.

The Offer Price at which the Offer Shares are expected to be sold is expected to be between NOK 75 and NOK 90 per Offer Share (the "**Indicative Price Range**"). The Offer Price may be set within, below or above the Indicative Price Range. The Offer Price will be determined through a bookbuilding process and will be set by the Board of Directors in consultation with the Managers. See Section 16 "The Offering " for further information. The Offer Price, and the number of Offer Shares sold in the Offering, is expected to be announced through a stock exchange notice on or before 20 June 2014 at 09:00 hours (Central European Time, "CET"). The offer period for the Institutional Offering (the "**Bookbuilding Period**") will commence at 09:00 hours (CET) on 10 June 2014 and close at 16:30 hours (CET) on 19 June 2014. The application period for the Retail Offering (the "**Application Period**") will commence at 09:00 hours (CET) on 10 June 2014 and close at 12:00 hours (CET) on 19 June 2014. The Bookbuilding Period and the Application Period may, at the Company's sole discretion and for any reason, be extended beyond the set times, but will in no event extended beyond 16:30 hours (CET) on 26 June 2014.

All of the Shares are, and the New Shares will be, registered in the Norwegian Central Securities Depository (the "**VPS**") and will be in book-entry form. All of the Shares rank in parity with one another and carry one vote per Share. Except where the context otherwise requires, references in this Prospectus to the Shares will be deemed to include the Offer Shares.

Investing in the Offer Shares involves a high degree of risk. Prospective investors should read the entire document and, in particular, consider Section 2 "Risk Factors" beginning on page 12 when considering an investment in the Company.

The Shares have not been, and will not be, registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States, and are being offered and sold: (i) in the United States only to persons who are QIBs in reliance on Rule 144A or another exemption from the registration requirements under the U.S. Securities Act; and (ii) outside the United States in compliance with Regulation S. The distribution of this Prospectus and the offer and sale of the Offer Shares in certain jurisdictions may be restricted by law. Persons in possession of this Prospectus are required to inform themselves about and to observe any such restrictions. See Section 17 "Selling and transfer restrictions".

Prior to the Offering, the Shares have not been publicly traded on a regulated market. On 19 May 2014, the Company applied for the Shares to be admitted for trading and listing on Oslo Axess and completion of the Offering is subject to the approval of the listing application by the board of directors of the Oslo Stock Exchange in a meeting to be held on or about 18 June 2014, and subject to certain conditions being met. See Section 16.13 "Conditions for completion of the Offering – Listing and trading of the Offer Shares".

It is expected that payment of allocated Offer Shares will fall due on 23 June 2014, and that the Offer Shares are delivered through the facilities of the VPS on or about 24 June 2014. Trading in the Shares on the Oslo Stock Exchange is expected to commence on or about 25 June 2014, under the ticker code "NEXT".

Joint Lead Managers and Joint Bookrunners

Arctic Securities ASA | Carnegie AS

The date of this Prospectus is 6 June 2014

IMPORTANT INFORMATION

This Prospectus has been prepared in connection with the initial public offering of new shares in the Company and the contemplated Listing. For definitions of certain terms used throughout this Prospectus, see Section 19 “Definitions and Glossary”.

The Prospectus has been prepared to comply with the Norwegian Securities Trading Act of 29 June 2007 no. 75, as amended, (the "**Norwegian Securities Trading Act**") and related secondary legislation, including the Commission Regulation (EC) no. 809/2004 implementing Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 regarding information contained in Prospectuses, as amended, and as implemented in Norway (the "**Prospectus Directive**"). This Prospectus has been prepared solely in the English language. The Financial Supervisory Authority of Norway (the "**Norwegian FSA**") has reviewed and approved this Prospectus in accordance with Sections 7-7 and 7-8 of the Norwegian Securities Trading Act. The Norwegian FSA has not controlled or approved the accuracy or completeness of the information given in this Prospectus. The approval given by the Norwegian FSA only relates to the information included in accordance with pre-defined disclosure requirements. The Norwegian FSA has not made any form of control or approval relating to corporate matters described or referred to in this Prospectus.

The Company has engaged Arctic Securities ASA and Carnegie AS as joint lead managers and joint bookrunners (the “**Managers**”).

No person is authorised to give information or to make any representation concerning the Group or in connection with the Offering or sale of the Offer Shares other than as contained in this Prospectus. If any such information is given or made, it must not be relied upon as having been authorised by the Company or the Managers or by any of the affiliates, advisors or selling agents of any of the foregoing.

The distribution of this Prospectus and the offer and sale of the Offer Shares in certain jurisdictions may be restricted by law. This Prospectus does not constitute an offer of, or an invitation to purchase, any of the Offer Shares in any jurisdiction in which such offer or sale would be unlawful. Neither this Prospectus nor any advertisement or any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with applicable laws and regulations. Persons in possession of this Prospectus are required to inform themselves about and to observe any such restrictions. In addition, the Shares are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable securities laws and regulations. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time. Any failure to comply with these restrictions may constitute a violation of applicable securities laws. For further information on the sale and transfer restrictions of the Offer Shares, see Section 16 "Selling and transfer restrictions".

The information contained herein is current as at the date hereof and subject to change, completion and amendment without notice. In accordance with Section 7-15 of the Norwegian Securities Trading Act, significant new factors, material mistakes or inaccuracies relating to the information included in this Prospectus, which are capable of affecting the assessment of the Offer Shares between the time of approval of this Prospectus by the Norwegian FSA and the Listing of the Offer Shares, will be included in a supplement to this Prospectus. Neither the publication nor distribution of this Prospectus, nor any sale of Offer Shares made hereunder, shall under any circumstances create any implication that there has been no change in the Group's affairs or that the information herein is correct as of any date subsequent to the date of this Prospectus.

This Prospectus and the terms and conditions of the Offering as set out herein and any sale and purchase of Offer Shares hereunder shall be governed by and construed in accordance with Norwegian law. The courts of Norway, with Oslo as legal venue, shall have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Offering or this Prospectus.

In making an investment decision, each investor must rely on their own examination, and analysis of, and enquiry into the Group and the terms of the Offering, including the merits and risks involved. None of the Company or the Managers, or any of their respective representatives or advisers, is making any representation to any offeree or purchaser of the Offer Shares regarding the legality of an investment in the Offer Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Offer Shares.

All Sections of the Prospectus should be read in context with the information included in Section 4 “General information”.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO INVESTORS IN THE UNITED STATES

Because of the following restrictions, prospective investors are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Shares. The Offer Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States and may not be offered, sold, pledged or otherwise transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable state securities laws. Accordingly, the Offer Shares will not be offered or sold within the United States, except in reliance on the exemption from the registration requirements of the U.S. Securities Act under Rule 144A. The Offer Shares will be offered outside the United States in compliance with Regulation S. **Prospective purchasers are hereby notified that sellers of Offer Shares may be relying on the exemption from the provisions of section 5 of the U.S. Securities Act provided by Rule 144A under the U.S. Securities Act.** See Section 17.2.1 “United States”.

Any Shares offered or sold in the United States will be subject to certain transfer restrictions as set forth under Section 17.2.1 “United States”.

The securities offered hereby have not been recommended by any United States federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not passed upon the merits of the Offering or confirmed the accuracy or determined the adequacy of this Prospectus. Any representation to the contrary is a criminal offense under the laws of the United States.

In the United States, this Prospectus is being furnished on a confidential basis solely for the purposes of enabling a prospective investor to consider purchasing the particular securities described herein. The information contained in this Prospectus has been provided by the Company and other sources identified herein. Distribution of this Prospectus to any person other than the offeree specified by the Managers or its representatives, and those persons, if any, retained to advise such offeree with respect thereto, is unauthorised and any disclosure of its contents, without prior written consent of the Company, is prohibited. This Prospectus is personal to each offeree and does not constitute an offer to any other person or to the public generally to purchase Offer Shares or subscribe for or otherwise acquire any Shares.

NOTICE TO UNITED KINGDOM INVESTORS

This Prospectus is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or (iii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "**Relevant Persons**"). The Offer Shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Shares will be engaged in only with, Relevant Persons. Any person who is not a Relevant Person should not act or rely on this document or any of its contents.

NOTICE TO INVESTORS IN THE EEA

In any European Economic Area (the "EEA") that has implemented the EU Prospectus Directive, other than Norway, (each, a "**Relevant Member State**") this communication is only addressed to and is only directed at qualified investors in that Member State within the meaning of the EU Prospectus Directive. The Prospectus has been prepared on the basis that all offers of Offer Shares outside Norway will be made pursuant to an exemption under the EU Prospectus Directive from the requirement to produce a Prospectus for offer of shares. Accordingly, any person making or intending to make any offer within the EEA of Offer Shares which is the subject of the Offering contemplated in this Prospectus within any EEA member state (other than Norway) should only do so in circumstances in which no obligation arises for the Company or the Managers to publish a Prospectus or a supplement to a Prospectus under the EU Prospectus Directive for such offer. Neither the Company nor the Managers have authorised, nor do they authorise, the making of any offer of Shares through any financial intermediary, other than offers made by the Managers which constitute the final placement of Offer Shares contemplated in this Prospectus.

Each person in a Relevant Member State other than, in the case of paragraph (a), persons receiving offers contemplated in this Prospectus in Norway, who receives any communication in respect of, or who acquires any Offer Shares under, the offers contemplated in this Prospectus will be deemed to have represented, warranted and agreed to and with the Managers and the Company that:

a) it is a qualified investor as defined in the EU Prospectus Directive, and

b) in the case of any Offer Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) such Offer Shares acquired by it in the Offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the EU Prospectus Directive, or in circumstances in which the prior consent of the Managers has been given to the offer or resale; or (ii) where such Offer Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Offer Shares to it is not treated under the EU Prospectus Directive as having been made to such persons.

For the purposes of this provision, the expression an "offer to the public" in relation to any of the Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase any of the Offer Shares, as the same may be varied in that Relevant Member State by any measure implementing the EU Prospectus Directive in that Relevant Member State, and the expression "EU Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

ENFORCEMENT OF CIVIL LIABILITIES

The Company is a public limited liability company incorporated under the laws of Norway. As a result, the rights of holders of the Company's Shares will be governed by Norwegian law and its Articles of Association. The rights of shareholders under Norwegian law may differ from the rights of shareholders of companies incorporated in other jurisdictions. The Company's directors and the majority of the Group's executive officers are not residents of the United States, and a substantial portion of the Company's assets are located outside the United States. As a result, it may be difficult for investors in the United States to effect service of process on the Company or its directors or the Group's executive officers in the United States or to enforce in the United States judgments obtained in U.S. courts against the Company or those persons based on the civil liability provisions of the federal securities laws of the United States or other laws of the United States or any state thereof. Uncertainty exists as to whether courts in Norway will enforce judgments obtained in other jurisdictions, including the United States, against the Company or its directors or the Group's officers under the securities laws of those jurisdictions or entertain actions in Norway against the Company or its directors or officers under the securities laws of other jurisdictions. The United States and Norway do not currently have a treaty providing for reciprocal recognition and enforcement of judgements (other than arbitral awards) in civil and commercial matters.

AVAILABLE INFORMATION

The Company has agreed that, for so long as any of the Offer Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, it will during any period in which it is neither subject to Sections 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**U.S. Exchange Act**"), nor exempt from reporting pursuant to Rule 12g3-2(b) under the U.S. Exchange Act, provide to any holder or beneficial owners of Shares, or to any prospective purchaser designated by any such registered holder, upon the request of such holder, beneficial owner or prospective owner, the information required to be delivered pursuant to Rule 144A(d)(4) of the U.S. Securities Act.

TABLE OF CONTENTS

APPENDICES

1 SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A– E (A.1 – E.7) below. This summary contains all the Elements required to be included in a summary for this type of securities and the issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable".

Section A – Introduction and Warnings

A.1	**Warning**	This summary should be read as introduction to the Prospectus; any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor; where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated; and civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	**Warning**	Not applicable; no consent is granted by the Company for the use of the Prospectus for subsequent resale or final placement of the Shares.

Section B - Issuer

B.1	**Legal and commercial name**	NEXT Biometrics Group ASA.
B.2	**Domicile and legal form, legislation and country of incorporation**	The Company is a public limited liability company organised and existing under the laws of Norway pursuant to the Norwegian Public Limited Companies Act. The Company was incorporated in Norway on 1 November 2000. The Company's organisation number in the Norwegian Register of Business Enterprises is 982 904 420.
B.3	**Current operations, principal activities and markets**	The Group is a provider of fingerprint sensors. The business of the Group consists of research & development, commercialization and manufacturing of fingerprint technology and products for a variety of uses, including smartphones, tablets, smart card readers, portable hard drives, safety boxes, voting machines, card readers and physical entrances. The Company has developed a number of fingerprint sensor modules which may be incorporated into a wide range of products and solutions. The key feature of the fingerprint sensors developed by the Group is that it uses a unique and patented principle of thermal conductivity which allows mass production at a significantly lower cost of comparable competitors. The Group has entered into agreements with KOEHLKE and a major Beijing-based system integrator based on delivered prototypes. Both companies have received integration units for the first line of their products. On 23 April 2014 the Group entered into an updated supply agreement with KOEHLKE. Pursuant to the supply agreement, KOEHLKE is obliged to purchase 100,000 sensors in 2014, 900,000 sensors in 2015 and 3,000,000 sensors in 2016. A first purchase order of 53,000 units to be delivered in 2014 has already been placed.

	On 15 May 2014, the Company received a purchase order for 10,000 units from a second Chinese sensor system integrator. The integrator is a new partner with the Company and is a leading supplier within existing (traditional markets) segments of the Chinese market, including sensor units for time and attendance and physical access control. The sensors are to be delivered in 2014. As of the date of the Prospectus, the Group had 26 employees.
B.4a Significant recent trends	The Group has not experienced any changes or trends outside the ordinary course of business that are significant to the Group between 31 December 2013 and the date of this Prospectus, nor is the Group aware of such changes or trends outside the ordinary course of business that may or are expected to be significant to the Group for the current financial year, other than the overall market situation and trends described elsewhere in this Prospectus. Please see Section 7 "Industry and market overview" and Section 8 "Business of the Group" for more information about significant recent trends in the Group's business and relevant markets.
B.5 Description of the Group	The Company is the parent company of the Group, holding 100% of the shares in two operating subsidiaries (i) NEXT Biometrics AS (incorporated in Norway); and (ii) NEXT Biometrics Inc. (incorporated in Seattle, Washington). NEXT Biometrics Inc. is wholly owned by NEXT Biometrics AS. The Group is in the process of establishing subsidiaries in Shanghai (China) and Taipei (Taiwan). The operations of the Group are carried out by the Group's operating subsidiaries.
B.6 Interests in the Company and voting rights	Shareholders owning 5% or more of the Shares have an interest in the Company's share capital which is notifiable pursuant to the Norwegian Securities Trading Act. The table below shows the ownership percentage held by such notifiable shareholders as of 4 June 2014.

Shareholders	Number of Shares	Percent
Ecomnex Holding AS	1,628,817	18.53
BNP Paribas Securities / Leif Erik Rahmquist (nominee account)	818,148	9.31
Tore Etholm-Idsøe[1]	540,458	6.15
Total	**2,987,423**	**33.99**

1 Tore Etholm-Idsøe (member of executive management) holds 540,458 shares in the Company, of which 380,664 are held through Eurostores AS.

	There are no differences in voting rights between the shareholders. The Company is not aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company.
B.7 Selected historical key financial information	The following selected financial information is derived from the Group's audited consolidated financial statements as of and for the year ended 31 December 2013, with comparable figures as of and for the year ended 31 December 2012 (the Financial Statements), as well as the unaudited interim consolidated financial information as of and for the three month periods ended 31 March 2014 and 2013 (the Interim Financial Statements). The Financial Statements as of and for the year ended 31 December 2013, with comparable figures as of and for the year ended 31 December 2012, have been prepared in accordance with IFRS. The Interim Financial Statements, combined with relevant information in the financial review, have been prepared in accordance with IAS 34. The selected financial information presented herein should be read in connection with the Financial Statements and Interim Financial Statements (included in Appendix B and Appendix C to the Prospectus).

(In NOK millions)	As of and for the three months ended 31 March 2014 (IAS 34) (unaudited)	2013 (IAS 34) (unaudited)	As of and for the year ended 31 December 2013 (IFRS) (audited)	2012 (IFRS) (audited)
Revenue	0	0	0,038	1,125
EBITDA	(14,766)	(4,686)	(37,021)	(16,268)
Operating profit (EBIT)	(14,786)	(4,686)	(37,598)	(16,503)
Profit/(loss) for the period	(14,912)	(4,742)	(38,795)	(17,065)
Consolidated statement of financial position				
Total non-current assets	7,852	7,831	7,638	7,785
Total current assets	62,934	2,434	72,073	2,645
Total assets	70,787	10,266	79,711	10,430
Total equity	49,104	(6,570)	63,154	(4,830)
Total non-current liabilities	7,399	9,776	7,350	9,726
Total current liabilities	14,283	7,060	9,207	5,534
Total liabilities	21,682	16,836	16,557	15,261
Total equity and liabilities	70,787	10,266	79,711	10,430
Consolidated statement of cash flow				
Net cash generated from operating activities	(25,306)	(1,136)	(29,875)	(8,814)
Net cash used in investing activities	(0,234)	(0,046)	(0,442)	(0,309)
Net cash used in financing activities	0,049	1,024	99,651	7,017
Foreign exchange effect on cash	0,018	0,006	(0,207)	0,284
Net change in cash and cash equivalents	(25,472)	(0,152)	69,126	(1,823)
Cash and cash equivalents at period end	44,255	0,450	69,728	0,602

B.8	**Selected key pro forma financial information**	Not applicable. There is no pro forma financial information.
B.9	**Profit forecast or estimate**	Not applicable. No profit forecast or estimate is made.
B.10	**Audit report qualifications**	Not applicable. There are no qualifications in the audit reports.
B.11	**Insufficient working capital**	The Company is of the opinion that its working capital is not sufficient to cover the Company's present requirements for the 12 month period following the date of this Prospectus. The Company currently estimates that it needs NOK 78 million to fund its working capital requirements for the next 12 month period following the date of the Prospectus. If the Company does not receive any net proceeds from the Offering, and based on the above assumption, the Company expects that its current working capital would be depleted during the fourth quarter of 2014. If the Offering is successful, it will minimum provide gross proceeds of NOK 120 million. See Section 9.2 "Working capital statement" for more information regarding the working capital of the Company.

Section C - Securities

C.1	**Type and class of securities admitted to trading and identification number**	The Company has one class of shares in issue, and all shares in that class have equal rights to all such other shares in that class as set out in the Company's Articles of Association. The Shares are registered with the Norwegian Central Securities Depositary (Nw. *VPS*), in book-entry form and carry the ISIN NO 0010629108.
C.2	**Currency of issue**	The Shares are issued in NOK, and will be quoted and traded in NOK on Oslo Axess.

C.3	**Number of shares in issue and par value**	At the date of this Prospectus, the Company's share capital is NOK 8,787,665 consisting of 8,787,665 Shares with a par value of NOK 1 each.
C.4	**Rights attaching to the securities**	The Company has one class of Shares in issue, and in accordance with the Norwegian Public Limited Companies Act, all Shares in that class provide equal rights in the Company. Each of the Company's Shares carries one vote. The rights attaching to the Shares are described in Section 13.9 "The Articles of Association and certain aspects of Norwegian law".
C.5	**Restrictions on transfer**	The Articles of Association do not provide for any restrictions on the transfer of Shares, or a right of first refusal. Share transfers are not subject to approval by the Board of Directors. See also Section 17 "Selling and transfer restrictions".
C.6	**Admission to trading**	On 19 May 2014, the Company applied for admission to trading of its Shares on Oslo Axess and completion of the Offering is subject to the approval of the listing application by the board of directors of the Oslo Stock Exchange in a meeting to be held on or about 18 June 2014, and subject to certain conditions being met. See Section 16.13 "Conditions for completion of the Offering - Listing and trading of the Offer Shares". The Company has not applied for admission to trading of the Shares on any other stock exchange or regulated market.
C.7	**Dividend policy**	The Company's dividend policy is to provide shareholders with a high return over time through rising value of the company's shares. The board will not recommend payment of dividend if the company is not in a sufficient financial position, after having taken into account the financial resources required for future growth and the Company's distributable reserves. There can be no assurance that in any given year a dividend will be proposed or declared, or if proposed or declared, that the dividend will be as contemplated by the policy.

Section D - Risks

D.1	**Key risks specific to the Company or its industry**	*Risks related to the Group and the industry in which the Group operates* (i) The Group may not be able to implement its business strategy successfully or manage its growth effectively. (ii) The market for fingerprint technology is difficult to predict in terms of important market trends, including how large the fingerprint market will be or when and what products will be adopted. If the market for fingerprint technology does not evolve as the Group anticipates this could have a material adverse effect on the Group's business, prospects, financial position and results of operations. (iii) The macroeconomic environment may negatively affect the Group's operational and financial result. (iv) The market is highly competitive and the Group expects to continue to experience competition from current and potential competitors, some of which are better established and have significantly greater financial, technical, marketing and distribution resources. (v) The markets in which the Group competes in is undergoing rapid technological change, and the Group's future success will depend on its ability to meet the changing needs of its clients. (vi) Introduction of products based on new technology could gain wide

		market adoption and displace the Group's products.
	(vii)	The Group's performance will depend on successful introduction of new products and enhancements to existing products.
	(viii)	The Group may experience operational problems that reduce revenue and increase costs.
	(ix)	The Group may not be able to maintain sufficient insurance to cover all risks related to its operations.
	(x)	Changes in laws and regulation may have an adverse effect on the Group's profitability.
	(xi)	The Group may be unable to attract and retain key management personnel and other employees, which may negatively impact the effectiveness of the Group's management and results of operations.
	(xii)	The Group's financial condition may be materially adversely affected if the Group fails to successfully integrate assets or businesses acquired from third parties, or is unable to obtain financing for acquisitions on acceptable terms.
	(xiii)	The Company is a holding company and is dependent upon cash flow from subsidiaries to meet its obligations and in order to pay dividends to its shareholders.
	(xiv)	Some of the Group's products may rely on the availability of licenses to third-party software and other intellectual property.
	(xv)	The Group is dependent on intellectual property and its methods of protecting its intellectual property may not be adequate.
	(xvi)	Third parties may illegally copy the Group's products or violate its patents and utility models and this may cause loss of revenue and damage to the Group's brand.
	(xvii)	The Group faces risks of claims for intellectual property infringement. If the Group is sued for patent infringement, it may be forced to incur substantial costs in defending itself.
	(xviii)	The Group may be subject to litigation that could have a material adverse effect on the Group's business, results of operations, cash flow and financial condition.
	(xix)	The Group faces risks of business interruption, either internal or external events may materialise unexpectedly which may have adverse consequences and significantly affect the Group's reputation, financial results as well as its ability to meet its objectives.
	(xx)	The Group runs risks of non-success when bidding for contracts and execution failures of major contracts. Failure by the Group to accurately assess its chances to be selected within the framework of a bid process may lead to an inadequate allocation of resources and management time and to additional expenditures in costs and time.
	(xxi)	The Group is dependent on its customers' sales performances and the product sales are fully dependent on customer's capabilities of

		selling their products to the end-users in the target markets. (xxii) The Group's quarterly and annual operating results may vary significantly and be difficult to predict from period to period. The unpredictability could result in failure to meet the business objectives or the expectations of analysts or investors for any period. (xxiii) The Group relies on contract manufacturers to manufacture the products and if the Group fails to manage its relationship with the current contract manufacturers, this may result in delays disruptions, capacity constraints or quality problems in their operations, shipping products to the Group's customers could be impacted. (xxiv) Damage to the Group's reputation and business relationships may have an adverse effect beyond any monetary liability. (xxv) The Group is exposed to risks associated with international operations which may have a material adverse effect on the Group's business, prospects, financial position and operating results. *Risks related to financing and market risk* (xxvi) In order to execute the Group's growth strategy, the Group may require additional capital in the future, which may not be available. (xxvii) Future debt levels could limit the Group's flexibility to obtain additional financing and pursue other business opportunities. (xxviii) Interest rate fluctuations could affect the Group's cash flow and financial condition. (xxix) Risks associated with exchange rate fluctuation. (xxx) The Group may encounter financial reporting risks and the Group's management has set up specific accounting and reporting procedures to detect errors and fraud affecting its financial statements. Any failure to prevent and detects errors and fraud within the implementation of such procedures may affect its reputation, business, financial results as well as its ability to meet its objectives.
D.3	Key risks specific to the securities	*Risks related to the Shares* (xxxi) There is no prior regulated market for the Shares, and an active trading market may not develop. The market value of the Shares could be substantially affected by the extent to which a secondary market develops for the Shares following the completion of this Offering. (xxxii) The Group will incur additional costs as a result of being a publicly traded company. If the Group is unable to budget the additional costs related to the listing, this may have an adverse effect on the financial results of the Company. (xxxiii) The price of the Shares may fluctuate significantly, which could cause investors to lose a significant part of their investment. In recent years Oslo Axess have experienced wide price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies. Those changes may occur without regard to the operating performance of

	these companies. (xxxiv) The Company's ability to pay dividends is dependent on the availability of distributable reserves. (xxxv) Future issuances of shares or other securities may dilute the holdings of shareholders and could materially affect the price of the Shares. It is possible that the Company may in the future decide to offer additional shares or other equity-based securities through directed offerings without pre-emptive rights for existing holders. Any such additional offering could reduce the proportionate ownership and voting interests of holders of Shares, as well as the earnings per Share and the net asset value per Share. (xxxvi) Pre-emptive rights to secure and pay for Shares in any additional issuance may not be available to U.S. or other shareholders as these shareholders may be unable to exercise any such rights to subscribe for new shares unless a registration statement under the U.S. Securities Act is in effect in respect of such rights and shares or an exemption from the registration requirements under the U.S. Securities Act is available. (xxxvii) Investors may not be able to exercise their voting rights for Shares registered in a nominee account. (xxxviii) The Company may be unwilling or unable to pay any dividends in the future. (xxxix) Investors may be unable to recover losses in civil proceedings in jurisdictions other than Norway. (xl) Norwegian law may limit shareholders' ability to bring an action against the Company. (xli) The transfer of Shares is subject to restrictions under the securities laws of the United States and other jurisdictions. (xlii) Shareholders outside of Norway are subject to exchange rate risk. (xliii) Market interest rates may influence the price of the Shares.

Section E - Offer

E.1	**Net proceeds and estimated expenses**	The transaction costs for the Company related to the Offering is estimated to be NOK 13 million (including VAT) based on the assumption that 1,859,500 million Offer Shares are applied for and allocated in the Offering at the mid-point of the Indicative Price Range. Based on the same assumption, the net proceeds will be approximately NOK 142 million. For a description of the use of such proceeds, see Section 5 "Reasons for the Offering and the Listing".
E.2a	**Reasons for the Offering and use of proceeds**	The Company has applied for a listing on Oslo Axess and to carry out the Offering in order to *inter alia*: (i) provide the Company with further access to equity capital markets and the possibility to ensure financing of further growth, ongoing and continued R&D projects and business expansion and business expansion; (ii) ensure an organised and regulated trading in the Shares; (iii) increase the liquidity in the Shares and thereby enhancing the attractiveness of the Shares; (iv) enhance the visibility of the Company to investors and business partners; and (v) increase industry visibility, market valuation and transactional opportunities related to the Shares.

<table>
<tr><td></td><td>The net proceeds from the Offering will be used for expansion of the Company's sales and marketing organisation, further development of the Company's proprietary technology, capacity investments, and increased working capital to facilitate the Company's expected near-term growth, and general corporate purposes. The Offering will also facilitate a broadening of the Company's shareholder structure.</td></tr>
<tr><td>E.3 Terms and conditions of the Offering</td><td>The Offering consists of (i) an offer of New Shares to raise an amount of up to NOK 144 million in gross proceeds to the Company by the issuance of 1,600,000 New Shares, each with a par value of NOK 1, and (ii) up to 130,000 Sale Shares, all of which are existing, validly issued and fully paid-up Shares with a par value of NOK 1. The total number of New Shares offered may be increased at the discretion of the Company. However, in no event will more than 2,400,000 New Shares be issued pursuant to the Offering, excluding any New Shares issued pursuant to the Over-allotment Option. See Section E.5 below and 16.17.2 "The Selling Shareholders" for more information regarding the Selling Shareholders.

The Managers may elect to over-allot equal to up to 15% of the aggregate number of New Shares and Sale Shares. The Company has granted Arctic Securities, on behalf of the Managers, an Over-Allotment Option to require the Company to issue a number of new shares corresponding to the number of Over-Allotment Shares to cover any such over-allotments. The New Shares, the Sale Shares and the Over-Allotment Shares are collectively referred to as the Offer Shares.

The Offer Shares will upon issuance rank pari passu with the Company's existing Shares in all respects, and each Share will carry one vote. The number of Offer Shares to be issued will depend on the final amount of the Offering and the final Offer Price per Offer Share.

Assuming the Company elects to issue 2,400,000 New Shares and the Over-Allotment Option is exercised in full, the Offering will amount to up to approximately NOK 262 million by issuance and sale of up to 2,779,500 New Shares and 130,000 Sale Shares, representing up to 24.02% of the Shares in issue following the Offering.

The Offering consists of:

(i) An Institutional Offering, in which Offer Shares are being offered (a) to institutional and professional investors in Norway, (b) investors outside Norway and the United States, subject to applicable exemptions from the prospectus requirements, and (c) in the United States to QIBs, as defined in, and in reliance on Rule 144A of the U.S. Securities Act. The Institutional Offering is subject to a lower limit per application of NOK 500,000 for investors in Norway and NOK 1,000,000 for investors outside Norway.

(ii) A Retail Offering, in which Offer Shares are being offered to the public in Norway subject to a lower limit per application of an amount of NOK 10,500 and an upper limit per application of NOK 499,999 for each investor. Investors who intend to place an order in excess of NOK 499,999 must do so in the Institutional Offering. Multiple applications by one applicant in the Retail Offering will be treated as one application with respect to the maximum application limit and the discount.

All offers and sales outside the United States will be made in compliance with Regulation S of the U.S. Securities Act of 1933, as amended.

The Bookbuilding Period for the Institutional Offering is expected to take place from 10 June 2014 at 09:00 hours (CET) to 19 June 2014 at 16:30 hours (CET). The Application Period for the Retail Offering will take place from 10 June 2014 at 09:00 hours (CET) to 19 June 2014 at 12:00 hours</td></tr>
</table>

		(CET). The Company, in consultation with the Managers, reserves the right to shorten or extend the Bookbuilding Period and/or the Application Period at any time. The Offer Price at which the Offer Shares are expected to be sold is expected to be between NOK 75 and NOK 90 per Offer Share. This Offer Price range is indicative only. The Offer Price will be determined through a bookbuilding process and will be set by the Company in consultation with the Managers. The Offer Price, and the number of Offer Shares sold in the Offering, is expected to be announced through a stock exchange notice on or before 20 June 2014 at 09:00 hours (CET). The Managers expect to issue notifications of allocation of Offer Shares in the Institutional Offering on or about 20 June 2014, by issuing contract notes to the applicants by mail or otherwise. Payment by applicants in the Institutional Offering will take place against delivery of Offer Shares. Delivery and payment for Offer Shares is expected to take place on or about 24 June 2014. The Managers expects to issue notifications of allocation of Offer Shares in the Retail Offering on or about 20 June 2014, by issuing allocation notes to the applicants by mail or otherwise. The due date of payment in the Retail Offering is expected to fall on 23 June 2014. Subject to timely payment by the applicant, delivery of the Offer Shares allocated in the Retail Offering is expected to take place on or about 24 June 2014. On 25 May 2014 the Company entered into a subscription agreement with Icreate Investment Limited, a subsidiary of the Taiwanese technology producer Foxconn Technology Group ("**Foxconn**"). The subscription agreement states that Foxconn commits to subscribe for shares in the Offering for an amount of at least NOK 30 million. The warrants give a right to subscribe for shares at the same price as the final subscription price for institutional investors in the Offering up until 30 June 2017. See Section 16.1 "Overview of the Offering" for more information regarding the subscription of shares in the Offering.
E.4	**Material and confliction interests**	The Managers or its affiliates have provided from time to time, and may provide in the future, investment and commercial banking services to the Company and its affiliates in the ordinary course of business, for which they may have received and may continue to receive customary fees and commissions. The Managers do not intend to disclose the extent of any such investments or transactions otherwise than in accordance with any legal or regulatory obligation to do so. The Managers will receive a fee in connection with the Offering and, as such, has an interest in the Offering. See Section 16.16 "Net proceeds and expenses relating to the Offering and the Listing" for information on the fee to the Managers in connection with the Offering and the Listing. Foxconn will receive a 5% commission of its subscription amount of NOK 30 million. See Section 16.1 "Overview of the Offering" for more information regarding the subscription rights of Foxconn. The Selling Shareholders will receive the proceeds from the sale of Sale Shares, if any. Beyond the abovementioned, the Company is not known with any interest of natural and legal persons involved in the Offering.
E.5	**Selling shareholders and lock-up agreements**	The Selling Shareholders are Ngoc Minh Dinh (holding 1,700,258 Shares, including Shares held through Ecomnex Holding AS), Tore Etholm-Idsøe (holding 540,458 Shares, including Shares held through Eurostores AS), Jan-Eivind Fondal (holding 333,649 Shares, including Shares held through FOCO Ltd) and Ketil Fridheim (holding 285,660 Shares), including Shares held through FKKG AS). See Section 16.17.2 "The Selling Shareholders".

		As at the date of this Prospectus, the Selling Shareholders holds 2,860,025 Shares in the Company corresponding to a total of 32.54% of the issued and outstanding Shares. Assuming that all the Offer Shares are sold and issued in the Offering, and that no Over-Allotment Shares are sold, the Selling Shareholders will retain a shareholding in the Company of approximately 24.4%. If the Over-Allotment Option is exercised in full by the Managers, and the maximum number of Over-Allotment Shares which may be issued pursuant to the Over-Allotment Option is issued, the shareholding of the Selling Shareholders in the Company following such share issue will amount to approximately 23.6%. Pursuant to the lock-up agreement, each of the Selling Shareholders and the Company have given an undertaking that will restrict its ability to issue, offer, sell or transfer Shares, as applicable, for a period ending nine months following the completion of the Offering. For more information about these restrictions, please see Section 16.17 "Lock-up".
E.6	**Dilution resulting from the Offering**	Following completion of the Offering, the immediate dilution for the existing shareholders of the Company is estimated to be 23.2%, based on the assumption that the Company elects to issue 2,400,000 New Shares and, and that all Over-Allotment Shares are sold and issued in the Offering.
E.7	**Estimated expenses charged to investor**	Not applicable. The expenses related to the Offering will be paid by the Company and the Selling Shareholders.

2 RISK FACTORS

An investment in the Offer Shares involves inherent risk. Before making an investment decision with respect to the Offer Shares, investors should carefully consider all of the information contained in this Prospectus, and in particular the risks and uncertainties described in this Section 2, which the Company believes are the material known risks and uncertainties faced by the Group as of the date hereof. An investment in the Offer Shares is suitable only for investors who understand the risks associated with this type of investment and who can afford to lose all or part of their investment. The absence of negative past experience associated with a given risk factor does not mean that the risks and uncertainties described are not a genuine potential threat to an investment in the Offer Shares. If any of the following risks were to materialise, this could have a material adverse effect on the Group and/or its business, results of operations, cash flow, financial condition and/or prospects, which may cause a decline in the value and trading price of the Offer Shares, resulting in the loss of all or part of an investment in the same.

The order in which the risks are presented does not reflect the likelihood of their occurrence or the magnitude of their potential impact on the Group's business, results of operations, cash flow, financial condition and/or prospects. The risks mentioned herein may materialise individually or cumulatively. The information in this Section 2 is as at the date of this document.

2.1 Risks relating to the Group and the industry in which the Group operates

2.1.1 The Group may not be able to implement its business strategy successfully or manage its growth effectively

The Group's strategy as described in Section 8.3.5 "Strategy" is: (i) to be a recognised leading provider of fingerprinting solutions and (ii) to deliver shareholder value through efficient operations and profitable future growth. Future growth will depend on the successful implementation of the Group's business strategy. The Group's ability to achieve its business and financial objectives is subject to a variety of factors, many of which are beyond the Group's control. A principal focus of the Group's strategy is to grow *inter alia* through new business relationships, which will depend upon a number of factors, including the Group's ability to:

- maintain or develop new and existing client relationships;
- successfully grow the Group's business;
- successfully manage the Group's liquidity and obtain the necessary financing to fund its growth;
- identify and consummate desirable acquisitions, joint ventures or strategic alliances relevant to the Group's strategy; and
- identify and capitalise on opportunities in the market.

The Group's management will review and evaluate the business strategy with the Board of Directors on a regular basis. The Group's failure to execute its business strategy or to manage its growth effectively could adversely affect the Group's business, prospects, financial condition and results of operations. In addition, there can be no guarantee that even if the Group successfully implements the Group's strategy, it would result in an improvement of the Group's results of operations. Furthermore, the Group may decide to alter or discontinue aspects of the Group's business strategy and may adopt alternative or additional strategies in response to the Group's operating environment or competitive situation or factors or events beyond the Group's control.

2.1.2 The market for fingerprint technology is difficult to predict

The Group is operating in a new and unpredictable and rapidly evolving market within the fingerprint industry that focuses on providing customers with enhanced security and control over applications and services through the access of fingerprint technology. As such, it is difficult to predict important market trends, including how large the fingerprint market will be or when and what products will be adopted.

If the market for fingerprint technology does not evolve as the Group anticipates this could have a material adverse effect on the Group's business, prospects, financial position and results of operations.

2.1.3 The macroeconomic environment may negatively affect the Group's operational and financial result

The activities of the Group are subject to economic, business and social conditions at a global level which may fluctuate due to, without limitation, recession, inflation, higher borrowing rates and higher levels of unemployment. A deteriorating macroeconomic context may lead to a decrease in activity across all of the Group's business areas, which would have a negative impact on the business of the Group.

2.1.4 The market is highly competitive

The Group competes in markets that are competitive, fragmented and rapidly changing. The Group expects to continue to experience competition from current and potential competitors, some of which are better established and have significantly greater financial, technical, marketing and distribution resources.

2.1.5 The markets in which the Group compete in is undergoing rapid technological change, and the Group's future success will depend on its ability to meet the changing needs of its clients

For the Group to survive and grow it must continue to enhance and improve the functionality of its products, services and technology to address the client's changing needs. If new industry standards and practices emerge, the Group's existing modules, services and technology may become obsolete. The Group's future success depends on its ability to:

- Develop new products, services and technologies that address the increasingly sophisticated and varied needs of prospective clients; and

- Respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis.

Developing the Group's products, services and other technologies entails significant technical and business risks and substantial costs. The Group may use the new technologies ineffectively, or it may fail to adapt the Group's products and services to user requirements or emerging industry standards. Industry standards may not be established, and if they become established, the Group may not be able to conform to these new standards in a timely fashion or maintain a competitive position in the market. If the Group faces material delays in introducing new products, services and enhancements, the Group may fail to attract new clients and existing users may forego the use of the Group's products and use those of the Group's competitors.

2.1.6 Introduction of products based on new technology could gain wide market adoption and displace the Group's products

Introduction of products including new technologies could cause the Group's existing products to be less attractive to the customers. The Group may not be able to successfully anticipate or adapt to changing technologies or customer requirements on a timely basis.

If the Group fail to keep up with technological changes or to convince the customers of the value of their solutions even in light of new technologies, the Group's business, operating results and financial condition could be materially and adversely affected.

2.1.7 The Group's performance will depend on successful introduction of new products and enhancements to existing products

The Group's continued success depends on the ability to identify and develop new products and to enhance and improve their existing products, and the acceptance of those products by existing and new customers.

The introduction of new products or product enhancements may shorten the life cycle of existing products, or replace sales of some of the current products, thereby offsetting the benefit of even a successful product introduction, and may cause customers to defer purchasing of existing products in anticipation of the new products.

There is a risk that the Group will not be able to successfully commercialize the new products, and that the market adoption will take longer than the Group expects or that the market penetration will not be as big as the Group predicts. If any of these risks were to occur, it could have a material adverse effect on the Group's business, prospects, financial position and results of operations.

2.1.8 The Group may experience operational problems that reduce revenue and increase costs

The Group's products are technically challenging. Operational problems or lack of easy implementation of them may lead to loss of revenue or higher than anticipated operating expenses may require additional capital expenditures. Any of these results could adversely affect the Group's business, financial condition and operating results.

2.1.9 The Group may not be able to maintain sufficient insurance to cover all risks related to its operations

The Group's business is subject to a number of risks and hazards, including, but not limited to industrial accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to properties, personal injury, monetary losses and possible legal liability. Although the Group seeks to maintain insurance or contractual coverage to protect against certain risks in such amounts as it considers reasonable, its insurance may not cover all the potential risks associated with the Group's operations. Any material risks in respect of which the Group does not have sufficient insurance coverage may result in a material adverse effect on its financial condition, operating results and/or cash flows.

2.1.10 Changes in laws and regulation may have an adverse effect on the Group's profitability

Operations in international markets are subject to risks inherent in international business activities, including, in particular, fluctuating economic conditions, overlapping and differing tax structures, managing an organisation spread over various jurisdictions, unexpected changes in regulatory requirements and complying with a variety of foreign laws and regulations. Changes in, or changes in the interpretation of, the legislative, governmental and economic framework governing the activities of the mobile solutions and mobile services industry, could have a material negative impact on the Group's results of operations and financial condition.

2.1.11 The Group may be unable to attract and retain key management personnel and other employees, which may negatively impact the effectiveness of the Group's management and results of operations

The Group's success depends to a significant extent upon the abilities and efforts of the Group's management team and its ability to retain key members of the management team, including recruiting, retaining and developing skilled personnel for its business. The demand for personnel with the capabilities and experience required in the industry is high, and success in attracting and retaining such employees is not guaranteed. There is intense competition for skilled personnel and there are, and may continue to be, shortages in the availability of appropriately skilled people at all levels. Shortages of qualified personnel or the Group's inability to obtain and retain qualified personnel could have a material adverse effect on the Group's business, results of operations, cash flow and financial condition.

2.1.12 The Group's financial condition may be materially adversely affected if the Group fails to successfully integrate assets or businesses acquired from third parties, or is unable to obtain financing for acquisitions on acceptable terms

As part of the business strategy, the Group continually reviews joint ventures, strategic relationships and acquisition prospects that the Group expects to complement the Group's existing business. The Group's growth may be impaired if the Group fails to identify or finance opportunities to expand its operations. At any given time, discussions with one or more potential sellers may be at different stages. However, any such discussions may not result in the consummation of an acquisition transaction, and the Group may not be able to identify or complete any acquisitions or make assurances that any acquisitions the Group makes will perform as expected or that the returns from such acquisitions will support the investment required to acquire or develop them. The Group cannot predict the effect, if any, that any announcement or consummation of an acquisition would have on the trading price of the Shares.

Any future acquisitions could present a number of risks, including:

- the risk of using management time and resources to pursue acquisitions that are not successfully completed;
- the risk of failing to identify material problems during due diligence;
- the risk of over-paying;
- the risk of failing to arrange financing for an acquisition as may be required or desired;
- the risk of incorrect assumptions regarding the future results of acquired operations;
- the risk of failing to integrate the operations or management of any acquired operations or assets successfully and timely; and
- the risk of diversion of management's attention from existing operations or other priorities.

The Group may not realise the anticipated benefits of these investments or acquisitions, and these transactions could be detrimental to the Group's business. If the Group purchases businesses, it could have difficulty assimilating its personnel and operations, or the key personnel of the acquired business may decide not to work for the Group. The Group might have difficulty assimilating acquired technology or products into its operations. These difficulties could disrupt the Group's ongoing business, distract its management and employees and increase expenses.

2.1.13 The Company is a holding company and is dependent upon cash flow from subsidiaries to meet its obligations and in order to pay dividends to its shareholders

The Group currently conducts its operations through the Group's subsidiaries. As such, the cash that the Group obtains from its subsidiaries is the principal source of funds necessary to meet its obligations. Contractual provisions or laws, including laws or regulations related to the repatriation of foreign earnings, as well as the Group's subsidiaries' financial condition, operating requirements, may limit the Group's ability to obtain cash from subsidiaries that it requires to pay its expenses or meet its current or future debt service obligations or to pay dividends to its shareholders.

The inability to transfer cash from the Group's subsidiaries may mean that, even though the Group may have sufficient resources on a consolidated basis to meet its obligations or to pay dividends to its shareholders, the Group may not be permitted to make the necessary transfers from its subsidiaries to meet such obligations or to pay dividends to its shareholders. Likewise, the Group may not be able to make necessary transfers from its subsidiaries in order to provide funds for the payment of its liabilities or obligations, for which the Group is or may become responsible under the terms of any loan agreements. A payment default by the Group, or any of the Group's subsidiaries, on any debt instrument would have a material adverse effect on the Group's business, results of operations, cash flow and financial condition.

2.1.14 Some of the Group's products may rely on the availability of licenses to third-party software and other intellectual property

Some of the Group's products may include software or other intellectual property licensed from third parties, and the Group otherwise use software and other intellectual property licensed from third parties in development of products.

The inability to obtain or maintain certain licenses or other rights or the need to engage in litigation regarding these matters, could result in delays in releases of products and could otherwise disrupt the Group's business, until equivalent technology can be identified, licensed or developed, and integrated into the products.

These events could have a material adverse effect on the Group's business, operating results and financial condition.

2.1.15 The Group is dependent on intellectual property and its methods of protecting its intellectual property may not be adequate

The Group's business and business strategy are tied to its technology. The Group is protected by a portfolio of trade secrets and approved patents, but the Group cannot give assurances that its measures for preserving the secrecy of its trade secrets and confidentiality information are sufficient to prevent others from obtaining that information. The Group may not have adequate remedies to preserve the trade secrets or to compensate the Group fully for its loss if its employees breach their confidentiality agreements with the Group. The Group cannot give assurances that its trade secrets will provide the Group with any competitive advantage, as it may become known to or be independently developed by the Group's competitors, regardless of the success of any measures the Group may take to try to preserve their confidentiality. Further, the Group cannot give assurances that all employees are bound by adequate provisions in their employment contracts regarding ownership of the Group's intellectual property rights.

Furthermore, the Group's patents may not give sufficient protection if challenged in a court of law by a third party. Also, the Company has historically relied on applying for patents pursuant to the Patent Convention Treaty ("**PCT**"), however, not all countries have ratified the treaty, and thereby minimising the protection such patent may give. See Section 2.1.17 "The Group faces risks of claims for intellectual property infringement".

2.1.16 Third parties may illegally copy the Group's products or violate its patents and utility models

Illegal copies of the Group's products or misuse of its brand and/or patents may cause loss of revenue and damage to the Group's brand.

Despite the Group's efforts to protect its proprietary technology and trade secrets, unauthorized parties may attempt to misappropriate, reverse engineer or otherwise obtain and use them. The Group may be unable to determine the extent of any unauthorized use or infringement of their products, technologies or intellectual property rights.

These risks could have a material adverse effect on the Group's business, prospects, financial position and results of operations.

2.1.17 The Group faces risks of claims for intellectual property infringement

The Group's competitors or other persons may already have obtained, or may in the future obtain, patents relating to one or more aspect of the Group's technology or products. If the Group is sued for patent infringement, it may be forced to incur substantial costs in defending itself. If litigation were to result in a judgement that the Group infringed a valid and enforceable patent, a court may order the Group to pay substantial damages to the owner of the patent and to stop using any infringing technology or products. This could cause a significant disruption in the Group's business and force the Group to incur substantial costs to develop and implement alternative, non-infringing technology or products, or to obtain a license from the patent owner. This could also lead the Group's licences and clients to bring warranty claims against the Group. The Group cannot give assurance that it would be able to develop non-infringing alternatives at a reasonable cost that would be commercially acceptable, or that it would be able to obtain a license from any patent owner on commercially acceptable terms, if at all.

2.1.18 The Group may be subject to litigation that could have a material adverse effect on the Group's business, results of operations, cash flow and financial condition

While the Group is currently not involved in any litigation, there can be no assurance that the Group may not become involved in such litigation in the future. The Group cannot predict with certainty the outcome or effect of any claim or other litigation matter. Any future litigation may have a material adverse effect on the Group's business, results of operations, cash flow and financial condition, and have a potential negative outcome. Also, there may be significant costs associated with bringing or defending such lawsuits, and management's attention to these matters may divert their attention from the Group's operations.

2.1.19 The Group faces risks of business interruption

In the course of its business activities, the Group may be subject to adverse events and crises (caused by, for example and without limitation, natural disasters, defective products and/or services and IT infrastructure unavailability). Such internal or external events may materialise unexpectedly, have adverse consequences and significantly affect the Group's reputation, financial results as well as its ability to meet its objectives.

2.1.20 The Group runs risks of non-success when bidding for contracts and execution failures of major contracts

The execution by the Group of complex contracts may require important allocations of resources and incur a high level of liability for the Group. Failure by the Group to accurately assess its chances to be selected within the framework of a bid process may lead to an inadequate allocation of resources and management time and to additional expenditures in costs and time. In addition, a poor understanding and/or implementation of the expectations and needs of its clients could lead the Company to a potential failure in the performance of the relevant contracts, which may affect its financial results as well as its ability to meet its objectives.

2.1.21 The Group is dependent on its customers' sales performances

As the majority of the Group's products are fully integrated into the end-user equipment marketed and sold by the Group's customers, the product sales are fully dependent on customer's capabilities of selling their products to the end-users in the target markets.

Although that product sale generally follows the customer's growth in end-user sale, this may also lead to significant changes in end user demand that could have a material adverse effect on the Group's operating results.

2.1.22 The Group's quarterly and annual operating results may vary significantly and be difficult to predict

The quarterly and annual operating results may vary from period to period. The Group foresees that theses fluctuations may occur due to a variety of factors that are outside of the Group's control such as: fluctuations in demand for the products and the timing of orders from the Group's customers; seasonal buying patterns of customers dependent on their fiscal year; delayed development of sales at new customers; industry related business softness; change in investment climate within the Group's core markets; general international economic conditions.

Any one of these factors or the cumulative effect of some of the factors mentioned may result in significant fluctuations in the Group's quarterly and annual operating results, including fluctuations in the key metrics. The unpredictability could result in failure to meet the business objectives or the expectations of analysts or investors for any period.

2.1.23 The Group relies on contract manufacturers to manufacture the products

If the Group fails to manage the relationship with the current contract manufacturers or if the contract manufacturers experience delays, disruptions, capacity constraints or quality problems in their operations, shipping products to the Group's customers could be impacted.

If the Group is required to change contract manufacturer it may incur increased costs and production delays to qualify a new contract manufacturer and initiate production.

Failure to manage the Group's relationships with contract manufacturers successfully could negatively impact its business.

2.1.24 Damage to the Group's reputation and business relationships may have an adverse effect beyond any monetary liability

The Group's business depends on client goodwill, the Group's reputation and on maintaining good relationships with its clients, partners, suppliers and employees. Any circumstances that publicly damage the Group's goodwill, injure the Group's reputation or damage the Group's business relationships may lead to a broader adverse effect and prospects than solely the monetary liability arising directly from the damaging events by way of loss of business, goodwill, clients, partners and employees.

2.1.25 The Group is exposed to risks associated with international operations

In addition to Norway, the Group has business operations and offices in USA, Taiwan and China. The Group's operations in international markets are subject to risks inherent in international business operations, including, but not limited to, general economic conditions in each foreign country in which the Group will operate, overlapping differing tax structures, problems related to management of an organization spread over various countries, unexpected changes in regulatory requirements, compliance with a variety of foreign laws and regulations, and longer accounts receivable payment cycles in certain countries.

The materialization of such risks may have a material adverse effect on the Group's business, prospects, financial position and operating results.

2.2 Risks related to financing and market risk

2.2.1 In order to execute the Group's growth strategy, the Group may require additional capital in the future, which may not be available

To the extent the Group does not generate sufficient cash from operations, the Group may need to raise additional funds through debt or additional equity financings to execute the Group's growth strategy and to fund capital expenditures. Adequate sources of capital funding may not be available when needed or may not be available on favourable terms. The Group's ability to obtain such additional capital or financing will depend in part upon prevailing market conditions as well as conditions of its business and its operating results, and those factors may affect its efforts to arrange additional financing on satisfactory terms. If the Group raises additional funds by issuing additional shares or other equity or equity-linked securities, it may result in a dilution of the holdings of existing shareholders. If funding is insufficient at any time in the future, the Group may be unable to fund acquisitions, take advantage of business opportunities or respond to competitive pressures, any of which could adversely impact the Group's results of operations, cash flow and financial condition.

2.2.2 Future debt levels could limit the Group's flexibility to obtain additional financing and pursue other business opportunities

The Group may incur additional indebtedness in the future. This level of debt could have important consequences to the Group, including the following:

- the Group's ability to obtain additional financing for working capital, capital expenditures, acquisitions or other purposes may be impaired or such financing may be unavailable on favourable terms;
- the Group's costs of borrowing could increase as it becomes more leveraged;
- the Group may need to use a substantial portion of its cash from operations to make principal and interest payments on its debt, reducing the funds that would otherwise be available for operations, future business opportunities and dividends to its shareholders;
- the Group's debt level could make it more vulnerable than its competitors with less debt to competitive pressures, a downturn in its business or the economy generally; and
- the Group's debt level may limit its flexibility in responding to changing business and economic conditions.

The Group's ability to service its future debt will depend upon, among other things, its future financial and operating performance, which will be affected by prevailing economic conditions as well as financial, business, regulatory and other factors, some of which are beyond its control. If the Group's operating income is not sufficient to service its current or future indebtedness, the Group will be forced to take action such as reducing or delaying its business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing its debt or seeking additional equity capital. The Group may not be able to affect any of these remedies on satisfactory terms, or at all.

2.2.3 Interest rate fluctuations could affect the Group's cash flow and financial condition

The Group is exposed to interest rate risk primarily in relation to its future interest bearing debt issued at floating interest rates. Consequently, movements in interest rates could have material adverse effects on the Group's cash flow and financial condition.

2.2.4 Risks associated with exchange rate fluctuation

The Group has operations that will generate cash flows primarily in USD. Although, the Group's main currency is USD, the Group prepares its financial statements in NOK. Because the Group reports financial results in NOK, the Group faces a currency financial risk to the extent that the assets, liabilities, revenues and expenses of the Group's subsidiaries are denominated in currencies other than NOK. In order to prepare the Group's financial statements, the Group translates the values of these assets, liabilities, revenues and expenses into NOK at the applicable exchange rates. Future variations in the exchange rate could therefore have an impact on the Group's reported financial results..

2.2.5 The Group may encounter financial reporting risks

As part of its responsibility to prevent and detect errors and fraud affecting its financial statements, the Group's management has set up specific accounting and reporting procedures in relation to, amongst other things, revenue recognition process, taxation and other complex accounting issues. Any failure to prevent and detects errors and fraud within the implementation of such procedures may affect its reputation, business, financial results as well as its ability to meet its objectives.

2.3 Risks relating to the Shares

2.3.1 There is no prior regulated market for the Shares, and an active trading market may not develop

Although the Company has been listed on the Norwegian OTC ("**NOTC**"), prior to the Listing, the Shares have not been traded on a regulated public market place, and there can be no assurances that an active trading market will develop, or be sustained or that the Offer Shares will be capable of being resold at or above the Offer Price following the Listing. The market value of the Shares could be substantially affected by the extent to which a secondary market develops for the Shares following the completion of this Offering.

2.3.2 The Group will incur costs as a result of being a publicly traded company

As a publicly traded company with its Shares listed on Oslo Axess the Company will be required to comply with the Oslo Stock Exchange's reporting and disclosure requirements and with corporate governance. Although, the Group is aware of the incurrence of additional legal, accounting and other expenses to comply with these and other applicable rules and regulations, there is a risk associated with the magnitude of the increase costs. The Group anticipates that its incremental general and administrative expenses as a publicly traded company will include, among other things, costs associated with annual and quarterly reports to shareholders, shareholders' meetings, investor relations, incremental director and officer liability insurance costs and officer and director compensation. If the Group is unable to budget the additional costs related to the listing, this may have an adverse effect on the financial results of the Company.

2.3.3 The price of the Shares may fluctuate significantly, which could cause investors to lose a significant part of their investment

The trading price of the Shares could fluctuate significantly in response to a number of factors beyond the Group's control, including quarterly variations in operating results, adverse business developments, changes in financial estimates and investment recommendations or ratings by securities analysts, announcements by the Group or its competitors of new product and service offerings, significant contracts, acquisitions or strategic relationships, publicity about the Group, its products and services or its competitors, lawsuits against the Group, unforeseen liabilities, changes in management, changes to the regulatory environment in which it operates or general market conditions.

In recent years, Oslo Axess have experienced wide price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies. Those changes may occur without regard to the operating performance of these companies.

2.3.4 The Company's ability to pay dividends is dependent on the availability of distributable reserves

Norwegian law provides that any declaration of dividends must be adopted by the shareholders at the Company's general meeting of shareholders (the "**General Meeting**"). Dividends may only be declared to the extent that the Company has distributable funds and the Company's Board of Directors finds such a declaration to be prudent in consideration of the size, nature, scope and risks associated with the Company's operations and the need to strengthen its liquidity and financial position. As the Company's ability to pay dividends is dependent on the availability of distributable reserves, it is, among other things, dependent upon receipt of dividends and other distributions of value from its subsidiaries and companies in which the Company may invest.

As a general rule, the General Meeting may not declare higher dividends than the Board of Directors has proposed or approved. If, for any reason, the General Meeting does not declare dividends in accordance with the above, a shareholder will, as a general rule, have no claim in respect of such non-payment, and the Company will, as a general rule, have no obligation to pay any dividend in respect of the relevant period.

2.3.5 *Future sales, or the possibility for future sales, including by existing shareholders, of substantial number of shares may affect the Shares' market price*

The market price of the Shares could decline as a result of sales of a large number of Shares in the market after the Offering or the perception that these sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for the Company to sell equity securities in the future at a time and at a price that it deems appropriate.

The Company cannot predict what effect, if any, future sales of the Shares, or the availability of Shares for future sales, will have on their market price. Sales of substantial amounts of the Shares in the public market following the Offering, or the perception that such sales could occur, may adversely affect the market price of the Shares, making it more difficult for holders to sell their Shares or the Company to sell equity securities in the future at a time and price that they deem appropriate.

2.3.6 *Future issuances of Shares or other securities may dilute the holdings of shareholders and could materially affect the price of the Shares*

It is possible that the Company may in the future decide to offer additional Shares or other equity-based securities through directed offerings without pre-emptive rights for existing holders. Any such additional offering could reduce the proportionate ownership and voting interests of holders of Shares, as well as the earnings per Share and the net asset value per Share.

2.3.7 *Pre-emptive rights to secure and pay for Shares in any additional issuance may not be available to U.S. or other shareholders*

Under Norwegian law, unless otherwise resolved at a general meeting, existing shareholders have pre-emptive rights to participate on the basis of their existing share ownership in the issuance of any new shares for cash consideration. Shareholders in the United States, however, may be unable to exercise any such rights to subscribe for new shares unless a registration statement under the U.S. Securities Act is in effect in respect of such rights and shares or an exemption from the registration requirements under the U.S. Securities Act is available. Shareholders in other jurisdictions outside Norway may be similarly affected if the rights and the new shares being offered have not been registered with, or approved by, the relevant authorities in such jurisdiction. The Company is under no obligation to file a registration statement under the U.S. Securities Act or seek similar approvals under the laws of any other jurisdiction outside Norway in respect of any such rights and shares and doing so in the future may be impractical and costly. To the extent that the Company's shareholders are not able to exercise their rights to subscribe for new shares, their proportional interests in the Company will be reduced.

2.3.8 *Investors may not be able to exercise their voting rights for Shares registered in a nominee account*

Beneficial owners of the Shares that are registered in a nominee account (such as through brokers, dealers or other third parties) may not be able to vote for such Shares unless their ownership is re-registered in their names with the VPS prior to the general meetings. The Company can provide no assurances that beneficial owners of the Shares will receive the notice of a general meeting in time to instruct their nominees to either effect a re-registration of their Shares or otherwise vote for their Shares in the manner desired by such beneficial owners.

2.3.9 *The Company may be unwilling or unable to pay any dividends in the future*

Pursuant to the Company's dividend policy, dividends are only expected to be paid if certain conditions described in Section 6.1 "Dividend policy" are fulfilled. In addition, the Company may choose not, or may be unable, to pay dividends in future years. The amount of dividends paid by the Company, if any, for a given financial period, will depend on, among other things, the Company's future operating results, cash flows, financial position, capital requirements, the sufficiency of its distributable reserves, the ability of the Company's subsidiaries to pay dividends to the Company, credit terms, general economic conditions, legal restrictions (as set out in Section 6.2 "Legal constraints on the distribution of dividends") and other factors that the Company may deem to be significant from time to time.

2.3.10 *Investors may be unable to recover losses in civil proceedings in jurisdictions other than Norway*

The Company is a public limited company organised under the laws of Norway. Except from the current chairman of the Board of Directors, all of the members of its Board of Directors and of the Company's corporate management reside in Norway. As a result, it may not be possible for investors to effect service of process in other jurisdictions upon such persons or the Company, to enforce against such persons or the Company judgments obtained in non-Norwegian courts, or to enforce judgments on such persons or the Company in other jurisdictions.

2.3.11 Norwegian law may limit shareholders' ability to bring an action against the Company

The rights of holders of the Shares are governed by Norwegian law and by the Articles of Association. These rights may differ from the rights of shareholders in other jurisdictions. In particular, Norwegian law limits the circumstances under which shareholders of Norwegian companies may bring derivative actions. For instance, under Norwegian law, any action brought by the Company in respect of wrongful acts committed against the Company will be prioritised over actions brought by shareholders claiming compensation in respect of such acts. In addition, it may be difficult to prevail in a claim against the Company under, or to enforce liabilities predicated upon, securities laws in other jurisdictions.

2.3.12 The transfer of Shares is subject to restrictions under the securities laws of the United States and other jurisdictions

The Shares have not been registered under the U.S. Securities Act or any U.S. state securities laws or any other jurisdiction outside of Norway and are not expected to be registered in the future. As such, the Shares may not be offered or sold except pursuant to an exemption from the registration requirements of the Securities Act and applicable securities laws. See Section 17 "Selling and transfer restrictions". In addition, there can be no assurances that shareholders residing or domiciled in the United States will be able to participate in future capital increases or rights offerings.

2.3.13 Shareholders outside of Norway are subject to exchange rate risk

The Shares are priced in NOK, and any future payments of dividends on the Shares will be denominated in NOK. Accordingly, investors outside Norway may be subject to adverse movements in the NOK against their local currency, as the foreign currency equivalent of any dividends paid on the Shares or of the price received in connection with any sale of the Shares could be materially adversely affected.

2.3.14 Market interest rates may influence the price of the Shares

One of the factors that may influence the price of the Shares is its annual dividend yield as compared to yields on other financial instruments. Thus, an increase in market interest rates will result in higher yields on other financial instruments, which could adversely affect the price of the Shares.

3 RESPONSIBILITY FOR THE PROSPECTUS

This Prospectus has been prepared in connection with the Offering described herein and the Listing of the Shares.

The Board of Directors of NEXT Biometrics Group ASA accepts responsibility for the information contained in this Prospectus. The members of the Board of Directors confirm that, after having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

6 June 2014

The Board of Directors of NEXT Biometrics Group ASA

Jan Eivind Fondal
Chairman

Ketil Fridheim
Board member

Marit Kristin Instanes
Board member

Ralph Høibakk
Board member

Ngoc Minh Dinh
Board member

Sven-Tore Larsen
Board member

Inger Berg Ørstavik
Board member

Brita Eilertsen
Board member

4 GENERAL INFORMATION

4.1 Other important investor information

The Company has furnished the information in this Prospectus. No representation or warranty, express or implied is made by the Managers as to the accuracy, completeness or verification of the information set forth herein, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future. The Managers assume no responsibility for the accuracy or completeness or the verification of this Prospectus and accordingly disclaims, to the fullest extent permitted by applicable law, any and all liability whether arising in tort, contract or otherwise which it might otherwise be found to have in respect of this Prospectus or any such statement.

Neither the Company nor the Managers, or any of their respective affiliates, representatives, advisers or selling agents, is making any representation to any purchaser of the Offer Shares regarding the legality of an investment in the Offer Shares. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Offer Shares.

Investing in the Offer Shares involves a high degree of risk. See Section 2 "Risk Factors".

In connection with the Offering, each of the Managers and any of its respective affiliates, acting as an investor for its own account, may take up Offer Shares in the Offering and in that capacity may retain, purchase or sell for its own account such securities and any Offer Shares or related investments and may offer or sell such Offer Shares or other investments otherwise than in connection with the Offering. Accordingly, references in the Prospectus to Offer Shares being offered or placed should be read as including any offering or placement of Offer Shares to the Managers or any of their respective affiliates acting in such capacity. The Managers do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

4.1.1 Financial information

The Group's audited consolidated financial statements as of and for the year ended 31 December 2013, with comparable figures as of and for the year ended 31 December 2012, have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**") (collectively referred to as the "**Financial Statements**"). The Group's unaudited interim financial statements as of and for the three month periods ended 31 March 2014 and 2013 (the "**Interim Financial Statements**"), have been prepared in accordance with International Accounting Standard ("**IAS**") 34. The Financial Statements and Interim Financial Statements are attached hereto as Appendix B and Appendix C, respectively. The Financial Statements have been audited by RSM Hasner Kjelstrup & Wiggen AS, as set forth in their report thereon included herein. The Interim Financial Statements have not been audited. The Financial Statements and the Interim Financial Statements is together referred to as the "**Financial Information**".

Please refer to note 23 of the Financial Statements for the year ended 31 December 2013 for a reconciliation of IFRS to NGAAP for the parent company. Potential investors should consult their own professional advisers for an understanding of the differences between IFRS and the Norwegian Generally Accepted Accounting Principles ("**NGAAP**"), and how these differences might affect the Financial Information herein.

4.1.2 Industry and market data

This Prospectus contains statistics, data, statements and other information relating to markets, market sizes, market shares, market positions and other industry data pertaining to the Group's business and the industries and markets in which it operates. Unless otherwise indicated, such information reflects the Group's estimates based on analysis of multiple sources, including data compiled by professional organisations, consultants and analysts and information otherwise obtained from other third party sources, such as annual and interim financial statements and other presentations published by listed companies operating within the same industry as the Group, as well as the Group's internal data and its own experience, or on a combination of the foregoing. Unless otherwise indicated in the Prospectus, the basis for any statements regarding the Group's competitive position is based on the Company's own assessment and knowledge of the market in which it operates.

Although the industry and market data is inherently imprecise, the Company confirms that where information has been sourced from a third party, such information has been accurately reproduced and that as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where information sourced from third parties has been presented, the source of such information has been identified. The Company does not intend, and does not assume any obligations to update industry or market data set forth in this Prospectus.

Industry publications or reports generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. The Company has not independently verified and cannot give any assurances as to the accuracy of market data contained in this Prospectus that was extracted from these industry publications or reports and reproduced herein. Market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market.

As a result, prospective investors should be aware that statistics, data, statements and other information relating to markets, market sizes, market shares, market positions and other industry data in this Prospectus and projections, assumptions and estimates based on such information may not be reliable indicators of the Group's future performance and the future performance of the industry in which it operates. Such indicators are necessarily subject to a high degree of uncertainty and risk due to the limitations described above and to a variety of other factors, including those described in Section 2 "Risk Factors".

4.1.3 Other information

In this Prospectus, all references to "NOK" are to the lawful currency of Norway, all references to "EUR" are to the lawful common currency of the EU member states who have adopted the Euro as their sole national currency, and all references to "USD," are to the lawful currency of the United States.

4.1.4 Rounding

Certain figures included in this Prospectus have been subject to rounding adjustments (by rounding to the nearest whole number or decimal or fraction, as the case may be). Accordingly, figures shown for the same category presented in different tables may vary slightly. As a result of rounding adjustments, the figures presented may not add up to the total amount presented.

4.2 Cautionary note regarding forward-looking statements

This Prospectus includes forward-looking statements, including, without limitation, projections and expectations regarding the Group's future financial position, business strategy, plans and objectives. All forward-looking statements included in the Prospectus are based on information available to the Company, and views and assessments of the Company, as at the date of this Prospectus. Except as required by the applicable stock exchange rules or applicable law, the Company does not intend, and expressly disclaims any obligation or undertaking, to publicly update, correct or revise any of the information included in this Prospectus, including forward-looking information and statements, whether to reflect changes in the Company's expectations with regard thereto or as a result of new information, future events, changes in conditions or circumstances or otherwise on which any statement in this Prospectus is based.

When used in this document, the words "anticipate", "assume", "believe", "can", "could", "estimate", "expect", "intend", "may", "might", "plan", "should", "will", "would" or, in each case, their negative, and similar expressions, as they relate to the Company, its subsidiaries or its management, are intended to identify forward-looking statements. The Company can give no assurance as to the correctness of such forward-looking statements and investors are cautioned that any forward-looking statements are not guarantees of future performance. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company and its subsidiaries, or, as the case may be, the industry, to materially differ from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Company and its subsidiaries operate.

Factors that could cause the Company's actual results, performance or achievements to materially differ from those in the forward-looking statements include but are not limited to, the competitive nature of the markets in which the Company operates, technological developments, government regulations, changes in economic conditions or political events. These forward-looking statements reflect only the Company's views and assessment as at the date of this Prospectus. Factors that could cause the Company's actual results, performance or achievements to materially differ from those in the forward-looking statements include, but are not limited to, those described in Section 2 "Risk Factors " and elsewhere in the Prospectus.

Given the aforementioned uncertainties, prospective investors are cautioned not to place undue reliance on any of these forward-looking statements.

5 REASONS FOR THE OFFERING AND THE LISTING

The Listing is an important factor in the Group's business strategy. The Offering is closely related to the Listing due to the fact that the Offering is expected to facilitate compliance with the requirements for listing of the Shares on Oslo Axess. In addition, the Offering will provide the Company with necessary funding required to complete the planned ramp-up project and will increase the Company's working capital. Ramp-up project include activities which focus on optimization of the logistics and production, to have more sourcing alternatives, and optimization activities of the elements in the sensor module See Section 8.4.2 "Planned ramp-up of production" for more information regarding the ramp-up project. The minimum gross proceeds in the Offering will be NOK 120 million.

Furthermore, the Company intends to carry out the Offering in order to *inter alia*:

(i) provide the Company with further access to equity capital markets and the possibility to ensure financing of further growth, ongoing and continued R&D projects and business expansion;

(ii) ensure an organised and regulated trading in the Shares;

(iii) increase the liquidity in the Shares and thereby enhancing the attractiveness of the Shares;

(iv) enhance the visibility of the Company to investors and business partners; and

(v) increase industry visibility, market valuation and transactional opportunities related to the Shares.

The Company intends to use the new proceeds in the following manner:

In NOK million	**Amount**
Planned ramp up project	25.2
Increase in working capital	78.0
Total requirement	103.2
Primary proceeds	120.0
Unused balance	16.8

The priority of the use of proceeds for the Company shall be equally distributed between the purposes: (i) Planned ramp up project and (ii) increase in working capital to facilitate growth.

See Section 16.15 "Conditions for completion of the Offering – Listing and trading of the Offer Shares".

6 DIVIDENDS AND DIVIDEND POLICY

6.1 Dividend policy

In deciding whether to propose a dividend and in determining the dividend amount, the Board of Directors will take into account legal restrictions, as set out in the Norwegian Public Limited Liability Companies Act of 13 June 1997 No 45, as amended, (the "**Norwegian Public Limited Companies Act**") (see Section 6.2 "Legal constraints on the distribution of dividends"), the Company's capital requirements, including capital expenditure requirements, its financial condition, general business conditions and any restrictions that its contractual arrangements in place at the time of the dividend may place on its ability to pay dividends and the maintaining of appropriate financial flexibility. Except in certain specific and limited circumstances set out in the Norwegian Public Limited Companies Act, the amount of dividends paid may not exceed the amount recommended by the Board of Directors.

The Company's dividend policy is to provide shareholders with a high return over time through rising value of the company's shares. The board will not recommend payment of dividend if the company is not in a sufficient financial position, after having taken into account the financial resources required for future growth and the Company's distributable reserves. There can be no assurance that in any given year a dividend will be proposed or declared, or if proposed or declared, that the dividend will be as contemplated by the policy.

The Company has not paid any dividends for the years ended 31 December 2013 or 2012.

6.2 Legal constraints on the distribution of dividends

Dividends may be paid in cash or in some instances in kind. The Norwegian Public Limited Companies Act provides the following constraints on the distribution of dividends applicable to the Company:

- Section 8-1 of the Norwegian Public Limited Liability Companies Act provides that the Company may distribute dividend to the extent that the Company's net assets following the distribution covers (i) the share capital, (ii) the reserve for valuation variances and (iii) the reserve for unrealised gains. The total nominal value of treasury shares which the Company has acquired for ownership or as security prior to the balance sheet date, as well as credit and security which, pursuant to Section 8–7 to Section 8-10 of the Norwegian Public Limited Liability Companies Act fall within the limits of distributable equity, shall be deducted from the distributable amount.

  The calculation of the distributable equity shall be made on the basis of the balance sheet included in the approved annual accounts for the last financial year, provided however that the registered share capital as of the date of the resolution to distribute dividend shall be applied. Following the approval of the annual accounts for the last financial year, the General Meeting may also authorise the Board of Directors to declare dividend on the basis of the Company's annual accounts.

  Dividend may also be resolved by the General Meeting based on an interim balance sheet which has been prepared and audited in accordance with the provisions applying to the annual accounts and with a balance sheet date not further into the past than six months before the date of the General Meeting's resolution.

- Divideds can only be distributed to the extent that the Company's equity and liquidity following the distribution is considered sound.

The Norwegian Public Limited Companies Act does not provide for any time limit after which entitlement to dividends lapses. Subject to various exceptions, Norwegian law provides a limitation period of three years from the date on which an obligation is due. There are no dividend restrictions or specific procedures for non-Norwegian resident shareholders to claim dividends. For a description of withholding tax on dividends applicable to non-Norwegian residents, see Section 15 "Taxation".

6.3 Manner of dividend payment

Any dividend will be paid to the shareholders through the VPS. Investors registered in the VPS whose address is outside Norway and who have not supplied the VPS with details of any NOK account, will however receive dividends by check in their local currency, as exchanged from the NOK amount distributed through the VPS. If it is not practical in the sole opinion of DNB Bank ASA, being the Company's VPS registrar, to issue a check in a local currency, a check will be issued in U.S. dollars. The issuing and mailing of checks will be executed in accordance with the standard procedures of DNB Bank ASA, Foreign Payments Department. The exchange rate(s) that is applied will be DNB Bank ASA's exchange rate on the date and time of day for execution of the exchange for the issuance of cheque. Dividends will be credited automatically to the VPS registered shareholders' NOK accounts, or in lieu of such registered NOK account, by check, without the need for shareholders to present documentation proving their ownership of the Shares.

7 INDUSTRY AND MARKET OVERVIEW

7.1 Outlook in the market for fingerprint services

Historically, fingerprint area sensors have been associated with poor performance swipe sensors, expensive capacitive sensors and bulky optical devices. The quality, cost and size of such traditional products have made them unsuited for most mass-market applications. With the rise of products like smartphones, tablets, computers and pocket compatible identification tokens, the need and desire for convenient identification technology have grown to be significant. Driven by companies such as Apple, Samsung and Microsoft, traditional PIN codes, passwords, ID cards, physical keys and other identification technologies are increasingly replaced by fingerprint technology.

7.2 The variants of fingerprint technology

In consumer applications, there are primarily two product variants, the swipe sensor and the area sensor.

A swipe sensor is a thin stripe where the user runs its finger across for biometric authentication. Due to low inclusion of silicon, the solution is cheaper than an area sensor, and will often represent a troublesome customer experience where multiple swipes are needed to achieve verification.

Area sensors (or "Touch" sensors) can offer a higher degree of customer convenience and security. A higher cost than swipe sensor has nonetheless held back the solution from PCs, smartphones, pads and other personal electronics equipment.

Figure 7-1: Swipe and Area Sensor

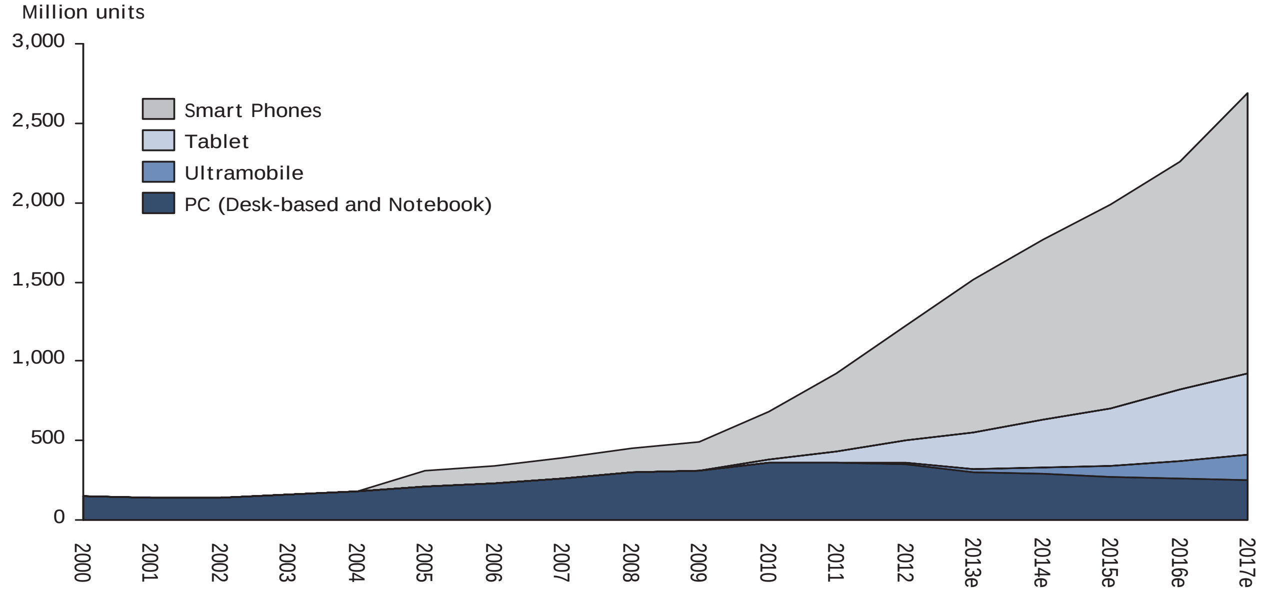
Swipe sensor — Area sensor

7.3 The drivers for fingerprint sensors

The total volume of devices relevant for fingerprint sensors is according to industry analysts IDC and Gartner expected to grow in the next years. As prices for fingerprint sensors are falling combined with improved security and a better convenience level, fingerprint sensors are due to make a presence in people's everyday life. Also, as smartphones and other electronic devices increasingly contain sensitive information, there is need for new and secure authentication methods.

Please see section 8.3.5 "Strategy" for a description of the Group's strategy in relation to the various markets described below.

Figure 7-2: Annual sale of "smart" devices in the world (million units)



Source: IDC and Gartner[1]

Optical sensors are a third category of fingerprint recognition technology, but due to their bulky size are not relevant for use in consumer applications.

7.3.1 Smartphones and tablets

The smartphone is a good fit for fingerprint sensors. The smartphone is carried around with the user a lot of the time, has a fast processor, internet capabilities and contains a significant amount of sensitive information both from a personal and corporate perspective. As mobile payments also become more relevant in everyday life, there is an increased need to replace PIN and key codes with more secure and convenient authentication methods.

The first mobile phone with a fingerprint sensor was shipped already in 1998 by Siemens (the Siemens PSE). Apple's iPhone 5s, launched in September 2013, was the first smartphone integration where a fingerprint sensor was an area sensor, implying a high level of convenience at an acceptable security level, given it is restrained to access control and small App Store purchases. In February 2014, Samsung followed Apple suit and launched the Galaxy S5 phone with a swipe fingerprint sensor.

There are today no large-volume tablet models with fingerprint readers, but it is likely that Apple, Samsung and/or others will introduce fingerprint readers in tablets in the near future as the need for seamless log-on and mobile payments authorisation also applies to such devices.

7.3.2 PCs and Notebooks

Fingerprint sensors were included in some 20 million PCs in 2012. Most of these are swipe sensors, with a low level of security and convenience. As prices for area sensors are falling and the convenience and security level of such sensors are greater, the use of area sensors in PCs is expected to increase in the future.

7.3.3 The Chinese internet banking & government market

An interesting market opportunity for fingerprint sensors is the Chinese internet banking market. The total internet banking market is today approximately 350 million users. Fingerprint sensors may be relevant in the high-end segment of internet banking customers.

Further, more than one million Chinese bank employees currently use area sensors to access their work place.

[1] Sources available at: http://www.idc.com/getdoc.jsp?containerId=prUS24293513, http://www.statista.com/statistics/272595/global-shipments-forecast-for-tablets-laptops-and-desktop-pcs/ and http://www.statista.com/statistics/263441/global-smartphone-shipments-forecast/

7.3.4 Key fobs

A key fob is a small security hardware device with built-in authentication used to control and secure access to network services and data. The key fob displays a randomly generated access code, which changes periodically. A user first authenticates themselves on the key fob, usually with a personal identification number (PIN), followed by the current code displayed on the device.

7.3.4.1 Access control

A personal key fob with a fingerprint reader and wireless capabilities can act as an access control device. It can replace today's solutions, primarily consisting of cards and key chain tags, and eradicate the need for a supplemental code.

7.3.4.2 Payments

MasterCard has introduced key fobs for its PayPass system where users simple can tap the unit against a PayPass terminal to complete a transaction. Visa has introduced a similar device with its Micro Tag. All of these solutions do not, however, contain authentication methods, and are limited to smaller transactions. By introducing a fingerprint sensor, the maximum transaction limit could potentially be raised.

7.3.5 Traditional/Existing markets

Other application areas today containing fingerprint sensors are door systems, time & attendance solutions, safes, USB sticks, flashdrives and smartcard readers. The use of fingerprint sensors in these products has a total yearly global market of 10-15 million units. Around half of these are comprised of relatively large optical sensors. It is anticipated that the low cost/large area combination of the Group offering will help grow these market segments going forward.

7.3.6 Segments

NEXT have grouped the use of the technology into four markets; (i) Smartphones and Tablets, (ii) Notebooks and Accessories, (iii) Existing (traditional markets) and (iv) New "NEXT – enabled markets". The available technology is generic into the four markets. Since NEXT so far has had limited revenues it has operated and reported only in one business segment; Fingerprint sensor technology.

	The Group		**NEXT Biometrics Group ASA**	
Operating revenue (amounts in NOK)	**2013**	**2012**	**2013**	**2012**
Fingerprint sensor technology	37 762	0	53 438	110 625
Total	**37 762**	**0**	**53 438**	**110 625**
Operating revenue - Per country (amounts in NOK)				
Taiwan	27 854	0		
China	9 908	0		
Total	**37 762**	**0**		

NEXT does not have recurring revenue as of 31 December 2013. The revenue in 2013 involved customer acceptance and payments related to prototype and integration deliveries. This represents value, although in modest volumes.

7.3.7 Market size

The current market size for fingerprint sensors is difficult to estimate and quantify.

Swedish Fingerprint Cards AB (one of the market leading sensor suppliers) expects the market for integrated sensors (touch and swipe) in consumer electronics to comprise 500 million in 2014 and 3 billion in 2015[2]. Norwegian Idex stated in their third quarter 2013 presentation that they expect the market for fingerprint sensor sales to total 1.28 billion in 2015 and 2.6 billion in 2017[3].

The major drivers of market growth in 2014 and 2015 are by all analysts expected to be the smartphone, tablet and notebook segments. The total number of devices sold within the segments are estimated to be 1.7 billion in 2014, 2 billion in 2015 and 2.2 billion in 2016. After Apple (with its 15-20% market share) and Samsung (with approximately 30%) integration of sensors in the major phone models, the market expects the general adoption of sensors to be significant among Apple and Samsung competitors. The Company also anticipates wide adoption of sensors in tablets and notebooks. The general adoption of sensors outside Apple is expected to be high.

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[2] Press release available at http://www.fingerprints.com/blog/2013/09/23/fpc-submits-updated-guidance-for-2013-and-preliminary-guidance-for-2014/

[3] Presentation is available at http://www.idex.no/wp-content/uploads/2012/07/idex_q3_13november2013-2sppR.pdf

Within traditional markets (physical access control, time and attendance, point of sales, etc), the Group estimates that the global market for fingerprint sensors in 2013 comprised approximately 4 million touch sensors per year, 4 million optical sensors and approximately 20-30 million swipe sensors. It is anticipated that these markets will grow beyond 10 million area touch sensor units in 2014 and more than 15 million units in 2015.

The market sizes of the "NEXT Enabled" markets, including new markets for small high quality and low cost devices, is very hard to estimate. The Company expects these markets to emerge in 2015 and to represent significant volumes from 2016. Best anticipated estimate of the 2016 total market size is from 10 to 50 million units.

7.4 Competitive overview

7.4.1 Introduction

The competitive environment in the fingerprint industry is characterized by a few niche focused players, and several companies doing work around the biometrics sphere. There are today a handful of players targeting the global mass market for fingerprint sensors. In addition, it is likely that there are a number of smaller, unknown players that do interesting work on fingerprint sensors. There could also be internal R&D departments within large corporations, such as Samsung and others, who develop fingerprint sensors for commercial applications.

7.4.2 Fingerprint Cards

The Sweden based company Fingerprint Cards was founded in 1997 and was as such not the first-mover into fingerprint technologies, but has been one of the most successful in implementing fingerprint readers in commercial products. Its references cover Chinese banking customers, door locks systems, time & attendance solutions, USB flash memory and more. In October 2013, Fingerprint Cards also announced its product will be launched on four Android smartphones and two Android tablets delivered by Fujitsu. Fingerprint Cards is listed on Nasdaq OMX Stockholm stock exchange and reported sales of SEK 95.4 million in 2013.

7.4.3 Validity

Validity is a California based company and has historically supplied swipe sensors in volumes. They have recently also pledged to develop and market a small area sensor (touch sensor). It was acquired by Synaptics in October 2013 for USD 93.5 – 255 million, depending on the outcome of an earn-out. Synaptics produces touchpads and touchscreens.

Along with Fingerprint Cards, Validity dominates the present market for capacitive sensors. It is believed (not officially confirmed) that the sensor in the new Samsung Galaxy comes from Validity.

7.4.4 Egistec

Egistec, a privately held Taiwanese company, is primarily a supplier of swipe sensors to PCs and mobile devices. According to the company, it holds more than 100 patents in the fingerprint space and, has been bundled with more than 30 million devices. They were successful selling swipe sensor to PC manufacturers some years ago, but have recently not been a major player in the industry.

7.4.5 Idex

The Norwegian company Idex was founded in 1996 and arose from a partnership with SINTEF (an independent research organisation in Scandinavia). The current activity of IDEX is focused on the development, industrialization and commercialization of the SmartFinger products targeted at products such as biometric cards, mobile handsets and tablets. It has yet to produce any products in commercial quantity. They have stated that they aim to launch commercial quantities of a swipe sensor in 2014 and a touch sensor in 2015. Idex is listed on Oslo Stock Exchange.

8 BUSINESS OF THE GROUP

8.1 Overview of the Group's business

The Group's business is dedicated to research & development, commercialization and manufacturing of fingerprint technology and products for a variety of uses, including smartphones, tablets, notebooks, corporate access control, time & attendance, usb-sensors, smartcard readers, secure tokens and physical access control systems.

The key feature of the fingerprint sensors developed by the Group is that they use thermal conductivity to read the fingerprint (as opposed to capacitive[4] or optical sensing used by most competitors). This patented "active thermal" sensing principle allows for simple pixel designs uniquely compatible with low temperature polysilicon production processes ("**LTPS**") used today in high-end display factories. As a consequence of such production method in comparison to alternative methods of production and because the Group holds the IP-rights for such Active Thermal Sensing technology (as defined in Section 8.3.2 "Products"), the Group's fingerprint sensors have a production cost significantly lower than comparable quality fingerprint sensors. See Section 8.4 "Production facilities and processes" for an explanation why the production costs are lower than the Group's competitors. To date, competing sensor players have not been able to bring to market fingerprint sensors which are mass produced using the LTPS production process. The Company has developed a number of fingerprint sensor modules which may be incorporated into a wide range of products and solutions.

The Group's revenues will mainly be obtained from the sale of the sensor units that are sold at a price per unit. The Group does not offer support services and does not obtain revenue from license fees from customers. See Section 8.7 "Intellectual property" for more information regarding the license fee paid by NEXT Biometrics AS to the Company.

The Company has developed a number of fingerprint sensor modules which may be incorporated into a wide range of products and solutions. The Group categorize the use of the technology into four markets; (i) Smartphones & Tablets, (ii) Notebooks & Accessories, (iii) Existing/Traditional markets and (iv) "NEXT Enabled" markets.

The Company's headquarter is located in Oslo, Norway, with offices in Shanghai (China), Taiwan and Seattle (USA). The Group currently has 26 permanent employees and have outsourced services equal to approximately 10 full time employees.

8.2 Competitive strengths

The Group is well positioned to play a key role in the expected growth within the fingerprint sensor industry. This is due to the Group's proprietary and patented technology providing a cost advantage over its competitors, the flexible format applicability of the Group's products and its highly talented and experienced management team and board. The Group's competitive strengths may be summarized as follows:

- The proprietary and patented technology is a result of many years of research;
- Production cost significantly below other similar quality area sensors competitors;
- A clear road map with achievable goals of further reducing operating costs;
- A highly talented and experienced management team and advisory board;
- A Capital light production process with manufacturing, assembly and integration outsourced to industry leaders;
- The sensor modules may be incorporated into a vast spectre of products and may therefore be able to achieve sales leverage through partnerships with leading firms.

The low cost per unit is achieved by the production method explained in Section 8.4 "Production facilities and processes". The design, and thereby the production method, is protected by the Group's patents. See Section 8.7 "Intellectual property" for more information regarding the Company's patents. To achieve the same level of competitiveness, the Group's competitors and other third parties would need to either develop a new core sensor principle able to compete with the Company's Technology, or to develop a new high quality, high yield production process able to compete with display factories' cost levels.

[4] Capacitive sensors create an electrical field between the sensor and the surface of the finger. This electrical field changes dependent upon the distance from the skin, which can be utilized by the sensor to determine if it's ridge or a valley thereby creating or mapping a fingerprint.

8.3 History and important events

8.3.1 Overview of the Group's history

The table below provides an overview of key events in the history of the Group:

Year	Event
2000.............	The Company was founded by its principle inventor, Ngoc Minh Dinh.
2001-2004......	Research and development of silicon sensor focused technology continues. A high quality, full sized fingerprint area sensor was demonstrated in 2004.
2004.............	The Company changed its focus from silicon to Polysilicon. Tore Etholm-Idsøe was hired as the Company's CEO.
2005-2007......	Research and development on the PolySilicon sensor continues. Multiple developments, manufacturing and testing cycles are undertaken for the Company's products. Matias Troccoli was hired as the Company's Vice President of technology.
2008.............	First rough print of sensor in Polysilicon was realized.
2009.............	Further optimizations of Polysilicon sensor.
2010.............	First high quality print of sensor in Polysilicon was demonstrated.
2011.............	Signing of the first major sales contract with KOEHLKE International Ltd ("**KOEHLKE**"). The Company received approval of key patent application with expiry in 2025. The Company opened an office in Seattle. The Company initiated a major project to transfer the Company's sensor technology from prototype to mass production. This project is done in collaboration with INNOLUX Corporation, a leading world manufacturer of high quality displays.
2012.............	Company completed its first production run in the mass production line. Signing of a second major sales contract with a major Chinese systems integrator. High quality sensor coating technology validated and the completion of the first generation companion NEXT Application Specific Integrated Circuits ("ASIC"). The ASIC's main purpose is to digitize the analogue signals from the sensor array and forward the signal to third party controllers.
2013.............	First mobile module validated and completion of second mass production line. The Company hired Vincent Su as country manager in Taiwan. Completion of the first Android SDK (system developers' kit for smartphone manufacturers targeting implementation of NEXT sensors). A number of test-runs were made to ensure mass production capacity. In addition to hiring 7 people in Shanghai and Seattle, the Company hired Dr Lunji Qiu as vice president and general manager of NEXT China. Dr Qiu formerly held the same position in Authentec, the world leading fingerprint sensor player, acquired by Apple Inc in 2012.
2014.............	A wide range of companies have been visited and handed sensors for their internal testing. A number of these have after completion of testing proceeded to system integration stage. Next step for the customers is to complete the system integration phase and then go on to submit purchase orders for regular units for customer production.

8.3.2 Products

The Group develops and manufactures sensors for fingerprint recognition which refers to the automated method of verifying a match between two human fingerprints. Biometrics is the study of how humans differ from each other based on biological factors, for example how each person's fingerprints form differently. Fingerprinting is one of many forms of biometrics used to identify individuals and to verify their identity (others being face, iris, voice and hand geometry).

Fingerprint sensors are electrical devices used to capture an image of the individual's fingerprint pattern. The captured image is called a live scan. The live scan is digitally processed to create a biometric template which is stored and used for matching. There are a number of commonly used fingerprint technologies, among others optical scanning, pressure-related, capacitance scanners (based on transfer and measurements of electrical currents) and thermal. The Group uses thermal sensing principle (the "**Active Thermal Sensing Principle**" or the "**Technology**") to scan the persons' fingerprint.

The Active Thermal Sensing Principle applies a low power heat pulse to each sensor pixel (or each small component of the sensor) over a short period of time. The fingerprint ridges, being in contact with the sensor surface, produce a different temperature differential from the valleys, which are at a distance from the sensor surface. The sensor is able to map the fingerprint as the heat-response is different for the pixels in proximity to the fingers ridge or valley. See Section 8.7 "Intellectual property" for more information relating to the technology behind the Active Thermal Sensing Principle. The Company owns all active thermal sensing patents and thus control the use of active thermal sensing within the markets of fingerprinting.

The Group has to date developed three commercial fingerprint sensor modules, two printed circuit boards ("**PCB**") modules and flexible printed cable ("**FPC**") module. The PCB is a board containing conductive and isolated elements to mount and connect electronic components.

The NB-1010-S is a fingerprint area sensor PCB module designed for integration into custom application products like time and attendance terminals or card readers. It relies on the NEXT sensor chipset mounted on a small printed circuit board for seamless hardware integration. The module connects to the host system via a flex cable with SPI interface.

The NB-1010-U is a fingerprint area sensor PCB module designed for integration into products with a USB infrastructure like notebooks or PC peripherals. It relies on the NEXT sensor chipset combined with a USB 2.0 controller, mounted on a small printed circuit board for seamless hardware integration. The module connects to the host system via 4 bond pads or an optional mini-USB connector.

The NB-2010-S is a fingerprint area sensor FPC module designed for integration into mobile devices. It relies on the NEXT sensor chipset mounted on a flexible printed circuit board for seamless hardware integration. The module connects to the host system via a board-to-board connector with SPI interface.

NB-1010-S

NB-2010-U

NB-2010-S

After a fingerprint image is acquired by the fingerprint reader hardware, the fingerprint must be interpreted. The fingerprint scan must be processed in such a way that read-outs can be efficiently compared and matched with the saved fingerprints in the processors database. The Group limits its product offering to hardware which is required in such processes, and does not produce software for the interpretation in the specific processor, for example a smartphone or a tablet.

8.3.3 Security

Traditionally, pass codes, passwords or key cards have been used to access phones, office buildings or computers. These are vulnerable to theft and loss and therefore pose a security risk. It is significantly more difficult to copy, share or distribute a biometric pattern. Biometrics cannot be lost or forgotten, as many passwords can, and it requires the person to be present at the time of recognition. Biometrics is difficult for attackers to forge and for users to discard. The main advantage of a biometric system is that it gives users greater convenience (they no longer have to remember multiple, long and complex, frequently changing passwords) while maintaining higher levels of security and also ensuring that the user is present at the point in time of recognition.

A factor for determining the security level of fingerprint is the sensing area.[5] The Company uses a 201 mm^2 large sensor, thereby capturing a large portions of the fingerprint. This gives the sensor a high probability to capture enough features for the algorithm to be able to securely determine the authenticity of a finger presented to the sensor system.

There are two main security threats to fingerprint systems, and these are the following:

(i) Hacked fingerprint systems: Trojan horse attacks against biometrics systems modules and replay attacks against its communication channels are similar to those against password based personal recognition systems. The users of biometric sensors are able to secure biometric systems against attacks using the building blocks of standard cryptographic techniques.

(ii) Fake fingers: 3D fake fingers may be created with a mold typically from gelatine, silicone or rubber. Given the right skulls and equipment, producing a good 3D fake finger can fool all known market fingerprint sensors. In commercial applications, adding more credentials (such as passwords) may be undesirable because doing so reintroduces the problems associated with knowledge- and possession based systems. In these applications, fake biometric attacks remain a concern. However, the Company suggests mitigating such threats in two ways:

- By building vitality detection mechanism in the biometric recognition system hardware and software (which checks that the person is alive) and for high security concerned applications; and

[5] "Handbook of Fingerprint recognition", Davide Maltoni, Dario Maio, Anil Kain and Salil Prabhakar, (2009) page 82.

- By designing multimodal biometric systems that incorporate several different biometric characteristics (for example, finger, face and hand geometry).[6]

The Group is continuously working with leading universities and scientific institutes to research hardware and software methods that reliably detect security threats to the system.

8.3.4 Clients

During Q1 2014, more than fifty customer sales processes were initiated. Of these, more than twenty have received samples for testing. Of these twenty companies, six companies have completed testing and moved on to order products for product integration stage.

The Group has also entered into three year volume delivery agreements with Taiwanese/Chinese KOEHLKE and second a major Beijing-based system integrator. On 23 April 2014 the Group entered into an updated supply agreement with KOEHLKE. Pursuant to the supply agreement, KOEHLKE is obliged to purchase 100,000 sensors in 2014, 900,000 sensors in 2015 and 3,000,000 sensors in 2016. A first purchase order of 53,000 units to be delivered in 2014 has already been placed.

On 15 May 2014, the Company received a purchase order for 10,000 units from a Chinese sensor system integrator. The integrator is a new partner with the Company and is a leading supplier within the existing (traditional markets) segments of the Chinese market, including sensor units for time and attendance and physical access control. See Section 7.3.5 “Traditional/Existing markets” for more information regarding the segment. These units will be integrated into one of the customer’s product lines and the Company has substantial upsell opportunities to this customer. The sensors are to be delivered in 2014.

8.3.5 Strategy

The Group’s vision is to be the recognized leading provider of fingerprinting solutions. The Group aims to deliver customer satisfaction through its unique combination of high levels of security and user convenience at low cost levels. Further, to create shareholder value through efficient operations and profitable growth and to attract and retain excellent personnel by providing an exciting work environment which stimulates innovation and encourages collaboration, engagement and high achievement.

The Group has defined more than twenty different applications for its Technology. These have been grouped in four main segments; (i) traditional sensor markets, (ii) notebooks and accessories, (iii) smartphones and tablets and (iv) "NEXT Enabled" markets. Please see Section 7.3.6 “Segments” for more information regarding the market segments. The Group will target medium sized and large customers within these segments using the Group’s internal sales and support resources based in Asia, the USA and Europe.

The Group’s initial turnover has been and will continue to be realized within the traditional markets. These markets (physical access control, time & attendance, point of sales etc.) are readily available and accessible markets for the Group providing fast access to income. The reason for this is that the Group’s sensor units will typically replace bulky optical sensors and high cost silicon sensors. The Group will target smaller sized customers within the traditional markets by using a few selected appointed distributors to handle the customer relationship.

In parallel, the Group has started sales activities within both the notebooks and accessories and smartphone and tablet segments. In these segments the sales processes take longer time and most leads represents sales opportunities for the Group in 2015 and 2016. The Group will allocate significant resources within these segments as the outcome is potentially very high volume sales.

Furthermore, due to the Group's unique ability to deliver high simultaneous levels of security and convenience at low cost, the Group will address new small format device markets for example payments, corporate access, with low cost solutions in Key Fob and USB-token formats. In these segments the Group will work closely with leading system integrators well positioned to bring low cost, highly secure and convenient devices into the mass market.

The Group anticipates that the defined four segments as mentioned above will contribute significantly to the total Group sales in the coming years.

[6] ”Biometric Recognition: Security and Privacy Concerns”, Salil Prabhakar, Sharath Pankanti and Anil K. Jain, (2003)Security & Privacy, IEEE, Publication March-April 2003, page 33 – 42. ISSN: 1540-7993

8.3.6 Competition

With respect to delivery of complete fingerprint sensor modules in the global mass market, the Group's main competitors are Fingerprint Cards and Validity (Synaptics). See section 7.4 "Competitive overview" for further information.

8.4 Production facilities and processes

8.4.1 Current facilities and processes

The Company relies on a handful contract manufacturers for its production. The contract manufactures are leading and highly recognized players within their respective segments.

The production of sensor units may be divided into four main production steps:

(i) Sensor sheet production: The first step of the production process is to produce the sensors on large sheets. Each sensor sheet consists of 840 sensors which are cut into individual sensors after the sheet has been coated (see production step (ii)). The production process is called LTPS (as defined above in Section 8.1 "Overview of the Group's business"). Each of the 840 sensors per sheet contains 45,000 small cells. These cells are very simple in their design and can therefore be produced by high-end display factories and not silicon foundries which incur additional costs due to the expensive raw materials and costly production processes. The Group has entered into a supply contract with INNOLUX Corporation. INNOLUX is one of the world's leading manufacturers of high-end LTPS displays (which are mostly chosen for smartphone displays) and have capacities to grant the Company the opportunity to quickly scale its production.

(ii) Sensor sheet coating: Today, the Company coat its sensor sheets at third party facilities. Coating entails adding an extremely hard and durable protective layer to the sensors. In order to scale up production and also to bring down coating costs the Company has invested in a custom-made coating machine to be installed in fourth quarter 2014. Please see Section 10.10.1 "Principal investment in progress and planned principal investments" for more information regarding the coating machine.

(iii) ASIC production: An ASIC is a custom made, mandatory companionship for every sensor unit. The ASIC's main purpose is to digitize the analogue signals from the sensor and to forward the digitized signal to third party controllers or processors, i.e. computer or mobile phone processors. The Group has entered into an agreement with X-FAB, a world leading mixed signal foundry experts ("**X-FAB**"). X-FAB is able to quickly scale its production of ASICs, thus not limiting the overall production of the Group's products.

(iv) Module and Assembly: The Company offers its sensors and ASICs packaged in PCB or FPC module formats. See Section 8.3.2 "Products" for images of such products. The modules, which are delivered in formats requested by application level customers, comes with serial peripheral interface ("**SPI**") or USB interfaces and may to some extent be customized for high volume customers.

The Company does not define itself as dependent on INNOLUX or X-FAB, as there are other manufacturers which can produce the same products at the same price and quantity. In the event the Company was to shift production to another supplier, the Company estimates a lead time of approximately twelve months to get the facility up and running.

8.4.2 Planned ramp-up of production

The Company's ramp-up activities aim to streamline and optimize the supply chain and thereby increase the number of sensor units produced to tens of millions within the next couple of years, and to achieve a targeted production cost per sensor of less than USD 3.00. These activities include, among other things, to optimize the logistics, have more sourcing alternatives, and optimization activities of the elements in the sensor module.

Additional manufacturing capacity is relatively easily available and the Company can increase its total volume into tens of millions of units without being constrained by production limitations. Further, in order for the Company to realize the Group's sales targets in 2015 onwards, the Company has entered into a contract to increase sensor coating capacity of 1.8 million units per month. See Section 10.10.1 "Principal investment in progress and planned principal investments" for more information on the coating machine.

A key part of the Company cost- and size-down activities are continuous developments of the ASIC's which is a mandatory component in the sensor units. These activities include integration of several functions, today performed in miscellaneous components that add to the sensor module bill of materials and also to its size.

Most of the supplier contracts entered includes volume related cost reductions. Significant reductions will be realized at sensor sheet, ASIC, module component and module assembly level going forward. Additional savings will, as the projects matures, further be realized in terms of individual and accumulated yield levels.

Please see Section 5 “Reasons for the Offering and the Listing” for information regarding use of proceeds from the Offering in relation to the planned ramp-up project.

8.5 Sales and distribution

The Group has sales departments in Norway, Shanghai, Silicon Valley and Taiwan. It is the Company’s philosophy to recruit highly experienced sales directors and sales managers from within the fingerprint sensor industry. Both the vice president and general manager of NEXT’s branch offices in China, the sales manager for China, the country manager of Taiwan and the vice president of Sales of the Americas all have background from Authentec, the former world leading sensor supplier acquired by Apple in 2012. From their past career these have brought their networks and connections and also experience in terms how to manage their sales operations.

8.6 Research and development

The main focus of the Group’s R&D projects relate to the development of the ASICs and the core sensor technology. Furthermore, production activities, production trials, pilot production runs and the development of new versions of the ASIC have been undertaken in the period. Costs of obtaining and maintaining patents are also included in the R&D costs. The R&D costs for the Group are expensed and amounted to NOK 23.5 million in 2013, of which NOK 17.6 million as other operating expenses and NOK 5.9 million as payroll expenses. From 31 December 2013 and up to the date of this Prospectus, the total R&D expenses (payroll and operating expenses) increased to NOK 9.9 million compared to NOK 2.3 million in the first quarter of 2013. In 2012 R&D costs amounted to NOK 10.0 million, of which NOK 7.0 million are other operating expenses and NOK 3.0 million are payroll expenses. There are no R&D costs in the Company, but everything is recognised at the level of the Company’s subsidiary, NEXT Biometrics AS.

On 25 May 2014 the Company entered into a subscription agreement and a memorandum of understanding with Icreate Investment Limited, a subsidiary of the Taiwanese technology producer Foxconn Technology Group (“**Foxconn**”). The subscription agreement states that Foxconn commits to subscribe for shares in the Offering for an amount of at least NOK 30 million. See Section 16.1 “Overview of the Offering” for more information regarding the subscription of shares in the Offering. A memorandum of understanding defines business areas in which the parties will explore industrial synergies. The parties shall work together to implement the Company’s technology and products in a wide range of products manufactured by Foxconn and its subsidiaries.

8.7 Intellectual property

The Group’s intellectual property strategy includes active development and protection of both patents and trade secrets. All key sensor patents filed are the property of the Group. Patents are granted by a government to an inventor if the patent application is successful and an application payment is made. A granted patent application must include one or more claims that define the invention and the scope of protection. A patent protects the inventor’s right to solely manufacture, use or sell an invention for 20 years, thereby effectively protecting the inventor from competition. In order to maintain a patent, an annual fee must be paid per patent, per country. Technical patents are alike non-technical patents in terms of length of protection, maintenance fee and application process.

Ownership of the two key Active Thermal Patents (as defined below) was transferred from the inventor to the Group in 2005 and 2008, respectively. All other of the Group’s patents have been developed by the University of Freiburg, Dr Matias Troccoli and Tore Etholm-Idsoe, all of which have been transferred to the Company. The Company targets to further increase the number of patents in its portfolio.

The Company portfolio of intellectual property rights, trade secrets, and patents and the limited availability of sensor manufacturer sources give a competitive advantage and provide high barriers of entry for competitors. The Group’s sensors may only be manufactured in a few select high quality LTPS factories. Such factories can only be found in Asia and they are all owned by major Japanese, Korean or Taiwanese display manufacturers. This supply industry structure decreases the probability of patent infringing manufacturing and distribution of the Company technology. In addition to the below described patents the Company has a number of trade secrets relating to ASIC design and sensor coating. It is in the Group’s view that the Technology is sufficiently protected based on the arguments above.

The Group is not dependent on any license income related to the existing patents.

The Group currently has seven patents granted, two patent applications pending and a trademark application pending. Patents were historically first filed in the USA and later in other key countries. The following table presents the Groups patents along with the jurisdictions where said patents and trademark application is still pending.

Title	Earliest Filing date	Granted date (USA)	Granted in Country	Still pending in	Expiry date (USA)
Patent family: Fingerprint recognition module having a thin-film structure and comprising resistive temperature-sensitive elements (also known as the "Active Thermal Principle" patent)	11.04. 1995	18.07.2000	USA, China, France, UK, Germany, Russia, Poland, Norway and Brazil	N.A	April 2016
Patent family: "Resistor Pixel"	17.05.20 02	18.05.2010	USA, Germany, France, UK, Spain and Italy.	N.A	January 2025
Patent family: The "Diode-Resistor" Pixel Patent family	22.09.20 04	22.03.2011	USA, China, Australia, Canada and South Korea	Europe and Japan	November 2026
Non-binary decoder architecture and control signal logic for reduced circuit complexity (also known as the "Improved Decoder Architecture" patent)	05.09.20 08	06.08.2013	USA and China	N.A	November 2029
Patent family: The "Low Noise Reading Architecture"	06.01.20 09	N.A	N.A	USA[7] , and South Korea[8]	N.A
Patent family: The "Array Switches" patent	05.11.20 08	27.05.2014	USA and China	N.A	November 2029
Patent family: The "Key Fob Housing" patent	03.06.20 09	03.05.2011	USA, China and Taiwan	N.A	May 2025
Patent family: The "Key Fob" Utility patent	18.02.20 11	03.12.2013	USA	China, Europe, USA, South Korea and Taiwan	August 2031

The Company is dependent upon the following three patents:

(i) "Active Thermal Principle" patent: The patent protects the Group's key technology regarding the sensors fingerprint measurements using the active thermal principle.

PCT abstract: A method and apparatus is provided for measuring patterns in an at least partially heat conducting surface. The method includes the steps of bringing a plurality of surface sensor elements into thermal contact with a substantial part of a surface to be examined, heating the plurality of surface sensor elements with a supplied heat, measuring a temperature or a change in temperature of each surface sensor element one or more times, or continuously, comparing the measured temperature or the change in temperature in each surface sensor element to the supplied heat to provide a measure of a loss of heat from each surface sensor element to the surface to be examined, and collating the loss of heat at each surface sensor element to provide a segmented picture of the surface to be examined based upon a variation in the loss of heat from the plurality of surface sensor elements.

(ii) "Resistor Pixel" patent: The patent protects an invention relating to a fingerprint recognition module including thin heating elements and thin film resistive, temperature elements integrated with a switching circuit on a common substrate.

[7] The application is published, but is pending grant.

[8] The application is filed, but as of the date of this Prospectus, not granted.

PCT abstract: The invention relates to a fingerprint recognition module comprising a substrate consisting of a material that is electrically insulating at least on its upper side and at least partially thermally insulating. Said substrate receives a composite of structured thin films on its surface, which directly forms a measuring field on the surface of the substrate for measuring a fingerprint. Said composite consists of an array of resistive, temperature-dependent elements, and contains strip conductors which connect the resistive, temperature-dependent elements to at least one connection field located on the substrate, outside the measuring field, and form part of the composite of structured thin films. The substrate also contains at least one microelectronic switching circuit which is electrically connected to the at least one connection field and contains the switching circuits by which means the thin film structures are controlled in order to heat the resistive, temperature-sensitive elements, the resistive, temperature-sensitive elements are read out, and the data is retransmitted.

(iii) The “Diode-Resistor” Pixel Patent patent:

PCT abstract: Apparatus for measuring a pattern in a surface of an object, comprising a plurality of pixel or sensor elements being responsive to a physical parameter of the object surface, and means for establishing an overall, segmented picture related to said pattern, and also comprising at least one diode functionally associated with each sensor element for contributing to one or more of the following functions: selectively addressing said sensor element activating said sensor element, and sensing of said physical parameter.

Based on the Group’s prior application history, the Group believes that it might take anything between two months and three years to obtain the patents which are filed, but not granted, as of the date of this Prospectus. The costs of patents, depending upon the nationality of the patent application, are usually comprised of a one-time application fee and a yearly fee. The maintenance fee of patents is between NOK 5,000 to NOK 10,000 per year per parent per country each year, approximately NOK 1.2 million per year for all patents[9].

Further, the Group filed a international class 9 trademark application in the USA 15 February 2014 for the identified mark for the Group’s computer software and hardware sold as a unit, namely the electronic fingerprint and palm print identification sensors for automated, integrated fingerprint and palm print identification, authentication, identification and verification and security.

8.8 Litigation and disputes

From time to time, the Company and other companies in the Group may become involved in litigation, disputes and other legal proceedings arising in the normal course of business, principally personal injury, property casualty and cargo claims. The Group expects that these claims would be covered by insurance, subject to customary deductibles. Such claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources.

Neither the Company nor any other company in the Group is, nor has been, during the course of the preceding twelve months, involved in any legal, governmental or arbitration proceedings which may have, or have had in the recent past, significant effects on the Company’s and/or the Group’s financial position or profitability, and the Company is not aware of any such proceedings which are pending or threatened.

8.9 Material contracts outside ordinary course of business

Neither the Group nor any member of the Group has entered into any material contracts outside the ordinary course of business for the two years prior to the date of this Prospectus. Further, the Group has not entered into any other contract outside the ordinary course of business which contains any provision under which any member of the Group has any obligation or entitlement.

8.10 Dependency on contracts, patents and licenses etc.

Except for “Active Thermal Principal”, “The Resistor pixel” and the “Diode-Resistor” Pixel patent as mentioned in the in Section 8.7 ”Intellectual property”, it is in the opinion of the Company that the Group’s existing business or profitability is not dependant on any patents or licenses, industrial, commercial or financial contracts.

[9] Seven patents granted in 23 different countries multiplied by the average yearly fee of NOK 7500 is 1,207,500.

9 CAPITALISATION AND INDEBTEDNESS

9.1 Capitalisation

The table below should be read in conjunction with the information included elsewhere in this Prospectus, including Section 10 "Selected financial and other information" and the Financial Statements and the Interim Financial Information and related notes, included in Appendix B and Appendix C to this Prospectus.

The following table sets forth the unaudited capitalisation and indebtedness of the Group as of 31 March 2014. There have been no material changes to the capitalisation and indebtedness of the Group since 31 March 2014.

Capitalisation *In NOK million*	**As of 31 March 2014** *(unaudited)*
Indebtedness	
Total current debt	
- Guaranteed	-
- Secured	-
- Unguaranteed/unsecured	14,283
Total non-current debt	
- Guaranteed	-
- Secured	-
- Unguaranteed/unsecured	7,399
Total indebtedness	**21,682**
Shareholders' equity	
a. Share capital	8,788
b. Additional paid-in capital	104,326
c. Other reserves	13,031
d. Non-controlling interests	(77,041)
Total equity	**49,104**
Total capitalisation	**70,787**
Net indebtedness	
(A) Cash	44,255
(B) Cash equivalents	-
(C) Interest bearing receivables	-
(D) Liquidity (A)+(B)+(C)	**44,255**
(E) Current financial receivables	**-**
(F) Current bank debt	-
(G) Current portion of long-term debt	-
(H) Other current financial liabilities	-
(I) Current financial debt (F)+(G)+(H)	**-**
(J) Net current financial indebtedness (I)-(E)-(D)	**44,255**
(K) Long-term interest bearing debt	-
(L) Bonds issued	-
(M) Other non-current financial liabilities	-
(N) Non-current financial indebtedness (K)+(L)+(M)	**-**
(O) Net financial indebtedness (J)+(N)	**(44,255)**

9.2 Working capital statement

The Company is of the opinion that its working capital is not sufficient to cover the Company's present requirements for the 12 month period following the date of this Prospectus.

The Company currently estimates that it needs approximately NOK 78 million to fund its working capital requirements for the 12 month period following the date of the Prospectus. Based on the Company's perception of the current market outlook, the Company is confident that the current shortfall in working capital will be rectified through the proceeds from the Offering, which, if successful, will as a minimum provide additional funds of approximately NOK 120 million.

If the Company does not receive any net proceeds from the Offering, and based on the above assumption, the Company expects that its current working capital would be depleted during the fourth quarter of 2014.

The Company is continuing to evaluate strategic alternatives available to it in case the Offering does not fully fund the current shortfall in working capital. These alternatives may include, but are not limited to, raising funds through an equity issue, the sale of assets, cash flow and cost savings, obtaining a loan facility or postponing planned capital expenditures. The Company is confident that alternatives will provide the necessary proceeds in case the Offering does not fully fund the current shortfall in working capital. The Company believes the most likely successful path to rectify its working capital shortfall should the Offering not succeed will be a private placement of shares directed at existing shareholders or other stakeholders.

The implications of any of the proposed actions being unsuccessful may lead to the Company becoming insolvent and, if no other alternatives exist, the Company may go into bankruptcy.

9.3 Contingent indebtedness

The Company is not aware of any indirect or contingent indebtedness.

10 SELECTED FINANCIAL AND OTHER INFORMATION

10.1 Introduction

The tables set out in this Section 10 "Selected financial and other information" present selected financial information derived from the Group's audited consolidated financial statements (including the notes thereto) as of and for the year ended 31 December 2013, with comparable figures for the year ended 31 December 2012 (the Financial Statements) (included in Appendix B), as well as the unaudited interim consolidated financial information as of and for the three month periods ended 31 March 2014 and 2013 (the Interim Financial Statements) (included in Appendix C). The Financial Statements as of and for the year ended 31 December 2013, with comparable figures for the year ended 31 December 2012, have been prepared in accordance with IFRS, as adopted by the EU. The Interim Financial Statements, combined with relevant information in the financial review, have been prepared in accordance with IAS 34.

The Interim Financial Statements do not include all of the information required for full annual financial statements of the Group and should be read in conjunction with the Financial Statements included in this Prospectus as Appendix B.

The Company's auditor is RSM Hasner Kjelstrup & Wiggen AS, Filipstad Brygge 1, 0252 Oslo Norway. RSM Hasner Kjelstrup & Wiggen AS and its auditors are members of The Norwegian Institute of Public Accountants (Nw. Den Norske Revisorforening). Hasner Kjelstrup & Wiggen AS has been the Company's auditor since 2004. The Financial Statements have been audited by Hasner Kjelstrup & Wiggen AS, and the auditor's reports are included together with the Financial Statements in Appendix B. The Interim Financial Statements have not been audited.

Hasner Kjelstrup & Wiggen AS has not audited, reviewed or produced any report on any other information provided in this Prospectus.

The selected financial information presented herein should be read in connection with the Financial Statements and Interim Financial Statements (included in Appendix B and Appendix C to the Prospectus).

10.2 Summary of accounting policies and principles

For information regarding accounting policies and the use of estimates and judgments, please refer to note 2 and 23 of the Financial Statements as of and for the year ended 31 December 2013, included in this Prospectus as Appendix B. Financial Statements for the year ended as of 31 December 2012, for the Company and its subsidiary have been prepared in accordance with NGAAP for small companies (included in this Prospectus as Appendix B). Pursuant to these rules there has not been made any consolidated Financial Statements for the Group. Hence, the reconciliation according to IFRS 1 for the Group is not applicable. The reconciliation for the Company is described in note 2 and 23 in the Financial Statements. The financial statements for 2013 are the first financial statements prepared in accordance with IFRS. The opening balance according to IFRS is prepared as of 1 January 2012. The opening balance according to IFRS is prepared by applying the accounting principles retrospectively with the exceptions given in IFRS 1 "First-time Adoption of IFRS". The Company confirms that the NGAAP-figures for the subsidiaries NEXT Biometrics AS and NEXT Biometrics Inc is applied in the consolidated Financial Statements without any adjustments. IFRS is continuously developed and recently published standards, amendments and interpretations have been reviewed and considered.

The two following GAAP adjustments were made for the Company in the conversion from NGAAP to IFRS:

- Share based remuneration: The Company estimates the fair value of options at the grant date. The Company has applied a Black & Scholes option pricing model when valuing the options. The option valuation is based on assumptions about share price, volatility, interest rates and duration of the options. The cost of share based remuneration is expensed over the vesting period. Estimates with regards to future attrition are applied. Such estimates are updated at the balance sheet date. Changes in this estimate will impact the expensed cost of share based remuneration in the period. Share based remuneration includes both share based options (classified as salary or expenses) and its corresponding social security tax.

- Intangible assets: The Royalty Agreement entered into with Ngoc Minh Dinh regulates the payments for the transfer of the Technology. See Section 12(i) "Royalty agreement between the Company and Ngoc Minh Dinh" for more information about the Royalty Agreement. Dinh shall receive a royalty equal to 5% of the Company's gross margin from the Technology. The acquisition was recognised in the opening balance as of 1 January 2012 at net present value. The amount was equally recognized as patents as intangible assets and as a long term liability. The patent will be amortized over the patent life from the time recurring revenue is recognized. The liability will decrease due to time and the cost is recorded as interest costs.

After the Financial Statements as of and for year ended 31 December 2013, with comparable figures as of and for the year ended 31 December 2012, the following error in the Financial Statements as of and for the years ended 31 December 2008 and up to 2013, prepared according with NGAAP for small companies, has been identified:

- The Royalty Agreement was not reported in the annual financial statement in 2008 or the subsequent years thereafter. The Company has not recognised this in accordance with IAS 8, but the Company has chosen to comment on the Royalty Agreement as an IFRS deviance for the convenience of the Financial Statements readers.

10.3 Condensed consolidated statement of income

The table below sets out selected data from the Group's audited consolidated income statement for the years ended 31 December 2013 and 2012 and from the unaudited consolidated interim income statement for the three month period ended 31 March 2014 and 2013.

	Three months ended 31 March		**Year ended 31 December**	
(In NOK millions)	**2014** (IAS 34) *(unaudited)*	**2013** (IAS 34) *(unaudited)*	**2013** (IFRS) *(audited)*	**2012** (IFRS) *(audited)*
Operating revenue	0	0	0,038	0
Other revenue	0	0	0	1,125
Payroll expenses	3,923	1,603	12,110	6,793
Other operating expenses	10,843	3,083	24,949	10,600
EBITDA	**(14,766)**	**(4,686)**	**(37,021)**	**(16,268)**
Depreciation and amortisation	0,020	0	0,577	0,235
Operating profit (EBIT)	**(14,786)**	**(4,686)**	**(37,598)**	**(16,503)**
Net financial items	(0,126)	(0,056)	(1,197)	(0,563)
Profit / (loss) before tax	**(14,912)**	**(4,742)**	**(38,795)**	**(17,065)**
Income taxes	0	0	0	0
Profit / (loss) for the period	**(14,912)**	**(4,742)**	**(38,795)**	**(17,065)**

10.4 Statement of financial position

The table below sets out selected data from the Group's audited consolidated statement of financial position as of 31 December 2013 and 2013, and from the unaudited consolidated interim statement of financial position as of 31 March 2014 and 2013.

	Three months ended 31 March		**As of 31 December**	
(In NOK millions)	**2014** (IAS 34) *(unaudited)*	**2013** (IAS 34) *(unaudited)*	**2013** (IFRS) *(audited)*	**2012** (IFRS) *(audited)*
Assets				
Intangible assets	7,518	7,618	7,538	7,618
Machinery and office equipment	334	0,201	0,100	0,155
Other financial receivables	0	0,012	0	0,012
Total non-current assets	**7,852**	**7,831**	**7,638**	**7,785**
Account receivables	6,508	1,984	2,345	2,043
Cash and cash equivalents	44,255	450	69,728	0,602
Total current assets	**62,934**	**2,434**	**72,073**	**2,645**
Total assets	**70,787**	**10,266**	**79,711**	**10,430**
Equity and liabilities				
Total paid-in capital	113,114	22,024	134,796	21,049
Other equity	13,031	9,235	12,187	7,215
Retained earnings	(77,041)	(37,829)	(62,147)	(33,094)
Total equity	**49,104**	**(6,570)**	**63,154**	**(4,830)**
Other non-current provisions	7,399	7,502	7,350	7,452
Other non-current debt	0	2,274	0	2,274
Total non-current liabilities	**7,399**	**9,776**	**7,350**	**9,726**
Accounts payables	2,222	1,842	0,759	1,104

(In NOK millions)	Three months ended 31 March 2014 (IAS 34) (unaudited)	Three months ended 31 March 2013 (IAS 34) (unaudited)	As of 31 December 2013 (IFRS) (audited)	As of 31 December 2012 (IFRS) (audited)
Public duties payable	0,137	0,192	0,139	0,163
Other current liabilities	11,925	5,027	8,309	4,267
Total current liabilities	**14,283**	**7,060**	**9,207**	**5,534**
Total liabilities	**21,682**	**16,836**	**16,557**	**15,261**
Total equity and liabilities	**70,787**	**10,266**	**79,711**	**10,430**

10.5 Statement of cash flow

The table below sets out selected data from the Group's audited consolidated statements of cash flows for the years ended 31 December 2013 and 2012, and from the unaudited consolidated interim statements of cash flows for the three month periods ended 31 March 2014 and 2013.

(In NOK millions)	Three months ended 31 March 2014 (IAS 34) (unaudited)	Three months ended 31 March 2013 (IAS 34) (unaudited)	Year ended 31 December 2013 (IFRS) (audited)	Year ended 31 December 2012 (IFRS) (audited)
Cash flow from operating activities:				
Profit (loss) before taxes	(14,912)	(4,742)	(38,795)	(17,065)
Share based remuneration (equity part)	0,844	2,021	4,972	3,190
Adjustments for:				
Depreciation and amortisation	0,020	0	0,577	0,235
Change in working capital items	(11,258)	1,585	3,371	4,827
Net cash generated from operating activities	**(25,306)**	**(1,136)**	**(29,875)**	**(8,814)**
Cash flows from investing activities:				
Purchase of tangible assets	(0,234)	(0,046)	(0,442)	(0,309)
Net cash used in investing activities	**(0,234)**	**(0,046)**	**(0,442)**	**(0,309)**
Cash flows from financing activities:				
Proceeds from non-current debt	0,049	0,049	(2,364)	(0,053)
Shares issue net of expenses	0	0,975	102,015	7,070
Net cash used in financing activities	**0,049**	**1,024**	**99,651**	**7,017**
Translation differences	0,018	0,006	(0,207)	0,284
Net change in cash flows	**(25,472)**	**(0,152)**	**69,126**	**(1,823)**
Opening cash balance	69,728	0,602	0,602	2,425
Closing cash balance	**44,255**	**0,450**	**69,728**	**0,602**

10.6 Statement of changes in equity

The table below sets out selected data from the Group's audited consolidated statements of changes in equity for the years ended 31 December 2013 and 2012 and from the unaudited consolidated interim statement of changes in equity for the three month periods ended 31 March 2014 and 2013.

(In NOK millions)	Three months ended 31 March		Year ended 31 December	
	2014 (IAS 34) *(unaudited)*	**2013** (IAS 34) *(unaudited)*	**2013** (IFRS) *(audited)*	**2012** (IFRS) *(audited)*
Balance at the beginning of the period	**63,154**	**(4,830)**	**(4,830)**	**1,692**
Shares issues (including premium)	0	0,975	102,015	7,070
Translation differences	0,018	0,006	(0,207)	0,284
Net profit (loss)	(14,912)	(4,742)	(38,795)	(17,065)
Share based compensation (equity part)	0,844	2,021	4,972	3,190
Balance at period end	**49,104**	**(6,570)**	**63,154**	**(4,830)**

10.7 Sales revenues by geographic area

The table below sets out the Group's sales revenues by geographic area for the year ended 31 December 2013.

In NOK	Year ended 31 December **2013** (IFRS) *(audited)*
Sales revenues	**37,762**
Norway	0
USA	0
China	9,908
Taiwan	27,854

10.8 Liquidity and capital resources

10.8.1 Sources of liquidity

The Group obtains its liquidity from cash flow from financing activities, where the primary source of liquidity is cash flow from share issues. As of 31 March 2014, the Group had cash and cash equivalents of NOK 44,255 million. The Group does not have any credit facilities. Net cash inflow from financing activities for the period ended 31 March 2014 was NOK 0,049 million, while net cash outflow from investing activities in that period was NOK 0,234 million. The cash outflow from operating activities for the period ended 31 March 2013 was NOK 25,306 million. The Group is not bound by any restrictions on the use of capital resources that have materially affected, or could materially affect, directly or indirectly, the Group's operations.

As of 31 March 2013, the Group had no borrowings.

NEXT Biometrics AS has an accrued cost for test production towards INNOLUX Corporation of up to USD 1,10 million, plus accrued interest which expires 1 July 2014. The agreement was entered into between INNOLUX Corporation and NEXT Biometrics AS INNOLUX will, at NEXT's costs, manufacture sensors for a sample stage. As of 31 December 2013, USD 0,4 million is outstanding of the payable to INNOLUX. Subsequently, in January and February 2014, two deliveries of sensors were completed. There are no covenants under the agreement referred to above.

10.8.2 Restrictions on use of capital

There are currently no restrictions on the use of the Company's capital resources that have materially affected or could materially affect, directly or indirectly, the Company's operations. The Company does not have any debt covenants, and is therefore not in breach and does not expect to be in breach of such covenants.

10.8.3 Cash flows

The following table summarizes the Group's historical cash flows, and is extracted from the Financial Statements as of and for the years ended 31 December 2013 and 2012, prepared in accordance with IFRS, and the Interim Financial Statements, as of and for the three month period ended 31 March 2014 and 2013, prepared in accordance with IAS 34:

In NOK million	Three months ended 31 March		Year ended 31 December	
	2014 (IAS 34) *(unaudited)*	**2013** (IAS 34) *(unaudited)*	**2013** (IFRS) *(audited)*	**2012** (IFRS) *(audited)*
Net cash from/(used in) operating activities	(25,306)	(1,136)	(29,875)	(8,814)
Net cash from/(used in) investing activities	(0,234)	(0,046)	(0,442)	(0,309)
Net cash from/(used in) financing activities	0,049	1,024	99,651	7,017
Net exchange effects on cash	0,018	0,006	(0,207)	0,284
Net change in cash flows	(25,472)	(0,152)	69,126	(1,823)
Net cash and cash equivalents at end of period	44,255	0,450	69,728	0,602

The Company does not believe that there are significant legal or economical obstacles or barriers to transfers of funds in the form of cash dividends, loans or advances, including exchange controls and taxation consequences of transfers, to it from its subsidiaries that may affect its ability to meet or fulfil its financial or other obligations.

The Company does not have any material unused sources of liquidity.

10.8.4 Cash flows from/(used in) operating activities

Three months ended 31 March 2014 compared to the three months ended 31 March 2013

Net cash outflow from operating activities for the three months ended 31 March 2014 was NOK 25,306 million compared to NOK 1,136 million for the three months ended 31 March 2013, an increase of NOK 24,170 million. This increase was primarily attributable to the use of cash for inventory build-up of NOK 9,2 million and NOK 2,9 million in work in progress goods and goods for sale.

Twelve months ended 31 December 2013 compared to the twelve months ended 31 December 2012

Net cash outflow from operating activities for the twelve months ended 31 December 2013 was NOK (29.875) million compared to NOK (8.814) million for the twelve months ended 31 December 2012, an increase of NOK (21.061) million. This increase was primarily attributable to increased R&D costs.

10.8.5 Cash flows from/(used in) investing activities

Three months ended 31 March 2014 compared to the three months ended 31 March 2013

Net cash outflow from investing activities for the three months ended 31 March 2014 was NOK 0,234 million compared to NOK 0,046 million for the three months ended 31 March 2013, an increase of NOK 0,188 million. This increase was primarily attributable to the purchase of office equipment.

Twelve months ended 31 December 2013 compared to the twelve months ended 31 December 2012

Net cash outflow for investing activities for the twelve months ended 31 December 2013 was NOK (0,442) million compared to NOK (0,309) million for the twelve months ended 31 December 2012, an increase of NOK 0,133 million. The increase was primarily attributable to purchase of office equipment.

10.8.6 Cash flows from/(used in) financing activities

Three months ended 31 March 2014 compared to the three months ended 31 March 2013

Net cash inflow from financing activities for the three months ended 31 March 2014 was NOK 0,049 million compared to NOK 1,024 million for the three months ended 31 March 2013, a decrease of NOK 0,975 million. This decrease was primarily attributable to share issues in the first quarter of 2012.

Twelve months ended 31 December 2013 compared to the twelve months ended 31 December 2012

Net cash inflow for financing activities for the twelve months ended 31 December 2013 was NOK 99,651 million compared to NOK 7,017 million for the twelve months ended 31 December 2012, an increase of NOK 92,634 million. The increase was primarily attributable to the private placement in 30 September 2013 raising net NOK 88,210 million. The six other private placements in 2013 raised a total of NOK 7,150 million. In 2012 NOK 7,070 million was raised in four private placements.

10.9 Contractual cash obligations and other commitments

Other than the supplier payable described in Section 10.8.1 "Sources of liquidity", the Group does not have any material contractual cash obligations or other commitments as of the date of this Prospectus.

10.10 Investments

10.10.1 Principal investment in progress and planned principal investments

In order to secure coating capacity to realize the Group's sales targets in 2014 onwards, the company entered into a contract to increase sensor coating and module assembly capacity by 2 million units per month. The system design and manufacture agreement was entered into 4 March 2014 between the Company and supplier (the "**Supplier**"). The supplier shall design and manufacture a coating machine for the use of coating sheets of sensors with silicon in order to make the sensors durable. The total contract value is USD 1.5 million and the method of financing is internal equity and the geographical distribution of the investment is in Norway.

Other than the USD 1.5 million investment in the coating machine, the Group does not have any other investment plans or obligations to make significant future investments in tangible or intangible assets, or financial assets. However, the Group may modify its plans in the future to address, among others, changes in market conditions for its products and changes in the competitive conditions.

10.10.2 Historical investments

Historical investments relate to R&D costs in connection with the development of the sensor technology. Furthermore, production activities, production trials, pilot production runs and the development of a new version of the ASIC have been undertaken in the period. Costs of obtaining and maintaining patents are also included in the R&D costs.

In 2013, all R&D costs for the Group were expensed and amounted to NOK 23.5 million, of which NOK 17.6 million was charged as other operating expenses and NOK 5.9 million as payroll expenses.

In 2012 R&D costs amounted to NOK 10.0 million, of which NOK 7.0 million was charged as other operating expenses and NOK 3.0 million as payroll expenses. There are no capitalized R&D costs in the Company.

The Company and Ngoc Minh Dinh entered into a royalty agreement (the "**Royalty Agreement**") on 8 May 2008 regarding the Company's right to use the patent described as the Active Thermal Sensing Principle (as defined in Section 8.3.2 "Products"). The Royalty Agreement regulates royalty payments as consideration for the transfer of the patents. See Section 12(i) "Royalty agreement between the Company and Ngoc Minh Dinh" for more information on the payments.

Except for the payments under the system design and manufacture agreement which was entered into on 4 March 2014 between the Company and Denton, there has not been made any firm commitments by the Company's management bodies for any material investments since 31 December 2013.

10.11 No off-balance sheet arrangements

The Group has not entered into and is not a party of any off-balance sheet arrangements.

10.12 Trend information

The Group has not experienced any changes or trends that are significant to the Group between 31 December 2013 and the date of this Prospectus, nor is the Group aware of such changes or trends that may or are expected to be significant to the Group for the current financial year, other than the overall market situation and trends described in Section 7.1 "Outlook in the market for fingerprint services".

10.13 Significant changes

On 23 April 2014 the Group entered into an updated supply agreement with KOEHLKE. Pursuant to the supply agreement, KOEHLKE is required to purchase 100,000 sensors in 2014, 900,000 sensors in 2015 and 3,000,000 sensors in 2016. A first purchase order of 53,000 units to be delivered in 2014 has already been placed.

On 15 May 2014 the Group received a purchase order for 10,000 units from a Chinese sensor system integrator. See Section 7.3.5 "Traditional/Existing markets" for more information regarding the segment.

In order to secure coating capacity the company entered into a contract in March 2014 to support additional sensor coating and module assembly capacity by 1.8 million units per month when the machine is installed. The total contract value is USD 1.5 million. This enables realization of company overall sales targets. Further capacity expansion will be executed when needed. The Group does not have any other investment plans or obligations to make significant future investments in tangible or intangible assets, or financial assets.

On 25 May the Company entered into a subscription agreement and a memorandum of understanding with Icreate Investments Limited, a subsidiary of the Taiwanese technology producer Foxconn Technology Group. The memorandum of understanding sets out certain business areas in which the parties will explore industrial synergies. See Section 8.6 “Research and development” and Section 16.1 “Overview of the Offering” for more information.

Except from the above mentioned changes, there have been no significant changes in the financial or trading position of the Group since 31 March 2014.

11 BOARD OF DIRECTORS, MANAGEMENT, EMPLOYEES AND CORPORATE GOVERNANCE

11.1 Introduction

The General Meeting is the highest authority of the Company. All shareholders in the Company are entitled to attend and vote at General Meetings of the Company and to table draft resolutions for items to be included on the agenda for a General Meeting.

The overall management of the Group is vested in the Company's board of directors (the "**Board of Directors**") and the Group's senior management team (the "**Management**"). In accordance with Norwegian law, the Board of Directors is responsible for, among other things, supervising the general and day-to-day management of the Group's business ensuring proper organisation, preparing plans and budgets for its activities ensuring that the Group's activities, accounts and assets management are subject to adequate controls and undertaking investigations necessary to perform its duties.

The Board of Directors is in compliance with the the independence requirements of the Norwegian Code of Practice for Corporate Governance dated 23 October 2012 (the "**Corporate Governance Code**"), (i) the majority of the shareholder-elected members of the Board of Directors shall be independent of the Company's executive management and material business contacts, (ii) at least two of the shareholder-elected members of the Board of Directors shall be independent of the Company's main shareholder, and (iii) no members of the Company's executive management shall be on the Board of Directors.

Furthermore, pursuant to the Norwegian Public Limited Companies Act, if the board of directors of a Norwegian public limited liability company consists of six to eight members, then at least three of these shall be of each gender.

All members of the Board of Directors are independent of the Company's significant business relations and large shareholders (shareholders holding more than 10% of the Shares in the Company) and of the Management.

The Company's registered office address at c/o Procurator Management AS, Hieronymus Heyersahls gate 1, 0160 Oslo, Norway serves as c/o addresses for the members of the Board of Directors in relation to their directorships of the Company.

11.2 The Board of Directors

11.2.1 Overview of the Board of Directors

The Company's Articles of Association provide that the Board of Directors shall consist of a minimum of three and a maximum of nine members ("**Board Members**"). The Board of Directors consist of eight Board Members.

11.2.2 The Board of Directors

The names and positions of the current Board Members are set out in the table below.

Name	Position	Served since	Term expires	Shares
Jan-Eivind Fondal	Chairman	2009	AGM 2015	333,649[1]
Ralph Høibakk	Board Member	2013	AGM 2015	24,256[2]
Ketil Fridheim	Board Member	2004	AGM 2015	285,660[3]
Ngoc Minh Dinh	Board Member	2000	AGM 2015	1,700,258[4]
Marit K. Instanes	Board Member	2013	AGM 2015	2,667[5]
Sven-Tore Larsen	Board Member	2014	AGM 2016	0
Inger Berg Ørstavik	Board Member	2014	AGM 2016	0
Brita Eilertsen	Board Member	2014	AGM 2016	0

1 Jan-Eivind Fondal holds 333,649 shares in the Company, of which all are held through FOCO Ltd.
2 Ralph Høibakk holds 24,256 shares in the Company, of which all are held through Høibakk Invest AS.
3 Kjetil Fridheim holds 285,660 shares in the Company, of which 276,182 are indirectly held through FKKG AS (wholly owned company).
4 Ngoc Dinh Minh holds 1,700,258 shares in the Company, of which 1,628,817 are held through Ecomnex Holding AS.
5 Marit Instanes holds 2,667 shares in the Company, of which all are held through MKI Invest AS.

11.2.3 Brief biographies of the Board Members

Set out below are brief biographies of the members of the Board of Directors, including their relevant management expertise and experience, an indication of any significant principal activities performed by them outside the Company and names of companies and partnerships of which a member of the Board of Directors is or has been a member of the administrative, management or supervisory bodies or partner the previous five years (not including directorships and management positions in subsidiaries of the Company).

Jan-Eivind Fondal (chairman), 62, Fondal has extensive experience form executive positions in law enforcement, seismic, oil and the payment card industries. He has in-depth experience in process analysis and operational audit, security and corporate governance. Fondal has served in both public and private companies' independent director of the board. He has also developed two startup companies which were successfully sold to leading Norwegian banks. Mr Fondal holds a BSc from the University of Oslo and a Master of Management from Norwegian School of Management (BI).

Current directorships and senior management positions................	NEXT Biometrics Group AS (chairman), Seabird Exploration AS (board member) and FOCO Ltd (managing director and owner)
Previous directorships and senior management positions last five years...	Seabird Exploration Ltd (board member, chairman of the audit committee and interim managing director), Seabird Exploration FZ LLC (president), Vika Fonds AS (board member), Europay Norge AS (COO),

Ralph Høibakk (board member), 76, Høibakk is a seasoned IT industry founder and executive. Høibakk has extensive experience as a board member of numerous companies. Other positions he has held included founding member of NorData, board member of Tandberg ASA and Tandberg Television, chairman of Triad and Tomra AS and chairman of Farmagon. Mr Høibakk serves NEXT Biometrics as a sounding expert regarding strategy, tactics, commercialization and corporate governance. Mr Høibakk is currently visiting professor at Narvik University College.

Current directorships and senior management positions................	NEXT Biometrics Group AS (board member), Høibakk Invest AS (managing director), Norsk Teknisk Museum (board member) and Frammuseet (board member).
Previous directorships and senior management positions last five years...	Farma Holding AS (chairman), NorData (founder), Tandberg ASA (board member), Triad (chairman), Tomra AS (board member) Infofinder (board member) and Tusenfryd (board member).

Ketil Fridheim (board member), 56, Fridheim has more than 20 years of international experience within the payment industry, currently Group EVP & Managing director of Elavon Northern Europe. Prior to this he held the position as CEO of PBS International, managing director of EuroConex Nordic – both leading providers of financial acquiring and integrated payments processing services to financial institutions and merchants (handling MasterCard, EuroCard, Visa, Diners and JCB-transactions). Mr. Fridheim has also served as deputy CEO of Europay Norge (Eurocard/MasterCard) and general manager of Europay Norge Network. Mr. Fridheim has a degree in finance and holds a Master of Management degree from Norwegian School of Management (BI).

Current directorships and senior management positions................	NEXT Biometrics Group AS (board member), Elavon Northern Europe (managing director), Elavon Financial Services (branch manager)
Previous directorships and senior management positions last five years...	PBS International AS (managing director) and PBS International AB (managing director), Euroconex Nordic (managing director), Europay Norge AS (deputy managing director and senior vice president), Telenor Pos Systems (senior vice president) and Unic Gruppen AS (vice president).

Ngoc Minh Dinh, (board member), 51, Dinh is the inventor of the Active Thermal Principle and founder of the Company. He has been dedicated to the area of fingerprint technology for more than 20 years and founded the Company in 2000. Mr Dinh developed the Active Thermal Principle and the first prototype to prove the principle functionality. He holds a MSc in electrical engineering from Trondheim University, Norway (NTNU).

Current directorships and senior management positions................	NEXT Biometrics Group AS (board member) and Ecomnex Holding AS (owner, chairman and managing director)
Previous directorships and senior management positions last five years...	None

Marit K. Instanes (board member), 55, Instanes is an experienced investor representative with extensive administrative qualifications related to management positions within economics and finance, payroll, human relations and administration in different consulting engineering companies in Norway and Svalbard, including companies such asOpticonsult AS and SWECO AS. Instanes holds a BA in International Relations and a BSc in Management Administration and Human Relations.

Current directorships and senior management positions................	NEXT Biometrics Group AS (board member), MKI Invest AS (chairman and managing director), Bjarne Invest AS (board

	member), Instanes Eiendom AS (board member and managing director), Instanes AS (board member) and Instanes AS Rådgivende Ingeniører (board member) .
Previous directorships and senior management positions last five years	Petrolia ASA (board member and chairman of audit committee), KS Vaskerelven (board member), KS Port Link Pacer (board member), Opticonsult AS (board member), DNO ASA (board member and chairman of audit committee) SWECO AS (HR manager) and DNO International ASA (board member).

Sven-Tore Larsen (board member), 55, Larsen was appointed CEO of Nordic Semiconductors (a company listed on Oslo Børs) in 2002. He has broad international experience within the semiconductor business, previously as director for the Nordic region for Xilinx Inc and Philips Semiconductor. Larsen holds an MSc in Electrical Engineering from the University of Strathclyde, UK.

Current directorships and senior management positions.................	Nordic Semiconductors (CEO), NEXT Biometrics Group AS (board member), Gig Networks (board member) and Poseidon (chairman).
Previous directorships and senior management positions last five years	Aurotech (board member)

Inger Berg Ørstavik (board member), 39, Ørstavik is a partner with Advokatfirmaet Schjødt AS and works within areas such as intellectual property law, EU/EEA and competition law and litigation and dispute resolution. She previously worked at the office of the Attorney General for Civil Affairs. Ørstavik holds a Law degree from the University of Oslo and an LLM from Ruprecht-Karls Universität in Heidelberg. She also holds a PhD from the University of Oslo from 2010 in the areas of patent law, and competition law.

Current directorships and senior management positions.................	Advokatfirmaet Schjødt AS (associated partner), NEXT Biometrics Group AS (board member), REC Silicon ASA (board member), REC Silicon Inc (board member) and REC Silicon AS.
Previous directorships and senior management positions last five years	None

Brita Eilertsen (board member), 52. Eilertsen acts as non-executive director for listed and unlisted companies. She is currently member of the boards of Pareto Bank ASA, Nussir ASA, Saga Tankers ASA, Carnegie Kapitalforvaltning AS, Unifor, Anders Jahres stiftelse, Scanship Holding ASA and Vernix Pharma AS. She has held a number of positions in various Boards of Directors for listed and unlisted companies. Eilertsen has previously served as investment banker at Enskilda Securities / Orkla Enskilda and as consultant for Touche Ross Management Consultants. Ms Eilertsen holds an MBA from Norges Handelshøyskole (NHH) and an AFA degree (Authorised Financial Analyst) from NHH/NFF.

Current directorships and senior management positions.................	Pareto Bank ASA (board member), Nussir ASA (board member), Saga Tankers ASA (board member), Carnegie Kapitalforvaltning AS (board member), Unifor (board member), Anders Jahres stiftelse (board member), Ladessa AS (managing director), Haadem Invest AS (deputy board member), Pareto Bank ASA (board member), Vernix Pharma AS (BM), Scanship Holding ASA (board member).
Previous directorships and senior management positions last five years	IT Fornebu Holding ASA (board member), Blom ASA (board member), Itera Consulting ASA (board member), Europay Norge AS (board member), Choice Hotels Scandinavia AS (board member) and Home Invest AS (board member).

11.3 Management

11.3.1 Overview

The Management is responsible for the day-to-day management of the Group's operations in accordance with Norwegian law and instructions set out by the Board of Directors. Among other responsibilities, the Group's chief executive officer, or CEO, is responsible for keeping the Group's accounts in accordance with existing Norwegian legislation and regulations and for managing the Group's assets in a responsible manner. In addition, the CEO must according to Norwegian law brief the Board of Directors about the Group's activities, financial position and operating results at a minimum of one time per month. All the members of the management are eligible to, and may, participate in the Retail Offering.

The Group's management team consists of six individuals. The names of the members of Management as of the date of this Prospectus, and their respective positions, are presented in the table below:

Name	Current position within the Group	Employed with the Group since	Shares
Tore Etholm-Idsøe	Chief Executive Officer	2004	540,458[1]
Knut Stålen	Chief Financial Officer	2014	0
Matias Troccoli	Chief Technology Officer	2006	38,258
Lunji Qiu	VP and GM of China operations	2013	0
Robert Mueller	Chief Technologist System level	2001	0
Charles Ng	Vice President of Sales	2014	0

1 Indirect shareholding, through holding 100% of Eurostores AS, which owns 380,664 shares in the Company. Etholm-Idsøe also holds 159,794 directly in the Company, a total of 540,458 shares.

The Company's registered office address at c/o Procurator Management AS, Hieronymus Heyersahls gate 1, 0160 Oslo, Norway, serves as c/o address for the members of Management in relation to their employment with the Group.

11.3.2 Brief biographies of the members of Management

Set out below are brief biographies of the members of Management, including their relevant management expertise and experience, an indication of any significant principal activities performed by them outside the Group and names of companies and partnerships of which a member of Management is or has been a member of the administrative, management or supervisory bodies or partner the previous five years (not including directorships and executive management positions in subsidiaries of the Company).

Tore Etholm-Idsøe – Chief Executive Officer

Etholm-Idsøe, the Company CEO, is a highly experienced serial business entrepreneur, with more than 25 years' experience successfully building fast growing companies within IT and retail segments. Mr Etholm-Idsøe holds a MBA from the Norwegian School of Management (BI).

Current directorships and senior management positions	NEXT Biometrics Group AS (CEO) and Eurostores AS (owner)
Previous directorships and senior management positions last five years	Indosynt AS (chairman)

Knut Stålen – Chief Financial Officer

Stålens career includes positions as CFO in Trolltech ASA, Microsoft Norway, Mamut ASA and CFEngine AS. Both Trolltech ASA and Mamut ASA were listed at Oslo Børs. During his 13 years in these companies Knut was a part of the Trolltech IPO and the sales of Trolltech to NOKIA and Mamut to VISMA. Stålen holds a business degree in Economics from the Norwegian Business School..

Current directorships and senior management positions	ECOonline (board member)
Previous directorships and senior management positions last five years	Trolltech ASA (CFO), Mamut ASA (CFO) and CFEngine AS (CFO/COO)

Matias Troccoli – Chief Technology Officer

Dr. Matias joined NEXT Biometrics in 2006 after performing sensor research at university. He has 12 years of experience in Polysilicon TFT devices and systems, NEXT Biometric's core production process. Matias manages technology projects, including further research, development and transfer to mass production. He is based out of Seattle (Bellevue) where a significant part of the Company's engineering team is now located. Troccoli holds a PhD and MSc in Electrical and Electronics Engineering from Lehigh University.

Current directorships and senior management positions	Next Biometrics Group (chief technology officer)
Previous directorships and senior management positions last five years	None

Lunji Qiu – VP and GM of China operations

Dr. Qiu previously held positions as VP and general manager of Authentec China, GM of Atrua China (acquired by Authentec), GM of Broadcom China, and before this multiple positions within Motorola in Singapore. Dr. Qiu oversees all aspects of NEXT Biometrics China, including business development activities and the expansion of the customer support, logistics and sales teams in the world's largest market. Qiu holds a PhD in Electrical and Computer Engineering from The University of Queensland, Australia in 1992.

Current directorships and senior management positions.................	NEXT Biometrics Group AS (VP and general manager of China Operations).
Previous directorships and senior management positions last five years...	Authentec China (VP and general manager), Atrua China (general manager), Broadcom China (general manager).

Robert Mueller – Chief Technologist System level

System level fingerprint technology expert. Over 15 years of experience within Biometrics, Smartcards, Data security and NFC-Payments. He worked more than 10 years at Munich-based Giesecke & Devrient – one of the world's leading suppliers of authentication-related security solutions. Dr. Mueller holds a PhD and MSc in computer science from Munich University of Technology.

Current directorships and senior management positions.................	NEXT Biometrics Group AS (Chief technologist System level manager)
Previous directorships and senior management positions last five years...	None

Charles Ng – Vice President of Sales

Charles Ng was employed with the Group 1 April 2014. Ng works with all top tier software and hardware platform suppliers. He has broad retail experience selling to consumer channels like Avnet, Ingram Micro, Synnex, Apple Retail Stores and other retailers. Ng began his eSecurity career some 13 year ago. In 2005, he joined UPEK, a leader in the biometric fingerprint security solutions, as its Sales Director Americas. He also worked in the telecommunications industry at ROLM/IBM/Siemens, Network Equipment Technologies and Copper Mountain Networks; holding various Business Development and Sales management positions.Charles Ng holds a BSc in Business Administration from the University of Phoenix.

Current directorships and senior management positions.................	iWallet (board member)
Previous directorships and senior management positions last five years...	FPC (director of sales), AuthenTec (director of sales, UPEK (director of sales and Copper Mountain Networks (director of sales.

11.4 Remuneration and benefits

11.4.1 Remuneration of the Board of Directors

The remuneration for the Board of Directors for 2007, 2011 and 2012, total aggregate sum of NOK 675,000, were withheld and paid to the relevant board members in 2013. The total remuneration for 2012 was NOK 225,000.

The remuneration paid to the Tore Etholm-Idsøe, Ngoc Minh Dinh, Jan-Eivind Fondal, Ketil Fridheim as members of the Board of Directors in 2013 was NOK 155,000. This is payment for the director's remuneration for the years 2007, 2011 and 2012. Expensed board fee of NOK 325,000 is accrued for 2013. The table below sets out the remuneration of each of the members of the Board of Directors in 2013. For further information, see note 4 to the Financial Statements.

2013 (amounts in NOK)	Board remuneration	Salary	Other benefits	Pension cost	Fair value granted options	Total remuneration
Board of Directors............................						
Jan-Eivind Fondal, Chairman	155 000	0	0	0	241 470	396 470
Ralph Høibakk	0	0	0	0	323 288	323 288
Ketil Fridheim	155 000	0	0	0	188 304	343 304
Marit K. Instanes	0	0	0	0	0	0
Sven-Tore Larse	0	0	0	0	0	0
Inger Berg Ørstavik..........................	0	0	0	0	0	0
Brita Eilertsen..................................	0	0	0	0	0	0
Total remuneration	**310 000**	**0**	**0**	**0**	**753 062**	**1 063 062**

11.4.2 Remuneration of Management

The aggregate remuneration paid to the members of the Management in 2013 was NOK 7,269,707. The table below sets out the remuneration of the Management in 2013. It is a policy of the Company to offer the Management competitive remuneration based on current market standards, company and individual performance. The remuneration consists of the basic salary element as set out below and participation in the share incentive program described in Section 11.5 "Share option programs for Board of Directors, Management, employees and other". For further information, see note 4 to the Financial Statements as of and for the year ended 31 December 2013, included in Appendix B hereto.

2013 (amounts in NOK)	Board remuneration	Salary	Other benefits	Pension cost	Fair value granted options	Total remuneration
Tore Etholm-Idsøe, CEO/Board Member	155,000	412,500	19,486	3,475	412,769	1,003,230[1]
Knut Stålen, CFO	0	0	0	0	1,015,043	1,015,043[2]
Dr. Matias Troccoli, Chief Technology Officer	0	1,340,201	0	0	498,134	1,838,335
Dr. Lunji Qiu, VP and GM of China	0	305,428	0	0	1,225,400	1,530,828
Dr. Robert Mueller, Chief Technologist System Level	0	0	979,941	0	0	979,941
Total remuneration	**310,000**	**2,805,459**	**999,427**	**3,475**	**3,151,346**	**7,269,707**

1 Tore Etholm Idsøe also received, prior to 15 October 2013, through his wholly owned company, Eurostores AS, NOK 595,910 by the Company and NOK 1,995,080 by NEXT Biometrics AS for services as hired CEO in 2013, including secretarial services and office costs. As of 15 October 2013, Tore Etholm-Idsøe was employed as the Company's CEO and shall receive NOK 1,980,000 annually going forward. See Section 12 "related party transactions " for more information.

2 Knut Stålen signed the employment agreement with the Group 10 December 2013 and has been employed with the Group since 1 March 2014.

11.5 Share option programs for Board of Directors, Management, employees and others

11.5.1 Overview of the Company's share option programs

The Company has are currently issued 1,275,332 share options, equal to 14.5% of the outstanding shares in the Company, of which 925,277 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. There are three types of option programs in the Company; long term fixed share options, short term share options and milestone based share options:

(i) Long term fixed share options

The long term share options have over the last nine years been granted to employees, consultants, board members and advisory board members. There are currently 975,332 long term share options outstanding and such options were granted in 2005, 2008, 2009, 2010, 2011, 2012 and 2013. The options vest over a period of two years. The options are exercisable at any point in time after vesting up until 31 December 2018. The Company may resolve to accelerate vesting in the event of change of control, including a trade sale of 67% of the Company's shares. Since 2008, these options have been awarded with a strike price equal to the market price at the time of grant.

All current employees have been granted long term share options. The options only vest if the holder as of the vesting date is employed by the Group and the employment is not in a notice period. Employees must continue their employment with the Group for a minimum of two years to retain 100% of each option granted.

(ii) Short term share options

Two persons were in 2011 granted a total of 90,000 (80,000 and 10,000, respectively) options with a strike price of NOK 25 (USD 4.4). The short term options were granted to financial investors who invested in the Company in 2011. These options vest after the first 10,000 sensors have been accepted by customers and the options must be exercised within four weeks thereafter. As of the date of this Prospectus, the options have not vested.

(iii) Milestone based share options

Millstone based share options have been and will be granted to five highly valued individuals. As of the date of this Prospectus, 210,000 options have been awarded by four individuals and these options will only vest upon achieving of defined milestones. The exercise price of such options is NOK 25 and they expire on 31 December 2018. The right to exercise the options is subject to the option holder being employed or hired by the Group at the time of vesting. For members of the Board of Directors and the advisory board the right to exercise the options is subject to the option holder being willing and able upon request to offer its agreed advice for a minimum of 18 months from the grant date. As of 31 December 2013, 35,000 of the milestone based share options have vested.

All of the Company's option agreements include a clause on accelerated vesting implying that if (i) 67% of the shares in the Company are sold to an acquirer, (ii) if a shareholder alone or with a group of shareholders either through a tender offer or other market transaction should gain control over the ownership of 33.33% or more of the outstanding share capital, (iii) the Company is merged with another company where the Company is the going forward, (iv) the Company decides to sell all or substantial parts of its assets, (v) a demerger occurs and the option holder is not granted options on similar conditions as those set out in the agreement, and (vi) if during any 15 month period from any grant individuals who at the beginning of such period constituted the Board of Directors cease for any reason to constitute at least a majority of the Board of Directors, all outstanding options are vested.

11.5.2 Share option programs for the Board of Directors

The Company has granted the following current members of the Board of Directors the following long term share options with the following values as of 31 December 2013:

2013	Accumulated Quantity options Opening Balance for 2013	Granted options	Expired options	Exercised options	Average exercise price – A	Accumulated Quantity options Closing Balance for 2013	Average exercise price – B
Jan-Eivind Fondal, Chairman	32,000	15,000	0	0	0	47,000	27,55
Ralph Høibakk	0	20,000	0	0	0	20,000	39,00
Ketil Fridheim	12,500	12,500	0	0	0	25,000	37,50
Marit K. Instanes	0	0	0	0	0	0	0,00
Sven-Tore Larsen..................................	0	0	0	0	0	0	0,00
Inger Berg Ørstavik...............................	0	0	0	0	0	0	0,00
Brita Eilertsen.......................................	0	0	0	0	0	0	0,00
Total	**44,500**	**47,500**	**0**	**0**	**0**	**92,000**	**208,10**

1 A – Average exercise price for options exercised during the financial year (amounts in NOK)

2 B – Average exercise price for quantity of options by the end of the financial year (amounts in NOK)

Please see Section 11.5.1 "Overview of the Company's share option programs" for more information regarding the option programs.

11.5.3 Share option programs for Management

The Group has granted the following members of the Management the following long term share options with the values as of 31 December 2013:

Options – Share based remuneration

2013	Accumul ated Quantity options Opening Balance	Granted options	Expired options	Exercised options	Average exercise price – A	Accumulated Quantity options Closing Balance	Average exercise price – B
Tore Etholm-Idsøe, CEO/Board Member	337 859	25 641	0	0	0	363 500	10,27
Knut Stålen, CFO	0	25 000	0	0	0	25 000	83,00
Ngoc Minh Dinh, CTO/Board Member	0	0	0	0	0	0	0,00
Dr. Matias Troccoli, Chief Technology Officer	125 901	22 800	0	0	0	148 701	18,77
Dr. Lunji Qiu, VP and GM of China	0	25 000	0	0	0	25 000	50,00
Dr. Robert Mueller, Chief Technologist System Level	40 470	0	0	0	0	40 470	10,40
Charles Ng[3]	0	0	0	0	0	0	0
Total	**504 230**	**98 441**	**0**	**0**	**0**	**602 671**	**172,44**

1 A – Average exercise price for options exercised during the financial year (amounts in NOK)
2 B – Average exercise price for quantity of options by the end of the financial year (amounts in NOK)
3 Charles Ng was employed in 2014 and was granted 20,000 options.

Please see Section 11.5.1 "Overview of the Company's share option programs" for more information regarding the option programs.

Other than the share incentive program described above, there are no other share purchase arrangements in place for any employee of the Group.

11.6 Benefits upon termination

No employee, including any member of Management, has entered into employment agreements which provide for any special benefits upon termination, except from the following persons:

(i) Tore Etholm-Idsøe (CEO): In the event that the Company wishes to terminate the employee agreement with Etholm-Idsøe, Etholm-Idsøe shall receive salary for a period of 12 months from the time the notice was given.

(ii) Knut Stålen (CFO): In the event that the Company wishes to terminate the employee agreement with the Stålen, Stålen shall receive salary for a period of 9 months from the time the notice was given.

None of the members of the Board of Directors, not being employees of the Group, have service contracts and none will be entitled to any benefits upon termination of office.

11.7 Pensions and retirement benefits

The Company provides a contribution based pension insurance scheme for all its employees. The scheme satisfies the mandatory service pension ("**OTP**") in Norway. The contribution is 4 per cent of the employee's annual salary between 2G and 12G, where "**G**" is the basic amount in the Norwegian social security system. Pension cost amounted to NOK 3,475 in 2013. Pension benefits beyond 12 G will be funded by a "top hat" arrangement. In 2013 there was only one employee in the Company who also qualified for the top hat arrangement.

Next Biometrics AS has one employee and is therefore not obliged to establish a pension plan. Next Biometrics Inc established a 401-K plan for its employees late in 2013. It allows employees to save for retirement with pre-tax funds. The company currently does not contribute to this plan, but pays for its administration.

The Board Members are not entitled to pension payments or related benefits from the Group.

For more information regarding pension and retirement benefits, see note 4 to the Financial Statements as of and for the twelve month period ended 31 December 2013, included in Appendix B hereto.

11.8 Loans and Guarantees

The Company has not granted any loans, guarantees or other commitments to any of its Board of Directors or to any member of Management.

11.9 Employees

As of the date of this Prospectus, the Group had 20 employees. The table below shows the development in the numbers of full-time employees over the last two years by geographic location and main category of activity.

	Year ended 31 December	
	2013	**2012**
Total Group	**20**	**6**
By geographic region:		
- Norway	2	1
- China	5	0
- Taiwan	1	0
- USA	12	5

	Year ended 31 December	
	2013	2012
Total Group	**20**	**6**
By main category of activity:		
- Sales	5	0
- Research and Development	14	6
- Administrative	1	0

11.10 Nomination committee

The Company's Articles of Association provide that the Company shall have a nomination committee composed of two to three members. The members of the nomination committee are Odd Harald Hauge (Chairman) and Ketil Fridheim. The nomination committee will be responsible for nominating the shareholder-elected members of the Board of Directors and members of the nomination committee and make recommendations for remuneration to the members of the Boards of Directors and members of the nomination committee.

11.11 Audit committee

The Company has, with effect from the AGM 2014 and in line with the recommendations in the Corporate Governance Code, appointed an audit committee, which consists of two members of the new Board of Directors. The audit committee comprises Ralph Høibakk (chairman) and Marit Instanes. The members of the audit committee shall serve while they remain members of the new Board of Directors. The primary tasks of the audit committee are to:

- assist the Board of Directors in discharging its duties relating to the safeguarding of assets; the operation of adequate system and internal controls; control processes and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements, corporate governance and accounting standards; and

- provide support to the Board of Directors on the risk profile and risk management of the Company.

The audit committee reports and makes recommendations to the Board of Directors, but the Board of Directors retains responsibility for implementing such recommendations.

11.12 Corporate governance

The Company has adopted and implemented a corporate governance regime which complies with the Corporate Governance Code, with the following exceptions:

- *Deviation from section 3:* The Corporate Governance Code specifies that authorisations granted to the board of directors to increase the Company's share capital should be restricted to defined purposes and limited in time to no later than the date of the next annual meeting. At the annual general meeting held 16 May 2014, the Board of Directors were authorised to increase the share capital by NOK 1,393,000 by the issuance of new shares for the purposes of (i) issuing new shares to finance the activities of the Company or in connection with the acquisition of assets or businesses, and (ii) issuing shares under the option agreements between the Company and employees of the Company. The authorisation is valid until the earlier of the Company's annual general meeting in 2016 and 30 June 2016. Thus, the authorisation given to the Board of Directors deviates from the Corporate Governance Code in both being given for more than one specified purpose and for more than the recommended term. The main reason for the longer term is to ensure that the Company is able to issue shares upon exercise of the options.

- *Deviation from section 11*: The Corporate Governance Code specifies that the remuneration of the Board of Directors should not be linked to the Company's performance and the Board Members should therefore not own share options. Some members of the Board of Directors own options in the Company, see Section 11.5 "Share option programs for Board of Directors, Management, employees and others" for more information. The Company wishes to continue with the share options scheme in special cases in line with the Company's current practices in order to attract board members with particular experience.

11.13 Conflicts of interests etc.

During the last five years preceding the date of this Prospectus, none of the current or new Board Members or a member of Management has, or had, as applicable:

- any convictions in relation to indictable offences or convictions in relation to fraudulent offences;
- received any official public incrimination and/or sanctions by any statutory or regulatory authorities (including designated professional bodies) or was disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company,
- been declared bankrupt or been associated with any bankruptcy, receivership or liquidation in his or her capacity as a founder, director or senior manager of a company, or
- been selected as a member of the administrative, management of supervisory bodies or member of senior management of the Company's major shareholders, customers, suppliers or others.

The board members Ralph Høibakk and Inger Berg Ørstavik are considered related parties pursuant to Norwegian Limited Liability Companies Act section 1-5. Other than that, there are currently no actual or potential conflicts of interest between the Company and the private interests or other duties of any of the members of the Management and the Board of Directors, including any family relationships between such persons.

12 RELATED PARTY TRANSACTIONS

The Group has entered into the following related party transactions:

(i) Royalty agreement between the Company and Ngoc Minh Dinh

The Company and Ngoc Minh Dinh entered into a royalty agreement on 8 May 2008 regarding the Company's right to use the patent described as the Active Thermal Sensing Principle (as defined as the "Technology" in Section 8.1 "Overview of the Group's business"). The Technology was initially owned by Ngoc Minh Dinh, but was later transferred to the Company. The Royalty Agreement regulates royalty payments as consideration for the transfer of the patent.

Dinh shall receive a royalty equal to 5% of the Company's gross revenue (minus direct costs and excluding VAT) from the Company's sales of sensors which utilizes the Technology. Gross revenue is defined as sales price minus fees, insurances, freight and other costs related to production of the product. If the Company is required to invest or pay for adaptations of the production equipment, the amount shall be included in costs of sales, and therefore reduce gross revenue. The royalty for Dinh will therefore be the same regardless of whether the Company pays for the adaptations or if the manufacturer includes the cost of the adaptations in the price per product to be paid by the Company.

Technically, the total costs for the adaptations are depreciation over seven years and deducted from the gross revenue base amount according to following schedule:

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
5 %	10 %	15 %	15 %	15 %	20 %	20 %

Pure license fee agreements between the Company and a third party, with no cost of sales, will entitled Dinh to a royalty fee equal to 15% of the license fee.

From 2013, Dinh has the right to receive a predefined minimum royalty regardless of the Company realizing any revenue with respect to the Technology. Any prepaid royalties shall be set off against future earned royalties. In 2013, Dinh received NOK 200,000 as prepayment of royalties in 2013. Dinh has previously received NOK 1,000,000 as prepayment of royalties, amounting to an aggregate sum of NOK 1,200,000.

Please see table below illustrating the minimum yearly royalty (amounts in NOK):

<	Annual amount	Cumulated amount
2013	200,000	200,000
2014	300,000	500,000
2015	400,000	900,000
2016	500,000	1,400,000
2017	600,000	2,000,000
2018	700,000	2,700,000
2019	800,000	3,500,000
2020	900,000	4,400,000
2021	1,000,000	5,400,000
2022	1,000,000	6,400,000
2023	1,000,000	7,400,000
2024	1,000,000	8,400,000
2025	1,000,000	9,400,000

A provision for these yearly minimum amounts has been recognized in the balance sheet, and has been determined by discounting these amounts using an interest rate of 2.6%. The time value of money is recognized as financial cost.

Amounts in NOK	**The Group**
Balance at 1 January 2012	**7,458,255**
Time Value	193,915
Additional	0
Payment	0
Balance at 31 December 2012	**7,652,170**
Time Value	197,669
Additional	0
Payment	- 200,000
Balance at 31 December 2013	**7,649,839**

	2013	**2012**
Presented as:		
Current liability	300,000	200,000
Non-current liability	7,349,839	7,452,170
Balance at 31 December 2013	**7,649,839**	**7,652,170**

(ii) Hired CEO

Prior to 15 October 2013, Eurostores AS, a wholly owned company of CEO Tore Etholm-Idsøe, was paid NOK 700,495 by the Company and NOK 2,237,080 by NEXT Biometrics AS for services as hired CEO in 2013, including secretarial services and office costs. For 2012, Eurostores AS received NOK 1,288,710 from NEXT Biometrics Group AS and NOK 1,325,230 from NEXT Biometrics AS for the same type of services. As of 15 October 2013, Tore Etholm-Idsøe was employed as the Company's CEO and shall receive NOK 1,980,000 annually going forward.

(iii) Services rendered by Ralph Høibakk

Ralph Høibakk, holding the position of board member of the Company, was paid NOK 75,000 for services rendered outside the scope of his board of directors membership throughout 2013.

(iv) Loans by CEO to the Group

Tore Etholm-Idsøe and close associates (family), provided NEXT Biometrics Group AS with a 10.5 month loan amounting to NOK 150,000 during 2013. For this he received NOK 25 000 in interest. He also provided NEXT Biometrics AS with a two week loan amounting to NOK 250 000 during 2013. For this he received NOK 4,000 in interest. In 2012, he provided NEXT Biometrics AS with a 3 weeks loan amounting to NOK 300,000. For this he received NOK 14,000 in interest. The interest rates for these loans have been at the same levels or lower as those of other lenders of short term bridging loans.

(v) Loans by chairman to the Group

Chairman Jan-Eivind Fondal and close associates (family) provided the NEXT Biometrics AS with multiple short-term loans amounting to NOK 250,000 during 2013 (5.5 months) and NOK 250,000 during 2012 (9 months). For these loans Fondal received total of NOK 75,664 in interest in 2013. Fondal also provided the parent company NEXT Biometrics Group AS with a 2.5 month loan amounting to NOK 100,000 during 2012. For this he received NOK 4,438 in interest. NEXT Biometrics Group AS repaid a long term debt of NOK 250,000 to Fondal in October 2013. The loan was interest free. The interest rates for these loans have been at the same levels or below as those of other lenders of short term bridging loans.

During 2013, the Group terminated all non-current financial debt.

13 CORPORATE INFORMATION AND DESCRIPTION OF SHARE CAPITAL

The following is a summary of certain corporate information and material information relating to the Shares and share capital of the Company and certain other shareholder matters, including summaries of certain provisions of the Company's Articles of Association and applicable Norwegian law in effect as of the date of this Prospectus. The summary does not purport to be complete and is qualified in its entirety by the Company's Articles of Association and applicable law.

13.1 Company corporate information

The Company's legal and commercial name is NEXT Biometrics Group ASA. The Company is a public limited liability company organised and existing under the laws of Norway pursuant to the Norwegian Public Limited Companies Act. The Company's registered office is in the municipality of Oslo, Norway. The Company was incorporated in Norway on 1 November 2000. The Company's domicile is Oslo, Norway. The Company's organisation number in the Norwegian Register of Business Enterprises is 982 904 420, and the Shares are registered in book-entry form with VPS under ISIN NO 0010629108. The Company's register of shareholders in VPS is administrated by DNB Bank ASA, Registrars Department, N-0021 Oslo, Norway. The Company's registered office is located at c/o Procurator Management AS, Hieronymus Heyerdahls gate 1, 0160 Oslo, Norway and the Company's main telephone number at that address is +47 92 04 34 58. The Company's website can be found at www.nextbiometrics.com. Neither the content of www.nextbiometrics.com nor any of the Group's other websites, is incorporated by reference into or otherwise forms part of this Prospectus.

13.2 Legal structure

The Company is the parent company of the Group, holding 100% of the shares in two operating subsidiaries (i) NEXT Biometrics AS (incorporated in Norway); and (ii) NEXT Biometrics Inc. (incorporated in Seattle, Washington). NEXT Biometrics Inc. is wholly owned by NEXT Biometrics AS. NEXT is in the process of establishing subsidiaries in Shanghai (China) and Taipei (Taiwan). The operations of the Group are carried out by the Group's operating subsidiaries.

13.3 Admission to trading

On 19 May 2014, the Company applied for admission to trading of its Shares on Oslo Axess.

The board of directors of the Oslo Stock Exchange approved the listing application of the Company on 18 June 2014, subject to certain conditions being met. See Section 16.13 "Conditions for completion of the Offering – Listing and trading of the Offer Shares".

The Company expects commencement of trading in the Shares on Oslo Axess on or around 25 June 2014. The Company has not applied for admission to trading of the Shares on any other stock exchange or regulated market.

13.4 Share capital and share capital history

As of the date of this Prospectus, the Company's share capital is NOK 8,787,665 divided into 8,787,665 Shares with each Share having a nominal value of NOK 1. All the Shares have been created under the Norwegian Public Limited Companies Act, and are validly issued and fully paid.

The Company has one class of shares. Other than the options described in Section 11.5 "Share option programs for Board of Directors, Management, employees and others", there is no share options or other rights to subscribe for or acquire Shares issued by the Company. Neither the Company nor any of its subsidiaries directly or indirectly owns shares in the Company.

The table below shows the development in the Company's share capital for the period from 31 December 2011 to the date hereof:

Date of resolution	Type of change	Change in share capital (NOK)	Nominal value (NOK)	New number of shares	New share capital (NOK)
04.05.2012	Share capital increase	100,000	1	100,000	7,051,769.00
27.06.2012	Share capital increase	48,800	1	48,800	7,100,569.00
28.06.2012	Share capital increase	30,000	1	30,000	7,130,569.00
26.11 2012	Share capital increase	102,000	1	102,000	7,232,569.00
27.12.2012	Share capital increase	25,000	1	25,000	7,257,569.00
10.01.2013	Share capital increase	19,000	1	19,000	7,276,569.00
18.04.2013	Share capital increase	14,000	1	14,000	7,290,569.00
22.04.2013	Share capital increase	181,396	1	181,396	7,471,965.00
30.09.2013	Share capital increase	1,264,900	1	1,264,900	8,736,865.00
15.10.2013	Share capital increase	45,000	1	45,000	8,781,865.00
11.11.2013	Share capital increase	5,800	1	5,800	8,787,665.00

No part of the Company's share capital has been issued against contribution in kind.

13.5 Ownership structure

As of 4 June 2014, the Company had 157 shareholders. The Company's 20 largest shareholders as of 4 June 2014 are shown in the table below.

#	Shareholders	Number of Shares	Percent
1	Ecomnex Holding AS	1,628,817	18.53
2	BNP Paribas Securities / Leif Erik Rahmquist (nominee account)	818,148	9.31
3	Eurostores AS	380,664	4.33
4	Åstveit Invest AS	360,000	4.09
5	Teigland Eiendom AS	358,826	4.08
6	Engelsberg Invest AS	352,317	4.01
7	Foco Limited	333,649	3.80
8	Grendahl Holding AS	295,205	3.36
9	Holdberg Norden Verdipapirfondet v/Holdberg Fond	278,595	3.17
10	FKKG AS	276,182	3.14
11	Verdipapirfondet DNB	250,000	2.84
12	Silar AS v/ Jarl Spandow	225,783	2.56
13	Bluefield AS	218,800	2.49
14	Jaco Invest	195,619	2.23
15	OP-Europe Equity Fund	160,000	1.82
16	Tore Idsøe	159,794	1.82
17	MP Pensjon PK	120,000	1.36
18	Arctic Funds Plc	105,650	1.20
19	Verdipapirfondet Holdberg Norge	100,400	1.14
20	Belcem Invest AS	100,400	1.14
	Top 20 shareholders	6,718,988	76.45
	Others	2,068,677	23,54
	Total	**8,787,665**	**100**

There are no differences in voting rights between the Shares.

Shareholders owning 5% or more of the Shares have an interest in the Company's share capital which is notifiable pursuant to the Norwegian Securities Trading Act. See Section 14.7 "Disclosure obligations" for a description of the disclosure obligations under the Norwegian Securities Trading Act. Apart from Ngoc Minh Dinh holding an aggregate total of 1,700,258 Shares or 19.3%, including 1,628,817 shares (or 18.54%) through Ecomnex Holding AS, Leif Erik Rahmquist (9.31%) and Tore Etholm-Idsøe (6.15% or 540,458 Shares of which 380,664 Shares are held through Eurostores AS), the Company is not aware of any other persons or entities who, directly or indirectly, have an interest in 5% or more of the Shares. As a consequence of Foxconn's Subscription Commitment pursuant to the Subscription Agreement, Foxconn may have an ownership of more than 5% in the Company following the Offering. Please see Section 16.1 "Overview of the Offering" for more information.

To the extent known to the Company, there are no persons or entities who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company. The Company is not aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company.

The Company's Articles of Association do not contain any provisions that would have the effect of delaying, deferring or preventing a change of control of the Company. The Shares have not been subject to any public takeover bids during the current or last financial year.

13.6 Authorisation to increase the share capital and to issue Shares

The Board of Directors has been granted an authorisation to increase the share capital by up to NOK 3,000,000, corresponding to 34% of the Company's current share capital. The authorisation may be used to issue the New Shares and Over-Allotment Shares in connection with the Offering. The authorisation is valid until the Company's annual general meeting in 2015, but no longer than to 30 June 201. Furthermore, the Board of Directors have been granted an authorisation to increase the share capital by up to NOK 1,393,000, corresponding to 15.9% of the Company's current share capital. The authorisation may be used (i) to issue Shares as consideration in acquisitions and mergers and (ii) to issues Shares in connection with exercise of options issued under the Company's option programmes. See Section 16.3 "Resolution relating to the Offering and the issue of the Offer Shares" and Section 11.5 "Share option schemes for Board of Directors, Management, employees and others" for further information. The second authorisation is valid until the Company's annual general meeting in 2016, but no longer than to 30 June 2016. The preferential rights of the existing shareholders to subscribe for and be allotted the New Shares pursuant to Section 10-4 of the Norwegian Limited Liability Companies Act may be deviated from by the Board of Directors when using the authorisation.

13.7 Other financial instruments

Pursuant to the Subscription Agreement, the Company has called for an extraordinary general meeting to be held on 9 June 2014 with a proposal to issue warrants to Foxconn.

If adopted by the Company's general meeting, the warrants shall be divided into three classes of warrants (A, B and C), divided with 25% in each of classes A and B and 50% in class C. Class A shall give an unconditional right to be issued shares in the Company. Class B shall only be exercisable upon Foxconn and its group companies purchasing a minimum of 1 million sensors from the Group in the period up until 30 June 2017. The number of shares each class C warrant gives is dependent on the number of sensors companies within the Foxconn group purchase from the Company up until 30 June 2017 in excess of 1 million and up to a total number of 10 million sensors. The total number of shares to be issued upon the exercise of the warrants shall, if all conditions for exercise are met, be the same as the number of shares allocated to Foxconn for an amount of NOK 30 million in the Offering. The warrants give a right to subscribe for shares at the same price as the final subscription price for institutional investors in the Offering up until 30 June 2017.

Please see Section 16.1 "Overview of the Offering" for further information about the Subscription Agreement.

Other than the issuance of warrants described above and the share option programs described in Section 11.5 "Share option programs for Board of Directors, Management, employees and others", neither the Company nor any of its subsidiaries has issued any options, warrants, convertible loans or other instruments that would entitle a holder of any such instrument to subscribe for any shares in the Company or its subsidiaries. Furthermore, neither the Company nor any of its subsidiaries has issued subordinated debt or transferable securities other than the Shares and the shares in its subsidiaries which will be held, directly or indirectly, by the Company.

13.8 Shareholder rights

The Company has one class of Shares and all Shares provide equal rights in the Company. Each of the Shares carries one vote. The rights attaching to the Shares are described in Section 13.9 "The Articles of Association and certain aspects of Norwegian law".

13.9 The Articles of Association and certain aspects of Norwegian law

13.9.1 The Articles of Association

The Company's Articles of Association are set out in Appendix A to this Prospectus. Below is a summary of provisions of the Articles of Association.

Objective of the Company

The objective of the Company is to conduct research, development and commercialization of security products, as well as other activities that will naturally fall under this.

Registered office

The Company's registered office is in the municipality of Oslo, Norway.

Share capital and nominal value

The Company's share capital is NOK 8,787,665 divided into 8,787,665 Shares, each Share with a nominal value of NOK 1.

Board of Directors

The Company's Board of Directors shall consist of a minimum of three and a maximum of nine members.

Restrictions on transfer of Shares

The Articles of Association do not provide for any restrictions on the transfer of Shares, or a right of first refusal for the Company. Share transfers are not subject to approval by the Board of Directors.

General meetings

Documents relating to matters to be dealt with by the General Meeting, including documents which by law shall be included in or attached to the notice of the General Meeting, do not need to be sent to the shareholders if such documents have been made available on the Company's internet site. A shareholder may nevertheless request that documents which relate to matters to be dealt with at the General Meeting are sent to him/her.

Nomination committee

The Company shall have a nomination committee. See Section 11.10 "Nomination committee".

13.9.2 Certain aspects of Norwegian corporate law

General meetings

Through the general meeting, shareholders exercise supreme authority in a Norwegian company. In accordance with Norwegian law, the annual general meeting of shareholders is required to be held each year on or prior to 30 June. Norwegian law requires that written notice of annual general meetings setting forth the time of, the venue for and the agenda of the meeting be sent to all shareholders with a known address no later than 21 days before the annual general meeting of Norwegian public limited liability company listed on a stock exchange or other regulated market shall be held, unless the articles of association stipulate a longer deadline, which is not currently the case for the Company.

A shareholder may vote at the general meeting either in person or by proxy appointed at their own discretion. Although Norwegian law does not require the Company to send proxy forms to its shareholders for general meetings, the Company plans to include a proxy form with notices of general meetings. All of the Company's shareholders who are registered in the register of shareholders maintained with the VPS as of the date of the general meeting, or who have otherwise reported and documented ownership to Shares, are entitled to participate at general meetings, without any requirement of pre-registration.

Apart from the annual general meeting, extraordinary general meetings of shareholders may be held if the Board of Directors considers it necessary. An extraordinary general meeting of shareholders must also be convened if, in order to discuss a specified matter, the auditor who audits the company's annual accounts or shareholders representing at least 5% of the share capital demands this in writing. The requirements for notice and admission to the annual general meeting also apply to extraordinary general meetings. However, the annual general meeting of a Norwegian public limited liability company may with a majority of at least two-thirds of the aggregate number of votes cast as well as at least two-thirds of the share capital represented at a general meeting resolve that extraordinary general meetings may be convened with a fourteen days notice period until the next annual general meeting provided the company has procedures in place allowing shareholders to vote electronically. The Company's Articles of Association does not permit electronic voting and extraordinary general meetings may accordingly not be convened with a fourteen days notice period, provided that the Company has established procedures for voting electronically at such meetings.

Voting rights–amendments to the Articles of Association

Each of the Company's Shares carries one vote. In general, decisions that shareholders are entitled to make under Norwegian law or the Company's Articles of Association may be made by a simple majority of the votes cast. In the case of elections or appointments, the person(s) who receive(s) the greatest number of votes cast are elected. However, as required under Norwegian law, certain decisions, including resolutions to waive preferential rights to subscribe in connection with any share issue in the Company, to approve a merger or demerger of the Company, to amend Articles of Association, to authorise an increase or reduction in the share capital, to authorise an issuance of convertible loans or warrants by the Company or to authorise the Board of Directors to purchase the Shares and hold them as treasury shares or to dissolve the Company, must receive the approval of at least two-thirds of the aggregate number of votes cast as well as at least two-thirds of the share capital represented at a general meeting. Norwegian law further requires that certain decisions, which have the effect of substantially altering the rights and preferences of any shares or class of shares, receive the approval by the holders of such shares or class of shares as well as the majority required for amending the Articles of Association.

Decisions that (i) would reduce the rights of some or all of the Company's shareholders in respect of dividend payments or other rights to assets or (ii) restrict the transferability of the Shares, require that at least 90% of the share capital represented at the general meeting in question vote in favour of the resolution, as well as the majority required for amending the Articles of Association. Certain types of changes in the rights of shareholders require the consent of all shareholders affected thereby as well as the majority required for amending the Articles of Association.

In general, only a shareholder registered in the VPS is entitled to vote for such Shares. Beneficial owners of the Shares that are registered in the name of a nominee are generally not entitled to vote under Norwegian law, nor is any person who is designated in the VPS register as the holder of such Shares as nominees. Investors should note that there are varying opinions as to the interpretation of the right to vote on nominee registered shares. In the Company's view, a nominee may not meet or vote for Shares registered on a nominee account (NOM-account). A shareholder must, in order to be eligible to register, meet and vote for such Shares at the general meeting, transfer the Shares from such NOM-account to an account in the shareholder's name. Such registration must appear from a transcript from the VPS at the latest at the date of the general meeting.

There are no quorum requirements that apply to the general meetings.

Additional issuances and preferential rights

If the Company issues any new Shares, including bonus share issues, the Company's Articles of Association must be amended, which requires the same vote as other amendments to the Articles of Association. In addition, under Norwegian law, the Company's shareholders have a preferential right to subscribe for new Shares issued by the Company. Preferential rights may be derogated from by resolution in a general meeting passed by the same vote required to approve amending the Articles of Association. A derogation of the shareholders' preferential rights in respect of bonus issues requires the approval of all outstanding Shares.

The General Meeting may, by the same vote as is required for amending the Articles of Association, authorise the Board of Directors to issue new Shares, and to derogate from the preferential rights of shareholders in connection with such issuances. Such authorisation may be effective for a maximum of two years, and the nominal value of the Shares to be issued may not exceed 50% of the registered nominal share capital when the authorisation is registered with the Norwegian Register of Business Enterprises.

Under Norwegian law, the Company may increase its share capital by a bonus share issue, subject to approval by the Company's shareholders, by transfer from the Company's distributable equity or from the Company's share premium reserve and thus the share capital increase does not require any payment of a subscription price by the shareholders. Any bonus issues may be effected either by issuing new shares to the Company's existing shareholders or by increasing the nominal value of the Company's outstanding Shares.

Issuance of new Shares to shareholders who are citizens or residents of the United States upon the exercise of preferential rights may require the Company to file a registration statement in the United States under United States securities laws. Should the Company in such a situation decide not to file a registration statement, the Company's U.S. shareholders may not be able to exercise their preferential rights. If a U.S. shareholder is ineligible to participate in a rights offering, such shareholder may not receive the rights at all and the rights may be sold on the shareholder's behalf by the Company.

Minority rights

Norwegian law sets forth a number of protections for minority shareholders of the Company, including but not limited to those described in this paragraph and the description of general meetings as set out above. Any of the Company's shareholders may petition Norwegian courts to have a decision of the Board of Directors or the Company's shareholders made at the General Meeting declared invalid on the grounds that it unreasonably favours certain shareholders or third parties to the detriment of other shareholders or the Company itself. The Company's shareholders may also petition the courts to dissolve the Company as a result of such decisions to the extent particularly strong reasons are considered by the court to make necessary dissolution of the Company.

Minority shareholders holding 5% or more of the Company's share capital have a right to demand in writing that the Board of Directors convene an extraordinary general meeting to discuss or resolve specific matters. In addition, any of the Company's shareholders may in writing demand that the Company place an item on the agenda for any general meeting as long as the Company is notified in time for such item to be included in the notice of the meeting. If the notice has been issued when such a written demand is presented, a renewed notice must be issued if the deadline for issuing notice of the general meeting has not expired.

Rights of redemption and repurchase of Shares

The share capital of the Company may be reduced by reducing the nominal value of the Shares or by cancelling Shares. Such a decision requires the approval of at least two-thirds of the aggregate number of votes cast and at least two-thirds of the share capital represented at a general meeting. Redemption of individual Shares requires the consent of the holders of the Shares to be redeemed.

The Company may purchase its own Shares provided that the Board of Directors has been granted an authorisation to do so by the General Meeting with the approval of at least two-thirds of the aggregate number of votes cast and at least two-thirds of the share capital represented at the meeting. The aggregate nominal value of treasury shares so acquired, and held by the Company must not exceed 10% of the Company's share capital, and treasury shares may only be acquired if the Company's distributable equity, according to the latest adopted balance sheet or an interim balance sheet, exceeds the consideration to be paid for the shares. The authorisation by the General Meeting of the Company's shareholders cannot be granted for a period exceeding two years.

Shareholder vote on certain reorganisations

A decision of the Company's shareholders to merge with another company or to demerge requires a resolution by the general meeting of the shareholders passed by at least two-thirds of the aggregate votes cast and at least two-thirds of the share capital represented at the general meeting. A merger plan, or demerger plan signed by the Board of Directors along with certain other required documentation, would have to be sent to all the Company's shareholders, or if the Articles of Association stipulate that, made available to the shareholders on the company's website, at least one month prior to the general meeting to pass upon the matter.

Liability of members of the Board of Directors

Members of the Board of Directors owe a fiduciary duty to the Company and its shareholders. Such fiduciary duty requires that the Board Members act in the best interests of the Company when exercising their functions and exercise a general duty of loyalty and care towards the Company. Their principal task is to safeguard the interests of the Company.

Members of the Board of Directors may each be held liable for any damage they negligently or wilfully cause the Company. Norwegian law permits the general meeting to discharge any such person from liability, but such discharge is not binding on the Company if substantially correct and complete information was not provided at the General Meeting passing upon the matter. If a resolution to discharge the Board Members from liability or not to pursue claims against such a person has been passed by the General Meeting with a smaller majority than that required to amend the Articles of Association, shareholders representing more than 10% of the share capital or, if there are more than 100 shareholders, more than 10% of the shareholders may pursue the claim on the Company's behalf and in its name. The cost of any such action is not the Company's responsibility but can be recovered from any proceeds the Company receives as a result of the action. If the decision to discharge any of the Company's directors from liability or not to pursue claims against the Board Members is made by such a majority as is necessary to amend the Articles of Association, the minority shareholders of the Company cannot pursue such claim in the Company's name.

Indemnification of Directors

Neither Norwegian law nor the Articles of Association contains any provision concerning indemnification by the Company of the Board of Directors. The Company is permitted to purchase insurance for the Board Members against certain liabilities that they may incur in their capacity as such.

Distribution of assets on liquidation

Under Norwegian law, the Company may be wound-up by a resolution of the Company's shareholders at the General Meeting passed by at least two-thirds of the aggregate votes cast and at least two-thirds of the share capital represented at the meeting. In the event of liquidation, the Shares rank equally in the event of a return on capital.

13.9.3 Shareholder agreements

The Company is not aware of any shareholders' agreements related to the Shares.

14 SECURITIES TRADING IN NORWAY

14.1 Introduction

The Oslo Stock Exchange was established in 1819 and is the principal market in which shares, bonds and other financial instruments are traded in Norway. As of end of January 2014, the total capitalisation of companies listed on the Oslo Stock Exchange amounted to approximately NOK 1,907 billion. Shareholdings of non-Norwegian investors as a percentage of total market capitalisation as of end of September 2013 amounted to approximately 37%.

The Oslo Stock Exchange has entered into a strategic cooperation with the London Stock Exchange group with regards to, *inter alia*, trading systems for equities, fixed income and derivatives.

14.2 Trading and settlement

Trading of equities on the Oslo Stock Exchange is carried out in the electronic trading system TradElect. This trading system was developed by the London Stock Exchange and is in use by all markets operated by the London Stock Exchange as well as by the Borsa Italiana and the Johannesburg Stock Exchange.

Official trading on the Oslo Stock Exchange takes place between 09:00 hours (CET) and 16.20 hours (CET) each trading day, with pre-trade period between 08:15 hours (CET) and 09:00 hours (CET), closing auction from 16:20 hours (CET) to 16:30 hours (CET). Reporting of after exchange trades can be done until 17:30 hours (CET).

The settlement period for trading on the Oslo Stock Exchange is three trading days (T+3). Pursuant to the new settlement requirements in the EU, including Regulation on improving securities settlement in the EU and on central securities depositories (CSDs) and amending Directive 98/26/EC ("**CSDR**"), the VPS has decided that from 6 October 2014 to introduce settlement period in two days (T+2). This means that securities will be settled on the investor's account in VPS two days after the transaction, and that the seller will receive payment after two days.

Oslo Clearing ASA, a wholly-owned subsidiary of SIX x-clear AG, a company in the SIX Group, has a license from the Norwegian FSA to act as a central clearing service, and has from 18 June 2010 offered clearing and counterparty services for equity trading on the Oslo Stock Exchange.

Investment services in Norway may only be provided by Norwegian investment firms holding a license under the Norwegian Securities Trading Act, branches of investment firms from an EEA member state or investment firms from outside the EEA that have been licensed to operate in Norway. Investment firms in an EEA member state may also provide cross-border investment services into Norway.

It is possible for investment firms to undertake market-making activities in shares listed in Norway if they have a license to this effect under the Norwegian Securities Trading Act, or in the case of investment firms in an EEA member state, a license to carry out market-making activities in their home jurisdiction. Such market-making activities will be governed by the regulations of the Norwegian Securities Trading Act relating to brokers' trading for their own account. However, such market-making activities do not as such require notification to the Norwegian FSA or the Oslo Stock Exchange except for the general obligation of investment firms that are members of the Oslo Stock Exchange to report all trades in stock exchange listed securities.

14.3 Information, control and surveillance

Under Norwegian law, the Oslo Stock Exchange is required to perform a number of surveillance and control functions. The Surveillance and Corporate Control unit of the Oslo Stock Exchange monitors all market activity on a continuous basis. Market surveillance systems are largely automated, promptly warning department personnel of abnormal market developments.

The Norwegian FSA controls the issuance of securities in both the equity and bond markets in Norway and evaluates whether the issuance documentation contains the required information and whether it would otherwise be unlawful to carry out the issuance.

Under Norwegian law, a company that is listed on a Norwegian regulated market, or has applied for listing on such market, must promptly release any inside information directly concerning the company (i.e. precise information about financial instruments, the issuer thereof or other matters which are likely to have a significant effect on the price of the relevant financial instruments or related financial instruments, and which are not publicly available or commonly known in the market). A company may, however, delay the release of such information in order not to prejudice its legitimate interests, provided that it is able to ensure the confidentiality of the information and that the delayed release would not be likely to mislead the public. The Oslo Stock Exchange may levy fines on companies violating these requirements.

14.4 The VPS and transfer of shares

The Company's principal share register is operated through the VPS. The VPS is the Norwegian paperless centralised securities register. It is a computerised book-keeping system in which the ownership of, and all transactions relating to, Norwegian listed shares must be recorded. The VPS and the Oslo Stock Exchange are both wholly-owned by Oslo Børs VPS Holding ASA.

All transactions relating to securities registered with the VPS are made through computerised book entries. No physical share certificates are, or may be, issued. The VPS confirms each entry by sending a transcript to the registered shareholder irrespective of any beneficial ownership. To give effect to such entries, the individual shareholder must establish a share account with a Norwegian account agent. Norwegian banks, Norges Bank (being, Norway's central bank), authorised securities brokers in Norway and Norwegian branches of credit institutions established within the EEA are allowed to act as account agents.

As a matter of Norwegian law, the entry of a transaction in the VPS is *prima facie* evidence in determining the legal rights of parties as against the issuing company or any third party claiming an interest in the given security. A transferee or assignee of shares may not exercise the rights of a shareholder with respect to such shares unless such transferee or assignee has registered such shareholding or has reported and shown evidence of such share acquisition, and the acquisition is not prevented by law, the relevant company's Bye-laws or otherwise.

The VPS is liable for any loss suffered as a result of faulty registration or an amendment to, or deletion of, rights in respect of registered securities unless the error is caused by matters outside the VPS' control which the VPS could not reasonably be expected to avoid or overcome the consequences of. Damages payable by the VPS may, however, be reduced in the event of contributory negligence by the aggrieved party.

The VPS must provide information to the Norwegian FSA on an ongoing basis, as well as any information that the Norwegian FSA requests. Further, Norwegian tax authorities may require certain information from the VPS regarding any individual's holdings of securities, including information about dividends and interest payments.

14.5 Shareholder register – Norwegian law

Under Norwegian law, shares are registered in the name of the beneficial owner of the shares. As a general rule, there are no arrangements for nominee registration and Norwegian shareholders are not allowed to register their shares in VPS through a nominee. However, foreign shareholders may register their shares in the VPS in the name of a nominee (bank or other nominee) approved by the Norwegian FSA. An approved and registered nominee has a duty to provide information on demand about beneficial shareholders to the company and to the Norwegian authorities. In case of registration by nominees, the registration in the VPS must show that the registered owner is a nominee. A registered nominee has the right to receive dividends and other distributions, but cannot vote in general meetings on behalf of the beneficial owners.

14.6 Foreign investment in shares listed in Norway

Foreign investors may trade shares listed on the Oslo Stock Exchange through any broker that is a member of the Oslo Stock Exchange, whether Norwegian or foreign.

14.7 Disclosure obligations

If a person's, entity's or consolidated group's proportion of the total issued shares and/or rights to shares in a company listed on a regulated market in Norway (with Norway as its home state, which will be the case for the Company) reaches, exceeds or falls below the respective thresholds of 5%, 10%, 15%, 20%, 25%, 1/3, 50%, 2/3 or 90% of the share capital or the voting rights of that company, the person, entity or group in question has an obligation under the Norwegian Securities Trading Act to notify the Oslo Stock Exchange and the issuer immediately. The same applies if the disclosure thresholds are passed due to other circumstances, such as a change in the company's share capital.

14.8 Insider trading

According to Norwegian law, subscription for, purchase, sale or exchange of financial instruments that are listed, or subject to the application for listing, on a Norwegian regulated market, or incitement to such dispositions, must not be undertaken by anyone who has inside information, as defined in Section 3-2 of the Norwegian Securities Trading Act. The same applies to the entry into, purchase, sale or exchange of options or futures/forward contracts or equivalent rights whose value is connected to such financial instruments or incitement to such dispositions.

14.9 Mandatory offer requirement

The Norwegian Securities Trading Act requires any person, entity or consolidated group that becomes the owner of shares representing more than one-third of the voting rights of a Norwegian company listed on a Norwegian regulated market to, within four weeks, make an unconditional general offer for the purchase of the remaining shares in that company. A mandatory offer obligation may also be triggered where a party acquires the right to become the owner of shares that, together with the party's own shareholding, represent more than one-third of the voting rights in the company and the Oslo Stock Exchange decides that this is regarded as an effective acquisition of the shares in question.

The mandatory offer obligation ceases to apply if the person, entity or consolidated group sells the portion of the shares that exceeds the relevant threshold within four weeks of the date on which the mandatory offer obligation was triggered.

When a mandatory offer obligation is triggered, the person subject to the obligation is required to immediately notify the Oslo Stock Exchange and the company in question accordingly. The notification is required to state whether an offer will be made to acquire the remaining shares in the company or whether a sale will take place. As a rule, a notification to the effect that an offer will be made cannot be retracted. The offer and the offer document required are subject to approval by the Oslo Stock Exchange before the offer is submitted to the shareholders or made public.

The offer price per share must be at least as high as the highest price paid or agreed by the offeror for the shares in the six-month period prior to the date the threshold was exceeded. If the acquirer acquires or agrees to acquire additional shares at a higher price prior to the expiration of the mandatory offer period, the acquirer is obliged to restate its offer at such higher price. A mandatory offer must be in cash or contain a cash alternative at least equivalent to any other consideration offered.

In case of failure to make a mandatory offer or to sell the portion of the shares that exceeds the relevant threshold within four weeks, the Oslo Stock Exchange may force the acquirer to sell the shares exceeding the threshold by public auction. Moreover, a shareholder who fails to make an offer may not, as long as the mandatory offer obligation remains in force, exercise rights in the company, such as voting in a general meeting, without the consent of a majority of the remaining shareholders. The shareholder may, however, exercise his/her/its rights to dividends and pre-emption rights in the event of a share capital increase. If the shareholder neglects his/her/its duty to make a mandatory offer, the Oslo Stock Exchange may impose a cumulative daily fine that runs until the circumstance has been rectified.

Any person, entity or consolidated group that owns shares representing more than one-third of the votes in a Norwegian company listed on a Norwegian regulated market is obliged to make an offer to purchase the remaining shares of the company (repeated offer obligation) if the person, entity or consolidated group through acquisition becomes the owner of shares representing 40%, or more of the votes in the company. The same applies correspondingly if the person, entity or consolidated group through acquisition becomes the owner of shares representing 50% or more of the votes in the company. The mandatory offer obligation ceases to apply if the person, entity or consolidated group sells the portion of the shares which exceeds the relevant threshold within four weeks of the date on which the mandatory offer obligation was triggered.

Any person, entity or consolidated group that has passed any of the above mentioned thresholds in such a way as not to trigger the mandatory bid obligation, and has therefore not previously made an offer for the remaining shares in the company in accordance with the mandatory offer rules is, as a main rule, obliged to make a mandatory offer in the event of a subsequent acquisition of shares in the company.

14.10 Compulsory acquisition

Pursuant to the Norwegian Public Limited Companies Act and the Norwegian Securities Trading Act, a shareholder who, directly or through subsidiaries, acquires shares representing 90% or more of the total number of issued shares in a Norwegian public limited liability company, as well as 90% or more of the total voting rights, has a right, and each remaining minority shareholder of the company has a right to require such majority shareholder, to effect a compulsory acquisition for cash of the shares not already owned by such majority shareholder. Through such compulsory acquisition the majority shareholder becomes the owner of the remaining shares with immediate effect.

If a shareholder acquires shares representing more than 90% of the total number of issued shares, as well as more than 90% of the total voting rights, through a voluntary offer in accordance with the Securities Trading Act, a compulsory acquisition can, subject to the following conditions, be carried out without such shareholder being obliged to make a mandatory offer: (i) the compulsory acquisition is commenced no later than four weeks after the acquisition of shares through the voluntary offer, (ii) the price offered per share is equal to or higher than what the offer price would have been in a mandatory offer, and (iii) the settlement is guaranteed by a financial institution authorised to provide such guarantees in Norway.

A majority shareholder who effects a compulsory acquisition is required to offer the minority shareholders a specific price per share, the determination of which is at the discretion of the majority shareholder. However, where the offeror, after making a mandatory or voluntary offer, has acquired more than 90% of the voting shares of a company and a corresponding proportion of the votes that can be cast at the general meeting, and the offeror pursuant to Section 4-25 of the Public Limited Companies Act completes a compulsory acquisition of the remaining shares within three months after the expiry of the offer period, it follows from the Norwegian Securities Trading Act that the redemption price shall be determined on the basis of the offer price for the mandatory/voluntary offer unless specific reasons indicate another price.

Should any minority shareholder not accept the offered price, such minority shareholder may, within a specified deadline of not less than two months, request that the price be set by a Norwegian court. The cost of such court procedure will, as a general rule, be the responsibility of the majority shareholder, and the relevant court will have full discretion in determining the consideration to be paid to the minority shareholder as a result of the compulsory acquisition.

Absent a request for a Norwegian court to set the price or any other objection to the price being offered, the minority shareholders would be deemed to have accepted the offered price after the expiry of the specified deadline.

14.11 Foreign exchange controls

There are currently no foreign exchange control restrictions in Norway that would potentially restrict the payment of dividends to a shareholder outside Norway, and there are currently no restrictions that would affect the right of shareholders of a company that has its shares registered with the VPS who are not residents in Norway to dispose of their shares and receive the proceeds from a disposal outside Norway. There is no maximum transferable amount either to or from Norway, although transferring banks are required to submit reports on foreign currency exchange transactions into and out of Norway into a central data register maintained by the Norwegian customs and excise authorities. The Norwegian police, tax authorities, customs and excise authorities, the National Insurance Administration and the Norwegian FSA have electronic access to the data in this register.

15 TAXATION

Set out below is a summary of certain Norwegian tax matters related to the purchase, holding and disposal of the Offer Shares. The statements below regarding Norwegian taxation are based on the laws in force in Norway as of the date of this Prospectus, which may be subject to any changes in law occurring after such date. Such changes could possibly be made on a retrospective basis.

The summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the shares in the Company. Shareholders who wish to clarify their own tax situation should consult with and rely upon their own tax advisors. Shareholders resident in jurisdictions other than Norway and shareholders who cease to be resident in Norway for tax purposes (due to domestic tax law or tax treaty) should specifically consult with and rely upon their own tax advisors with respect to the tax position in their country of residence and the tax consequences related to ceasing to be resident in Norway for tax purposes.

Please note that for the purpose of the summary below, a reference to a Norwegian or non-Norwegian shareholder refers to the tax residency rather than the nationality of the shareholder.

15.1 Norwegian shareholders

15.1.1 Taxation of dividends

Norwegian Personal Shareholders

Dividends received by shareholders who are individuals resident in Norway for tax purposes ("**Norwegian Personal Shareholders**") are taxable as ordinary income for such shareholders at a flat rate of 27% to the extent the dividend exceeds a tax-free allowance.

The allowance is calculated on a share-by-share basis. The allowance for each share is equal to the cost price of the share multiplied by a risk free interest rate based on the effective rate after tax of interest on treasury bills (*Norwegian: "statskasseveksler*") with three months maturity. The allowance is calculated for each calendar year, and is allocated solely to Norwegian Personal Shareholders holding shares at the expiration of the relevant calendar year.

Norwegian Personal Shareholders who transfer shares will thus not be entitled to deduct any calculated allowance related to the year of transfer. Any part of the calculated allowance one year exceeding the dividend distributed on the share ("excess allowance") may be carried forward and set off against future dividends received on, or gains upon realisation, of the same share.

Norwegian Corporate Shareholders

Dividends distributed from the Company to shareholders who are limited liability companies (and certain similar entities) resident in Norway for tax purposes ("**Norwegian Corporate Shareholders**") qualify for the Norwegian participation exemption method and are effectively taxed at rate of 0.81% (3% of dividend income from such shares is included in the calculation of ordinary income for Norwegian Corporate Shareholders and ordinary income is subject to tax at a flat rate of 27%).

15.1.2 Taxation of capital gains on realisation of shares

Norwegian Personal Shareholders

Sale, redemption or other disposal of shares is considered a realisation for Norwegian tax purposes. A capital gain or loss generated by a Norwegian Personal Shareholder through a disposal of shares is taxable or tax deductible in Norway. Such capital gain or loss is included in or deducted from the basis for computation of ordinary income in the year of disposal. Ordinary income is taxable at a rate of 27%. The gain is subject to tax and the loss is tax deductible irrespective of the duration of the ownership and the number of shares disposed of.

The taxable gain/deductible loss is calculated per share, as the difference between the consideration received for the share and the Norwegian Personal Shareholder's cost price of the share, including any costs incurred in relation to the acquisition or realisation of the share. From this capital gain, Norwegian Personal Shareholders are entitled to deduct a calculated allowance, provided that such allowance has not already been used to reduce taxable dividend income. See Section 15.1.1 "Taxation of dividends" above for a description of the calculation of the allowance. The allowance may only be deducted in order to reduce a taxable gain, and cannot increase or produce a deductible loss, i.e. any unused allowance exceeding the capital gain upon the realisation of a share will be annulled.

If the shareholder owns shares acquired at different points in time, the shares that were acquired first will be regarded as the first to be disposed of, on a first-in first-out basis.

Norwegian Corporate Shareholders

Norwegian Corporate Shareholders are exempt from tax on capital gains derived from the realisation of shares qualifying for participation exemption, including shares in the Company. Losses upon the realisation and costs incurred in connection with the purchase and realisation of such shares are not deductible for tax purposes..

15.1.3 Net wealth tax

The value of shares is included in the basis for the computation of net wealth tax imposed on Norwegian Personal Shareholders. Currently, the marginal net wealth tax rate is 1.0% of the value assessed. The value for assessment purposes for shares listed on the Oslo Stock Exchange is equal to the listed value as of 1 January in the year of assessment (i.e. the year following the relevant fiscal year).

Norwegian Corporate Shareholders are not subject to net wealth tax.

15.2 Non-Norwegian shareholders

15.2.1 Taxation of dividends

Non-Norwegian Personal Shareholders

Dividends distributed to shareholders who are individuals not resident in Norway for tax purposes ("**Non-Norwegian Personal Shareholders**"), are as a general rule subject to withholding tax at a rate of 25%. The withholding tax rate of 25% is normally reduced through tax treaties between Norway and the country in which the shareholder is resident. The withholding obligation lies with the company distributing the dividends and the Company assumes this obligation.

Non-Norwegian Personal Shareholders resident within the EEA for tax purposes may apply individually to Norwegian tax authorities for a refund of an amount corresponding to the calculated tax-free allowance on each individual share (see Section 15.1.1 "Taxation of dividends" above). However, the deduction for the tax-free allowance does not apply in the event that the withholding tax rate, pursuant to an applicable tax treaty, leads to a lower taxation on the dividends than the withholding tax rate of 25% less the tax-free allowance.

If a Non-Norwegian Personal Shareholder is carrying on business activities in Norway and the shares are effectively connected with such activities, the shareholder will be subject to the same taxation of dividends as a Norwegian Personal Shareholder, as described above.

Non-Norwegian Personal Shareholders who have suffered a higher withholding tax than set out in an applicable tax treaty may apply to the Norwegian tax authorities for a refund of the excess withholding tax deducted.

Non-Norwegian Corporate Shareholders

Dividends distributed to shareholders who are limited liability companies (and certain other entities) not resident in Norway for tax purposes ("**Non-Norwegian Corporate Shareholders**"), are as a general rule subject to withholding tax at a rate of 25%. The withholding tax rate of 25% is normally reduced through tax treaties between Norway and the country in which the shareholder is resident.

Dividends distributed to Non-Norwegian Corporate Shareholders resident within the EEA for tax purposes are exempt from Norwegian withholding tax provided that the shareholder is the beneficial owner of the shares and that the shareholder is genuinely established and performs genuine economic business activities within the relevant EEA jurisdiction.

If a Non-Norwegian Corporate Shareholder is carrying on business activities in Norway and the shares are effectively connected with such activities, the shareholder will be subject to the same taxation of dividends as a Norwegian Corporate Shareholder, as described above.

Non-Norwegian Corporate Shareholders who have suffered a higher withholding tax than set out in an applicable tax treaty may apply to the Norwegian tax authorities for a refund of the excess withholding tax deducted.

Nominee registered shares will be subject to withholding tax at a rate of 25% unless the nominee has obtained approval from the Norwegian Tax Directorate for the dividend to be subject to a lower withholding tax rate. To obtain such approval the nominee is required to file a summary to the tax authorities including all beneficial owners that are subject to withholding tax at a reduced rate.

The withholding obligation in respect of dividends distributed to Non-Norwegian Corporate Shareholders and on nominee registered shares lies with the company distributing the dividends and the Company assumes this obligation.

15.2.2 Capital gains tax

Non-Norwegian Personal Shareholders

Gains from the sale or other disposal of shares by a Non-Norwegian Personal Shareholder will not be subject to taxation in Norway unless the Non-Norwegian Personal Shareholder holds the shares in connection with business activities carried out or managed from Norway. If the shares are held in connection with business activities carried out or managed from Norway, the Non-Norwegian Personal Shareholder will be subject to the same taxation as a Norwegian Personal Shareholder.

Non-Norwegian Corporate Shareholders

Capital gains derived by the sale or other realisation of shares by Non-Norwegian Corporate Shareholders are not subject to taxation in Norway. If the shares are held in connection with business activities carried out or managed from Norway, the Non-Norwegian Corporate Shareholder will be subject to the same taxation as a Norwegian Corporate Shareholder.

15.2.3 Net wealth tax

Shareholders not resident in Norway for tax purposes are not subject to Norwegian net wealth tax. Non-Norwegian Personal Shareholders can, however, be taxable if the shareholding is effectively connected to the conduct of trade or business in Norway.

15.3 Inheritance Tax

A transfer of shares through inheritance or as a gift does not give rise to inheritance or gift tax in Norway.

15.4 Duties on transfer of shares

No VAT, stamp or similar duties are currently imposed in Norway on the transfer of shares in Norwegian companies.

16 THE OFFERING

16.1 Overview of the Offering

The Offering consists of (i) an offer of New Shares to raise an amount of up to NOK 144 million in gross proceeds to the Company by the issuance of 1,600,000 New Shares, each with a par value of NOK 1.00, and (ii) up to 130,000 Sale Shares offered by the Selling Shareholders. The total number of New Shares offered may be increased at the discretion of the Company. However, in no event will more than 2,400,000 New Shares be issued pursuant to the Offering, excluding any New Shares issued pursuant to the Over-allotment Option. The Managers may elect to over-allot new shares equal up to approximately 15% of the aggregate number of New Shares and Sale Shares to be sold in the Offering. The Company has granted Arctic Securities, on behalf of the Managers, an Over-Allotment Option to require the Company to issue a number of new shares corresponding to the number of Over-Allotment Shares to cover any such over-allotments. The New Shares, the Sale Shares and the Over-Allotment Shares are collectively referred to as the Offer Shares. The number of Offer Shares to be issued will depend on the final amount of the Offering and the final Offer Price per Offer Share. Assuming the Company elects to issue 2,400,000 New Shares and the Over-Allotment Option is exercised in full, the Offering will amount to up to approximately NOK 262 million by the issuance and sale of up to 2,779,500 Offer Shares, representing up to 24.02% of the Shares in issue following the Offering.

The Offering consists of:

- An Institutional Offering, in which Offer Shares are being offered (a) to institutional and professional investors in Norway, (b) investors outside Norway and the United States, subject to applicable exemptions from the prospectus requirements, and (c) in the United States to QIBs, as defined in, and in reliance on Rule 144A of the U.S. Securities Act. The Institutional Offering is subject to a lower limit per application of NOK 500,000 for investors in Norway and NOK 1,000,000 for investors outside Norway.
- A Retail Offering, in which Offer Shares are being offered to the public in Norway subject to a lower limit per application of an amount of NOK 10,500 and an upper limit per application of NOK 499,999 for each investor. Investors who intend to place an order in excess of NOK 499,999 must do so in the Institutional Offering. Multiple applications by one applicant in the Retail Offering will be treated as one application with respect to the maximum application limit.

All offers and sales outside the United States will be made in reliance on Regulation S of the U.S. Securities Act of 1933, as amended.

This Prospectus does not constitute an offer of, or an invitation to purchase, the Offer Shares in any jurisdiction in which such offer or sale would be unlawful. For further details, see "Important Notice" and Section 17 "Selling and transfer restrictions".

The Bookbuilding Period for the Institutional Offering will take place from 10 June 2014 at 09:00 hours (CET) to 19 June 2014 at 16:30 hours (CET). The Application Period for the Retail Offering will take place from 10 June 2014 at 09:00 hours (CET) to 19 June 2014 at 12:00 hours (CET). The Company, in consultation with the Managers, reserves the right to shorten or extend the Bookbuilding Period and/or the Application Period at any time by an announcement sent through the Oslo Stock Exchange's information system. Any extension of the Bookbuilding Period and/or the Application Period will be announced through the Oslo Stock Exchange's information system on or before 09:00 hours (CET) on the first business day following the then prevailing expiration date of the Bookbuilding Period. An extension of the Bookbuilding Period and/or the Application Period can be made one or several times provided, however, that in no event will the Bookbuilding Period and/or Application Period be extended beyond 16:30 hours (CET) on 26 June 2014. In the event of an extension of the Bookbuilding Period and/or the Application Period, the allocation date, the payment due dates and the dates of delivery of Offer Shares will be changed accordingly, but the date of the Listing and commencement of trading on the Oslo Stock Exchange may not necessarily be changed.

The Company has, together with the Managers, set an indicative price range for the Offering from NOK 75 to NOK 90 per Offer Share (the "**Indicative Price Range**"). Among the factors to be considered in determining the Indicative Price Range, in addition to prevailing market conditions, will be the Company's historical performance, estimates of its business potential and earnings prospects, an assessment of the Company's management and consideration of the above factors in relation to the market valuation of companies in related businesses. Assuming that the Offer Price is set at the mid-point of this range and 2,779,500 are applied for and allocated in the Offering, the aggregate gross proceeds of the Offering will be approximately NOK 232 million. The Company will, in consultation with the Managers, determine the number of Offer Shares and the Offer Price on the basis of the bookbuilding process in the Institutional Offering and the number of applications received in the Retail Offering. The bookbuilding process, which will form the basis for the final determination of the number of Offer Shares and the Offer Price, will be conducted only in connection with the Institutional Offering. The Indicative Price Range may be amended during the Bookbuilding Period.

Any such amendments to the Indicative Price Range will be announced through the information system of the Oslo Stock Exchange.

In addition, the Company has granted the Stabilisation Manager Arctic Securities, on behalf of the Managers, an Over-Allotment Option to require the Company to issue a number of new shares corresponding to the number of Over-Allotment Shares to cover any such over-allotments. If the Company elects to issue 2,400,000 New Shares, the Over-Allotment Option may be up to 379,500 Over-Allotment Shares, equalling up to approximately 15% of the final aggregate number of New Shares and Sale Shares (representing up to 3.28% of the Shares in issue in the Company following the Offering) at the Offer Price, exercisable, in whole or in part, within a 30-day period commencing at the time at which trading in the Shares commences on the Oslo Stock Exchange, expected to be on or about 25 June 2014. The Over-Allotment Option is granted to cover over-allotments, if any, made in connection with the Offering on the terms and subject to the conditions described in this Prospectus.

In order to permit delivery in respect of over-allotments made, if any, the Selling Shareholders have granted to the Stabilisation Manager an option (the "**Lending Option**") to require the Selling Shareholders to lend to the Stabilisation Manager, on behalf of the Managers, up to a number of Shares equal to the number of Over-Allotment Shares. See Section 16.9 "Over-Allotment and stabilisation activities" for further details.

Pursuant to lock-up agreements, the Company and the Selling Shareholders will give an undertaking that will restrict their ability to offer, sell or transfer Shares, as applicable, for a period ending nine months following the completion of the Offering. For more information about these restrictions, please see Section 16.17 "Lock-up".

The Offer Shares allocated in the Offering are expected to be traded on the Oslo Stock Exchange from and including 25 June 2014.

Completion of the Offering is conditional upon, among other conditions, the Company satisfying the listing conditions and being listed on Oslo Axess, see Section 16.13 "Conditions for completion of the Offering – Listing and trading of the Offer Shares" below.

On 25 May 2014 the Company entered into a subscription agreement (the "**Subscription Agreement**") and a memorandum of understanding with Icreate Investment Limited, a subsidiary of the Taiwanese technology producer Foxconn Technology Group. The Subscription Agreement states that Foxconn shall subscribe for shares in the Offering for an amount of at least NOK 30 million (the "**Subscription Commitment**"). The Subscription Commitment is conditional upon the Company raising a total of minimum NOK 120 million in gross proceeds at a price per share of no less than NOK 73.6 and not higher than NOK 105. Further, the Company has called for an extraordinary general meeting to be held on 9 June 2014 with a proposal to issue warrants to Foxconn. The warrants give a right to subscribe for shares at the same price as the final subscription price for institutional investors in the Offering up until 30 June 2017. Please see section 13.7 "Other financial instruments" for further information about the issuance of the warrants.

As consideration for its Subscription Commitment, Foxconn will receive a 5% commission of its subscription amount of NOK 30 million.

16.2 Timetable

The timetable set out below provides certain indicative key dates for the Offering (subject to shortening or extension):

Application Period commences	10 June 2014 at 09:00 hours (CET)
Application Period ends	19 June 2014 at 12:00 hours (CET)
Bookbuilding Period commences	10 June 2014 at 09:00 hours (CET)
Bookbuilding Period ends	19 June 2014 at 16:30 hours (CET)
Allocation of the Offer Shares	On or about 20 June 2014
Publication of the results of the Offering	On or about 20 June 2014
Distribution of allocation letters/contract notes	On or about 20 June 2014
Accounts from which payment will be debited in the Retail Offering to be sufficiently funded	On or about 20 June 2014
Payment date in the Retail Offering	On or about 23 June 2014
Delivery of the Offer Shares in the Retail Offering	On or about 24 June 2014
Payment date in the Institutional Offering	On or about 23 June 2014
Delivery of the Offer Shares in the Institutional Offering	On or about 24 June 2014
Registration of share capital increase and issuance of the New Shares	On or about 24 June 2014
Listing and commencement of trading in the Shares on the Oslo Stock Exchange	On or about 25 June 2014

Please note that the Company, in consultation with the Managers, reserve the right to extend or shorten the Bookbuilding Period and the Application Period. In the event of an extension of the Bookbuilding Period and/or the Application Period, the allocation date, the payment due dates and the dates of delivery of Offer Shares will be changed accordingly, but the date of the Listing and commencement of trading on the Oslo Stock Exchange may not necessarily be changed.

16.3 Resolution relating to the Offering and the issue of the Offer Shares

In the Annual General Meeting held on 16 May 2014 it was resolved to grant the Board of Directors an authorisation to increase the share capital of the Company by up to NOK 3,000,000 through the issue of up to 3,000,000 new Shares (*translated from Norwegian*):

(i) *Pursuant to Section 10-14 of the Norwegian Private Limited Companies Act, the Board of Directors is authorised to increase the Company's share capital by up to NOK 3,000,000 against contribution in cash.*

(ii) *The authorization may be used at the discretion of the board of directors, one or multiple times, in connection with the contemplated listing of the Shares on Oslo Børs, alternatively Oslo Axess including to issue shares to the managers in connection with over-allotment of shares.*

(iii) *The shareholders' preferential right to the new shares pursuant to Section 10-4 of the Norwegian Private Limited Companies Act may be deviated from.*

(iv) *The authorisation does not include share capital increases against contribution in kind, cf. Section 10-2 of the Norwegian Private Limited Companies Act.*

(v) *The authorisation does not include share capital increases in connection with mergers pursuant to Section 13-5 of the Norwegian Private Limited Companies Act.*

(vi) *All references to the Norwegian Private Limited Companies Act shall be deemed to be references to the Norwegian Public Limited Companies Act from the time of conversion of the Company into a public limited company.*

(vii) *The authorisation is valid from the point in time when the conversion of the Company from a Norwegian private limited company into a Norwegian public limited company has been registered in the Norwegian Register of Business Enterprises until the earliest of either the annual general meeting in 2015 and 30 June 2015.*

The pre-emptive rights of the existing shareholders will be set aside in connection with the Offering to ensure that the Company receives a broader shareholder base, and thus qualifies for the listing requirements. The Company believes a successful Listing will (i) be for the benefit of all its shareholders, as a listing on Oslo Axess, makes the Company a more attractive investment object, and (ii) be beneficial for the Company's future development.

On 5 June 2014, the Board of Directors resolved to launch the Offering. The Offer Shares to be issued by the Company are expected to be issued on or about 24 June 2014 following a final resolution by the Board of Directors on or around 20 June 2014.

16.4 The Institutional Offering

16.4.1 Determination of the number of Offer Shares and the Offer Price

The Company has, together with the Managers, set an Indicative Price Range for the Offering from NOK 75 to NOK 90 per Offer Share. The Company will, in consultation with the Managers, determine the number of Offer Shares and the Offer Price on the basis of the applications received and not withdrawn in the Institutional Offering during the Bookbuilding Period and the number of applications received in the Retail Offering. The Offer Price may be set within, below or above the Indicative Price Range. Investors' applications for Offer Shares in the Institutional Offering will, after the end of the Bookbuilding Period, be irrevocable and binding regardless of whether the Offer Price is set within, above or below the Indicative Price Range. The final Offer Price is expected to be announced by the Company through the Oslo Stock Exchange's information system on or about 20 June 2014 under the ticker code "NEXT".

16.4.2 Bookbuilding Period

The Bookbuilding Period for the Institutional Offering will last from 10 June at 09:00 hours (CET) to 19 June 2014 at 16:30 hours (CET), unless shortened or extended. The Company, in consultation with the Mangers, may shorten or extend the Bookbuilding Period at any time, and extension may be made on one or several occasions. The Bookbuilding Period may in no event be extended beyond 16:30 hours (CET) on 26 June 2014. In the event of a shortening or an extension of the Bookbuilding Period, the allocation date, the payment due date and the date of delivery of Offer Shares will be changed accordingly, but the date of the Listing and commencement of trading on the Oslo Stock Exchange may not necessarily be changed.

16.4.3 Minimum application

The Institutional Offering is subject to a lower limit per application of NOK 500,000 for investors in Norway and NOK 1,000,000 for investors outside Norway. Investors in Norway who intend to place an application for less than NOK 500,000 and NOK 1,000,000 for investors outside Norway, must do so in the Retail Offering.

16.4.4 Application procedure

Applications for Offer Shares in the Institutional Offering must be made during the Bookbuilding Period by informing the Managers shown below of the number of Offer Shares that the investor wishes to order, and the price per share that the investor is offering to pay for such Offer Shares.

Arctic Securities ASA	Carnegie AS
Haakon VIIs gate 5	Grundingen 2
N-0123 OSLO	N-0250 OSLO
Norway	Norway
Tel: +47 21 01 30 40	Tel: +47 22 00 93 00
Fax: +47 21 01 31 36	Fax: +47 22 00 99 60
Web: www.arcticsec.no	Web: www.carnegie.no
E-mail: subscription@arcticsec.no	E-mail: subscriptions@carnegie.no

All applications in the Institutional Offering will be treated in the same manner regardless of which Manager the applicant chooses to place the application with. Any orally placed application in the Institutional Offering will be binding upon the investor and subject to the same terms and conditions as a written application. The Managers may, at any time and in its sole discretion, require the investor to confirm any orally placed application in writing. Applications made may be withdrawn or amended by the investor at any time up to the end of the Bookbuilding Period. At the close of the Bookbuilding Period, all applications that have not been withdrawn or amended are irrevocable and binding upon the investor.

By placing an application, as amended if applicable, and by not having withdrawn such application prior to close of the Bookbuilding Period, the investor irrevocably (i) confirms its request to purchase and/or subscribe for such number of Offer Shares allocated to the investor, at the Offer Price, up to the aggregate application amount covered by the application, (ii) authorises and instructs each of the Managers (or someone appointed by any of them) acting jointly or severally to take all actions required to purchase and/or subscribe the Offer Shares allocated to the investor, to take all other actions deemed required by them to give effect to the transactions contemplated by the application, and to ensure delivery of such Offer Shares to the investor in the VPS, on the investor's behalf, and (iii) confirms and warrants that the investor is eligible to apply for and purchase Offer Shares under the terms set forth in this Prospectus.

16.4.5 Allocation, payment for and delivery of Offer Shares

The Managers expect to issue notifications of allocation of Offer Shares in the Institutional Offering on or about 20 June 2014, by issuing contract notes to the applicants by mail or otherwise.

Payment for the Offer Shares is expected to take place on or about 23 June 2014 (the "**Payment Date**").

For late payment, interest will accrue on the amount due at a rate equal to the prevailing interest rate under the Norwegian Act on Overdue Payment of 17 December 1976, no. 100, which, at the date of this Prospectus, is 9.50% per annum.

In order to facilitate trading of the Shares on the Oslo Stock Exchange as from 25 June 2014, the Company and the Managers may enter into a payment guarantee agreement on standard market terms, pursuant to which the Managers will, subject to the terms and conditions of the payment guarantee agreement, make payment of Offer Shares validly applied for and allocated, but for which payments have not been made by applicants when due.

The non-paying investors will remain fully liable for payment of the Offer Shares allocated to them, irrespective of any payment made by the Managers. If payment is not received by the payment due date, the Company and the Managers reserve the right to re-allot, cancel or reduce the allocation or otherwise dispose of the allocated Offer Shares in accordance with and to the fullest extent permitted by applicable laws.

The Company and the Managers may choose to transfer the Offer Shares allocated to such applicants to a VPS account operated by the one of the Managers for transfer to the non-paying investor when payment for the Offer Shares is received. In such case, the Managers reserve the right without further notice, to sell or assume ownership of such Offer Shares if payment has not been received by the third day after the payment due date.

If Offer Shares are sold on behalf of the applicant, such sale will be for the applicant's account and risk (however so that the applicant shall not be entitled to profits therefrom, if any) and the applicant will be liable for any loss, costs, charges and expenses suffered or incurred by the Company and/or the Managers, as a result of or in connection with such sales, and the Company and/or the Managers may enforce payment of any amount outstanding in accordance with Norwegian law.

16.5 The Retail Offering

16.5.1 Offer Price

The price for the Offer Shares offered in the Retail Offering will be the same as in the Institutional Offering, see Section 16.4.1 "Determination of the number of Offer Shares and the Offer Price". Multiple applications by one applicant in the Retail Offering will be treated as one application with respect to the discount.

Each applicant in the Retail Offering will be permitted, but not required, to indicate when ordering through the VPS online subscription system or on the application form to be used to apply for Offer Shares in the Retail Offering, attached to this Prospectus as Appendix D (the "**Retail Application Form**"), that the applicant does not wish to be allocated Offer Shares should the Offer Price be set higher than the highest price in the Indicative Price Range. If the applicant does so, the applicant will not be allocated any Offer Shares in the event that the Offer Price is set higher than the highest price in the Indicative Price Range. If the applicant does not expressly stipulate such reservation when ordering through the VPS online subscription system or on the Retail Application Form, the application will be binding regardless of whether the Offer Price is set within or above (or below) the Indicative Price Range, so long as the Offer Price has been determined on the basis of orders placed during the bookbuilding process described above.

16.5.2 Application Period

The Application Period during which applications for Offer Shares in the Retail Offering will be accepted will last from 10 June 2014 at 09:00 hours (CET) to 19 June 2014 at 12:00 hours (CET), unless shortened or extended. The Company, in consultation with the Managers, may shorten or extend the Application Period at any time, and extension may be made on one or several occasions. The Application Period may in no event be extended beyond 16:30 hours (CET) on 26 June 2014. In the event of a shortening or an extension of the Application Period, the allocation date, the payment due date and the date of delivery of the Offer Shares will be changed accordingly, but the date of the Listing and commencement of trading on the Oslo Stock Exchange may not necessarily be changed.

16.5.3 Minimum and maximum application

The Retail Offering is subject to a minimum application amount of NOK 10,500 and a maximum application amount of NOK 499,999 for each applicant.

Multiple applications are allowed. One or multiple applications from the same applicant in the Retail Offering with a total application amount in excess of NOK 499,999 will be adjusted downwards to an application amount of NOK 499,999. If two or more identical application forms are received from the same applicant in the same offering, the application form will only be counted once unless otherwise explicitly stated on one of the application forms. In the case of multiple applications through the online application system or applications made both on a physical application form and through the online application system, all applications will be counted. Applicants who intend to place an order in excess of NOK 499,999 must do so in the Institutional Offering.

16.5.4 Application procedure and application office

Norwegian applicants in the Retail Offering who are residents of Norway with a Norwegian personal identification number are recommended to apply for Offer Shares through the VPS online application system by following the link to such online application system on the following internet page: www.arctissec.no and www.carnegie.no. Applicants in the Retail Offering not having access to the Internet for electronic application must apply using the Retail Application Form attached to this Prospectus as Appendix D “Application Form for the Retail Offering”. Retail Application Forms, together with this Prospectus, can be obtained from the Company, the Company’s web page www.nextbiometrics.com, the Managers’ web page listed above or the application offices set out below. Applications made through the VPS online application system must be duly registered during the Application Period.

The application office for physical applications in the Retail Offering are:

Arctic Securities ASA	Carnegie AS
Haakon VIIs gate 5	Grundingen 2
N-0123 OSLO	N-0250 OSLO
Norway	Norway
Tel: +47 21 01 30 40	Tel: +47 22 00 93 00
Fax: +47 21 01 31 36	Fax: +47 22 00 99 60
Web: www.arcticsec.no	Web: www.carnegie.no

All applications in the Retail Offering will be treated in the same manner regardless of which of the above Managers the applications are placed with. Further, all applications in the Retail Offering will be treated in the same manner regardless of whether they are submitted by delivery of a Retail Application Form or through the VPS online application system.

Retail Application Forms that are incomplete or incorrectly completed, electronically or physically, or that are received after the expiry of the Application Period, may be disregarded without further notice to the applicant. Subject to any shortening or extension of the Application Period, properly completed Retail Application Forms must be received by the application office listed above or registered electronically through the VPS application system by 12:00 hours (CET) on 19 June 2014, unless the Application Period is being shortened or extended. Neither the Company nor the Managers may be held responsible for postal delays, unavailable fax lines, internet lines or servers or other logistical or technical matters that may result in applications not being received in time or at all by any application office.

Subject to Section 16.5.1 “Offer Price” above, all applications made in the Retail Offering will be irrevocable and binding upon receipt of a duly completed Retail Application Form, or in the case of applications through the VPS online application system, upon registration of the application, irrespective of any shortening or extension of the Application Period, and cannot be withdrawn, cancelled or modified by the applicant after having been received by the application office, or in the case of applications through the VPS online application system, upon registration of the application.

By placing an application, the applicant irrevocably (i) applies for the number of Offer Shares allocated to the applicant, at the Offer Price, up to the aggregate application amount as specified on the Retail Application Form (or in the online application), (ii) authorises and instructs each of the Managers acting jointly or severally to take all actions required to purchase and/or subscribe the Offer Shares allocated to the applicant on the applicants behalf, to take all other actions deemed required by them to give effect to the transactions contemplated by the application, and to ensure delivery of such Offer Shares to the applicant in the VPS, on the applicants behalf, (iii) authorises Arctic Securities to debit the applicants bank account as set out in the Retail Application Form (or as specified in the online application) for the amount payable for the Offer Shares allotted to the applicant, and (iv) confirms and warrants that the applicant is eligible to apply for and purchase Offer Shares under the terms set forth in the Prospectus.

16.5.5 Allocation, payment for and delivery of Offer Shares

The Managers, acting as settlement agent for the Retail Offering, expects to issue notifications of allocation of Offer Shares in the Retail Offering on or about 20 June 2014, by issuing allocation notes to the applicants by mail or otherwise. Any applicant wishing to know the precise number of Offer Shares allocated to it, may contact the application office on or about 20 June 2014 during business hours. Applicants who have access to investor services through an institution that operates the applicant's account with the VPS for the registration of holdings of securities ("**VPS account**") should be able to see how many Offer Shares they have been allocated from on or about 20 June 2014.

In registering an application through the VPS online application system or completing a Retail Application Form, each applicant in the Retail Offering will authorise the Managers to debit the applicant's Norwegian bank account for the total amount due for the Offer Shares allocated to the applicant. The applicant's bank account number must be stipulated on the VPS online application or on the Retail Application Form. Accounts will be debited on or the Payment Date, and there must be sufficient funds in the stated bank account from and including 20 June 2014. Applicants who do not have a Norwegian bank account must ensure that payment for the allocated Offer Shares is made on or before the Payment Date (23 June 2014).

Further details and instructions will be set out in the allocation notes to the applicant to be issued on or about 20 June 2014, or can be obtained by contacting the Managers at + 47 21 01 30 40 (Arctic Securities) or +47 22 00 93 00 (Carnegie).

Should any applicant have insufficient funds on his or her account, or should payment be delayed for any reason, or if it is not possible to debit the account, interest will accrue on the amount due at a rate equal to the prevailing interest rate under the Norwegian Act on Interest on Overdue Payments of 17 December 1976, No. 100, which at the date of this Prospectus is 9.50% per annum. The Managers reserves the right (but has no obligation) to make up to three debit attempts through 30 June 2014 if there are insufficient funds on the account on the Payment Date.

Subject to timely payment by the applicant, delivery of the Offer Shares allocated in the Retail Offering is expected to take place on or about 24 June 2014.

In order to facilitate trading of the Shares on the Oslo Stock Exchange as from 25 June 2014, the Company and the Managers may enter into a payment guarantee agreement on standard market terms, pursuant to which the Managers will, subject to the terms and conditions of the payment guarantee agreement, make payment of Offer Shares validly applied for and allocated, but for which payments have not been made by applicants when due.

The non-paying investors will remain fully liable for payment of the Offer Shares allocated to them, irrespective of any payment made by the Managers. If payment is not received by the payment due date, the Company and the Managers reserve the right to re-allot, cancel or reduce the allocation or otherwise dispose of the allocated Offer Shares in accordance with and to the fullest extent permitted by applicable laws.

The Company and the Managers may choose to transfer the Offer Shares allocated to such applicants to a VPS account operated by the Managers for transfer to the non-paying investor when payment for the Offer Shares is received. In such case, the Managers reserve the right without further notice, to sell or assume ownership of such Offer Shares if payment has not been received by the third day after the payment due date.

If Offer Shares are sold on behalf of the applicant, such sale will be for the applicant's account and risk (however so that the applicant shall not be entitled to profits therefrom, if any) and the applicant will be liable for any loss, costs, charges and expenses suffered or incurred by the Company and/or the Managers, as a result of or in connection with such sales, and the Company and/or the Managers may enforce payment of any amount outstanding in accordance with Norwegian law.

16.6 Mechanism of allocation

It has been provisionally assumed that approximately 90% of the Offering will be allocated in the Institutional Offering and that approximately 10% of the Offering will be allocated in the Retail Offering. The final determination of the number of Offer Shares allocated to the Institutional Offering and the Retail Offering will only be decided, however, following the completion of the bookbuilding process for the Institutional Offering, based on the level of orders or applications received from each of the categories of applicants relative to the level of applications or orders received in the Retail Offering. The Company and the Managers reserve the right to deviate from the provisionally assumed allocation between tranches without further notice and at their sole discretion.

No Offer Shares have been reserved for any specific national market.

In the Institutional Offering, the Company together with the Managers will determine the allocation of Offer Shares. An important aspect of the allocation principles is the desire to create an appropriate long-term shareholder structure for the Company. The allocation principles will, in accordance with normal practice for institutional placements, include factors such as premarketing and management road-show participation and feedback, timeliness of the order, price level, relative order size, sector knowledge, investment history, perceived applicant quality and investment horizon. The Company and the Managers further reserve the right, at their sole discretion, to take into account the creditworthiness of any applicant. The Company and the Managers may also set a maximum allocation, or decide to make no allocation to any applicant. Offer Shares may also be allocated to employees of the Managers in the event of oversubscription.

In the Retail Offering, no allocations will be made for a number of Offer Shares representing an aggregate value of less than NOK 10,500 per applicant, however, all allocations will be rounded down to the nearest number of whole Offer Shares and the payable amount will hence be adjusted accordingly. One or multiple orders from the same applicant in the Retail Offering with a total application amount in excess of NOK 499,999 will be adjusted downwards to an application amount of NOK 499,999. In the Retail Offering, allocation will be made solely on a pro rata basis using the VPS' automated simulation procedures and/or other appropriate allocation mechanism. The Company and the Managers reserve the right to limit the total number of applicants to whom Offer Shares are allocated if the Company and the Managers deem this to be necessary in order to keep the number of shareholders in the Company at an appropriate level and such limitation does not have the effect that any conditions for the Listing regarding the number of shareholders will not be satisfied. If the Company and the Managers should decide to limit the total number of applicants to whom Offer Shares are allocated, the applicants to whom Offer Shares are allocated will be determined on a random basis by using the VPS automated simulation procedures and/or other random allocation mechanism

16.7 VPS account

To participate in the Offering, each applicant must have a VPS account. The VPS account number must be stated when registering an application through the VPS online application system, on the Retail Application Form for the Retail Offering. VPS accounts can be established with authorised VPS registrars, which can be Norwegian banks, authorised investment firms in Norway and Norwegian branches of credit institutions established within the EEA. However, non-Norwegian applicants may use nominee VPS accounts registered in the name of a nominee. The nominee must be authorised by the Norwegian Ministry of Finance. Establishment of VPS accounts requires verification of identification by the relevant VPS registrar in accordance with the Norwegian anti-money laundering legislation (see Section 16.8 "Mandatory anti-money laundering procedures" below).

16.8 Mandatory anti-money laundering procedures

The Offering is subject to applicable anti-money laundering legislation, including the Norwegian Money Laundering Act of 6 March 2009 No. 11 and the Norwegian Money Laundering Regulations of 13 March 2009 No. 302 (collectively, the "**Anti-Money Laundering Legislation**").

Applicants who are not registered as existing customers of the Managers must verify their identity to the Managers in which the order is placed in accordance with the requirements of the Anti-Money Laundering Legislation, unless an exemption is available. Applicants who have designated an existing Norwegian bank account and an existing VPS account on the Retail Application Form are exempted, unless verification of identity is requested by the Managers. Applicants who have not completed the required verification of identity prior to the expiry of the Application Period may not be allocated Offer Shares.

16.9 Over-allotment and stabilisation activities

16.9.1 Over-allotment of Over-Allotment Shares

In connection with the Offering, the Managers may elect to over-allot up to 15% of the aggregated number of New Shares and Sale Shares (representing up to 3.28% of the Shares in issue in the Company following the Offering) and, in order to permit the delivery in respect of over-allotments made, the Stabilisation Manager may, pursuant to the Lending Option, require the Selling Shareholders to lend to the Stabilisation Manager, on behalf of the Managers, up to a number of Shares equal to the number of Over-Allotment Shares. Further, pursuant to the Over-Allotment Option, the Company has granted the Stabilisation Manager, on behalf of the Managers, an option to require the Company to issue a number of new shares, exercisable within a period commencing on the first day of trading in the Shares on the Oslo Stock Exchange and expiring 30 days after the commencement of trading in the Shares, equalling up to approximately 15% of the aggregate number of New Shares and Sale Shares (representing up to 3.28% of the Shares in issue in the Company following the Offering) at a price equal to the final Offer Price in the Offering, as may be necessary to cover over-allotments and short positions, if any, made in connection with the Offering. To the extent that the Managers have over-allotted Shares in the Offering, the Managers have created a short position in the Shares. The Stabilisation Manager may close out this short position by buying Shares in the open market through stabilisation activities and/or by exercising the Over-Allotment Option.

A stock exchange notice will be made on 20 June 2014 announcing whether the Managers have over-allotted Shares in connection with the Offering. Any exercise of the Over-Allotment Option will be promptly announced by the Stabilisation Manager through the Oslo Stock Exchange's information system.

16.9.2 Price stabilisation

The Stabilisation Manager (Arctic Securities) may, upon exercise of the Lending Option, from the first day of the Listing effect transactions with a view to supporting the market price of the Shares at a level higher than what might otherwise prevail, through buying Shares in the open market at prices equal to or lower than the Offer Price. There is no obligation on the Stabilisation Manager to conduct stabilisation activities and there is no assurance that stabilisation activities will be undertaken. Such stabilising activities, if commenced, may be discontinued at any time, and will be brought to an end at the latest 30 calendar days after the first day of the Listing. It should be noted that stabilisation activities might result in market prices that are higher than those that would otherwise prevail.

Any stabilisation activities will be conducted in accordance with Section 3-12 of the Norwegian Securities Trading Act and the EC Commission Regulation 2273/2003 regarding buy-back programmes and stabilisation of financial instruments.

The Company, the Selling Shareholders and the Managers have agreed that the profit, if any, resulting from stabilisation activities conducted by the Stabilisation Manager, on behalf of the Managers, will be for the account of the Company.

Within one week after the expiry of the 30 calendar day period of price stabilisation, the Stabilisation Manager will publish information as to whether or not price stabilisation activities were undertaken. If stabilisation activities were undertaken, the statement will also include information about: (i) the total amount of Shares sold and purchased; (ii) the dates on which the stabilisation period began and ended; (iii) the price range between which stabilisation was carried out, as well as the highest, lowest and average price paid during the stabilisation period; and (iv) the date at which stabilisation activities last occurred.

It should be noted that stabilisation activities might result in market prices that are higher than would otherwise prevail. Stabilisation may be undertaken, but there is no assurance that it will be undertaken and it may be stopped at any time.

16.10 Publication of information in respect to the Offering

In addition to press releases which will be posted on the Company's website, the Company will use the Oslo Stock Exchange's information system to publish information relating to the Offering, such as amendments of the Bookbuilding Period and Application Period if any, the final Offer Price, number of Offer Shares and total amount of the Offering, allotment percentages, and first day of trading.

The final determination of the Offer Price, the number of Offer Shares and the total amount of the Offering is expected to be published on or about 20 June 2014.

16.11 The rights conferred by the Offer Shares

The Offer Shares will in all respects carry full shareholders' rights in the Company on an equal basis as any other Shares in the Company, including the right to any dividends, from registration of the Offer Shares with the Norwegian Register of Business Enterprises. For a description of rights attached to the Shares in the Company, see Section 12 "Corporate information and description of share capital".

16.12 VPS registration

The Shares, including the Offer Shares, have been created under the Norwegian Public Limited Liability Companies Act. The Offer Shares are registered in book-entry form with the VPS and have ISIN NO 0010219702. The Company's register of shareholders with the VPS is administrated by DNB Bank ASA, Registrars Department, N-0021 Oslo, Norway.

16.13 Conditions for completion of the Offering – Listing and trading of the Offer Shares

On 19 May 2014, the Company applied for admission to trading of its Shares on Oslo Axess and completion of the Offering is subject to the approval of the listing application by the board of directors of the Oslo Stock Exchange in a meeting to be held on or about 18 June 2014, and subject to the Company obtaining minimum USD 10 million in gross proceeds from issuing New shares. The Company expects that this condition will be fulfilled through the Offering.

Completion of the Offering on the terms set forth in this Prospectus is expressly conditioned upon the satisfaction of the condition for admission to trading set by the Oslo Stock Exchange, and the Offering will be cancelled in the event that the condition is not satisfied. There can be no assurance that the Company will satisfy this condition. Completion of the Offering on the terms set forth in this Prospectus is otherwise only conditional on the Company, in consultation with the Managers, having approved the Offer Price and the allocation of Offer Shares to eligible applicants following the bookbuilding process. There can be no assurance that these conditions will be satisfied. If the conditions are not satisfied, the Offering may be revoked or suspended.

Completion of the Offering on the terms set forth in this Prospectus is otherwise only conditional on the Company, in consultation with the Managers, having approved the Offer Price and the allocation of the Offer Shares to eligible applicants following the bookbuilding process. There can be no assurance that this condition will be satisfied. If the condition is not satisfied, the Offering may be revoked or suspended.

Assuming that the conditions are satisfied, the first day of trading of the Shares, including the Offer Shares, on Oslo Axess is expected to be on or about 25 June 2014. The Shares are expected to trade under the ticker code "NEXT".

Prior to the Listing and the Offering, the Shares are not listed on any stock exchange or authorised market place, and no application has been filed for listing on any other stock exchanges or regulated market places other than the Oslo Stock Exchange.

16.14 Dilution

Following completion of the Offering, the immediate dilution for the existing shareholders who do not participate in the Offering is estimated to be approximately 23.2%, based on the assumption that the Company elects to issue 2,400,000 New Shares and that all Over-Allotment Shares are sold and issued in the Offering.

16.15 The Company's issued share capital following the Offering

Following completion of the Offering, assuming that 2,779,500 Offer Shares are applied for and allocated in the Offering, the share capital of the Company will be increased by NOK 2,779,500 to NOK 11,567,165, divided into 11,567,165 Shares with a nominal value of NOK 1 each.

16.16 Net proceeds and expenses relating to the Offering and the Listing

The transaction costs for the Company related to the Offering and the Listing is estimated to be NOK 13 million (including VAT) based on the assumption that 1,859,500 New Shares and Over-Allotment Shares are applied for and allocated in the Offering at the mid-point of the Indicative Price Range, of which approximately NOK 8 million are fees and expenses to the Managers. The Company will also pay a 5% commission to Foxconn for its Subscription Commitment pursuant to the Subscription Agreement. Based on the same assumption, the net proceeds will be approximately NOK 142 million. For a description of the use of such proceeds, see Section 5 "Reasons for the Offering and the Listing".

No expenses or taxes will be charged by the Company or the Managers to the applicants in the Offering.

16.17 Lock-up

16.17.1 The Company

The Managers have entered into a lock-up agreement with the Company, under which the Company has agreed that it will not, and that it will procure that none of its respective subsidiaries nor any other party acting on its behalf (other than the Managers) will, for a period of nine months following the completion of the Offering, directly or indirectly, without the prior written consent of the Managers: (i) issue, offer, sell or contract to issue or sell any Shares. On the same basis, the Company has agreed that it will not, and that it will procure that none of its respective subsidiaries nor any other party acting on its behalf (other than the Managers) will, without the prior written consent of the Managers: (i) directly or indirectly, issue, pledge, sell or contract to issue or sale any securities convertible into or exercisable or exchangeable for Shares or (ii) enter into any swap or any other agreement or any other transaction that has an equivalent effect to paragraph (i) above, whether any such swap or transaction described in paragraph (i) or (ii) above is to be settled by delivery of such securities, in cash or otherwise. The lock-up undertaking will not apply to (i) the sale and issue of the New Shares and the Over-Allotment Shares, or (ii) the sale and issue of any options or Shares upon exercise of any options under the Company's existing share option plans which currently covers up to 1,255,332 options/Shares (of which 925,277 have vested as of the date hereof).

16.17.2 The Selling Shareholders

The Selling Shareholders are included in the table below:

Shareholding of Selling Shareholder:	As of the date of this prospectus	Sale Shares to be sold
Ngoc Minh Dinh (including shares held through Ecomnex Holding AS	1,700,258	68,000
Tore Etholm-Idsøe (including the shares held through Eurostores AS)	540,458	35,000
Jan-Eivind Fondal (including the shares held through FOCO Ltd)..	333,649	15,000
Ketil Fridheim..	285,660	12,000
Total	**2,860,025**	**130,000**

As at the date of this Prospectus, the Selling Shareholders hold 2,860,025 Shares in the Company corresponding to a total of 32.54% of the issued and outstanding Shares.

Assuming that all the Offer Shares are sold and issued in the Offering, and that no Over-Allotment Shares are sold, the Selling Shareholders will retain a shareholding in the Company of approximately 24.4%. If the Over-Allotment Option is exercised in full by the Manager, and the maximum number of Over-Allotment Shares which may be sold pursuant to the Over-Allotment Option is sold, the shareholding of the Selling Shareholders in the Company following such sale will amount to approximately 23.6%.

Pursuant to the lock-up agreement, each of the Selling Shareholders and the Company have given an undertaking that will restrict its ability to issue, offer, sell or transfer Shares, as applicable, for a period ending nine months following the completion of the Offering.

The Managers have entered into a lock-up agreement with the Selling Shareholders, under which the Selling Shareholders have agreed that they will, and that they will procure that none of their respective subsidiaries nor any other party acting on their behalf (other than the Managers) will, for a period of nine months following the completion of the Offering, directly or indirectly, without the prior written consent of the Managers: (i) offer, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of any Shares or any securities convertible into or exercisable or exchangeable for Shares or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares, cash or such other securities. The lock-up undertaking will not apply to (i) the sale of the Sale Shares in the Offering, (ii) the lending of Shares from the Selling Shareholders in connection with the Offering, or (iii) in the event of acceptance of a take-over offer for all the Shares. The lock-up undertaking does not prevent or prohibit any pledge of the Shares by the Selling Shareholders or any enforcement of such pledge.

16.18 Interests of natural and legal persons involved in the Offering

The Managers or its affiliates have provided from time to time, and may provide in the future, investment and commercial banking services to the Company and its affiliates in the ordinary course of business, for which they may have received and may continue to receive customary fees and commissions. The Managers do not intend to disclose the extent of any such investments or transactions otherwise than in accordance with any legal or regulatory obligation to do so. As of the date of this Prospectus, Arctic Securities ASA holds 10,085 shares in the Company and Artic Securities' employees hold an aggregate total of 10,800 Shares. The Managers will receive a fee in connection with the Offering and, as such, has an interest in the Offering. See Section 16.16 "Net proceeds and expenses relating to the Offering and the Listing" for information on the fee to the Managers in connection with the Offering and the Listing.

The Selling Shareholders will receive the proceeds from the sale of the Sale Shares, if any.

Foxconn will receive a 5% commission of its subscription amount of NOK 30 million. See Section 16.1 "Overview of the Offering" for more information regarding the subscription rights of Foxconn.

Beyond the abovementioned, the Company is not known with any interest of natural and legal persons involved in the Offering.

16.19 Participation of major existing shareholders and members of the Company's Management, supervisory and administrative bodies in the Offering

Other than with respect to the Subscription Commitment from Foxconn, the Company is not aware of whether any major shareholders of the Company or members of the Company's Management, supervisory or administrative bodies intend to subscribe for Offer Shares in the Offering, or whether any person intends to subscribe for more than 5% of the Offer Shares.

16.20 Governing law and jurisdiction

This Prospectus, the Retail Application Form, and the terms and conditions of the Offering shall be governed by and construed in accordance with Norwegian law. The Shares (including the Offer Shares) are issued in accordance with the provisions of the Norwegian Public Limited Liability Companies Act. Any dispute arising out of, or in connection with, this Prospectus, the Retail Application Form, or the Offering shall be subject to the exclusive jurisdiction of the courts of Norway, with Oslo District Court as legal venue.

17 SELLING AND TRANSFER RESTRICTIONS

17.1 General

As a consequence of the following restrictions, prospective investors are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Shares offered hereby.

Other than in Norway, the Company is not taking any action to permit a public offering of the Shares in any jurisdiction. Receipt of this Prospectus will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this Prospectus is for information only and should not be copied or redistributed. Except as otherwise disclosed in this Prospectus, if an investor receives a copy of this Prospectus in any jurisdiction other than Norway, the investor may not treat this Prospectus as constituting an invitation or offer to it, nor should the investor in any event deal in the Shares, unless, in the relevant jurisdiction, such an invitation or offer could lawfully be made to that investor, or the Shares could lawfully be dealt in without contravention of any unfulfilled registration or other legal requirements. Accordingly, if an investor receives a copy of this Prospectus, the investor should not distribute or send the same, or transfer Shares, to any person or in or into any jurisdiction where to do so would or might contravene local securities laws or regulations.

17.2 Selling restrictions

17.2.1 United States

The Offer Shares have not been and will not be registered under the U.S. Securities Act, and may not be offered or sold except: (i) within the United States to QIBs in reliance on Rule 144A; or (ii) to certain persons in offshore transactions in compliance with Regulation S under the U.S. Securities Act, and in accordance with any applicable securities laws of any state or territory of the United States or any other jurisdiction. Accordingly, the Managers have represented and agreed that it has not offered or sold, and will not offer or sell, any of the Offer Shares as part of its allocation at any time other than to QIBs in the United States in accordance with Rule 144A or outside of the United States in compliance with Rule 903 of Regulation S. Transfer of the Offer Shares will be restricted and each purchaser of the Offer Shares in the United States will be required to make certain acknowledgements, representations and agreements, as described under Section 17.3.1 “United States”.

Any offer or sale in the United States will be made by affiliates of the Managers who are broker-dealers registered under the U.S. Exchange Act. In addition, until 40 days after the commencement of the Offering, an offer or sale of Offer Shares within the United States by a dealer, whether or not participating in the Offering, may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A of the U.S. Securities Act and in connection with any applicable state securities laws.

17.2.2 United Kingdom

In the UK, this Prospectus is only addressed to and directed to Qualified Investors (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Order**”), and/or (ii) who are high net worth entities falling within Article 49(2)(a) to (d) of the Order, and other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as “**Relevant Persons**”). The securities described herein are only available in the UK to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities in the UK will be engaged in only with, Relevant Persons. Any person in the UK who is not a Relevant Person should not act or rely on this Prospectus or any of its contents.

17.2.3 European Economic Area

In relation to each Relevant Member State, with effect from and including the Relevant Implementation Date, an offer to the public of any Offer Shares which are the subject of the offering contemplated by this Prospectus may not be made in that Relevant Member State, other than the offering in Norway as described in this Prospectus, once the Prospectus has been approved by the competent authority in Norway and published in accordance with the EU Prospectus Directive as implemented in Norway, except that an offer to the public in that Relevant Member State of any Offer Shares may be made at any time with effect from and including the Relevant Implementation Date under the following exemptions under the EU Prospectus Directive, if they have been implemented in that Relevant Member State:

a) to legal entities which are qualified investors as defined in the EU Prospectus Directive;

b) to fewer than 100, or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the EU Prospectus Directive), as permitted under the EU Prospectus Directive, subject to obtaining the prior consent of the Managers for any such offer, or

c) in any other circumstances falling within Article 3(2) of the EU Prospectus Directive;

provided that no such offer of Offer Shares shall require the Company or the Managers to publish a prospectus pursuant to Article 3 of the EU Prospectus Directive or supplement a prospectus pursuant to Article 16 of the EU Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any securities to be offered so as to enable an investor to decide to purchase any Offer Shares, as the same may be varied in that Member State by any measure implementing the EU Prospectus Directive in that Member State the expression "EU Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

This EEA selling restriction is in addition to any other selling restrictions set out in this Prospectus.

17.2.4 Additional jurisdictions

The Offer Shares may not be offered, sold, resold, transferred or delivered, directly or indirectly, in or into, Canada, Japan, Australia, Hong Kong, or any other jurisdiction in which it would not be permissible to offer the Offer Shares.

In jurisdictions outside the United States and the EEA where the Offering would be permissible, the Offer Shares will only be offered pursuant to applicable exceptions from prospectus requirements in such jurisdictions.

17.3 Transfer restrictions

17.3.1 United States

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Terms defined in Rule 144A or Regulation S shall have the same meaning when used in this section.

Each purchaser of the Offer Shares outside the United States pursuant to Regulation S will be deemed to have acknowledged, represented and agreed that it has received a copy of this Prospectus and such other information as it deems necessary to make an informed decision and that:

- The purchaser is authorised to consummate the purchase of the Offer Shares in compliance with all applicable laws and regulations.
- The purchaser acknowledges that the Offer Shares have not been and will not be registered under the U.S. Securities Act, or with any securities regulatory authority or any state of the United States, and are subject to significant restrictions on transfer.
- The purchaser is, and the person, if any, for whose account or benefit the purchaser is acquiring the Offer Shares was located outside the United States at the time the buy order for the Offer Shares was originated and continues to be located outside the United States and has not purchased the Offer Shares for the benefit of any person in the United States or entered into any arrangement for the transfer of the Offer Shares to any person in the United States.
- The purchaser is not an affiliate of the Company or a person acting on behalf of such affiliate, and is not in the business of buying and selling securities or, if it is in such business, it did not acquire the Offer Shares from the Company or an affiliate thereof in the initial distribution of such Shares.
- The purchaser is aware of the restrictions on the offer and sale of the Offer Shares pursuant to Regulation S described in this Prospectus.
- The Offer Shares have not been offered to it by means of any "directed selling efforts" as defined in Regulation S.
- The Company shall not recognise any offer, sale, pledge or other transfer of the Offer Shares made other than in compliance with the above restrictions.
- The purchaser acknowledges that the Company, the Managers and its respective advisers will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Each purchaser of the Offer Shares within the United States pursuant to Rule 144A will be deemed to have acknowledged, represented and agreed that it has received a copy of this Prospectus and such other information as it deems necessary to make an informed investment decision and that:

- The purchaser is authorised to consummate the purchase of the Offer Shares in compliance with all applicable laws and regulations.
- The purchaser acknowledges that the Offer Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and are subject to significant restrictions to transfer.
- The purchaser (i) is a QIB (as defined in Rule 144A), (ii) is aware that the sale to it is being made in reliance on Rule 144A and (iii) is acquiring such Offer Shares for its own account or for the account of a QIB, in each case for investment and not with a view to any resale or distribution to the Offer Shares, as the case may be.
- The purchaser is aware that the Offer Shares are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act.
- If, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Offer Shares, as the case may be, such Shares may be offered, sold, pledged or otherwise transferred only (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, (ii) in accordance with Regulation S, (iii) in accordance with Rule 144 (if available), (iv) pursuant to any other exemption from the registration requirements of the U.S. Securities Act, subject to the receipt by the Company of an opinion of counsel or such other evidence that the Company may reasonably require that such sale or transfer is in compliance with the U.S. Securities Act or (v) pursuant to an effective registration statement under the U.S. Securities Act, in each case in accordance with any applicable securities laws of any state or territory of the United States or any other jurisdiction.
- The purchaser is not an affiliate of the Company or a person acting on behalf of such affiliate, and is not in the business of buying and selling securities or, if it is in such business, it did not acquire the Offer Shares from the Company or an affiliate thereof in the initial distribution of such Shares.
- The Offer Shares are “restricted securities” within the meaning of Rule 144(a) (3) and no representation is made as to the availability of the exemption provided by Rule 144 for resale’s of any Offer Shares, as the case may be.
- The Company shall not recognise any offer, sale pledge or other transfer of the Offer Shares made other than in compliance with the above-stated restrictions.
- The purchaser acknowledges that the Company, the Managers and its respective advisers will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

17.3.2 European Economic Area

Each person in a Relevant Member State (other than, in the case of paragraph (a), persons receiving offers contemplated in this Prospectus in Norway) who receives any communication in respect of, or who acquires any Offer Shares under, the offers contemplated in this Prospectus will be deemed to have represented, warranted and agreed to and with the Managers and the Company that:

(a) it is a qualified investor as defined in the EU Prospectus Directive; and

(b) in the case of any Offer Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the EU Prospectus Directive, (i) the Offer Shares acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the Managers has been given to the offer or resale; or (ii) where Offer Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Shares to it is not treated under the EU Prospectus Directive as having been made to such persons.

For the purposes of this representation, the expression an “offer” in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Offer Shares, as the same may be varied in that Relevant Member State by any measure implementing the EU Prospectus Directive in that Relevant Member State and the expression “EU Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

18 ADDITIONAL INFORMATION

18.1 Auditor and advisors

The Company's independent auditor is RSM Hasner Kjelstrup & Wiggen AS with company registration number 982 316 588, and business address Filipstad brygge 1, N-0252 Oslo, Norway. RSM Hasner Kjelstrup & Wiggen AS is a member of Den Norske Revisorforening (The Norwegian Institute of Public Accountants).

Arctic Securities (Haakon VIIs gate 5, P.O. Box 1833 Vika, N-0161 Oslo, Norway) is acting as bookrunner and Manager for the Offering.

Carnegie (Grundingen 2, P.O. Box 684 Sentrum, N-0250 Oslo, Norway) is acting as bookrunner and Manager for the Offering.

Advokatfirmaet Thommessen AS (Haakon VII's gate 10, N-0161 Oslo, Norway) is acting as legal counsel to the Company.

Advokatfirmaet Wikborg, Rein & Co Advokatfirma DA (Kronprinsesse Märthas Plass, N-0160 Oslo, Norway) is acting as legal counsel to the Managers.

18.2 Documents on display

Copies of the following documents will be available for inspection at the Company's offices at C/o Procurator Management AS, Hieronymus Heyerdahls gate 1, 0160 Oslo, Norway, during normal business hours from Monday to Friday each week (except public holidays) for a period of twelve months from the date of this Prospectus:

- The Company's Certificate of Incorporation and Articles of Association;
- all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the issuer's request any part of which is included or referred to in the registration document;
- The Group's audited consolidated financial statements as of and for the year ended 31 December 2013 and 2012 and the Group's unaudited consolidated interim financial information as of and for the three month periods ended 31 March 2014 and 2013; and
- This Prospectus.

19 DEFINITIONS AND GLOSSARY

In the Prospectus, the following defined terms have the following meanings:

2010 PD Amending Directive	Directive 2010/73/EU amending the EU Prospectus Directive.
Active Thermal Sensing Principle	The technology which the Group utilizes for the recognition of fingerprints. The Active Thermal Sensing Principle applies a low power heat pulse to each sensor pixel (or each small component of the sensor) over a short period of time. The fingerprint ridges, being in contact with the sensor surface, produce a different temperature differential from the valleys, which are at a distance from the sensor surface. The sensor is able to map the fingerprint as the heat-response is different for the pixels in proximity to the fingers ridge or valley.
Anti-Money Laundering Legislation .	The Norwegian Money Laundering Act no. 11 of 6 March 2009 and the Norwegian Money Laundering Regulations no. 302 of 13 March 2009, collectively.
Application Period	The application period for the Retail Offering which will take place from 09:00 hours (CET) on 10 June 2014 to 12:00 hours (CET) on 19 June 2014, unless shortened or extended.
Articles of Association...................	The Company's articles of association attached as Appendix A of this Prospectus.
ASIC..	Application Specific Integrated Circuits (ASIC).
Board members...........................	Members of the Board of Directors.
Board of Directors or the Board......	The board of directors of the Company.
Bookbuilding Period......................	The book-building period for the Institutional Offering, which is expected to run from 09:00 hours (CET) on 10 June 2014 to 16:30 hours (CET) on 19 June 2014, unless shortened or extended.
CET	Central European Time.
Company....................................	NEXT Biometrics Group ASA.
Corporate Governance Code	The Norwegian Code of Practice for Corporate Governance dated 23 October 2012.
CSDR...	Regulation on improving securities settlement in the EU and on central securities depositories (CSDs) and amending Directive 98/26/EC.
Denton.......................................	Denton Vacuum LLC.
EEA	The European Economic Area.
Employees..................................	Direct employees of the Company, NEXT Biometrics AS (Norway) and NEXT Biometrics Inc. (Seattle) as of the last date of the Application Period.
EUR	The lawful common currency of the EU member states who have adopted the Euro as their sole national currency.
EU...	The European Union.
EU Prospectus Directive	Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003, and amendments thereto, including the 2010 PD Amending Directive to the extent implemented in the Relevant Member State.
Financial Information....................	The Financial Statements and the Interim Financial Information together.
Financial Statements	The audited consolidated financial statements for the Group as of and for the year ended 31 December 2013, with comparable figures as of and for the year ended 31 December 2012.
FOB	A Fob is a small security hardware device with built-in authentication used to control and secure access to network services and data.
Foxconn	Foxconn Technology Group is one of the world largest manufacturing services provider. The Company has entered into a Subscription Agreement and Memorandum of Understanding with one of its subsidiaries, Icreate Investments Limited.
FPC	Flexible printed cable.
G	Norwegian: "Grunnbeløp". It is a calculation factor in the National Insurance Scheme which is used to calculate the benefits from the Norwegian social security. The amount is determined by the Norwegian parliament with effect from 1 May each year.
General Meeting	The general meeting of the shareholders in the Company.
Group	The Company taken together with its consolidated subsidiaries.
IAS..	International Accounting Standard.
IFRS	International Financial Reporting Standards as adopted by the EU.
Indicative Price Range	The indicative price range in the Offering of NOK 73.6 to NOK 90 per Offer Share.
Institutional Offering	An institutional offering, in which Offer Shares are being offered (a) to institutional and professional investors in Norway, (b) investors outside Norway and the united States, subject to applicable exemptions from local prospectus requirements, and (c) in the Unites States to QIBs, as defined in, and in reliance on, Rule 144A under the U.S. Securities Act, subject to a lower limit per application of NOK 500,000 for each investor in Norway and NOK 1,000,000 for investors outside Norway.
Interim Financial Information.........	The unaudited interim financial information as of and for the three month periods ended 31 March 2014 and 2013.

KOEHLKE	KOEHLKE International Ltd.
Lending Option	A lending option granted to the Stabilisation Manager by the Selling Shareholders, pursuant to which the Stabilisation Manager may require the Selling Shareholders to lend to the Stabilisation Manager, on behalf of the Managers, up to a number of Shares equal to the number of Over-Allotment Shares.
Listing	This listing of the Shares on Oslo Axess.
LTPS	Low Temperature Poly Silicon.
Management	The senior management team of the Company.
Managers	Arctic Securities ASA and Carnegie AS.
Member States	The participating member states of the European Union.
New Shares	1,600,000 new common shares of the Company offered pursuant to the Offering. The total number of New Shares offered may be increased at the discretion of the Company. However, in no event will more than 2,400,000 New Shares be issued pursuant to the Offering, excluding any New Shares issued pursuant to the Over-allotment Option.
NGAAP	Norwegian Generally Accepted Accounting Principles.
NOK	Norwegian Kroner, the lawful currency of Norway.
Non-Norwegian Corporate Shareholders	Shareholders who are limited liability companies and certain similar corporate entities not resident in Norway for tax purposes.
Non- Norwegian Personal Shareholders	Shareholders who are individuals not resident in Norway for tax purposes.
Norwegian Corporate Shareholders	Shareholders who are limited liability companies and certain similar corporate entities resident in Norway for tax purposes.
Norwegian FSA	The Financial Supervisory Authority of Norway (*Nw.: Finanstilsynet*).
Norwegian Personal Shareholder	Shareholders who are individuals resident in Norway for tax purposes.
Norwegian Public Limited Companies Act	Norwegian Public Limited Liability Companies Act of 13 June 1997 No 45.
Norwegian Securities Trading Act	The Norwegian Securities Trading Act of 28 June 2007, no. 75 (*Nw.: verdipapirhandelloven*).
Offering	The offering including the Institutional Offering and the Retail Offering taken together.
Offer Price	The final offering price for the Offer Shares in the Offering. The Offer Price may be set above or below the Indicative Price Range.
Offer Shares	The New Shares together with the Sale Shares and any Over-Allotment Shares – the Shares offered pursuant to the Offering.
Order	The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended.
Oslo Axess	Oslo Axess, a regulated market place owned and operated by the Oslo Stock Exchange.
Oslo Stock Exchange	Oslo Børs ASA, or, as the context may require, Oslo Børs, a Norwegian regulated stock exchange operated by Oslo Børs ASA.
OTC	Norwegian OTC is a system for unlisted shares.
OTP	Norwegian: Obligatorisk tjenestepensjon. OTP is a mandatory occupational pensions scheme in Norway which secures all employees an adequate pension for retirement.
Over-Allotment Option	Option granted by the Company to the Stabilisation Manager, on behalf of the Managers, an over-Allotment Option to require the Company to issue a number of new shares corresponding to the number of Over-Allotment Shares to cover any such over-allotments. The Over-Allotment Option may be up to 379,500 Over-Allotment Shares, equal to up to approximately 15% of the aggregate number of New Shares, Additional New Shares and Sale Shares sold in the Offering, exercisable, in whole or in part, within a 30-day period commencing at the time at which trading in the Shares commences on the Oslo Stock Exchange, expected to be on or about 25 July 2014, to cover any over-allotments made in connection with the Offering.
Over-Allotment Shares	Up to 379,500 additional Shares sold pursuant to the over-allotment by the Stabilisation Manager, equalling up to approximately 15% of the aggregate number of New Shares and Sale Shares to be sold in the Offering.
Payment Date	The payment date for the Offer Shares, expected to be on 23 June 2014.
PCB	The PCB is a board containing conductive and isolated elements to mount and connect electronic components.
Prospectus	This Prospectus dated 6 June 2014.
QIBs	Qualified institutional buyers as defined in Rule 144A.
Regulation S	Regulation S under the U.S. Securities Act.
Relevant Member State	Each Member State of the European Economic Area which has implemented the EU Prospectus Directive.
Relevant Persons	Persons in the United Kingdom that are (i) investment professionals falling within Article 19(5) of the Order or (ii) high net worth entities, and other persons to whom the Prospectus may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order.

Restricted Shares	Offer Shares purchased in the Offering inside the US.
Retail Application Form	The application form to be used to apply for Offer Shares in the Retail Offering, attached to this Prospectus as Appendix D.
Retail Offering	A retail offering, in which Offer Shares are being offered to the public in Norway subject to a lower limit per application of an amount of NOK 10,000 and an upper limit per application of NOK 499,999 for each investor.
Royalty Agreement	The Company and Ngoc Minh Dinh entered into a royalty agreement on 8 May 2008 regarding the Company's right to use the patent described as the Technology.
Rule 144A	Rule 144A under the U.S. Securities Act.
Sale Shares	Up to 130,000 existing common shares of the Company offered pursuant to the Offering.
SEC	U.S. Securities and Exchange Commission.
Share(s)	Means the shares of the Company, each with a nominal value of NOK 1, or any one of them, including the Offer Shares.
SPI	Serial peripheral interface is a common interface standard for serial communication using four pins/wires.
Subscription Agreement	Agreement between Foxconn and the Company dated 25 May 2014 regarding Foxconn's subscription of warrants in the Company in connection with the Listing of the Company's Shares.
Subscription Commitment	The Subscription Agreement states that Foxconn shall subscribe for shares in the Offering for an amount of at least NOK 30 million.
Technology	Active Thermal Sensing Principle.
UK	The United Kingdom.
U.S. or United States	The United States of America.
U.S. Exchange Act	The U.S. Securities Exchange Act of 1934, as amended.
U.S. Securities Act	The U.S. Securities Act of 1933, as amended.
USD	United States Dollars, the lawful currency of the United States.
VPS	The Norwegian Central Securities Depository (*Nw.: Verdipapirsentralen*).
VPS account	An account with VPS for the registration of holdings of securities.
VPS Registrar	DNB Bank ASA, in its capacity as VPS registrar.
X-FAB	X-FAB is a world leading mixed signal foundry expert.

APPENDIX A:

ARTICLES OF ASSOCIATION

ARTICLES OF ASSOCIATION

(OFFICE TRANSLATION)

FOR

NEXT Biometrics Group ASA

Per 16 May 2014

§ 1 – The Company name

The name of the company is NEXT Biometrics Group ASA. The Company is organized as a public limited company.

§ 2 – Business office

The company's registered business office is in Oslo municipality.

§ 3 –Business Activities

The objective of the company is research and development, and commercialization 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 8,787,665, divided into 8,787,665 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 in 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.

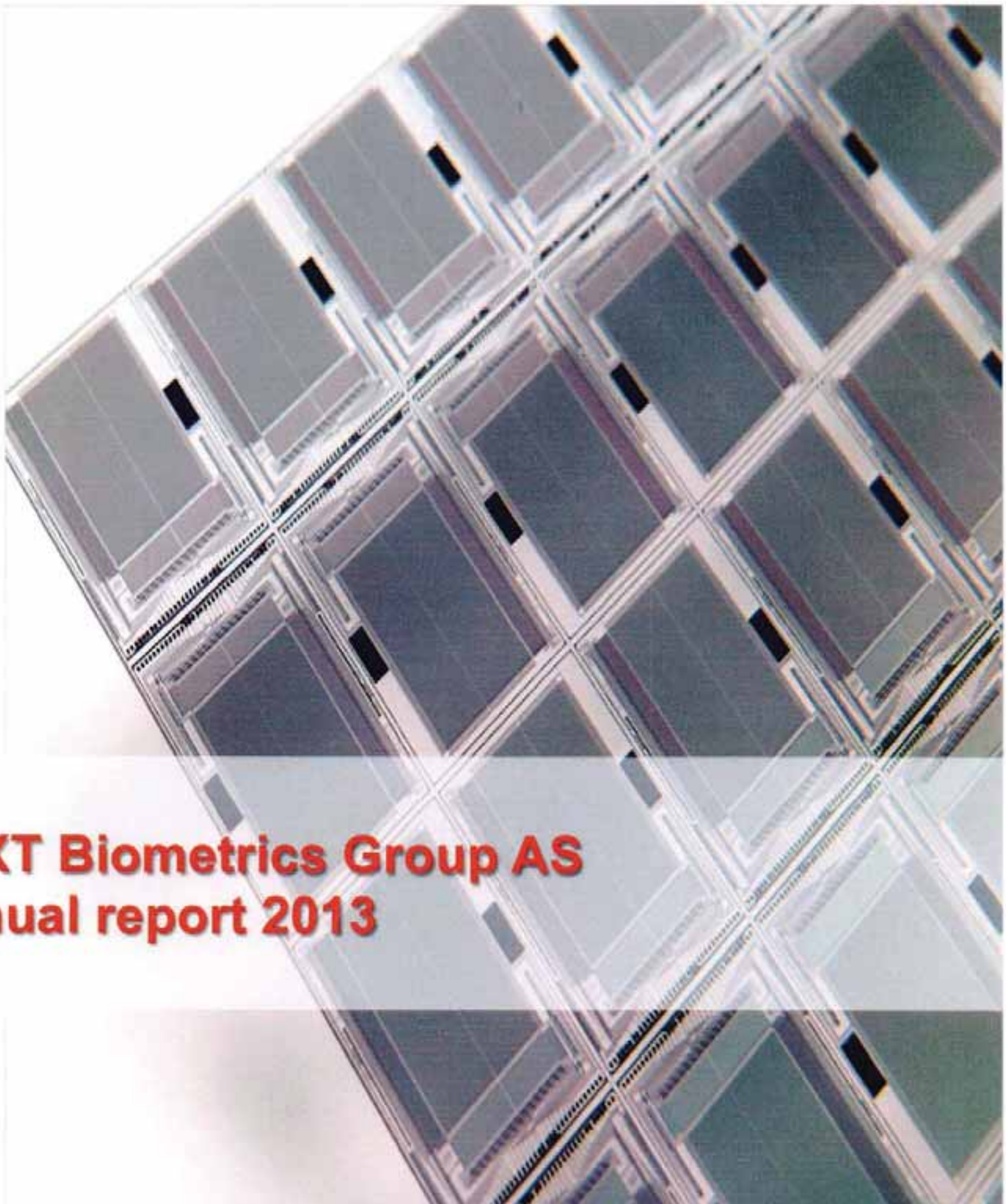
At the ordinary general meeting the following matters shall be addressed and decided upon:

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 or that are mentioned in the notice of the general meeting.

APPENDIX B:

FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012



NEXT Biometrics Group AS
Annual report 2013

Report from the board of directors 2013

Operations and locations

NEXT BIOMETRICS GROUP AS ("NEXT") is a private limited liability company incorporated and domiciled in Norway. NEXT Biometric Group AS is the parent company of the Group. The company's headquarter is located in Oslo, Norway, and has offices in Shanghai, Taiwan and Seattle.

The operations of the Group are carried out by the Group's operating subsidiaries. The Group has two wholly owned operating subsidiaries: NEXT Biometrics AS (Oslo, Norway) and its subsidiary NEXT Biometrics Inc (Seattle, USA) by the end of 2013. In addition the Group plans to establish companies in China and Taiwan. The process of establishing a company in China is initiated. Legal status of the location in Taiwan is to be decided.

NEXT is a leading provider in the fingerprint sensor industry. The business of the Group consists of research & development, commercialization and manufacturing of fingerprint technology and products for a variety of uses, including smartphones, tablets, notebooks, corporate access control, time & attendance, usb-sensors, smartcard readers, secure tokens and physical access control systems.

The key feature of the fingerprint sensors developed by the Group is that they use thermal conductivity to read the fingerprint (as opposed to capacitive or optical sensing used by most competitors). This patented sensing principle allows simple designs uniquely compatible with low temperature polysilicon production processes ("LTPS") today used in high-end display factories. Due to this, the Group's fingerprint sensors have a production cost which is significantly lower than for comparable quality fingerprint sensors. The Company has developed a number of fingerprint sensor modules which may be incorporated into a wide range of products and solutions.

NEXT have grouped the use of the technology into 4 markets; (i) Smartphones & Tablets, (ii) Notebooks & Accessories, (iii) Existing/Traditional markets and (iv) NEXT Enabled markets.

Vision and strategy

The Group's vision is to be the recognized leading provider of fingerprint sensor modules. The Company aims to deliver customer satisfaction through its unique combination of high levels of security and user convenience at low cost levels.

Competitive strengths

The Group believes that it has numerous competitive strengths, including its proprietary and patented technology - a result of many years of research, significant cost advantage over its competitors, a clear cost-down road map with highly achievable goal of reducing costs further and highly talented and experienced management team and board.

Products/modules

Protected by a significant portfolio of approved patents and trade secrets, NEXT production cost is 70-80% less than the alternatives of the same quality. Utilizing production lines used for manufacturing high-end displays NEXT is able to market fingerprint sensors with high yield and high uniformity.

Production ramp-up

Over the last months of 2013 NEXT qualified partners and initiated deals that enables expansion of the sensor coating and module assembly capacity by 2.0 million units per month.

Commercial agreements

During Q1 2014, more than fifty customer sales processes were initiated. Of these, more than twenty have received samples for testing. Six companies have completed testing and moved on to order products for product integration stage.

The Group has also entered into three year volume delivery agreements in Asia. These contracts are anticipated to start generating revenue following the second and third quarter of 2014.

Going concern

In accordance with the Accounting Act § 3-3, we confirm that the financial statements have been prepared under the assumption of going concern. In the commercialization phase NEXT needs during 2014 to raise additional funds to be able to realize the plans. NEXT is planning to raise additional funds in preparation of the planned listing at the Oslo Stock exchange in June 2014. The board points out that until NEXT enters the commercial stage, there is uncertainty attached to this assumption.

NEXT did not earn revenue from commercial volumes in 2013. The company does not have non-current financial debt by the end of 2013. The only non-current liability is related to future royalty payments.

Loans to other group companies amounting to NOK 60 568 thousand in the parent company and intangible assets amounting to NOK 7 538 thousand in the Group/NOK 7 458 thousand in the parent company are both contingent on the successful development of the fingerprint technology in the parent company and in the subsidiaries. In addition, provision for future royalty amounting to NOK 7 350 thousand in the Group and in the parent company is based on the same successful development.

Future challenges

The market for NEXT's Fingerprint sensor technology is expected to be strong in 2014 and the following years. The board considers that NEXT's unique, patented technology and comprehensive IP portfolio will open multiple market opportunities.

Even though the company have not yet demonstrated the ability to earn revenue from commercial volumes in 2013, the board expects that the Company will deliver products in commercial volumes to customers in 2014 and prepare for high volumes distribution in 2015. As part of further expansion and commercialisation the company plans to raise additional funds and is planning an IPO at Oslo Stock exchange in June 2014.

Comments related to the Group financial statements

Revenue: The Group earned operating revenue amounting to NOK 38 thousand in 2013. The revenue involved customer acceptance and payments related to prototype deliveries within the mobile space. This represents, although modest volumes, yet another important milestone passed. In 2012 operating revenue was NOK 0.

Other revenue in 2012 amounted to NOK 1 125 thousand. All this revenue consisted of public support from Innovasjon Norge. In 2013 other revenue was NOK 0.

Payroll expenses: Payroll expenses for the Group increased from 6 793 thousand in 2012 to NOK 12 110 thousand in 2013. There were 20 persons employed in the group at year end, up from 6 persons at the end of 2012. Most of the employees are located in Seattle and Shanghai.

Salaries and fee's increased from NOK 2 905 thousand in 2012 to NOK 6 721 thousand in 2013. The increase was due to the increase in experienced engineers in USA and sales personnel in Asia. Notional cost related to payroll expenses of share-based compensation decreased from NOK 2 478 thousand in 2012 to NOK 1 970 thousand in 2013. The decrease was due to previous options granted was fully expensed. Accrued social security tax related to share-based remuneration increased from NOK 1 077 thousand in 2012 to NOK 2 708 thousand in 2013. The increase was due to the increase in share price.

Other operating expenses: Other operating expenses for the Group increased from NOK 10 600 thousand in 2012 to NOK 24 949 thousand in 2013. The increase was du to increased research and development expenses and increased share of share-based compensation related to contractors and members of the advisory board. Research and development (R&D) expenses for the Group increased to NOK 23.5 million in 2013 (of which NOK 5.9 million as payroll expenses) from NOK 10.0 million in 2012 (of which NOK 3.0 million as payroll expenses). The increase was due to the increased activity in the subsidiary NEXT Biometrics Inc where the main part of the engineering activities takes place. Notional cost related to other operating expenses of share-based compensation increased from 711 thousand in 2012 to 3 001 thousand in 2013. The increase was due to share based options granted to advisors in connection with establishing new commercial channels.

Depreciation/amortisation: Depreciation and amortisation for the Group ended at NOK 577 thousand in 2013 up from NOK 235 thousand in 2012. Investments in 2013 amounted to NOK 423 thousand, compared to NOK 308 thousand in 2012.

Net financial items: Net financial items for the Group amounted to NOK 1 197 thousand in 2013 up from NOK 563 thousand in 2012. The increase was mainly related to interest on short term loans before the private placement 27 September 2013.

Taxes: The Group operated at a loss and did not incur deferred or payable income taxes in 2013 or 2012.

Net result for the year: Net loss for the Group for the year was NOK 38 795 thousand compared to NOK 17 065 thousand in 2012. The increased loss was due to the increase in the number of employees in development and sales, and manufacturing ramp-up activities in preparation of the commercialisation in 2014.

Total cash and bank deposits: For the Group this amounted to NOK 69 728 thousand in 2013 compared to 602 thousand in 2012. The operations consumed cash in an amount of NOK 29 875 thousand in 2013 and NOK 8 814 thousand in 2012. The change reflects net cash from operating activities in each year. New funds have been obtained by share issues amounting to net cash inflow of NOK 102 014 thousand in 2013 and NOK 7 070 thousand in 2012.

Equity: Equity for the Group amounted to negative NOK 4 830 thousand at the start of 2013. During 2013 NOK 102 015 thousand was added by 7 private placements. The major contribution in 2013 was the private placement on 30 September 2013 raising net NOK 88 214 thousand. The other private placements raised a total of NOK 7 148 thousand. Because of the loss of the year, equity at the end of 2013 amounted to NOK 63 154 thousand. In 2012 the equity at the start of the year amounted to NOK 1 692 thousand. In 2012 NOK 7 070 thousand was added by 4 private placements, but loss of the year reduced the equity.

The financial statements for 2013 are the first financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU. The opening balance according to IFRS is prepared as of 1 January 2012. The opening balance according to IFRS is prepared by applying the accounting principles retrospectively with the exceptions given In IFRS 1 "First-time Adoption of IFRS".

Prior financial statements for the parent company NEXT Biometrics Group AS have been prepared in accordance with NGAAP (General accepted accounting principles in Norway) for small companies. The main change in accounting principles from the previous NGAAP for small companies is the recognition of IFRS 2 "Share-based Payment".

The negative equity by the end of 2012 was due to the restatement of the financial statements from NGAAP to IFRS.

Comments related to the parent company's financial statements

Revenue: The parent company earned operating revenue amounting to NOK 53 thousand in 2013 and NOK 111 thousand in 2012. The revenue for both years all consisted of internal revenue to the subsidiary NEXT Biometrics AS.

Other revenue amounted to NOK 252 thousand in 2013. This was related to management fee to the subsidiary NEXT Biometrics AS. In 2012 other revenue amounted to NOK 1 125 thousand. This revenue consisted of public support from Innovasjon Norge.

Payroll expenses: Payroll expenses for the parent company increased from 3 182 thousand in 2012 to NOK 4 365 thousand in 2013. Salaries and fee's increased from NOK 225 thousand in 2012 to NOK 779 thousand in 2013. The increase was due to Tore Etholm-Idsøe being hired as CEO and the first employee of the company as of 15 October 2013, and accrued director's fee's increased from 225 in 2012 to 325 in 2013. Notional cost related to payroll expenses of share-based compensation decreased from NOK 1 987 thousand in 2012 to NOK 1 196 thousand in 2013. The decrease was due to previous options granted was fully expensed. Accrued social security tax related to share-based remuneration increased from NOK 937 thousand in 2012 to NOK 2 292 thousand in 2013. The increase was due to the increase in share price.

Other operating expenses: Other operating expenses for the parent company increased from NOK 1 568 thousand in 2012 to NOK 5 238 thousand in 2013. Notional cost related to other operating expenses of share-based compensation increased from NOK 341 thousand in 2012 to NOK 2 559 thousand in 2013. The increase was due to share based options granted to advisors in connection with establishing new commercial channels.

Net financial items: Net financial items amounted to NOK 652 thousand in 2013 up from NOK 219 thousand in 2012. The increase was mainly related to interest on short term loans before the private placement 27 September 2013.

Taxes: The group operated at a loss and did not incur deferred or payable income taxes in 2013 or 2012.

Net result for the year: Net loss for the year was NOK 9 949 thousand compared to NOK 3 733 thousand in 2012. The increase was mainly caused by the increase in share-based compensation.

Total cash and bank deposits: This amounted to NOK 65 083 thousand in 2013 compared to NOK 5 thousand in 2012. The operations consumed cash in an amount of NOK 4 453 thousand in 2013. In 2012 cash was generated in an amount of NOK 758 thousand in 2012. The change reflects net cash from operating activities in each year. New funds were obtained by share issues amounting to net cash inflow of NOK 102 015 thousand in 2013 and NOK 7 070 thousand in 2012.

Equity: Equity amounted to NOK 28 263 thousand at the start of 2013 for the parent company. During 2013 NOK 102 015 thousand was added by 7 private placements. The major contribution in 2013 was the private placement on 30 September 2013 raising net NOK 88 214 thousand. The other private placements raised a total of NOK 7 148 thousand. Because of the loss of the year, equity at the end of 2013 amounted to NOK 125 301 thousand. In 2012 the equity at the start of the year amounted to NOK 21 736 thousand. In 2012 NOK 7 070 thousand was added by 4 private placements, but loss of the year reduced the equity. At the end of 2013 equity amounted to NOK 125 301 thousand for the parent company.

Financial risk

NEXT is exposed to certain financial risks related to exchange rates and interest level. These are, however, insignificant compared to the business risk and the NEXT's financial position. Business risk may be summarised in:

(a) NEXT has to date had minimal revenue compared to cost.

(b) NEXT has reported accumulating financial losses and expects future losses as part of entering the commercial phase.
(c) NEXT's business plan assumes future revenue from products that still have a modest commercial track record.
(d) Revenue from NEXT's products depends among other things on market factors, which are not controlled by NEXT.
(e) Competing companies' products have entered the commercial stage.
(f) NEXT's intended market is undergoing rapid technological changes.

NEXT does not have any significant trade receivables or other receivables with any credit risk. NEXT does not have financial non-current debt by the end of 2013. The only non-current liability is related to future royalty payments. NEXT does not hold any other financial instruments in the balance sheet or any such instruments outside the balance sheet. NEXT is exposed to foreign exchange risk in its ordinary business activities, which can impact profit margins. NEXT's sales and production costs are nearly entirely in US dollars. NEXT not use financial instruments to hedge this risk.

Share capital and shareholders

The issue share capital of the company at the end of 2013 amounted to NOK 8 787 665 consisting of 8 787 665 ordinary shares, each share having a par value of NOK 1. At the end of 2013 there were a total of 150 registered shareholder's accounts, compared to 66 by the end of 2012.

30 September 2013 NEXT completed a successful planned private placement of shares. The placement involved 1 264 900 shares at a subscription price of NOK 75 corresponding to a total subscription price of NOK 94 867 500. Expenses connected with this private placement amounted to NOK 6 653 632 and net proceeds was NOK 88 213 868. In addition to the planned private placement NEXT conducted 4 private placements during 2013. In the start of the year this involved 2 private placements with 44 000 shares at a subscription price of NOK 39 corresponding to a total subscription price of NOK 1 716 000 and then 2 private placement of 195 396 shares at a subscription price of NOK 50, corresponding to a total subscription price of NOK 9 769 800. In connection with the repayment of debt the company also issued 45 000 shares at a subscription price of NOK 45 corresponding to NOK 2 025 000 to a private investor. In addition the same private investor exercised 5.800 financial options, with a strike price of NOK 50 per share, corresponding to a total subscription price of NOK 290 000 by the end of the year.

The company's shares have been registered on the Norwegian OTC system ("NOTC") with ticker "NEXT" since 10 October 2013. The closing share price on the last day of trading in 2013 was NOK 75, compared to NOK 90 at the first trading day.

There are no authorizations to the board to purchase own shares

The equity of the parent company was adequate at the end of 2013.

The working environment and the employees

The parent company NEXT Biometrics Group AS had only one employee by the end of 2013. The employee is a male. There are 6 members of the board, of which 1 is a woman.

At the end of the year the group had 20 employees (2012: 6), of which 2 are women. In addition, the group has individual technical/scientific specialists on contract working at its premises. The board and the management seek to create a working environment that is pleasant, stimulating, safe and to the benefit of 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 or incidents involving the assets of the company have occurred.

Equal opportunities

The Company practices equal opportunities in all aspects. All facilities at NEXT are equally well equipped for females and males. Traditionally, fewer women than men have graduated in NEXT fields of work. Because of the highly specialized positions, the candidates available for recruiting have often solely been males. The management structure reflects the composition of the technical staff. The board has not taken any special measures.

Environmental report

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 company's operations. NEXT seeks to limit resource consumption, prevent unnecessary environmental pollution and manage waste in an environment friendly and resource efficient manner.

Corporate governance

The board considers that the increasing attention to corporate governance is beneficial for companies and investors. NEXT seeks to comply with the Norwegian code of practice for corporate governance, while taking into account the size and maturity of the company. The board's review of corporate governance has been included in the annual report.

Allocation of net income (loss)

The board of directors has proposed the net loss of NEXT Biometrics Group AS to be attributed from:

- Other paid in capital NOK 9 949 058

Oslo, 9 May 2014

The board of directors of NEXT Biometrics Group AS

Jan-Eivind Fondal Chairman	Ketil Fridheim Board member	Ngoc Minh Dinh Board member
Ralph Høibakk Board member	Marit Kristin Instanes Board member	Tore Etholm-Idsøe CEO/Board member

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Oslo, 9 May 2014

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Jan-Eivind Fondal
Chairman

Ketil Fridheim
Board member

Ngoc Minh Dinh
Board member

Ralph Høibakk
Board member

Marit K. Instanes

Marit Kristin Instanes
Board member

Tore Etholm-Idsøe
CEO/Board member

NEXT Biometrics Group AS

Statements of comprehensive income
1 January - 31 December

NEXT Biometrics Group AS				The Group	
2012	2013	Notes	Amounts i NOK 1 000	2013	2012
			Profit and loss		
			Revenue		
111	53	3	Operating revenue	38	0
1 125	252	3	Other revenue	0	1 125
1 236	**306**		**Total revenue**	**38**	**1 125**
			Operating expenses		
3 182	4 365	4	Payroll expenses	12 110	6 793
0	0	5	Amortisation of intangible assets	80	80
0	0	6	Depreciations of tangible assets	497	155
1 568	5 238	7,8,9	Other operating expenses	24 949	10 600
4 749	**9 603**		**Total operating expenses**	**37 636**	**17 628**
-3 514	**-9 297**		**Operating profit (loss)**	**-37 598**	**-16 503**
			Financial items		
2	359		Interest income	367	11
151	37		Other financial income	277	152
-167	-664		Interest expenses	-1 265	-320
-206	-384		Other financial expenses	-576	-405
-219	**-652**		**Net financial items**	**-1 197**	**-563**
-3 733	**-9 949**		**Profit (loss) before tax (EBT)**	**-38 795**	**-17 065**
0	**0**	10	**Taxes**	**0**	**0**
-3 733	**-9 949**		**Net profit (loss) for the year**	**-38 795**	**-17 065**
			Profit for the year attributable from:		
-3 733	-9 949		Other paid in capital		
			Owners of the parent company	-38 795	-17 065
-3 733	**-9 949**		**Total**	**-38 795**	**-17 065**
			Other comprehensive income		
			Items that will be reclassified to profit and loss		
0	**0**		Exchange rate differences	**-207**	**284**
0	**0**		**Total other comprehensive income for the year**	**-207**	**284**
-3 733	**-9 949**		**Total comprehensive income for the year**	**-39 002**	**-16 782**
			Total comprehensive income for the year attributable from:		
			Owners of the parent company	**-39 002**	**-16 782**
			Total	**-39 002**	**-16 782**
		11	**Earnings per share**		
			Basic and deluted	**-5,06**	**-2,41**

NEXT Biometrics Group AS

Statements of financial position
31 December

Next Biometrics Group AS					The Group		
01.01.2012	2012	2013	Notes	(Amounts i NOK 1 000)	2013	2012	01.01.2012
				Assets			
				Non-current assets			
				Intangible assets			
7 458	7 458	7 458	5	Patents	7 538	7 618	7 698
7 458	**7 458**	**7 458**		**Total intangible assets**	**7 538**	**7 618**	**7 698**
				Tangible assets			
0	0	0	6	Machinery and office equipment	100	155	0
0	**0**	**0**		**Total tangible assets**	**100**	**155**	**0**
				Financial assets			
1 066	1 927	3 144	12	Shares in subsidiaries	0	0	0
24 580	31 665	60 568	13	Loans to other group companies	0	0	0
12	12	0		Other financial receivables	0	12	12
25 659	**33 604**	**63 712**		**Total financial assets**	0	**12**	**12**
33 117	**41 062**	**71 170**		**Total non-current assets**	**7 638**	**7 785**	**7 711**
				Current assets			
				Receivables			
0	0	0	14	Accounts receivables	5	0	374
466	454	1 873	15	Other receivables	2 339	2 043	3 975
466	**454**	**1 873**		**Total receivables**	**2 345**	**2 043**	**4 349**
175	**5**	**65 083**	16	**Cash and cash equivalents**	**69 728**	**602**	**2 425**
641	**459**	**66 956**		**Total current assets**	**72 073**	**2 645**	**6 774**
33 758	**41 521**	**138 126**		**Total assets**	**79 711**	**10 430**	**14 485**
				Equity and liabilities			
				Equity			
6 952	7 233	8 788	17	Share capital	8 788	7 233	6 952
10 760	13 816	104 326		Share premium reserve	104 326	13 816	10 760
4 025	7 215	12 187		Other paid-in capital	12 187	7 215	4 025
0	0	0		Retained earnings	-62 147	-33 094	-20 045
21 736	**28 263**	**125 301**		**Total equity**	**63 154**	**-4 830**	**1 692**
				Liabilities			
				Non-current liabilities			
7 458	7 452	7 350	18	Other non-current provisions	7 350	7 452	7 458
2 321	2 274	0	19	Other non-current debt	0	2 274	2 321
9 780	**9 726**	**7 350**		**Total non-current liabilities**	**7 350**	**9 726**	**9 780**
				Current liabilities			
166	603	714		Accounts payable	759	1 104	455
140	99	203		Public duties payable	139	163	407
1 936	2 830	4 558	20	Other current liabilities	8 309	4 267	2 151
2 242	**3 531**	**5 475**		**Total current liabilities**	**9 207**	**5 534**	**3 013**
12 022	**13 258**	**12 825**		**Total liabilities**	**16 557**	**15 261**	**12 793**
33 758	**41 521**	**138 126**		**Total equity and liabilities**	**79 711**	**10 430**	**14 485**

Oslo, 9 May 2014
The board of directors of NEXT Biometrics Group AS

Jan-Eivind Fondal
Chairman

Ketil Fridheim
Board member

Ngoc Minh Dinh
Board member

Ralph Høibakk
Board member

Marit Kristin Instanes
Board member

Tore Etholm-Idsøe
CEO/Board member

NEXT Biometrics Group AS

Statements of financial position

31 December

Next Biometrics Group AS					The Group		
01.01.2012	2012	2013	Notes	(Amounts i NOK 1 000)	2013	2012	01.01.2012
				Assets			
				Non-current assets			
				Intangible assets			
7 458	7 458	7 458	5	Patents	7 538	7 618	7 698
7 458	**7 458**	**7 458**		**Total intangible assets**	**7 538**	**7 618**	**7 698**
				Tangible assets			
0	0	0	6	Machinery and office equipment	100	155	0
0	**0**	**0**		**Total tangible assets**	**100**	**155**	**0**
				Financial assets			
1 066	1 927	3 144	12	Shares in subsidiaries	0	0	0
24 580	31 665	60 568	13	Loans to other group companies	0	0	0
12	12	0		Other financial receivables	0	12	12
25 659	**33 604**	**63 712**		**Total financial assets**	0	**12**	**12**
33 117	**41 062**	**71 170**		**Total non-current assets**	**7 638**	**7 785**	**7 711**
				Current assets			
				Receivables			
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466	**454**	**1 873**		**Total receivables**	**2 345**	**2 043**	**4 349**
175	**5**	**65 083**	16	**Cash and cash equivalents**	**69 728**	**602**	**2 425**
641	**459**	**66 956**		**Total current assets**	**72 073**	**2 645**	**6 774**
33 758	**41 521**	**138 126**		**Total assets**	**79 711**	**10 430**	**14 485**
				Equity and liabilities			
				Equity			
6 952	7 233	8 788	17	Share capital	8 788	7 233	6 952
10 760	13 816	104 326		Share premium reserve	104 326	13 816	10 760
4 025	7 215	12 187		Other paid-in capital	12 187	7 215	4 025
0	0	0		Retained earnings	-62 147	-33 094	-20 045
21 736	**28 263**	**125 301**		**Total equity**	**63 154**	**-4 830**	**1 692**
				Liabilities			
				Non-current liabilities			
7 458	7 452	7 350	18	Other non-current provisions	7 350	7 452	7 458
2 321	2 274	0	19	Other non-current debt	0	2 274	2 321
9 780	**9 726**	**7 350**		**Total non-current liabilities**	**7 350**	**9 726**	**9 780**
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12 022	**13 258**	**12 825**		**Total liabilities**	**16 557**	**15 261**	**12 793**
33 758	**41 521**	**138 126**		**Total equity and liabilities**	**79 711**	**10 430**	**14 485**

Oslo, 9 May 2014
The board of directors of NEXT Biometrics Group AS

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Chairman

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Board member

Ngoc Minh Dinh
Board member

Ralph Høibakk
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Marit Kristin Instanes
Board member

Tore Etholm-Idsøe
CEO/Board member

NEXT Biometrics Group AS

Statements of financial position
31 December

Next Biometrics Group AS					The Group		
01.01.2012	2012	2013	Notes	(Amounts i NOK 1 000)	2013	2012	01.01.2012
				Assets			
				Non-current assets			
				Intangible assets			
7 458	7 458	7 458	5	Patents	7 538	7 618	7 698
7 458	**7 458**	**7 458**		**Total intangible assets**	**7 538**	**7 618**	**7 698**
				Tangible assets			
0	0	0	6	Machinery and office equipment	100	155	0
0	**0**	**0**		**Total tangible assets**	**100**	**155**	**0**
				Financial assets			
1 066	1 927	3 144	12	Shares in subsidiaries	0	0	0
24 580	31 665	60 568	13	Loans to other group companies	0	0	0
12	12	0		Other financial receivables	0	12	12
25 659	**33 604**	**63 712**		**Total financial assets**	0	**12**	**12**
33 117	**41 062**	**71 170**		**Total non-current assets**	**7 638**	**7 785**	**7 711**
				Current assets			
				Receivables			
0	0	0	14	Accounts receivables	5	0	374
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466	**454**	**1 873**		**Total receivables**	**2 345**	**2 043**	**4 349**
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33 758	41 521	138 126		Total assets	79 711	10 430	14 485
				Equity and liabilities			
				Equity			
6 952	7 233	8 788	17	Share capital	8 788	7 233	6 952
10 760	13 816	104 326		Share premium reserve	104 326	13 816	10 760
4 025	7 215	12 187		Other paid-in capital	12 187	7 215	4 025
0	0	0		Retained earnings	-62 147	-33 094	-20 045
21 736	**28 263**	**125 301**		**Total equity**	**63 154**	**-4 830**	1 692
				Liabilities			
				Non-current liabilities			
7 458	7 452	7 350	18	Other non-current provisions	7 350	7 452	7 458
2 321	2 274	0	19	Other non-current debt	0	2 274	2 321
9 780	**9 726**	**7 350**		**Total non-current liabilities**	**7 350**	**9 726**	**9 780**
				Current liabilities			
166	603	714		Accounts payable	759	1 104	455
140	99	203		Public duties payable	139	163	407
1 936	2 830	4 558	20	Other current liabilities	8 309	4 267	2 151
2 242	**3 531**	**5 475**		**Total current liabilities**	**9 207**	**5 534**	**3 013**
12 022	**13 258**	**12 825**		**Total liabilities**	**16 557**	**15 261**	**12 793**
33 758	41 521	138 126		Total equity and liabilities	79 711	10 430	14 485

Oslo, 9 May 2014
The board of directors of NEXT Biometrics Group AS

Jan-Eivind Fondal Chairman	Ketil Fridheim Board member	Ngoc Minh Dinh Board member
Ralph Høibakk Board member	Marit Kristin Instanes Board member	Tore Etholm-Idsøe CEO/Board member

NEXT Biometrics Group AS

Statements of financial position
31 December

Next Biometrics Group AS					The Group		
01.01.2012	2012	2013	Notes	(Amounts i NOK 1 000)	2013	2012	01.01.2012
				Assets			
				Non-current assets			
				Intangible assets			
7 458	7 458	7 458	5	Patents	7 538	7 618	7 698
7 458	**7 458**	**7 458**		**Total intangible assets**	**7 538**	**7 618**	**7 698**
				Tangible assets			
0	0	0	6	Machinery and office equipment	100	155	0
0	**0**	**0**		**Total tangible assets**	**100**	**155**	**0**
				Financial assets			
1 066	1 927	3 144	12	Shares in subsidiaries	0	0	0
24 580	31 665	60 568	13	Loans to other group companies	0	0	0
12	12	0		Other financial receivables	0	12	12
25 659	**33 604**	**63 712**		**Total financial assets**	0	**12**	**12**
33 117	**41 062**	**71 170**		**Total non-current assets**	**7 638**	**7 785**	**7 711**
				Current assets			
				Receivables			
0	0	0	14	Accounts receivables	5	0	374
466	454	1 873	15	Other receivables	2 339	2 043	3 975
466	**454**	**1 873**		**Total receivables**	**2 345**	**2 043**	**4 349**
175	**5**	**65 083**	16	**Cash and cash equivalents**	**69 728**	**602**	**2 425**
641	**459**	**66 956**		**Total current assets**	**72 073**	**2 645**	**6 774**
33 758	**41 521**	**138 126**		**Total assets**	**79 711**	**10 430**	**14 485**
				Equity and liabilities			
				Equity			
6 952	7 233	8 788	17	Share capital	8 788	7 233	6 952
10 760	13 816	104 326		Share premium reserve	104 326	13 816	10 760
4 025	7 215	12 187		Other paid-in capital	12 187	7 215	4 025
0	0	0		Retained earnings	-62 147	-33 094	-20 045
21 736	**28 263**	**125 301**		**Total equity**	**63 154**	**-4 830**	**1 692**
				Liabilities			
				Non-current liabilities			
7 458	7 452	7 350	18	Other non-current provisions	7 350	7 452	7 458
2 321	2 274	0	19	Other non-current debt	0	2 274	2 321
9 780	**9 726**	**7 350**		**Total non-current liabilities**	**7 350**	**9 726**	**9 780**
				Current liabilities			
166	603	714		Accounts payable	759	1 104	455
140	99	203		Public duties payable	139	163	407
1 936	2 830	4 558	20	Other current liabilities	8 309	4 267	2 151
2 242	**3 531**	**5 475**		**Total current liabilities**	**9 207**	**5 534**	**3 013**
12 022	**13 258**	**12 825**		**Total liabilities**	**16 557**	**15 261**	**12 793**
33 758	**41 521**	**138 126**		**Total equity and liabilities**	**79 711**	**10 430**	**14 485**

Oslo, 9 May 2014
The board of directors of NEXT Biometrics Group AS

Jan-Eivind Fondal Chairman	Ketil Fridheim Board member	Ngoc Minh Dinh Board member
Ralph Høibakk Board member	Marit K. Instanes Marit Kristin Instanes Board member	Tore Etholm-Idsøe CEO/Board member

NEXT Biometrics Group AS

Statements of cash flow
31 December

Next Biometrics Group AS				The Group	
2012	2013	Notes	(Amounts i NOK 1 000)	2013	2012
			Cash flows from operating activities		
-3 733	-9 949		Profit (loss) before tax (EBT)	-38 795	-17 065
3 190	4 972		Share based remuneration (equity part)	4 972	3 190
0	0	10	Income tax paid	0	0
0	0		Gain/loss from sale of long term assets	0	0
0	0	5	Amortisation from intangible assets	80	80
0	0	6	Depreciation from tangible assets	497	155
12	-1 419		Change in receivables	-302	2 306
436	111		Change in accounts payable	-345	648
-8	615		Change in other working capital items	4 018	1 873
-102	**-5 669**		**Net cash flows from operating activities**	**-29 875**	**-8 814**
			Cash flows from investing activities		
0	0		Sale of intangible & tangible assets	0	0
0	0	5	Purchase of intangible assets	0	0
0	0	6	Purchase of tangible assets	-442	-309
0	**0**		**Net cash flows from investing activities**	**-442**	**-309**
			Cash flows from financing activities		
-6	-102		Net change in no-current provisions	-102	-6
-47	-2 274		Net change in non-current debt	-2 274	-47
0	0		Net change shares in subsidiaries	0	0
-7 084	-28 903	13	Net financing of subisiary	0	0
0	12		Proceeds from long term receivables	12	0
7 070	102 015	17	Net proceeds from issue of shares	102 015	7 070
0	0		Dividens paid	0	0
-67	**70 747**		**Net cash flows from financing activities**	**99 651**	**7 017**
0	0		Translation differences	-207	284
-170	**65 078**		**Net change in cash flow**	**69 126**	**-1 823**
175	**5**		**Cash balance at 1 January**	**602**	**2 425**
5	**65 083**		**Cash balance at 31 December**	**69 728**	**602**
			Comprising		
5	65 083	16	Cash and cash equivalents	69 728	602

NEXT Biometrics Group AS
Financial Statements

Notes for the year ended 31 December 2013

Note 1 – General information

NEXT Biometric Group AS ("NEXT"), the parent company of the Group, is a holding company. The operations of the Group are carried out by the Group's operating subsidiaries. The Group has the following two wholly-owned operating subsidiaries: (i) NEXT Biometrics AS (Norway) and its subsidiary (ii) NEXT Biometrics Inc (USA). In addition the Group will establish companies in China and Taiwan. The process of establishing China is initiated. Legal status for the activity in Taiwan is to be decided. The company's headquarter is located in Oslo, Norway and has offices in Shanghai, Taiwan and Seattle.

NEXT Biometrics Group AS is a private limited liability company incorporated and domiciled in Norway. The company's shares have been registered on the A-list of the Norwegian OTC system ("NOTC") with ticker "NEXT" since 10 October 2013. The company is planning an IPO at Oslo Stock exchange in June 2014.

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.

Note 2 – Summary of significant accounting policies

Basis of preparation
These financial statements have been prepared on a going concern basis and 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 2013.

The board points out that until NEXT enters the commercial stage, there is uncertainty attached to the going concern assumption. NEXT did not earn revenue from commercial volumes in 2013. NEXT does not have non-current financial debt by the end of 2013. The only non-current liability is related to future royalty payments.

Loans to other group companies amounting to NOK 60 568 thousand in the parent company and intangible assets amounting to NOK 7 538 thousand in the Group/NOK 7 458 thousand in the parent company are both contingent on the successful development of the fingerprint technology in the parent company and in the subsidiaries. In addition, provision for future royalty amounting to NOK 7 350 thousand in the Group and in the parent company is based on the same successful development.

The financial statements comprise a statement of profit or loss and other comprehensive income, a statement of financial position, a statement of changes in equity, a statement of cash flows, and notes. Income and expenses, excluding the components of other comprehensive income, are recognised in the statement of profit or loss. Other comprehensive income comprises items of income and expenses (including reclassification adjustments) that are not recognised in the statement of profit or loss, as required or permitted by IFRS. Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in the current or previous periods. Transactions with the owners in their capacity as owners are recognised in the statement of changes in equity.

NEXT presents the statement of profit or loss using the classification by function of expenses. NEXT believes this method provides more useful information to the readers of the financial statements as it better reflects the way operations are run from a business point of view. The statement of financial position format is based on a current / non-current distinction.

Measurement bases
The financial statements have been prepared under the historical cost convention, unless mentioned otherwise 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 maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

Changes in accounting policies
Prior financial statements for the parent company NEXT Biometrics Group AS have been prepared in accordance with NGAAP

(General accepted accounting principles in Norway) for small companies. According to these rules there has not been made any consolidated financial statements for the Group. Hence, the reconciliation according to IFRS 1 for the Group is not applicable. The reconciliation for the parent company NEXT Biometrics Group AS is shown in note 23.

The financial statements for 2013 are the first financial statements prepared in accordance with IFRS. The opening balance according to IFRS is prepared as of 1 January 2012. The opening balance according to IFRS is prepared by applying the accounting principles retrospectively with the exceptions given in IFRS 1 "First-time Adoption of IFRS". IFRS is continuously developed and recently published standards, amendments and interpretations have been reviewed and considered.

NEXT considers that the new standards which have been resolved by the date of these financial statements and which standards will apply to the accounting year 2014 will not have any significant impact on the annual financial statements for 2014.

Estimates and judgements

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

Critical account estimates for NEXT are:

Share based remuneration:

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

Research and development expenses:

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

Income taxes:

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

Intangible assets/other non-current liabilities:

NEXT Biometrics Group AS and board member Ngoc Minh Dinh entered into a royalty agreement on 8 May 2008 regarding the company's right to use the patent and know-how (IP) described as the *Active Thermal Sensing principle (*the technology*)*. This agreement regulates royalty payments for the transfer of the patent, see note 5. Ngoc Minh Dinh shall receive a royalty equal to 5% of the company's gross margin (sales minus cost of goods sold and direct costs related to set-up of mass production) from the technology. The acquisition was recognized in the opening balance as of 1 January 2012 at net present value, see note 23. The amount was equally recognized as Patents as an Intangible asset and as a long term liability. The patent will be amortized over the patent life from the time recurring revenue is recognized. The liability will increase due to time and this cost is recorded as interest costs.

Financial risk, capital management

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

(a) NEXT has to date had minimal revenue compared to cost.
(b) NEXT has reported accumulating financial losses and expects future losses as part of entering the commercial phase.
(c) NEXT's business plan assumes future revenue from products that still have a modest commercial track-record.
(d) Revenue from NEXT's products depends among other things on market factors, which are not controlled by NEXT.
(e) Competing companies' products have entered the commercial stage.
(f) NEXT's intended market is undergoing rapid technological changes.

NEXT does not have any significant trade receivables or other receivables with any credit risk. NEXT does not have financial non-current debt by the end of 2013. The only non-current liability is related to future royalty payments. NEXT does not hold any other financial instruments in the balance sheet or any such instruments outside the balance sheet. NEXT is exposed to foreign exchange risk in its ordinary business activities, which can impact profit margins. NEXT's sales and production costs are nearly entirely in US dollars. NEXT does not use financial instruments to hedge this risk.

Summary of significant accounting policies

Consolidation

NEXT's consolidated financial statements comprise NEXT Biometrics Group AS and companies in which the 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. The purchase method is applied when accounting for business combinations.

Revenue

Revenue is recognized to the extent that it is probable that an economic benefit will flow to the group and the revenue can be reliably measured.

Royalty: Royalty revenue will be recognized at the time the licensee generates income on which NEXT shall receive a royalty payment. As of now, the NEXT do not have any agreements to receive royalty payments from external parties.

Delivery of products: Revenue will be recognized at the time of delivery, and when the risk of the goods has passed to the buyer and can be reliably measured.

Rendering of services: Revenue generated by rendering of services is recognised as the services are delivered. As of now, NEXT do not have any agreements to rendering of services to external parties.

Currency

Monetary assets and liabilities denominated in foreign currency are converted using 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 NOK using the exchange rates on the balance sheet date. Incomes and expenses relating to foreign operations are translated into NOK using the average exchange rate. Exchange rate differences are recognized in other comprehensive income. Translation differences previously recognized in other comprehensive income are reversed and recognized in profit and loss when the foreign operations are disposed of.

Research and development expenses

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

Machinery and office equipment

Fixed assets are held at cost less accumulated depreciation and impairment losses. When assets are sold or retired, the gross carrying amount and accumulated depreciations are reversed. Any gain or loss on the sale or retirement is recognized in the profit and loss statement.

The gross carrying amount of fixed assets is the purchase price, including duties/taxes and direct acquisition costs related to making the non-current 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 non-current assets.

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 ended.

Impairment of fixed 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 the income statement. 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.

Separately acquired intangible assets

On initial recognition, intangible assets acquired separately are measured at cost. 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 estimates being accounted for on a prospective basis.

Provisions

Provisions are recognised 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 that 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 liabilities

Financial liabilities and credits are initially recognized at cost, which is fair value of the received amount less directly attributable transaction costs. After initial recognition, the financial liabilities are measured at amortized cost using the effective interest method.

Accounts receivable

Receivables are recognized at face value less any impairment.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

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 recognised when it is probable that NEXT will have a sufficient profit for tax purposes to utilise the tax asset. At each balance sheet date, NEXT reviews its unrecognised deferred tax assets and the value it has recognized. NEXT recognises an unrecognised deferred tax asset to the extent that is has become probable that NEXT can utilize the deferred tax asset. Similarly, NEXT 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 NEXT.

Share-based remuneration

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

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

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

When the parent has an obligation to settle the share based payment transaction with the subsidiary's employees by providing the parents own equity shares, this is accounted for as an increase in equity and a corresponding increase in shares in subsidiaries.

Subsidiaries

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 options to employees in the subsidiaries in its own equity instruments, this is accounted for as an increase in shares in subsidiaries.

Leasing agreements

Leasing contracts are classified as financial or operational leases based on an individual assessment. Operational lease contracts are expensed on a straight-line basis through the contract period. All existing leases are classified as operational leases and are expensed on a straight-line basis through the contract period.

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.

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 where 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

NEXT has to date had minimal revenue and operates and reports currently only in one business segment. Hence, all revenue and costs is related to the *Fingerprint sensor technology* business segment. Sales per country are shown in the segment report.

Note 3 - Revenue and segment reporting

	The Group		NEXT Biometrics Group AS	
Operating revenue - Per business segment (amounts in NOK)	**2013**	**2012**	**2013**	**2012**
Fingerprint sensor technology	37 762	0	53 438	110 625
Total	**37 762**	**0**	**53 438**	**110 625**

Operating revenue - Per country (amounts in NOK)		
Taiwan	27 854	0
China	9 908	0
Total	**37 762**	**0**

The Group

NEXT have grouped the use of the technology into 4 markets; (i) Smartphones & Tablets, (ii) Notebooks & Accessories, (iii) Existing/Traditional markets and (iv) NEXT Enabled markets. The available technology is generic into the 4 markets. Since NEXT has limited revenues it is operating and reporting only in one business segment; *Fingerprint sensor technology*.

NEXT does not have recurring revenue as of 31 December 2013. The operating revenue in 2013 involved customer acceptance and payments related to prototype and integration deliveries. This represents, although modest volumes, yet another milestone passed.

Other revenue

Other revenue in 2012 of NOK 1 125 000 all consisted of public support from Innovasjon Norge.

NEXT Biometrics Group AS (parent company)

The parent company earned operating revenue amounting to NOK 53 438 in 2013 and NOK 110 625 in 2012. The revenue for both years all consisted of internal revenue to the subsidiary NEXT Biometrics AS.

Other revenue amounted to NOK 252 255 in 2013. This was related to management fee to the subsidiary NEXT Biometrics AS. In 2012 other revenue amounted to NOK 1 125 000. This revenue consisted of public support from Innovasjon Norge.

Note 4 – Payroll expenses and remuneration

	The Group		NEXT Biometrics Group AS	
Payroll expenses (amounts in NOK)	**2013**	**2012**	**2013**	**2012**
Salaries, fees	6 721 460	2 905 821	779 575	225 000
Share based remuneration (salary part)	1 970 400	2 478 794	1 196 421	1 987 266
Share based remuneration (employer's tax)	2 708 445	1 077 899	2 292 730	937 631
Social security taxes	503 112	295 172	91 300	31 725
Pension contribution	3 475	0	3 475	0
Other personnel expenses	202 628	35 014	1 176	0
Total	**12 109 520**	**6 792 700**	**4 364 677**	**3 181 622**
Average numbers of employees	13	5	1	0

The parent company provides a contribution based pension insurance scheme for all employees. The scheme satisfies the mandatory service pension ('OTP') in Norway. The contribution is 4 per cent of the employee's annual salary between 2G and 12G, where G (NOK 85 245 as of May 1, 2013) is the basic amount in the Norwegian social security system. Pension cost amounted to NOK 3 475 in 2013. Pension benefits beyond 12 G will be funded by a «top hat» arrangement. In 2013 there was only one employee in the parent company.

NEXT Biometrics AS has only one employee and is therefore not obliged to establish a pension plan. NEXT Biometrics Inc established a 401-K plan for its employees late in 2013. It allows employees to save for retirement with pre-tax funds. The company currently does not contribute to this plan, but pays for its administration.

Actual remuneration – senior executives

2013 (amounts in NOK)	Board remuneration[1]	Salary	Other benefits	Pension cost	Fair value granted options	Total remuneration
Senior Executives						
Tore Etholm-Idsøe, CEO/Board Member	155 000	412 500	19 486	3 475	412 769	1 003 230
Knut Stålen, CFO[2]	0	0	0	0	1 015 043	1 015 043
Ngoc Minh Dinh, Chief Technologist/Board Member	155 000	747 330	0	0	0	902 330
Dr. Matias Troccoli, VP of Technology	0	1 340 201	0	0	498 134	1 838 335
Dr. Lunji Qiu, VP and GM of China	0	305 428	0	0	1 225 400	1 530 828
Dr. Robert Mueller, System Expert	0	0	979 941	0	0	979 941
Board of Directors						
Jan-Eivind Fondal, Chairman	155 000	0	0	0	241 470	396 470
Ralph Høibakk	0	0	75 000	0	323 288	398 288
Ketil Fridheim	155 000	0	0	0	188 304	343 304
Marit K. Instanes	0	0	0	0	0	0
Total remuneration	**620 000**	**2 805 459**	**1 047 427**	**3 475**	**3 904 407**	**8 407 769**

[1] The Board remuneration of NOK 155 000 for each board member is payment for the years 2007, 2011 and 2012.

[2] Knut Stålen signed the employment agreement with NEXT 10 December 2013, and has been employed by NEXT since 1 April 2014.

2012 (amounts in NOK)	Board remuneration	Salary	Other benefits	Pension cost	Fair value granted options	Total remuneration
Senior Executives						
Tore Etholm-Idsøe, CEO/Board Member	0	0	0	0	413 456	413 456
Ngoc Minh Dinh, Chief Technologist/Board Member	0	761 511	0	0	0	761 511
Dr. Matias Troccoli, VP of Technology	0	738 544	0	0	320 333	1 058 878
Dr. Robert Mueller, System Expert	0	0	524 098	0	268 754	792 852
Board of Directors						
Jan-Eivind Fondal, Chairman	0	0	0	0	360 859	360 859
Ralph Høibakk	0	0	0	0	0	0
Ketil Fridheim	0	0	0	0	130 695	130 695
Total remuneration	**0**	**1 500 055**	**524 098**	**0**	**1 494 097**	**3 518 251**

CEO remuneration

Tore Etholm-Idsøe was employed as the company CEO 15 October 2013. For this he will receive NOK 1 980 000 per year. Additionally a package of stock options shall be calculated according to the formula: NOK 1 000 000 divided with the exercise price at the time of the grant. These options are awarded in January each year. The stock option exercise price is set with no discounts to the last sales price (market price) registered before the time of award. The company will lease a car at a maximum monthly fee of NOK 4 500 and the CEO is part of the companies pension scheme as described above.

Prior to 15 October 2013 Tore Etholm-Idsøe invoiced NEXT Biometrics Group AS NOK 700 495 and NEXT Biometrics AS NOK 2 237 080, from his wholly owned company Eurostores AS, for his services as hired CEO in 2013. This amount also included secretarial services and office costs. In 2012 Tore Etholm-Idsøe invoiced NEXT Biometrics Group AS NOK 1 288 710 and NEXT Biometrics AS NOK 1 325 230 for the same type of services.

The CEO compensation packages for 2012 and 2013 have been benchmarked against the CEO's in 2 other Scandinavian fingerprint sensor companies. Adjusted for the fact that Eurostores AS carried costs related to secretarial services, offices, public taxes (employer's tax 14.1% and holiday payments 10.2%) his total compensations in 2012 and 2013 have been in line with the levels of his Scandinavian counterparts.

Severance

The CEO has a severance agreement whereby he will receive 100% pay for 12 months.
The CFO has also a severance agreement and will receive 100% pay for 9 months from the notice given.

Board of Directors remuneration

Board of directors fees for the years 2007, 2011 and 2012 were withheld and paid at the end of 2013 with NOK 675 000, including NOK 55 000 to a former board member. Expensed board remuneration of NOK 325 000 is accrued fee for 2013.

Loans and guarantees for senior executives

Board member and inventor Ngoc Minh Dinh received NOK 200 000 as payment for royalty in 2013. Ngoc Minh Dinh have prior years received NOK 1 000 000 as prepayment for future royalty. For further details about this royalty agreement, see notes 5 and 18.

Other than this, the company has not made any advance payments or issued loans to, or guarantees in favor of any senior executives or members of the board.

Share-based remuneration

Employees and senior management are eligible to participate in the company's share-based option plan(s) as resolved by the general meeting. The purpose of such plans is to strengthen the company by providing to employees, management, board of directors, members of the advisory board and individual contractors additional performance incentive.

Implementation and effect of the policies

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. The intrinsic value varies with the share price and may entail a net reversal of costs. If and when the options are exercised, the accrued employer's tax will be reversed and the payable employer's tax of the actual transaction will be expensed.

For the shareholders a possible exercise will represent a dilution. At the end of 2013, the number of outstanding options to senior executives amounted to 602 671, corresponding to 6.9 per cent of the share capital. At the end of 2012, the number of outstanding options to senior executives amounted to 504 230, corresponding to 7.0 per cent of the share capital.

Options - Share based remuneration

2013	Accumulated Quantity options OB	Granted options	Expired options	Exercised options	Average exercise price – A	Accumulated Quantity options CB	Average exercise price - B
Senior Executives							
Tore Etholm-Idsøe, CEO/Board Member	337 859	25 641	0	0	0	363 500	10,27
Knut Stålen, CFO	0	25 000	0	0	0	25 000	83,00
Ngoc Minh Dinh, Chief Technologist/Board Member	0	0	0	0	0	0	0,00
Dr. Matias Troccoli, VP of Technology	125 901	22 800	0	0	0	148 701	18,77
Dr. Lunji Qiu, VP and GM of China	0	25 000	0	0	0	25 000	50,00
Dr. Robert Mueller, System Expert	40 470	0	0	0	0	40 470	10,40
Board of Directors							
Jan-Eivind Fondal, Chairman	32 000	15 000	0	0	0	47 000	27,55
Ralph Høibakk	0	20 000	0	0	0	20 000	39,00
Ketil Fridheim	12 500	12 500	0	0	0	25 000	37,50
Marit K. Instanes	0	0	0	0	0	0	0,00
Total	**548 730**	**145 941**	**0**	**0**		**694 671**	

2012	Accumulated Quantity options OB	Granted options	Expired options	Exercised options	Average exercise price – A	Accumulated Quantity options CB	Average exercise price - B
Senior Executives							
Tore Etholm-Idsøe, CEO/Board Member	297 859	40 000	0	0	0	337 859	8,09
Ngoc Minh Dinh, Chief Technologist/Board Member	0	0	0	0	0	0	0,00
Dr. Matias Troccoli, VP of Technology	103 101	22 800	0	0	0	125 901	15,11
Dr. Robert Mueller, System Expert	25 080	15 390	0	0	0	40 470	10,40
Board of Directors							
Jan-Eivind Fondal, Chairman	0	32 000	0	0	0	32 000	22,19
Ralph Høibakk	0	0	0	0	0	0	0,00
Ketil Fridheim	0	12 500	0	0	0	12 500	25,00
Total	**426 040**	**122 690**	**0**	**0**		**548 730**	

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)

Most of the granted options are vested 2 years after grant date, and can then be exercised up to 31 December 2018. For employees the right to exercise the options is subject to the option holder being employed or hired by the company at the time the options are vested or did vest. For members of the Board and Advisory Board the right to exercise the options is typically subject to the option holder being willing and able upon request to offer its agreed advice for a minimum of 18 months from the defined grant date. In addition, some milestone based option schemes have been agreed with external consultants. These schemes are dependent of delivery of key contributions to processes of achieving highly valuable pre-defined milestones.

Note 5 – Intangible assets

	The Group		NEXT Biometrics Group AS	
Intangible assets (amounts in NOK)	**2013**	**2012**	**2013**	**2012**
Cost of 1 January	800 000	800 000	0	0
Additions	0	0	0	0
Disposals at cost	0	0	0	0
Currency adjustments	0	0	0	0
Cost at 31 December	800 000	800 000	0	0
Accumulated depreciation at 1 January	640 000	560 000	0	0
Depreciation	80 000	80 000	0	0
Accumulated depreciation of disposed items	0	0	0	0
Currency adjustments	0	0	0	0
Accumulated depreciation at 31 December	720 000	640 000	0	0
Book value at 31 December	**80 000**	**160 000**	**0**	**0**

Depreciation period (straight line) years	10	10	0	0

In addition, the company entered into a royalty agreement on 8 May 2008 regarding NEXT Biometrics Group AS right to use the patent described as the *Active Thermal Sensing Principle*. This purchase was recognized at net present value and included in the opening balance as of 1 January 2012, see note 23. The book value is dependent on the successful development of the fingerprint technology in the parent company and in the subsidiaries.

	The Group		NEXT Biometrics Group AS	
Purchase of patent (amounts in NOK)	**2013**	**2012**	**2013**	**2012**
Cost of 1 January	7 458 255	7 458 255	7 458 255	7 458 255
Additions	0	0	0	0
Disposals at cost	0	0	0	0
Currency adjustments	0	0	0	0
Cost at 31 December	7 458 255	7 458 255	7 458 255	7 458 255
Accumulated depreciation at 1 January	0	0	0	0
Depreciation	0	0	0	0
Accumulated depreciation of disposed items	0	0	0	0
Currency adjustments	0	0	0	0
Accumulated depreciation at 31 December	0	0	0	0
Book value at 31 December	**7 458 255**	**7 458 255**	**7 458 255**	**7 458 255**

The patent will be amortized over the patent life from the time recurring revenue is recognized.
The provision connected to this purchase is recognized as a non-current provision, see note 18.

Note 6 – Fixed assets

	The Group		NEXT Biometrics Group AS	
Machinery and office equipment (amounts in NOK)	**2013**	**2012**	**2013**	**2012**
Cost of 1 January	674 819	394 453	0	0
Additions	423 991	308 426	0	0
Disposals at cost	0	0	0	0
Currency adjustments	62 713	-28 060	0	0
Cost at 31 December	1 161 523	674 819	0	0
Accumulated depreciation at 1 January	520 187	394 453	0	0
Depreciation	497 182	154 841	0	0
Accumulated depreciation of disposed items	0	0	0	0
Currency adjustments	44 330	-29 107	0	0
Accumulated depreciation at 31 December	1 061 698	520 187	0	0
Book value at 31 December	**99 824**	**154 632**	**0**	**0**
Depreciation period (straight line) years	3-7	3-7	0	0

Note 7 – Audit fees

	The Group		NEXT Biometrics Group AS	
Auditor remuneration (amounts in NOK)	**2013**	**2012**	**2013**	**2012**
Audit fee	85 475	46 200	39 200	15 000
Other services	76 575	66 026	76 575	61 976
Total	**162 050**	**112 226**	**115 775**	**76 976**

Note 8 – Research and development cost

Research costs are expensed when incurred. The criteria for capitalization of development expenses have not been met at the date of these financial statements, because NEXT has not demonstrated its ability to earn revenue from the Fingerprint sensor technology. Hence, all costs related to development have been expensed.

The reported research and development (R&D) costs includes external project costs for work and material purchased from various companies and institutions, as well as the external costs of obtaining and maintaining patents. The payroll cost of R&D staff is included in payroll, and any capitalization reported as a credit on a separate line. As stated above, no such capitalization has been made to date. The major parts of the R&D costs are related to development of the sensor technology. Furthermore, production activities, production trials, pilot production runs and the development of a new version of the ASIC have been undertaken in the period. Costs of obtaining and maintaining patents are also included in the R&D costs. The R&D costs for the Group are expensed and amounted to NOK 23.5 million in 2013, of which NOK 17.6 million as other operating expenses and NOK

5.9 million as payroll expenses. In 2012 R&D costs amounted to NOK 10.0 million, of which NOK 7.0 million as other operating expenses and NOK 3.0 million as payroll expenses. There are no R&D costs in the parent company.

Note 9 – Operating leases

As of 31 December 2013 the Group leases offices in Oslo and Seattle. Both the lease contracts are with Regus and are flexible current contracts. Conditions for the major leases are:

Seattle office

The office lease was gradually expanded over 2013 and the lease expires on 31 August 2014. In December 2013 the monthly lease was approximately NOK 50 thousand a month. The offices include office space for 12 employees and space for warehousing and technical equipment/machinery.

Oslo office

The monthly office lease is NOK 16 thousand ex VAT and expires 31 December 2014.

Note 10 – Taxes

First the tax note for the Group is showed and then the tax note for the parent company (amounts in NOK):

	The Group	
	2013	2012
Current taxes	0	0
Deferred taxes	0	0
Total income tax expense	**0**	**0**
Tax expense reconciliation		
Profit (loss) before tax	-38 795 197	-17 065 399
Corporation tax charge thereon at 28%	-10 862 655	-4 778 312
Adjusted for the effect of:		
Expenses not deductible for tax purposes	103 135	1 066 596
Change in deferred tax assets not recognized	9 705 303	3 711 716
Change in tax rates	1 054 218	0
Income tax expense for the year	**0**	**0**
Effective tax rate	**0 %**	**0 %**

The effective tax rate for 2013 was 0% (0% I 2012). The theoretical income taxes are determined by applying the domestic corporate tax rate in Norway, where the parent is domiciled. All companies included in the Group have used the same tax rate (28% in 2012 and 2013). The rate will be reduced from 28% to 27% with effect from January 1 2014. Total income tax recognized directly in equity amounts to NOK 0 (2012: NOK 0).

Deferred tax relates to the following temporary differences:

	The Group	
Temporary differences and tax loss carried forward	2013	2012
Tangible assets	-180 131	-165 668
Receivables/debt foreign currency	0	218 130
Tax loss carried forward	-102 638 685	-67 652 421
Other temporary differences	-4 485 858	-1 777 413
Total	-107 306 687	-69 379 384
Deferred tax assets (27%/28%)	**-28 972 805**	**-18 732 434**
Deferred tax assets not recognized	28 972 805	18 732 434
Deferred tax assets in the balance sheet	**0**	**0**

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

	The Group	
	2013	2012
Deferred tax assets	0	0
Deferred tax liabilities	0	0
Net balance at 31 December	**0**	**0**

Due to a history of recent losses, the Group has not recognized deferred tax asset.

The tax note for the parent company (amounts in NOK):

	NEXT Biometrics Group AS	
	2013	2012
This years tax expense (income)		
Change in deferred tax	-3 596 806	-492 461
Change caused by new tax rules	456 545	0
Deferred tax asset not recognized	3 140 260	492 461
Income tax expense (Income)	**0**	**0**
Calculation current tax		
Profit (loss) before tax	-9 949 058	-3 732 775
Permanent differences	-2 896 675	1 973 984
Change in temporary differences	2 510 920	809 381
Basis for current tax in the balance sheet	**-10 334 814**	**-949 410**
Current tax	0	0
Current tax in the balance sheet	**0**	**0**

	NEXT Biometrics Group AS	
Temporary differences and tax loss carried forward	2013	2012
Receivables/debt foreign currency	0	218 130
Tax loss carried forward	-41 788 545	-31 453 671
Other temporary differences	-3 865 984	-1 573 254
Total	-45 654 529	-32 808 795
Deferred tax assets (27%/28%)	**-12 326 723**	**-9 186 463**
Deferred tax assets not recognized	12 326 723	9 186 463
Deferred tax assets in the balance sheet	**0**	**0**
Tax expense reconciliation		
Profit (loss) before tax	-9 949 059	-3 732 774
Corporation tax charge thereon at 28%	-2 785 737	-1 045 177
Adjusted for the effect of:		
Expenses not deductible for tax purposes	-811 069	552 716
Change in deferred tax assets not recognized	3 140 260	492 461
Change in tax rates	456 545	0
Income tax expense for the year	**0**	**0**
Effective tax rate	**0 %**	**0 %**

Due to a history of losses, the parent has not recognized deferred tax asset.

Note 11 – Earnings per share

Earnings per share shall be calculated by dividing the profit or loss for the period by the weighted average number of ordinary shares outstanding in the year. Earnings per fully diluted share shall be calculated based on the result for the year divided by the weighted average number of fully diluted shares. In case of a net loss, the dilution would reduce the loss per share. In that case the effect of dilution is not taken into account.

	The Group	
	2013	2012
Profit (loss) attributable to the shareholders (NOK)	-38 795 193	-17 065 401
Number of ordinary shares issue at 31 December	8 787 665	7 232 569
Weighted average basic number of shares	7 673 441	7 067 867
Weighted average diluted number of shares	8 816 503	7 880 172
Profit (loss) per share, basic and diluted (NOK)	**-5,06**	**-2,41**

Note 12 – Investments in subsidiaries

NEXT Biometrics Group AS owns NEXT Biometrics AS 100%. NEXT Biometrics AS owns NEXT Biometrics Inc 100%. In addition the Group will establish companies in China and Taiwan. The process of establishing China is ongoing. Legal status for the activity in Taiwan is to be decided. The costs related to start up activities in China and Taiwan has been prepaid by NEXT Biometrics AS and expenses in the consolidated financial statements.

Book value includes each company's share of the Group's share based remuneration of options based on where the employee receiving the options is employed.

Companies (amounts in NOK)	Office address	Ownership	Investment at cost	Share based options	Book value
NEXT Biometrics AS	Oslo	100 %	120 000	476 610	596 610
1) NEXT Biometrics Inc	Seattle	100 %	0	2 302 886	2 302 886
2) NEXT Biometrics China	Shanghai	100 %	0	158 454	158 454
3) NEXT Biometrics Taiwan	Taipai	100 %	0	85 611	85 611
Total			120 000	3 023 561	**3 143 561**

1) Company (incorporated in Delaware) owned by NEXT Biometrics AS

2) 3)Not formally established

Note 13 – Non-current receivables, including intercompany

	The Group		NEXT Biometrics Group AS	
Non-current receivables (amounts in NOK)	**2013**	**2012**	**2013**	**2012**
Receivables due later than one year				
Loans to group companies	0	0	60 568 027	31 664 595
Total	**0**	**0**	**60 568 027**	**31 664 595**

The non-current receivable against the subsidiary is related to financing of engineering services conducted in NEXT Biometrics AS. The book value is dependent on the successful development of the fingerprint technology in the parent company and in the subsidiaries.

Note 14 – Receivables

	The Group		NEXT Biometrics Group AS	
Receivables (amounts in NOK)	**2013**	**2012**	**2013**	**2012**
Accounts receivables	5 464	0	0	0
Other receivables	2 339 480	2 042 886	1 872 671	453 586
Total	**2 344 944**	**2 042 886**	**1 872 671**	**453 586**

Included in other receivables is the prepayment of NOK 1 000 000 to Ngoc Minh Dinh, see note 4. The prepayment to Dinh is linked to the royalty agreement, see note 18. The prepayment will reduce the actual royalty payment calculated on gross margin. The company expects this to happen within one year.

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

	The Group		NEXT Biometrics Group AS	
Provision for bad debt (amounts in NOK)	**2013**	**2012**	**2013**	**2012**
Opening balance	0	0	0	0
This years provision for bad debt	0	0	0	0
This years actual losses	0	0	0	0
Reversed previous years provisions	0	0	0	0
Closing balance	**0**	**0**	**0**	**0**

All receivables are due within 12 months.

Note 15 - Restricted assets

The subsidiary NEXT Biometrics AS has placed an amount corresponding to 2 months' rent on an escrow account. At the end of 2013, the escrow account amounted to NOK 32 000 (2012: NOK 0).

Note 16 - Cash and cash equivalents

The Group

Cash and cash equivalents amounted to NOK 69 727 923 at the end of 2013. Of this amount NOK 244 435 were employees' withheld payroll tax deposits. The counter value of NOK 1 238 270 was held in USD, while the reminding was held in NOK. At the end of 2012 cash and cash equivalents amounted to NOK 602 124 of which NOK 3 944 were employees' withheld payroll tax deposits. The counter value of NOK 72 765 was held in USD, while the reminding was held in NOK. Deposits for rent of facilities have not been included in bank deposits.

NEXT Biometrics Group AS (parent company)

Cash and cash equivalents amounted to NOK 65 083 170 at the end of 2013. Of this amount NOK 130 024 were employees' withheld payroll tax deposits. At the end of 2012 cash and cash equivalents amounted to NOK 5 276 of which NOK 977 were employees' withheld payroll tax deposits.

Note 17 – Share capital, shareholders information and share based options

There is one class of shares. All shares have equal rights and are freely negotiable. There were 8 878 665 shares in the company on 31 December 2013, compared to 7 232 569 shares on 31 December 2012. The share capital is fully paid in. The par value of the shares is NOK 1 per share. At the end of 2013 there were 150 shareholder accounts compared to 66 at the end of 2012.

	The Group	
Shares	**2013**	**2012**
Opening balance	7 232 569	6 951 769
Share issue(s)	1 549 296	280 800
Exercised financial options	5 800	0
Closing balance	**8 787 665**	**7 232 569**

The company currently holds 68 500 own shares on behalf of Applied Vencap (57 000) and Birch Venture Capital/New sharp (11 500). The reason for this is that the shareholders have not currently established a VPS account. The shareholders are in a process of establishing a VPS account and the shares will be transferred to the VPS account once established.

2013

30 September 2013 NEXT completed a successful planned private placement of shares. The placement involved 1 264 900 shares at a subscription price of NOK 75 corresponding to a total subscription price of NOK 94 867 500. Expenses connected with this private placement amounted to NOK 6 653 632 and net proceeds were NOK 88 213 868.

In addition to the planned private placement NEXT conducted 4 private placements during 2013. In the start of the year this involved 2 private placements with 44 000 shares at a subscription price of NOK 39 corresponding to a total subscription price of NOK 1 716 000 and then 2 private placements of 195 396 shares at a subscription price of NOK 50, corresponding to a total subscription price of NOK 9 769 800. In connection with the repayment of debt the company also issued 45 000 shares at a subscription price of NOK 45 corresponding to NOK 2 025 000 to a private investor. In addition the same investor exercised 5 800 financial options, with a strike price of NOK 50 per share, corresponding to a total subscription price of NOK 290 000 by the end of the year.

2012

During 2012 NEXT completed 4 private placements of shares. The first 3 placements involved 178 800 shares at a subscription price of NOK 25 corresponding to a total subscription price of NOK 4 470 000. By the end of the year the final placement involved 102 000 shares at a subscription price of NOK 25.49 corresponding to a total subscription price of NOK 2 600 000.

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

Top 20 shareholders at 31 December 2013	Number of shares	Percent of Shares
ECOMNEX HOLDING AS	1 628 817	18,5%
LEIF RAHMQVIST	480 228	5,5%
ÅSTVEIT INVEST AS	442 930	5,0%
EUROSTORES AS	380 664	4,3%
TEIGLAND EIENDOM AS	358 826	4,1%
ENGELSBERG INVEST AS	352 317	4,0%
HOLBERG NORDEN	325 605	3,7%
FOCO LIMITED	333 649	3,8%
GRENDAHL HOLDING AS	295 205	3,4%
FKKG AS	276 182	3,1%
SILAR AS	230 783	2,6%
BLUEFIELD AS	225 000	2,6%
JACO INVEST AS	193 619	2,2%
OP-EUROPE EQUITY FUND	160 000	1,8%
TORE ETHOLM-IDSØE	159 794	1,8%
VERDIPAPIRFONDET DNB SMB	150 000	1,7%
HOLBERG NORGE	146 879	1,7%
ARCTIC FUNDS PLC	133 300	1,5%
MP PENSJON PK	120 000	1,4%
BELCEM INVEST AS	100 400	1,1%
TOTAL top 20	6 494 198	73,9%
Others	2 293 467	26,1%
Total number of shares	8 787 665	100,0%

Shares owned by Executives and Directors of the Board	Number of shares	Percent of Shares	Held through
Tore Etholm-Idsøe	540 458	6,2%	Eurostores AS and Tore Etholm-Idsøe
Matias Troccoli	38 258	0,4%	
Jan-E Fondal	333 649	3,8%	FOCO limited
Ngoc Minh Dinh	1 700 258	19,3%	Ecomnex Holding AS and Ngoc Minh Dinh
Ketil Fridheim	285 660	3,3%	FKKG AS and Ketil Fridheim
Ralph Høibakk	24 256	0,3%	
Marit Instanes	2 667	0,03%	MKI invest AS
	2 925 206	33,3%	

In order to attract talented, experienced and high value networked human resources the Company have entered and plan to continue to enter stock option agreements. There are three types of option programs in the Company; long term fixed share options, short term share options and milestone based share options:

(i) Long term fixed share options

NEXT has granted incentive options (long term fixed share options) to employees, contractors, board members, high-value networked individuals and members of the advisory board. For share based options to senior executives and members of the Board, see note 4.

The long term share options have over the last nine years been granted to employees, consultants, board members and advisory board members. There are currently an accumulated 975,332 (approx. 11% of the Company) long term share options outstanding and such options were granted in the period from 2005 - 2013. The options typically vest over a period of two years. The options are exercisable at any point in time after vesting up until 31 December 2018. Since 2008, these options have been awarded with a strike price equal to the market price at the time of grant.

All current employees (13 of these, new in 2013) have been granted long term share options. The options only vest if the holder as of the vesting date is employed by the Group and the employment is not in a notice period. Employees must continue their employment with the Group for a minimum of two years from grant day to retain 100% of each option granted.

(ii) Short term share options

In 2011 and 2013, 80,000 and 10,000 (1,1% of company) were granted as short term options granted to advisors. The 80,000 options vest after the first 10,000 sensors have been accepted by customers and the options must be exercised within four weeks thereafter.

(iii) Milestone based share options

The Company has entered agreements where a number of stock options are granted contingent of certain pre-defined high value milestones. These agreements are made with external high-end networked advisors. Upon delivery of key contributions in processes landing high-value milestones (typically major sales contracts and industry partnerships), these advisors will have earned the right to their stock options. Out of the 210,000 total options granted, the maximum theoretical amount of stock options to be awarded under this scheme is 190,000 options. As of year-end 2013 35.000 of these (0,4% of company) were classified as earned. Milestone based options expire on 31 December 2018.

(iv) Totals

In total, year-end 2013 the Company had outstanding 975,332 (11% of Company) long term options, 90,000 (1,1%) short term options and 210,000 (2,4%) milestone-based options. The total maximum theoretical number of options that may vest (including the milestone based ones) total 1,255,332 share options, equal to 14.5% of the outstanding shares in the Company. Of these 925,277 (1,55%) 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.

All of the Company's option agreements include a clause on accelerated vesting implying that if (i) 67% of the shares in the Company are sold to an acquirer, (ii) if a shareholder alone or with a group of shareholders either through a tender offer or other market transaction should gain control over the ownership of 33.33% or more of the outstanding share capital, (iii) the Company is merged with another company where the Company is the going forward, (iv) the Company decides to sell all or substantial parts of its assets, (v) a demerger occurs and the option holder is not granted options on similar conditions as those set out in the agreement, and (vi) if during any 15 month period from any grant individuals who at the beginning of such period constituted the Board of Directors cease for any reason to constitute at least a majority of the Board of Directors, all outstanding options are vested.

At the General Meeting June 26, 2013 the Board got a proxy to grant up to 1 000 000 shares - equal to up to 11.5 per cent of the company as options under the share based option incentive program. The Board will in 2014 ask at the General meeting to make a new proxy to increase the number of options to include both the total theoretical number of options (including milestone based) and also the anticipated number to cover 2014 operations.

The total level of stock options offered is benchmarked against 2 other fingerprint sensor companies in Scandinavia.

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

Options	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
	01.01 - 31.12.2013		01.01 - 31.12.2012	
Outstanding at the beginning of period	843 201	14,40	643 816	11,61
Granted	437 931	47,06	199 385	23,42
Transferred in	-	-	-	-
Exercised	-5 800	50,00	-	-
Released	-	-	-	-
Cancelled	-	-	-	-
Forfeited	-	-	-	-
Expired	-	-	-	-
Adjusted quantity	-	-	-	-
Modification / Dividend	-	-	-	-
Transferred out	-	-	-	-
Outstanding at the end of period	**1 275 332**	**25,46**	**843 201**	**14,40**
Vested options	925 277	18,92	686 777	12,70
Weighted Average Fair Value of Options Granted during the period	437 931	24,55	199 385	12,36
Intrinsic value outstanding options at the end of the period	1 224 332	63 385 569	843 201	20 741 117
Intrinsic value vested options at the end of the period	915 277	51 892 999	686 777	18 062 025

The fair value for the share based options granted in the year has been calculated by use of the Black & Scholes option pricing model applying the following assumptions applied in 2013:

- 2013: Exercise price NOK 25.00-83.00 per share, weighted average NOK 47.70 per share
- 2012: Exercise price NOK 13.00-25.00 per share, weighted average NOK 21.85 per share
- Duration up to 2.0 years
- Volatility of share price based on comparable other technology companies at 75 per cent
- 2013: Risk free interest rate of 1.5-2.2 per cent
- 2012: Risk free interest rate of 1.4-1.7 per cent
- No expected dividend payment
- Actual population of share based options, 5% attrition for employees and 0% for executives

Note 18 - Other non-current provisions

Royalty payments

NEXT Biometrics Group AS and board member Ngoc Minh Dinh entered into a royalty agreement on 8 May 2008 regarding the company's right to use the patent described as the *Active Thermal Sensing principle (*the technology*)*. This agreement regulates royalty payments for the transfer of the patent, se note 5. Ngoc Minh Dinh shall receive a royalty equal to 5% of the company's gross margin from the technology. Gross margin is defined as sales price minus cost of goods sold, insurances, freight and other costs related to set-up of production. The assumption is that the company use 3rd party for production and therefore pay a cost of sales. If the company needs to invest/pay for adaption /adjustment of the production equipment the amount shall be included in cost of sales, and therefore reduce the gross margin.

Regardless of the company's gross margin from the sales from the company (as described above), Ngoc Minh Dinh is entitled to a minimum yearly royalty (amounts in NOK):

	Annual amount	Cumulated amount
2013	200 000	200 000
2014	300 000	500 000
2015	400 000	900 000
2016	500 000	1 400 000
2017	600 000	2 000 000
2018	700 000	2 700 000
2019	800 000	3 500 000
2020	900 000	4 400 000
2021	1 000 000	5 400 000
2022	1 000 000	6 400 000
2023	1 000 000	7 400 000
2024	1 000 000	8 400 000
2025	1 000 000	9 400 000

A provision for these yearly minimum amounts has been recognized in the balance sheet, and has been determined by discounting these amounts using an interest rate of 2.6%. The time value of money is recognized as financial cost. The yearly minimum is prepayments of the royalty equal to 5% of the company's gross margin from the technology, and will be deducted before additional royalty is paid.

Royalty provision:

Amounts in NOK	The Group
Balance at 1 January 2012	**7 458 255**
Time value	193 915
Additional	0
Payment	0
Balance at 31 December 2012	**7 652 170**
Time value	197 669
Additional	0
Payment	-200 000
Balance at 31 December 2013	**7 649 839**

	2013	2012
Presented as:		
Current liability	300 000	200 000
Non-current liability	7 349 839	7 452 170
Balance at 31 December 2013	**7 649 839**	**7 652 170**

The amounts are the same for the parent company.

Note 19 – Other non-current debt

During 2013 the Group trough the parent company terminated all non-current financial debt. NEXT Biometrics Group AS paid back the debt of NOK 250 000 to chairman Jan-Eivind Fondal in October 2013, see note 21. In 2013 NEXT Biometrics Group AS also paid back the debt of USD 300 000 to Ben Franklin Technology, with the last installment in November 2013. Interest have been charged quarterly at an interest rate of 6% and total amounted to USD 136 043, of which USD 72 411 (NOK 439 207) were expensed in 2013.

NEXT does not have non-current financial debt by the end of 2013. The only non-current liability is related to future royalty payments, see note 18.

Note 20 – Other current liabilities

	The Group		NEXT Biometrics Group AS	
Other current liabilities (amounts in NOK)	**2013**	**2012**	**2013**	**2012**
Accrued salary and vacation pay	551 362	768 046	392 075	700 000
Other current liabilities	691 165	1 722 040	300 000	556 667
Accrued cost test production	2 580 510	0	0	0
Share options social security tax	4 485 858	1 777 413	3 865 984	1 573 254
Total	**8 308 895**	**4 267 499**	**4 558 059**	**2 829 921**

Due to the short period to maturity, carrying amount of other current liabilities approximates fair value.

Note 21 – Related party transactions

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

CEO and board member Tore Etholm-Idsøe invoiced NEXT Biometrics Group AS NOK 700 495 and NEXT Biometrics AS NOK 2 237 080 from his wholly owned company Eurostores AS for his services as hired CEO in 2013. This amount also included secretarial services and office costs. In 2012 Tore Etholm-Idsøe invoiced NEXT Biometrics Group AS NOK 1 288 710 and NEXT Biometrics AS NOK 1 325 230 for the same type of service, see note 4.

Tore Etholm-Idsøe and close associates (family), provided NEXT Biometrics Group AS with a 10,5 month loan amounting to NOK 150 000 during 2013. For this he received NOK 25 000 in interest. He also provided NEXT Biometrics AS with a 2 weeks loan amounting to NOK 250 000 during 2013. For this he received NOK 4 000 in interest. In 2012 he provided NEXT Biometrics AS with a 3 weeks loan amounting to NOK 300 000. For this he received NOK 14 000 in interest. The interest rates for these loans have been at the same levels or lower as those of other lenders of short term bridging loans.

Chairman Jan-Eivind Fondal and close associates (family) provided the subsidiary NEXT Biometrics AS with short-term loans amounting to NOK 250 000 during 2013 (5,5 months) and NOK 250 000 during 2012 (9 months). For these loans he received a total of NOK 75 664 in interest in 2013. He also provided the parent company NEXT Biometrics Group AS with a 2,5 month loan amounting to NOK 100 000 during 2012. For this he received NOK 4 438 in interest. NEXT Biometrics Group AS paid back a long term debt of NOK 250 000 in October 2013. The loan was interest free. The interest rates for the loans have been at the same levels or lower as those of other lenders of short term bridging loans.

Board member and inventor Ngoc Minh Dinh received NOK 200 000 as payment for royalty in 2013. Ngoc Minh Dinh have prior years received NOK 1 000 000 as prepayment for future royalty. For further details about this royalty agreement, see notes 5 and 18.

Board member Ralph Høibakk was paid NOK 75 000 for services rendered outside the scope of his board of director membership throughout 2013.

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

Note 22 - Events occurring after the balance sheet date

In order to secure coating capacity the company entered into a contract in March 2014 to support additional sensor coating and module assembly capacity by 1.8 million units per month when the machine is installed. The total contract value is USD 1.5 million. This enables realization of company sales targets. Further capacity expansion will be executed when needed. The Group does not have any other investment plans or obligations to make significant future investments in tangible or intangible assets, or financial assets, except for continued investments in research and development.

In the commercialization phase NEXT needs during 2014 to raise additional funds to be able to realize the plans. NEXT is planning to raise additional funds in preparation of the planned listing at the Oslo Stock exchange in June 2014.

Between 31 December 2013 and the resolution of these consolidated financial statements, there has not been any other event which have had any noticeable impact on NEXT's result for 2013 or the value of the company's assets and liabilities at 31 December 2013.

Note 23 – Reconciliation from NGAAP to IFRS – Parent company NEXT Biometrics Group AS

Prior financial statements for the parent company NEXT Biometrics Group AS have been prepared in accordance with NGAAP (General accepted accounting principles in Norway) for small companies. According to these rules there has not been made any consolidated financial statements for the Group. Hence, the reconciliation according to IFRS 1 for the Group is not applicable.

The reconciliation for the parent company NEXT Biometrics Group AS is shown below:

NEXT Biometrics Group AS Amounts in NOK **Reconciliation of equity 1.1.2012**	**NGAAP**	**a) Share options Salary/ expenses**	**b) Share options Social security tax**	**c) Acquisition of patent**	**IFRS**
Assets					
Non-current assets					
Intangible assets					
Patents	0	0	0	7 458 255	7 458 255
Total intangible assets	0	0	0	**7 458 255**	**7 458 255**
Financial assets					
Shares in subsidiaries	120 000	946 303	0	0	1 066 303
Loans to other group companies	24 580 479	0	0	0	24 580 479
Other financial receivables	12 415	0	0	0	12 415
Total financial assets	**24 712 894**	**946 303**	0	**0**	**25 659 197**
Total non-current assets	**24 712 894**	**946 303**	**0**	**7 458 255**	**33 117 452**
Current assets					
Receivables					
Other receivables	465 919	0	0	0	465 919
Total receivables	**465 919**	**0**	**0**	**0**	**465 919**
Cash and cash equivalents	**174 781**	**0**	**0**	**0**	**174 781**
Total current assets	**640 700**	**0**	**0**	**0**	**640 700**
Total assets	**25 353 594**	**946 303**	**0**	**7 458 255**	**33 758 152**
Equity and liabilities					
Equity					
Share capital	6 951 769	0	0	0	6 951 769
Share premium reserve	14 473 840	-3 078 704	-635 623	0	10 759 513
Other paid-in capital	0	4 025 007	0	0	4 025 007
Total equity	**21 425 609**	**946 303**	**-635 623**	**0**	**21 736 289**
Liabilities					
Non-current liabilities					
Other non-current provisions	0	0	0	7 458 255	7 458 255
Other non-current debt	2 321 271	0	0	0	2 321 271
Total non-current liabilities	**2 321 271**	**0**	**0**	**7 458 255**	**9 779 526**
Current liabilities					
Accounts payable	166 488	0	0	0	166 488
Public duties payable	140 250	0	0	0	140 250
Other current liabilities	1 299 976	0	635 623	0	1 935 599
Total current liabilities	**1 606 714**	**0**	**635 623**	**0**	**2 242 337**
Total liabilities	**3 927 985**	**0**	**635 623**	**7 458 255**	**12 021 863**
Total equity and liabilities	**25 353 594**	**946 303**	**0**	**7 458 255**	**33 758 152**

NEXT Biometrics Group AS Amounts in NOK Reconciliation of equity 31.12.2012	NGAAP	a) Share options Salary/ Expenses	b) Share options Social security tax	c) Acquisition of patent	IFRS
Assets					
Non-current assets					
Intangible assets					
Patents	0	0	0	7 458 255	7 458 255
Total intangible assets	**0**	**0**	**0**	**7 458 255**	**7 458 255**
Financial assets					
Shares in subsidiaries	120 000	1 806 934	0	0	1 926 934
Loans to other group companies	31 664 595	0	0	0	31 664 595
Other financial receivables	12 415	0	0	0	12 415
Total financial assets	**31 797 010**	**1 806 934**	**0**	**0**	**33 603 944**
Total non-current assets	**31 797 010**	**1 806 934**	**0**	**7 458 255**	**41 062 199**
Current assets					
Receivables					
Other receivables	453 586	0	0	0	453 586
Total receivables	**453 586**	**0**	**0**	**0**	**453 586**
Cash and cash equivalents	**5 275**	**0**	**0**	**0**	**5 275**
Total current assets	**458 861**	**0**	**0**	**0**	**458 861**
Total assets	**32 255 871**	**1 806 934**	**0**	**7 458 255**	**41 521 060**
Equity and liabilities					
Equity					
Share capital	7 232 569	0	0	0	7 232 569
Share premium reserve	20 991 008	-5 407 901	-1 573 254	-193 915	13 815 938
Other paid-in capital	0	7 214 835	0	0	7 214 835
Total equity	**28 223 577**	**1 806 934**	**-1 573 254**	**-193 915**	**28 263 342**
Liabilities					
Non-current liabilities					
Other non-current provisions	0	0	0	7 452 170	7 452 170
Other non-current debt	2 274 123	0	0	0	2 274 123
Total non-current liabilities	**2 274 123**	**0**	**0**	**7 452 170**	**9 726 293**
Current liabilities					
Accounts payable	602 804	0	0	0	602 804
Public duties payable	98 700	0	0	0	98 700
Other current liabilities	1 056 667	0	1 573 254	200 000	2 829 921
Total current liabilities	**1 758 171**	**0**	**1 573 254**	**200 000**	**3 531 425**
Total liabilities	**4 032 294**	**0**	**1 573 254**	**7 652 170**	**13 257 718**
Total equity and liabilities	**32 255 871**	**1 806 934**	**0**	**7 458 255**	**41 521 060**

NEXT Biometrics Group AS Amounts in NOK **Reconciliation of** **comprehensive income 2012**	**NGAAP**	**a)** **Share options** **Salary/** **Expenses**	**b)** **Share options** **Social** **security tax**	**c)** **Acquisition** **of patent**	**IFRS**
Revenue					
Operating revenue	110 625	0	0	0	110 625
Other revenue	1 125 000	0	0	0	1 125 000
Total revenue	**1 235 625**	**0**	**0**	**0**	**1 235 625**
Operating expenses					
Payroll expenses	256 725	1 987 266	937 631	0	3 181 622
Other operating expenses	1 225 584	341 931	0	0	1 567 515
Total operating expenses	**1 482 309**	**2 329 197**	**937 631**	**0**	**4 749 137**
Operating profit (loss)	**-246 684**	**-2 329 197**	**-937 631**	**0**	**-3 513 512**
Financial items					
Interest income	1 799	0	0	0	1 799
Other financial income	151 121	0	0	0	151 121
Interest expenses	-166 999	0	0	0	-166 999
Other financial expenses	-11 267	0	0	-193 915	-205 182
Net financial items	**-25 346**	**0**	**0**	**-193 915**	-219 261
Profit (loss) before tax (EBT)	**-272 030**	**-2 329 197**	**-937 631**	**-193 915**	**-3 732 773**
Net profit (loss) for the period	**-272 030**	**-2 329 197**	**-937 631**	**-193 915**	**-3 732 773**

Notes to the reconciliation

a) **Share based options - Salary/expenses**

The share based options have previous not been recognized in the NGAAP financial statement. The effect on the equity as of 31 December 2012 was a net increase of NOK 1 806 934 (1 January 2012 NOK 946 303). The net amount was split in an increase of NOK 7 214 835 in other paid-in capital and decrease of NOK 5 407 901 in share premium reserve. The net amount of NOK 1 806 934 was related to the subsidiary's share of the share based options and are included in shares in subsidiary, see note 12.

The expenses amount of NOK 2 329 197 was related to the parent company's share of the share based options. The expense is split between salary (employees and members of the board) with NOK 1 987 266 and other expenses (contractors and members of the advisory board) with NOK 341 931.

b) **Shares based options – Social security tax**

Share based options have previous not been recognized in the NGAAP financial statement. This effect also includes social security tax on the share based options related to employees and members of the board. This amounted to NOK 937 631 in 2012. The accrual is calculated based on the intrinsic value at each reporting date.

c) **Acquisition of patent**

The acquisition of patent from the inventor and board member Ngoc Minh Dinh have previous not been recognized in the NGAAP financial statements. The acquisition was recognized in the opening balance as of January 1 2012 at net present value. The amount of NOK 7 458 255 was equally recognized in patents as an intangible asset and as other non-current liabilities.

In 2012 the liability increased due to time with NOK 193 915 and was recognized as interest costs. The current part of the liability was recognized as other current liabilities. For further details, see note 5 intangible assets and note 18 non-current provisions.

Responsibility statement

The board and the managing director have today reviewed and approved this report from the board of directors as well as the annual financial statements for the NEXT group and the parent company NEXT Biometrics Groups AS at 31 December 2013.

The consolidated annual financial statements and the annual financial statements for NEXT Biometrics Group AS have been prepared in accordance with IFRS as adopted by the EU and the additional requirements in the Norwegian accounting act. The notes are an integral part of the respective financial statements. The report from the board of directors have been prepared in accordance with the Norwegian accounting act and generally accepted accounting practice in Norway.

We confirm, to the best of our knowledge, that the information presented in the financial statements gives a true and fair view of the group's and the parent company's assets, liabilities, financial position and result for the period viewed in their entirety, and that the report from the board of directors 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 which the group and the parent company are facing.

Oslo, 9 May 2014

The board of directors of NEXT Biometrics Group AS

Jan-Eivind Fondal Chairman	Ketil Fridheim Board member	Ngoc Minh Dinh Board member
Ralph Høibakk Board member	Marit Kristin Instanes Board member	Tore Etholm-Idsøe CEO/Board member

Responsibility statement

The board and the managing director have today reviewed and approved this report from the board of directors as well as the annual financial statements for the NEXT group and the parent company NEXT Biometrics Groups AS at 31 December 2013.

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Oslo, 9 May 2014

The board of directors of NEXT Biometrics Group AS

Jan-Eivind Fondal Chairman	Ketil Fridheim Board member	Ngoc Minh Dinh Board member
Ralph Høibakk Board member	Marit Kristin Instanes Board member	Tore Etholm-Idsøe CEO/Board member

Responsibility statement

The board and the managing director have today reviewed and approved this report from the board of directors as well as the annual financial statements for the NEXT group and the parent company NEXT Biometrics Groups AS at 31 December 2013.

The consolidated annual financial statements and the annual financial statements for NEXT Biometrics Group AS have been prepared in accordance with IFRS as adopted by the EU and the additional requirements in the Norwegian accounting act. The notes are an integral part of the respective financial statements. The report from the board of directors have been prepared in accordance with the Norwegian accounting act and generally accepted accounting practice in Norway.

We confirm, to the best of our knowledge, that the information presented in the financial statements gives a true and fair view of the group's and the parent company's assets, liabilities, financial position and result for the period viewed in their entirety, and that the report from the board of directors 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 which the group and the parent company are facing.

Oslo, 9 May 2014

The board of directors of NEXT Biometrics Group AS

Jan-Eivind Fondal Chairman	Ketil Fridheim Board member	Ngoc Minh Dinh Board member
Ralph Høibakk Board member	Marit K. Instanes Marit Kristin Instanes Board member	Tore Etholm-Idsøe CEO/Board member

Responsibility statement

The board and the managing director have today reviewed and approved this report from the board of directors as well as the annual financial statements for the NEXT group and the parent company NEXT Biometrics Groups AS at 31 December 2013.

The consolidated annual financial statements and the annual financial statements for NEXT Biometrics Group AS have been prepared in accordance with IFRS as adopted by the EU and the additional requirements in the Norwegian accounting act. The notes are an integral part of the respective financial statements. The report from the board of directors have been prepared in accordance with the Norwegian accounting act and generally accepted accounting practice in Norway.

We confirm, to the best of our knowledge, that the information presented in the financial statements gives a true and fair view of the group's and the parent company's assets, liabilities, financial position and result for the period viewed in their entirety, and that the report from the board of directors 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 which the group and the parent company are facing.

Oslo, 9 May 2014

The board of directors of NEXT Biometrics Group AS

Jan-Eivind Fondal Chairman	Ketil Fridheim Board member	Ngoc Minh Dinh Board member
Ralph Høibakk Board member	Marit Kristin Instanes Board member	Tore Etholm-Idsøe CEO/Board member

To the shareholders' meeting of
Next Biometrics Group AS

RSM Hasner Kjelstrup & Wiggen AS
Statsautoriserte revisorer
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INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Next Biometrics Group AS, which comprise the financial statements of the parent company, showing a loss of NOK 9 949 058, and the financial statements of the group, showing a loss of NOK 38 795 000. The financial statements of the parent company and the financial statements of the group comprise the balance sheet as at 31 December 2013, the statement of profit and loss and other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by EU and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the parent company and the Next Biometrics Group AS group as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 22 in the financial statements and the Board of Directors' report which indicates that the Company is dependent on additional funding in order to realise the proposed operating plans. These conditions indicate the existence of uncertainty about the Company's ability to continue as a going concern.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposal for the coverage of the loss is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and documentation

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

Oslo, 9 May 2014
RSM Hasner Kjelstrup & Wiggen AS

Hans Ragnar Berg
State Authorised Public Accountant (Norway)

NEXT BIOMETRICS GROUP AS
2012

ÅRSBERETNING 2012

Virksomhetens art

NEXT BIOMETRICS GROUP AS er holdingselskap for NEXT BIOMETRICS AS som utvikler og kommersialiserer nye fingeravtrykksensor-teknologier i henhold til lisensiert teknologi fra NEXT BIOMETRICS GROUP AS. Administrasjonen er lokalisert i Oslo. Utviklingsarbeidet foregår i Trondheim, Oslo og i Seattle/USA.

Rettvisende oversikt over utvikling og resultat

Det er i 2012 gjort ytterligere fremskritt i datterselskapets teknologiske og kommersielle arbeid. Årets resultat ble et underskudd på kr 272.031. Egenkapitalen per 31.12.12 var kr 28.123.577. Teknologien vurderes å ha stort potensiale og vil ved vellykket kommersialisering innebære en betydelig omsetning.

Fortsatt drift

Styret mener det er riktig å legge forutsetningen om fortsatt drift av selskapet til grunn ved avleggelsen av årsregnskapet. Selskapets og konsernets drift finansieres løpende med egenkapitalinnskudd. Ytterligere kapital er innhentet i 2013.

Arbeidsmiljøet

Det har ikke vært ansatte i selskapet.

Likestilling

Styret har hatt 4 medlemmer. Det er ingen ansatte i selskapet. Styret er bevisst forholdet om likestilling og har en kjønnsnøytral holdning.

Ytre miljø

Selskapet aktivitet innebærer ingen form for virksomhet som kan innebære miljøskader. Selskapets virksomhet er ikke regulert av konsesjoner eller pålegg av miljømessig karakter.

Asker, 17. juni 2013

Jan-Eivind Fondal
Styrets leder, Sign.

Ngọc Minh Dinh
Styremedlem, Sign.

Ketil Fridheim
Styremedlem, Sign

Tore Etholm-Idsøe
Styremedlem/daglig leder, Sign.

Resultatregnskap 1.1. - 31.12.

	Note	2012	2011
Driftsinntekter			
Salgsinntekter		110 625	0
Andre driftsinntekter		1 125 000	1 500 000
Sum driftsinntekter	**9**	**1 235 625**	**1 500 000**
Driftskostnader			
Lønnskostnad	2	256 725	541 975
Annen driftskostnad	2	1 225 584	2 713 870
Sum driftskostnader		**1 482 309**	**3 255 845**
Driftsresultat		**-246 684**	**-1 755 845**
Finansinntekter/-kostnader			
Annen renteinntekt		1 799	1 382
Annen finansinntekt		151 121	90 267
Annen rentekostnad		166 999	170 192
Annen finanskostnad		11 267	36 652
Netto finansresultat		**-25 347**	**-115 195**
Ordinært resultat før skattekostnad		**-272 031**	**-1 871 040**
Årsresultat		**-272 031**	**-1 871 040**
Disponering av årsresultat			
Overført fra overkursfond		272 031	1 871 040
Sum disponert		**272 031**	**1 871 040**

Balanse pr. 31.12.

	Note	2012	2011
Eiendeler			
Anleggsmidler			
Finansielle anleggsmidler			
Investeringer i datterselskap	3	120 000	120 000
Lån til foretak i samme konsern	7	31 664 595	24 584 179
Andre langsiktige fordringer		12 415	12 415
Sum finansielle anleggsmidler		**31 797 010**	**24 716 594**
Omløpsmidler			
Fordringer			
Andre fordringer		453 586	462 219
Sum fordringer		**453 586**	**462 219**
Bankinnskudd, kontanter o.l.		**5 275**	**174 781**
Sum omløpsmidler		**458 861**	**637 000**
Sum eiendeler		**32 255 871**	**25 353 593**

Balanse pr. 31.12.

	Note	2012	2011
Egenkapital og gjeld			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	5	7 232 569	6 951 769
Overkursfond		20 991 008	14 473 840
Sum innskutt egenkapital		**28 223 577**	**21 425 609**
Opptjent egenkapital			
Sum egenkapital	6	**28 223 577**	**21 425 609**
Gjeld			
Annen langsiktig gjeld			
Øvrig langsiktig gjeld	7	2 274 123	2 321 271
Sum annen langsiktig gjeld		**2 274 123**	**2 321 271**
Kortsiktig gjeld			
Leverandørgjeld		602 804	166 488
Skyldige offentlige avgifter		0	140 250
Annen kortsiktig gjeld	2	1 155 367	1 299 975
Sum kortsiktig gjeld		**1 758 171**	**1 606 713**
Sum gjeld		**4 032 294**	**3 927 984**
Sum egenkapital og gjeld		**32 255 871**	**25 353 593**

Asker, 17.06.2013
Styret for NEXT BIOMETRICS GROUP AS

Jan-Eivind Fondal
Styrets leder, Sign.

Ketil Fridheim
Styremedlem, Sign.

Tore Etholm-Idsøe
Styremedlem/daglig leder, Sign.

Ngoc Minh Dinh
Styremedlem, Sign.

NOTER TIL ÅRSREGNSKAPET FOR 2012

Note 1 – Regnskapsprinsipper

Årsregnskapet er satt opp i samsvar med regnskapsloven og god regnskapsskikk for små foretak (NRS 8).

Hovedregel for vurdering og klassifisering av eiendeler og gjeld
Eiendeler bestemt til varig eie eller bruk er klassifisert som anleggsmidler. Andre eiendeler er klassifisert som omløpsmidler. Fordringer som skal tilbakebetales innen et år fra etableringstids-punktet, er uansett klassifisert som omløpsmidler. Ved klassifisering av kortsiktig og langsiktig gjeld er analoge kriterier lagt til grunn.

Anleggsmidler er vurdert til anskaffelseskost, men nedskrives til virkelig verdi når verdifallet ikke forventes å være forbigående. Anleggsmidler med begrenset økonomisk levetid avskrives etter en fornuftig avskrivningsplan. Omløpsmidler er vurdert til det laveste av anskaffelseskost og virkelig verdi. Langsiktig og kortsiktig gjeld balanseføres til nominelt beløp på etableringstidspunktet.

Fordringer
Kundefordringer er ført opp etter fradrag for avsetning til forventede tap. Avsetning til tap er gjort på grunnlag av individuell vurdering av fordringene. Andre fordringer, både omløpsfordringer og anleggsfordringer, er ført opp til pålydende.

Skatter
Skattene kostnadsføres når de påløper, dvs. at skattekostnaden er knyttet til det regnskapsmessige resultatet før skatt.

Skattekostnaden består av betalbar skatt (skatt på årets skattepliktige inntekt) og endring i utsatt skatt. Utsatt skatt/utsatt skattefordel i balansen beregnes på grunnlag av midlertidige forskjeller mellom regnskapsmessige og skattemessige verdier. Utsatt skatt og utsatt skattefordel er presentert netto i balansen. Dog balanseføres ikke utsatt skattefordel.

Note 2 – Lønnskostnader, annen driftskostnad, honorarer

Lønnskostnader mv.

	2012	2011
Lønn, feriepenger mv.	225 000	475 000
Arbeidsgiveravgift	31 725	66 975
Sum	**256 725**	**541 975**

Selskapet hadde ingen ansatte i 2012. Det er avsatt og ikke utbetalt godtgjørelse til selskapets styre med kr. 225 000. Selskapet er ikke pliktig til å ha egen pensjonsordning.

Daglig leder har gjennom sitt selskap fakturert selskapet kr 1 288 710,-. Dette beløp inkluderer sekretærtjenester og kontorhold.

Selskapet hadde fordringer på styrets medlemmer pr. 31.12.12 på kr. 157 218,-. Gjeld til styrets medlemmer er kr. 475 000,- for vedtatt ikke utbetalt styrehonorar for årene 2007 og 2011.

Honorar til selskapets revisor for lovpålagt revisjon er utbetalt med NOK 29 575 eksklusiv mva. Honorar til revisor for diverse annen bistand er utbetalt med NOK 43 401 eksklusiv mva.

Note 3 – Aksjer i datterselskap

Firma	Kontor adresse	Eierandel	Kostpris	Bokført verdi
Next Biometrics AS	Oslo	100 %	120 000	120 000
Sum investeringer i datterselskap			120 000	120 000

	Resultat		Egenkapital	
Andel resultat og egenkapital	2012	2011	2012	2011
Next Biometrics AS	-11 490 072	-6 712 708	-30 442 365	-18 952 293
Sum	-11 490 072	-6 712 708	-30 442 365	-18 952 293

Note 4 – Skatt

Selskapet har ingen skattekostnad.

Beregning av skattepliktig inntekt

	2012	2011
Resultat før skatter	-272 031	-1 871 039
Permanente forskjeller	-355 213	685
Endringer midlertidige forskjeller	-128 190	-89 940
Årets skattegrunnlag	**-755 434**	**-1 960 294**

Spesifikasjoner av grunnlag utsatt skatt

Forskjeller som utlignes

	2012	2011
Fordringer/gjeld utenl. valuta	218 130	89 940
Fremførbart underskudd	-31 259 756	-30 504 322
Andre midlertidige forskjeller	**31 041 626**	**30 414 382**

Note 5 - Aksjekapital og aksjonærinformasjon

Selskapets aksjekapital stor kr 7 232 569 er fordelt på 7 232 569 aksjer pålydende kr 1,-.
De største eierne ved årsskiftet og aksjer eiet av styrets medlemmer er:

Navn:	Antall:	Andel:
Ngoc Minh Dinh, styremedlem	71 441	1,00 %
Ecomnex Holding AS v/Ngoc Minh Dinh, styremedlem	1 628 817	22,70 %
Tore Etholm-Idsøe, styremedlem	172 127	2,40 %
Eurostores AS v/Tore Etholm-Idsøe, styremedlem	405 497	5,65 %
FKKG AS v/Ketil Fridheim, styremedlem	274 849	3,83 %
Foco Ltd v/Jan Eyvind Fondal, styrets leder	320 982	4,47 %
Leif Erik Rahmqvist	458 895	6,40 %
Foco Ltd v/Jan Eyvind Fondal, styrets leder	445 430	6,21 %

Note 6 - Endring egenkapital

Endring egenkapital

	Aksjekapital	Overkursfond	Sum
Egenkapital 01.01.	6 951 769	14 473 840	21 425 609
Ikke registrerte kapitalutvidelser	102 000	2 498 000	2 600 000
Kapitalutvidelser 2012	178 800	4 291 200	4 470 000
Årets underskudd		-272 031	-272 031
Egenkapital 31.12.	**7 232 569**	**20 991 009**	**28 223 577**

Note 7 – Langsiktige fordringer og –gjeld, inklusiv konsern

	2012	2011
Fordringer med forfall senere enn ett år		
Lån til foretak i samme konsern	31 664 595	24 584 179
Sum langsiktige fordringer	31 664 595	24 584 179

Det er ikke beregnet renter på fordringen mot datterselskapet under utviklingsperioden av produktene.

Det er bokført et lån fra Europay på kr. 250 000. Lånet er rentefritt. Tilbakebetaling av lånet er betinget av at produkter under utvikling blir kommersialisert og medfører inntektsstrøm. Hvis dette inntreffer, skal det betales 5 % av overskuddet hvert år til lånet er tilbakebetalt.

Selskapet har mottatt lån fra Ben Franklin Technology Partners til en verdi av USD 300 000. Lånet er utbetalt til Lehigh University i 2006 og 2007 for utførte tjenester og fakturerte tjenester som i sin helhet er kostnadsført. Renter er belastet kvartalsvis fra og med 01.07.07 til en rente på 6 % p.a. Lånesaldo pr. 31.12.12 er USD 363 632,36.
USD 150 000 forfaller i 2013 og resterende USD 150 000 forfaller i 2014. Långiver eller den han måtte utpeke har rett frem til og med 30.06.2016 til å kjøpe 6 928 aksjer til kurs USD 43,30.

Note 8 – Fortsatt drift

Selskapet finansierer datterselskapet Next Biometrics AS sin utvikling av fingeravtrykksensor-teknologi. Pr 31.12 2011 har morselskapet bidratt med totalt kr 31 664 595 i lånetilskudd. Selskapet er innforstått med at det foreligger usikkerhet til i hvilken grad datterselskapet vil lykkes i å kommersialisere teknologien som er under utvikling.
Selskapet er videre innforstått med at fortsatt drift av morselskapet er betinget av at datterselskapet lykkes.

Note 9 – Inntekter

Selskapet har i 2012 mottatt offentlig støtte fra Innovasjon Norge med kr. 1 125 000,- og royalty fra datterselskapet med kr. 110 625,-.

Til generalforsamlingen i
Next Biometrics Group AS

RSM Hasner Kjelstrup & Wiggen AS
Statsautoriserte revisorer
Postboks 1312 Vika, NO-0112 Oslo
Filipstad Brygge 1, NO-0252 Oslo
T: +47 23 11 42 00 F: +47 23 11 42 01
Org.nr. 982 316 588 MVA
www.rsmi.no

REVISORS BERETNING

Uttalelse om årsregnskapet

Vi har revidert årsregnskapet for Next Biometrics Group AS som viser et underskudd på kr 272 031. Årsregnskapet består av balanse per 31. desember 2012, resultatregnskap for regnskapsåret avsluttet per denne datoen, og en beskrivelse av vesentlige anvendte regnskapsprinsipper og andre noteopplysninger.

Styret og daglig leders ansvar for årsregnskapet

Styret og daglig leder er ansvarlig for å utarbeide årsregnskapet og for at det gir et rettvisende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge, og for slik intern kontroll som styret og daglig leder finner nødvendig for å muliggjøre utarbeidelsen av et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller feil.

Revisors oppgaver og plikter

Vår oppgave er å gi uttrykk for en mening om dette årsregnskapet på bakgrunn av vår revisjon. Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder International Standards on Auditing. Revisjonsstandardene krever at vi etterlever etiske krav og planlegger og gjennomfører revisjonen for å oppnå betryggende sikkerhet for at årsregnskapet ikke inneholder vesentlig feilinformasjon.

En revisjon innebærer utførelse av handlinger for å innhente revisjonsbevis for beløpene og opplysningene i årsregnskapet. De valgte handlingene avhenger av revisors skjønn, herunder vurderingen av risikoene for at årsregnskapet inneholder vesentlig feilinformasjon, enten det skyldes misligheter eller feil. Ved en slik risikovurdering tar revisor hensyn til den interne kontrollen som er relevant for selskapets utarbeidelse av et årsregnskap som gir et rettvisende bilde. Formålet er å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll. En revisjon omfatter også en vurdering av om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimatene utarbeidet av ledelsen er rimelige, samt en vurdering av den samlede presentasjonen av årsregnskapet.

Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Konklusjon

Etter vår mening er årsregnskapet avgitt i samsvar med lov og forskrifter og gir et rettvisende bilde av den finansielle stillingen til Next Biometrics Group AS per 31. desember 2012 og av resultater for regnskapsåret som ble avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

Presisering

Vi viser til årsberetningen og note 8 hvor det opplyses om at det knytter seg usikkerhet til fordringen på datterselskapet. Innfrielse av fordringen er avhengig av at datterselskapet lykkes med sitt produkt. Dette kan skape tvil av betydning om selskapets evne til fortsatt drift. Dette forholdet har ingen betydning for vår konklusjon om regnskapet.

Uttalelse om øvrige forhold

Konklusjon om årsberetningen

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, mener vi at opplysningene i årsberetningen om årsregnskapet og forutsetningen om fortsatt drift er konsistente med årsregnskapet og er i samsvar med lov og forskrifter.

Konklusjon om registrering og dokumentasjon

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendig i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000 «Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk finansiell informasjon», mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

Oslo, 17. juni 2013
RSM Hasner Kjelstrup & Wiggen AS

Jostein Bohn

ÅRSBERETNING 2012

Virksomhetens art

NEXT BIOMETRICS AS utvikler og kommersialiserer nye fingeravtrykksensorteknologier i henhold til lisensiert teknologi fra NEXT BIOMETRICS GROUP AS. Administrasjonen er lokalisert i Oslo. Utviklingsarbeidet foregår i Trondheim, Oslo og i Seattle/USA.

Rettvisende oversikt over utvikling og resultat

Det er i 2012 gjort ytterligere fremskritt i selskapets teknologiske og kommersielle arbeid. Årets resultat ble et underskudd på kr 11 490 072. Egenkapitalen per 31.12.12 er negativ med kr 30 442 365. Teknologien vurderes å ha stort potensiale og vil ved vellykket kommersialisering kunne innebære en betydelig omsetning. Forutsetningen om videre drift er basert på dette, samt at gjeld til morselskapet på kr 31 664 595 står tilbake for annen gjeld. Det er innhentet ytterligere kapital i form av lån fra morselskapet i 2013 for å finansiere den videre produktutvikling og kommersialisering.

Fortsatt drift

Styret mener det er riktig å legge forutsetningen om fortsatt drift av selskapet til grunn ved avleggelsen av årsregnskapet. Morselskapet finansierer datterselskapet Next Biometrics AS sin utvikling av fingeravtrykksensor-teknologi. Pr 31.12 2012 har morselskapet bidratt med totalt kr 31 664 595 i lånetilskudd. Morselskapet er innforstått med at det foreligger usikkerhet til i hvilken grad datterselskapet vil lykkes i å kommersialisere teknologien som er under utvikling. Selskapet er videre innforstått med at fortsatt drift for morselskapet er betinget av at datterselskapet lykkes.

Arbeidsmiljøet

Styret vurderer arbeidsmiljøet til å være godt. Sykefraværet i bedriften var 0 dager i 2012. Det er ikke blitt rapportert om skader eller ulykker på arbeidsplassen i løpet av året.

Likestilling

Styret har hatt 4 medlemmer. Det er ingen kvinnelige ansatte i selskapet. Styret er bevisst forholdet om likestilling og har en kjønnsnøytral holdning.

Ytre miljø

Selskapet aktivitet innebærer ingen form for virksomhet som kan innebære miljøskader. Selskapets virksomhet er ikke regulert av konsesjoner eller pålegg av miljømessig karakter.

Oslo, 17. juni 2013

Tore Etholm-Idsøe
Styremedlem/daglig leder

Ngoc Minh Dinh
Styremedlem

Ketil Fridheim
Styremedlem

Jan-Eivind Fondal
Styrets leder

Resultatregnskap 1.1. - 31.12.

	Note	2012	2011
Driftsinntekter			
Salgsinntekter		0	710 331
Sum driftsinntekter		**0**	**710 331**
Driftskostnader			
Lønnskostnad	3	839 388	715 908
Avskrivning varige driftsmidler	2	80 000	80 000
Annen driftskostnad	3	10 361 495	6 665 454
Sum driftskostnader		**11 280 883**	**7 461 362**
Driftsresultat		**-11 280 883**	**-6 751 031**
Finansinntekter/-kostnader			
Annen renteinntekt		8 862	11 007
Annen finansinntekt		633	91 134
Annen rentekostnad		218 684	63 818
Netto finansresultat		**-209 189**	**38 323**
Ordinært resultat før skattekostnad		**-11 490 072**	**-6 712 708**
Ordinært resultat		**-11 490 072**	**-6 712 708**
Årsresultat		**-11 490 072**	**-6 712 708**
Disponering av årsresultat			
Overført til udekket tap		11 490 072	6 712 708
Sum disponert		**11 490 072**	**6 712 708**

Balanse pr. 31.12.

	Note	2012	2011
Eiendeler			
Anleggsmidler			
Immaterielle eiendeler			
Konsesjoner,patenter,lisenser o.l.	2	160 000	240 000
Sum immaterielle eiendeler		**160 000**	**240 000**
Finansielle anleggsmidler			
Investeringer i datterselskap	4	55 664	0
Lån til foretak i samme konsern	9	546 649	0
Sum finansielle anleggsmidler		**602 313**	**0**
Sum anleggsmidler		**762 313**	**240 000**
Omløpsmidler			
Fordringer			
Kundefordringer		0	373 569
Andre fordringer	10	1 589 300	3 572 771
Sum fordringer		**1 589 300**	**3 946 340**
Bankinnskudd, kontanter o.l.	**5**	**524 082**	**2 077 501**
Sum omløpsmidler		**2 113 382**	**6 023 841**
Sum eiendeler		**2 875 696**	**6 263 841**

Balanse pr. 31.12.

	Note	2012	2011
Egenkapital og gjeld			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	7	100 000	100 000
Sum innskutt egenkapital		**100 000**	**100 000**
Opptjent egenkapital			
Udekket tap		-30 542 365	-19 052 293
Sum opptjent egenkapital		**-30 542 365**	**-19 052 293**
Sum egenkapital	**8**	**-30 442 365**	**-18 952 293**
Gjeld			
Annen langsiktig gjeld			
Gjeld til konsernforetak	9	31 664 595	24 584 179
Sum annen langsiktig gjeld		**31 664 595**	**24 584 179**
Kortsiktig gjeld			
Leverandørgjeld		501 076	288 987
Skyldige offentlige avgifter		54 647	189 794
Annen kortsiktig gjeld		1 097 742	153 175
Sum kortsiktig gjeld		**1 653 466**	**631 956**
Sum gjeld		**33 318 060**	**25 216 134**
Sum egenkapital og gjeld		**2 875 696**	**6 263 841**

Oslo, 17.06.2013
Styret for Next Biometrics AS

Jan-Eivind Fondal
Styrets leder

Ngoc Minh Dinh
Styremedlem

Ketil Fridheim
Styremedlem

Tore Etholm-Idsøe
Styremedlem/daglig leder

NOTER TIL ÅRSREGNSKAPET FOR 2012

Note 1 – Regnskapsprinsipper

Årsregnskapet er satt opp i samsvar med regnskapsloven og god regnskapsskikk for små foretak (NRS 8).

Hovedregel for vurdering og klassifisering av eiendeler og gjeld
Eiendeler bestemt til varig eie eller bruk er klassifisert som anleggsmidler. Andre eiendeler er klassifisert som omløpsmidler. Fordringer som skal tilbakebetales innen et år fra etableringstids-punktet, er uansett klassifisert som omløpsmidler. Ved klassifisering av kortsiktig og langsiktig gjeld er analoge kriterier lagt til grunn.

Anleggsmidler er vurdert til anskaffelseskost, men nedskrives til virkelig verdi når verdifallet ikke forventes å være forbigående. Anleggsmidler med begrenset økonomisk levetid avskrives etter en fornuftig avskrivningsplan. Omløpsmidler er vurdert til det laveste av anskaffelseskost og virkelig verdi. Langsiktig og kortsiktig gjeld balanseføres til nominelt beløp på etableringstidspunktet.

Fordringer
Kundefordringer er ført opp etter fradrag for avsetning til forventede tap. Avsetning til tap er gjort på grunnlag av individuell vurdering av fordringene. Andre fordringer, både omløpsfordringer og anleggsfordringer, er ført opp til pålydende.

Skatter
Skattene kostnadsføres når de påløper, dvs. at skattekostnaden er knyttet til det regnskapsmessige resultatet før skatt.

Skattekostnaden består av betalbar skatt (skatt på årets skattepliktige inntekt) og endring i utsatt skatt. Utsatt skatt/utsatt skattefordel i balansen beregnes på grunnlag av midlertidige forskjeller mellom regnskapsmessige og skattemessige verdier. Utsatt skatt og utsatt skattefordel er presentert netto i balansen. Dog balanseføres ikke utsatt skattefordel.

Note 2 – Varige driftsmidler

Varige driftsmidler	**Patenter**	**Sum**
Anskaffelseskost 01.01.	800 000	800 000
Tilgang/-Avgang i året	0	0
Anskaffelseskost 31.12.	**800 000**	**800 000**
Akk. avskrivninger 1.01.	-560 000	-560 000
Årets avskrivning	-80 000	-80 000
Akk. avskrivning pr. 31.12.	**-640 000**	**-640 000**
Balanseført pr. 31.12.	**160 000**	**160 000**

Avskrivningsplan: Patenter avskrives lineært over 10 år.

Note 3 – Lønnskostnader, annen driftskostnad, honorarer

Lønnskostnader mv.

	2012	2011
Lønn, feriepenger mv.	735 165	613 202
Arbeidsgiveravgift	104 223	102 706
Sum	**839 388**	**715 908**

Selskapet har en ansatt som også sitter i styret. Det er ikke utbetalt godtgjørelse til selskapets styre. Selskapet er ikke pliktig til å ha egen pensjonsordning.

Daglig leders selskap har fakturert kr 1 325 230,-. Dette inkluderer sekretærtjenester og kontorhold.

Mellomværende med daglig leder pr. 31.12.12 var på kr. 72 984,-.

Honorar til selskapets revisor for lovpålagt revisjon er utbetalt med NOK 31 200 eksklusiv mva. Honorar til revisor for diverse annen bistand er utbetalt med NOK 4 050 eksklusiv mva.

Note 4 – Aksjer i datterselskap

Firma	Kontor adresse	Eierandel	Kostpris	Bokført verdi
Next Biometrics Inc	USA	100 %	55 664	55 664
Sum investeringer i datterselskap			**55 664**	**55 664**

	Resultat		Egenkapital	
Andel resultat og egenkapital	2012	2011	2012	2011
Next Biometrics Inc (I $)	0	0	-83 451	-55 822
Sum				

Kostnader i Next Biometrics Inc er i sin helhet videre belastet til Next Biometrics AS i forbindelse med prosjektutvikling. Datterselskapet har 5 heltidsansatte og flere sentrale underleverandører innen produktutvikling, inklusive ASIC-utvikling, sensor coating og Android-implementering.

Note 5 – Bundne skattetrekks midler

Bundne skattetrekks midler pr 31.12.12 utgjør NOK 36 979, mens innestående på skattetrekkskonto er NOK 2 967.

Note 6 – Skatt

Årets skattekostnad er kr. 0,-.

Beregning av skattepliktig inntekt

	2012	2011
Resultat før skatter	-11 490 071	-6 712 707
Permanente forskjeller	-7 269	-1 108 685
Endringer midlertidige forskjeller	-1 920	-22 400
Årets skattegrunnlag	**-11 499 261**	**-7 843 792**

Spesifikasjoner av grunnlag utsatt skatt

Forskjeller som utlignes

	2012	2011
Anleggsmidler	-167 680	-169 600
Fremførbart underskudd	-34 018 558	-22 519 297
Grunnlag utsatt skattefordel	**-34 186 238**	**-22 688 897**

Utsatt skattefordel regnskapsføres ikke.

Note 7 - Aksjekapital og aksjonærinformasjon

Selskapets aksjekapital stor kr 100 000 er fordelt på 1 000 aksjer pålydende kr 100. Samtlige aksjer eies av Next Biometrics Group AS.

Note 8 - Endring egenkapital

Endring egenkapital

	2012	2011
Egenkapital 01.01.	-18 952 293	-12 239 585
Tilført fra årets resultat	-11 490 072	-6 712 708
Egenkapital 31.12.	**-30 442 365**	**-18 952 293**

Note 9 – Langsiktige konsernfordringer og -gjeld

	2012	2011
Fordringer med forfall senere enn ett år		
Lån til foretak i samme konsern	546 649	0
Sum langsiktige fordringer	546 649	0
Gjeld med forfall senere enn fem år		
Gjeld til morselskapet	31 664 595	24 584 179
Sum langsiktig gjeld med forfall senere enn 5 år	31 664 595	24 584 179

Renter belastes ikke under utvikling av produktene.

Note 10 – Andre fordringer

Selskapet har tidligere utbetalt kr. 1 000 000 til oppfinneren som forskudd på royalty.

Til generalforsamlingen i
Next Biometrics AS

RSM Hasner Kjelstrup & Wiggen AS
Statsautoriserte revisorer
Postboks 1312 Vika, NO-0112 Oslo
Filipstad Brygge 1, NO-0252 Oslo
T: +47 23 11 42 00 F: +47 23 11 42 01
Org.nr. 982 316 588 MVA
www.rsmi.no

REVISORS BERETNING

Uttalelse om årsregnskapet

Vi har revidert årsregnskapet for Next Biometrics AS som viser et underskudd på kr 11 490 072. Årsregnskapet består av balanse per 31. desember 2012, resultatregnskap for regnskapsåret avsluttet per denne datoen, og en beskrivelse av vesentlige anvendte regnskapsprinsipper og andre noteopplysninger.

Styrets og daglig leders ansvar for årsregnskapet

Styret og daglig leder er ansvarlig for å utarbeide årsregnskapet og for at det gir et rettvisende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge, og for slik intern kontroll som styret og daglig leder finner nødvendig for å muliggjøre utarbeidelsen av et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller feil.

Revisors oppgaver og plikter

Vår oppgave er å gi uttrykk for en mening om dette årsregnskapet på bakgrunn av vår revisjon. Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder International Standards on Auditing. Revisjonsstandardene krever at vi etterlever etiske krav og planlegger og gjennomfører revisjonen for å oppnå betryggende sikkerhet for at årsregnskapet ikke inneholder vesentlig feilinformasjon.

En revisjon innebærer utførelse av handlinger for å innhente revisjonsbevis for beløpene og opplysningene i årsregnskapet. De valgte handlingene avhenger av revisors skjønn, herunder vurderingen av risikoene for at årsregnskapet inneholder vesentlig feilinformasjon, enten det skyldes misligheter eller feil. Ved en slik risikovurdering tar revisor hensyn til den interne kontrollen som er relevant for selskapets utarbeidelse av et årsregnskap som gir et rettvisende bilde. Formålet er å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll. En revisjon omfatter også en vurdering av om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimatene utarbeidet av ledelsen er rimelige, samt en vurdering av den samlede presentasjonen av årsregnskapet.

Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Konklusjon

Etter vår mening er årsregnskapet avgitt i samsvar med lov og forskrifter og gir et rettvisende bilde av den finansielle stillingen til Next Biometrics AS per 31. desember 2012 og av resultater for regnskapsåret som ble avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

Uttalelse om øvrige forhold

Konklusjon om årsberetningen

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, mener vi at opplysningene i årsberetningen om årsregnskapet, og om forutsetningen om fortsatt drift er konsistente med årsregnskapet og er i samsvar med lov og forskrifter.

Konklusjon om registrering og dokumentasjon

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendig i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000 «Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk finansiell informasjon», mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

Andre forhold

Selskapet har ikke behandlet skattetrekksmidler i samsvar med bestemmelsene i skattebetalingsloven § 5-12.

Oslo, 17. juni 2013
RSM Hasner Kjelstrup & Wiggen AS

Jostein Bøhn

APPENDIX C:

INTERIM FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2014 AND 2013

NEXT Biometrics Group ASA – Quarterly report - Q1 2014

Highlights

- NEXT receives the first volume orders for commercial deliveries in 2014 (April and May))
- NEXT receives multiple orders for product integration units to system integrators in China, Taiwan and India
- NEXT signs strategic cooperation and investment agreement with FOXCONN (26 May).
- NEXT sends application for listing at the Oslo stock exchange alternatively Oslo Axess
- NEXT ordered the first coating machine to give a monthly capacity of 1.8 m sensors. This machine is going to be delivered during q4- 2014
- Earnings before interest, tax, depreciation and amortization (EBITDA) of MNOK – 14.8 in 1Q14 compared to MNOK -4.7 in 1Q13.

Interim condensed financial statements as at 31 March 2014 (Unaudited)

Profit & loss statement

NEXT did not earn revenue in the first quarter of 2014 and in the first quarter of 2013.

Payroll expenses increased to NOK 3.9 million in the first quarter of 2014 compared to NOK 1.6 million in the first quarter of 2013. The increase was due to increased number of employees during 2013. Most of the employees are located in Seattle and Shanghai. R&D payroll expenses increased to NOK 2.3 million in the first quarter of 2014 compared to NOK 0.9 million in the first quarter of 2013.

Other operating expenses increased to NOK 10.8 million in the first quarter of 2014 compared to NOK 3.1 million in the first quarter of 2013. The increase was due to increased research and development (R&D) expenses, including ramp-up costs related to test production of NOK 4.0 million. R&D other operating expenses increased to NOK 7.6 million in the first quarter of 2014 compared to NOK 1.4 million in the first quarter of 2013.

Total R&D expenses (payroll and other operating expenses) increased to NOK 9.9 million in the first quarter of 2014 compared to NOK 2.3 million in the first quarter of 2013. The increase was also due to the increased activity in the subsidiary NEXT Biometrics Inc, where the main part of the engineering activities takes place.

Depreciation and amortisation ended at NOK 0.02 million in the first quarter of 2014. In the first quarter of 2013 the amount was NOK 0. Investments in the first quarter of 2014 amounted to NOK 0.23 million, compared to NOK 0.05 million in the first quarter of 2013.

Net financial items amounted to NOK 0.12 million in the first quarter of 2014, up from NOK 0.06 million in the first quarter of 2013. The increase was mainly related to currency adjustments.

NEXT operated at a loss and did not incur deferred or payable income taxes in the first quarter of 2014 or 2013.

Net loss for the first quarter of 2014 was NOK 14.9 million compared to a loss of NOK 4.7 million in the first quarter of 2013. The increased loss was due to increased R&D activity including test production.

Balance sheet

Cash and cash equivalents amounted to NOK 44.3 million by the end of the first quarter of 2014 compared to NOK 2.4 million by the end of the first quarter of 2013. The operations consumed cash in an amount of NOK 25.3 million in the first quarter of 2014 compared to NOK 1.1 million in the first quarter of 2013. Included in the cash consumed in the first quarter of 2014 was NOK 11.3 million related to working capital increase. The main part of the working capital increase is increased use of cash for inventory build up of NOK 12.2 million. This build up is split in prepayments of NOK 9.2 million and NOK 2.9 million in work in progress goods and goods for sale.

Compared to 31 December 2013 cash and cash equivalents have decreased NOK 25.5 million from NOK 69.7 million. The change reflects net cash from operating activities and working capital increase as described above.

Equity amounted to NOK 49.1 million as of 31 March 2014 compared to NOK 63.2 million by the end of 2013 due to a loss of NOK 14.9 million in the first quarter of 2014.

Oslo, May 28, 2014
The Board of Directors
NEXT BIOMETRICS GROUP ASA

NEXT Biometrics Group ASA
Condensed interim statements of comprehensive income (unaudited)
31 March 2014

Amounts in NOK 1,000	2014 1.1-31.03	2013 1.1-31.03	2013
PROFIT AND LOSS			
Revenue			
Operting revenue	0	0	38
Other revenue	0	0	0
Total revenue	**0**	**0**	**38**
Operating expenses			
Payroll expenses	3 923	1 603	12 110
Other operating expenses	10 843	3 083	24 949
Total operating expenses	**14 766**	**4 686**	**37 058**
Profit (loss) before tax, depreciations and amortization	**-14 766**	**-4 686**	**-37 021**
Depreciations and amortisation	20	0	577
Operating profit (loss)	**-14 786**	**-4 686**	**-37 598**
Net financial items	-126	-56	-1 197
Net profit (loss) for the period	**-14 912**	**-4 742**	**-38 795**
Earnings per share - basic and diluted	**-1,70**	**-0,65**	**-5,06**
Other comprehensive income			
Items that will be reclassified to profit and loss			
Exchange rates differences	18	6	-207
Total other comprehensive income	**18**	**6**	**-207**
Total comprehensive income for the period	**-14 894**	**-4 736**	**-39 002**
Total comprehensive income for the period attributable from:			
Owners of the parent company	**-14 894**	**-4 736**	**-39 002**
Total	**-14 894**	**-4 736**	**-39 002**

Condensed interim statements of financial position (unaudited)

Amounts in NOK 1,000	31-Mar-14	31-Mar-13	31-Dec-13
ASSETS			
Non-current assets			
Intangible assets	7 518	7 618	7 538
Machinery and office equipment	334	201	100
Other financial receivables	0	12	0
Total non-current assets	**7 852**	**7 831**	**7 638**
Current assets			
Inventory	**12 171**	**0**	**0**
Receivables			
Account receivables	0	0	5
Other receivables	6 508	1 984	2 339
Total receivables	**6 508**	**1 984**	**2 345**
Cash and cash equivalents	**44 255**	**450**	**69 728**
Total current assets	**62 934**	**2 434**	**72 073**
Total assets	**70 787**	**10 266**	**79 711**
EQUITY AND LIABILITIES			
Equity			
Share capital	8 788	7 258	8 788
Share premium reserve	104 326	14 766	104 326
Other paid in capital	13 031	9 235	12 187
Retained earnings	-77 041	-37 829	-62 147
Total equity	**49 104**	**-6 570**	**63 154**
Liabilities			
Non-current liabilities			
Other non-current provisions	7 399	7 502	7 350
Other non-current debt	0	2 274	0
Total non-current liabilities	**7 399**	**9 776**	**7 350**
Current liabilities			
Accounts payable	2 222	1 842	759
Public duties payable	137	192	139
Other current liabilities	11 925	5 027	8 309
Total current liabilities	**14 283**	**7 060**	**9 207**
Total liabilities	**21 682**	**16 836**	**16 557**
Total equity and liabilities	**70 787**	**10 266**	**79 711**

NEXT Biometrics Group ASA

Condensed interim statements of cash flow (unaudited)

	2014 1.1-31.03	2013 1.1-31.03	2013
Cash flows from operating activities			
Profit (loss) before taxes	-14 912	-4 742	-38 795
Share based remuneration (equity part)	844	2 021	4 972
Depreciations and amortisation	20	0	577
Change in working capital items	-11 258	1 585	3 371
Net cash flows from operating activities	**-25 306**	**-1 136**	**-29 875**
Cash flows from investing activities			
Purchase of tangible assets	-234	-46	-442
Net cash flows from investing activities	**-234**	**-46**	**-442**
Cash flows from financing activities			
Proceedss from non-current debt	49	49	-2 364
Share issue net of expenses	0	975	102 015
Net cash flows from financing activities	**49**	**1 024**	**99 651**
Translation differences	18	6	-207
Net cange in cash flows	**-25 472**	**-152**	**69 126**
Opening cash balance	69 728	602	602
Closing cash balance	44 255	450	69 728

Condensed interim statements of changes in equity (unaudited)

Amounts in NOK 1,000	**Share capital**	**Share premimum reserve**	**Other paid-in capital**	**Retained earnings**	**Total Equity**
Balance 1 January 2014	**8 788**	**104 326**	**12 187**	**-62 147**	**63 154**
Shares issue					-
Share based compensation			844		844
Translation differences				18	18
Net profit (loss)				-14 912	-14 912
Balance 31 March 2014	**8 788**	**104 326**	**13 031**	**-77 041**	**49 104**
Balance 1 January 2013	**7 233**	**13 816**	**7 215**	**-33 094**	**-4 830**
Shares issue	1 555	100 460			102 015
Share based compensation			4 972		4 972
Translation differences				-207	-207
Net profit (loss)		-9 949		-28 846	-38 795
Balance 31 December 2013	**8 788**	**104 326**	**12 187**	**-62 147**	**63 154**

Notes to the condensed interim financial statements
31 March 2014 (Unaudited)

1. General information

NEXT Biometrics Group ASA ("NEXT") is a private limited liability company incorporated and domiciled in Norway. NEXT's shares have been registered on the Norwegian OTC system ("NOTC") with ticker "NEXT" since 10 October 2013. NEXT is planning an IPO at Oslo Stock exchange in June 2014.

NEXT Biometric Group ASA is the parent company of the Group. The operations of the Group are carried out by the Group's operating subsidiaries. The Group has two wholly owned operating subsidiaries: (i) NEXT Biometrics AS (Norway); and (ii) NEXT Biometrics Inc (USA). In addition the Group plans to establish companies in China and Taiwan. The process of establishing a company in China is initiated. Legal status of the location in Taiwan is to be decided.

The purpose of the company as stated in the articles of association is to conduct research, development and commercialization of security products, as well as other related activities that will naturally fall under this. The company's headquarter is located in Oslo, Norway.

2. Basis of preparation, accounting policies

This condensed interim financial report for the first quarter of 2014 has been prepared in accordance with IAS 34 "Interim financial reporting". The condensed interim financial report should be read in conjunction with the annual financial statements for 2013.

The IFRS accounting policies applied in this condensed interim financial report are consistent with those applied and described in the annual financial statements for 2013.

In the commercialization phase, NEXT need during 2014 to raise additional funds to be able to realize the company's overall strategic and commercial plans. NEXT is planning to raise additional funds in preparation of the planned listing at the Oslo Stock exchange in June 2014.

NEXT did not earn revenue from commercial volumes by the end of the first quarter of 2014. NEXT does not have non-current financial debt. The only non-current liability is related to future royalty payments.

This interim financial report has not been subject to audit.

The board of directors approved the report on 28 May 2014.

3. Revenue and segment reporting

Operating revenue - Per business segment (amounts in NOK)	2014 1.1-31.3	2013 1.1-31.3	2013 1.1-31.12
Fingerprint sensor technology	0	0	37 962
Total	**0**	**0**	**37 962**

Operating revenue - Per country (amounts in NOK)	2014 1.1-31.3	2013 1.1-31.3	2013 1.1-31.12
Taiwan	0	0	27 854
China	0	0	9 908
Total	**0**	**0**	**37 762**

NEXT have grouped the use of the technology into 4 markets; (i) Smartphones & Tablets, (ii) Notebooks & Accessories, (iii) Existing/Traditional markets and (iv) NEXT Enabled markets. The available technology is generic into the 4 markets. Since the company has limited revenues it is operating and reporting only in one business segment; *Fingerprint sensor technology*. NEXT did not earn revenue from commercial volumes by the end of the first quarter of 2014.

The revenue in 2013 involved customer acceptance and payments related to prototype and integration deliveries.

4. Intangible assets

Intangible assets (amounts in NOK)	2014 1.1-31.3	2013 1.1-31.3	2013 1.1-31.12
Cost of 1 January	800 000	800 000	800 000
Additions	0	0	0
Disposals at cost	0	0	0
Currency adjustments	0	0	0
Cost at 31 March/December	800 000	800 000	800 000
Accumulated depreciation at 1 January	720 000	640 000	640 000
Depreciation	20 000	0	80 000
Accumulated depreciation of disposed items	0	0	0
Currency adjustments	0	0	0
Accumulated depreciation at 31 March/December	740 000	640 000	720 000
Book value at 31 March/December	**60 000**	**160 000**	**80 000**
Depreciation period (straight line) years	10	10	10

In addition, the company entered into a royalty agreement on 8 May 2008 regarding NEXT Biometrics Group AS right to use the patent described as the *Active Thermal Sensing Principle*. This purchase was recognized at net present value and included in the opening balance as of 1 January 2012. The book value is depended on the successful development of the fingerprint technology in the parent company and in the subsidiaries.

Purchase of patent (amounts in NOK)	2014 1.1-31.3	2013 1.1-31.3	2013 1.1-31.12
Cost of 1 January	7 458 255	7 458 255	7 458 255
Additions	0	0	0
Disposals at cost	0	0	0
Currency adjustments	0	0	0
Cost at 31 March/December	7 458 255	7 458 255	7 458 255
Accumulated depreciation at 1 January	0	0	0
Depreciation	0	0	0
Accumulated depreciation of disposed items	0	0	0
Currency adjustments	0	0	0
Accumulated depreciation at 31 March/December	0	0	0
Book value at 31 March/December	**7 458 255**	**7 458 255**	**7 458 255**

The patent will be amortized over the patent life from the time revenue is recognized. The provision connected to this purchase is recognized as long-term provision.

5. Machinery and office equipment

Machinery and office equipment (amounts in NOK)	2014 1.1-31.3	2013 1.1-31.3	2013 1.1-31.12
Cost of 1 January	1 161 523	662 391	674 819
Additions	235 644	51 938	423 991
Disposals at cost	0	0	0
Currency adjustments	-18 443	30 844	62 713
Cost at 31 December	1 378 724	745 174	1 161 523
Accumulated depreciation at 1 January	1 061 698	520 187	520 187
Depreciation	0	0	497 182
Accumulated depreciation of disposed items	0	0	0
Currency adjustments	-16 858	24 223	44 330
Accumulated depreciation at 31 March/December	1 044 840	544 410	1 061 698
Book value at 31 March/December	**333 884**	**200 764**	**99 824**
Depreciation period (straight line) years	3-7	3-7	3-7

6. Provisions

Royalty payments

NEXT Biometrics Group AS and board member Ngoc Minh Dinh entered into a royalty agreement on 8 May 2008 regarding the company's right to use the patent described as the *Active Thermal Sensing principle*. This agreement regulates royalty payments for the transfer of the patent. Ngoc Minh Dinh shall receive a royalty equal to 5% of the company's gross margin from the technology. Gross margin is defined as sales price minus cost of goods sold, insurance, freight, and other costs related to set-up of production.

Regardless of the company's gross margin from the sales from the company, Ngoc Minh Dinh is entitled to a minimum royalty of NOK 9.4 million from 2013 up to 2025. A provision for these yearly minimum amounts has been recognized in the balance sheet, and has been determined by discounting these amounts using an interest rate of 2.6%. The time value of money is recognized as financial cost.

Royalty payments (amounts in NOK)	**2014 1.1-31.3**	**2013 1.1-31.3**	**2013 1.1-31.12**
Balance at 1 January	**7 649 839**	**7 652 170**	**7 652 170**
Time value	49 241	49 417	197 669
Additional	0	0	0
Payment	0	0	-200 000
Balance at 31 March/December	**7 699 080**	**7 701 587**	**7 649 839**

Presented as:	**2014 1.1-31.3**	**2013 1.1-31.3**	**2013 1.1-31.12**
Current liability	300 000	200 000	300 000
Non-current liability	7 399 080	7 501 587	7 349 839
Balance at 31 March/December	**7 699 080**	**7 701 587**	**7 649 839**

NEXT does not have any contingent assets or contingent liabilities except royalty liabilities. NEXT has not issued any guarantees.

7. Shares and incentive options

	Shares	**Weighted Average Exercise Price**	**Shares**	**Weighted Average Exercise Price**	**Shares**	**Weighted Average Exercise Price**
Options	**01.01.2014 - 31.03.2014**		**01.01.2013 - 31.12.2013**		**01.01.2012 - 31.12.2012**	
Outstanding at the beginning of period	1 275 332	25,46	843 201	14,40	643 816	11,61
Granted	20 000	75,00	437 931	47,06	199 385	23,42
Transferred in	-	-	-	-	-	-
Exercised	-	-	-5 800	50,00	-	-
Released	-	-	-	-	-	-
Cancelled	-	-	-	-	-	-
Forfeited	40 000	25,00	-	-	-	-
Expired	-	-	-	-	-	-
Adjusted quantity	-	-	-	-	-	-
Modification / Dividends	-	-	-	-	-	-
Transferred out	-	-	-	-	-	-
Outstanding at the end of period	1 255 332	26,48	1 275 332	25,46	843 201	14,40
Vested options	995 342	19,44	925 277	18,92	686 777	12,70
Weighted Average Fair Value of Options Granted during the period	20 000	75,00	437 931	24,55	199 385	12,36
Intrinsic value outstanding options at the end of the period	1 184 332	55 183 909	1 224 332	63 385 569	843 201	20 741 117
Intrinsic value vested options at the end of the period	985 342	50 374 219	915 277	51 892 999	686 777	18 062 025

In order to attract talented, experienced and high value networked human resources the Company have entered and plan to continue to enter stock option agreements. NEXT has granted incentive options to employees, contractors and board members, high value networked individuals and members of the advisory board.

Number of financial instruments

Shares	2014 1.1-31.3	2013 1.1-31.3	2013 1.1-31.12
Opening balance	8 787 665	7 232 569	7 232 569
Share issue(s)	0	25 000	1 549 296
Exercised financial options	0	0	5 800
Closing balance	**8 787 665**	**7 257 569**	**8 787 665**

Options	2014 1.1-31.3	2013 1.1-31.3	2013 1.1-31.12
Opening balance	1 275 332	843 201	843 201
Grant of incentive options	20 000	257 131	437 931
Exercised incentive options	0	0	-5 800
Terminated or expired incentive options	-40 000	0	0
Closing balance	**1 255 332**	**1 100 332**	**1 275 332**

2014

At AGM May 16 , the Board of Directors is granted an authorization to increase the Company's share capital by up to NOK 1,393,000 for the companies option program. In addition the AGM gave the Board of Directors authorization to increase the Company's share capital by up to NOK 3,000,000. The authorization may be used at the discretion of the board of directors, one or multiple times, in connection with the contemplated listing of the Company's Shares on Oslo Børs, alternatively Oslo Axess including to issue shares to the managers in connection with over-allotment of shares.

2013

30 September 2013 NEXT completed a successful planned private placement of shares. The placement involved 1 264 900 shares at a subscription price of NOK 75 corresponding to a total subscription of NOK 94 867 500. Expenses connected with this private placement amounted to NOK 6 653 632 and net proceeds were NOK 88 213 868.

In addition to the planned private placement NEXT conducted 4 private placements during 2013. In the start of the year this involved 2 private placements with 44 000 shares at a subscription price of NOK 39 corresponding to a total subscription of NOK 1 716 000 and then 2 private placement of 195 396 shares at a subscription price of NOK 50, corresponding to a total subscription of NOK 9 769 800. In connection with the repayment of debt the company also issued 45 000 shares at a subscription price of NOK 45 corresponding to NOK 2 025 000 to a private investor. In addition the same investor exercised 5 800 financial options, with a strike price of NOK 50 per share, corresponding to a total subscription of NOK 290 000 by the end of the year.

8. Profit (loss) per share

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

The diluted number of shares has been calculated by the treasury stock method. If the exercise price of incentive options exceeds the average per share in the period, the incentive options are not counted as being dilutive.

1 January - 31 March/December	2014 1.1-31.3	2013 1.1-31.3	2013 1.1-31.12
Profit (loss) attributable to the shareholders (NOK)	-14 495 603	-4 741 734	-38 795 193
Number of ordinary shares issue at 31 March	8 787 665	7 276 569	8 787 665
Weighted average basic number of shares	8 787 665	7 274 634	7 673 441
Weighted average diluted number of shares	10 060 330	8 335 554	8 816 503
Profit (loss) per share, basic and diluted (NOK)	**-1,70**	**-0,65**	**-5,06**

9. Events occurring after the balance sheet date

NEXT Biometrics signed May 26 a strategic cooperation and investment agreement with Icreate Investments Limited, a subsidiary of the world largest manufacturing services provider, Foxconn Technology Group ("FOXCONN"). This cooperation agreement includes subscription of shares in the upcoming NEXT IPO. The agreement includes a memorandum of understanding defining business areas in which the parties, for the benefit of FOXCONN clients, will explore opportunities for use of NEXT technology within a wide range of key FOXCONN business areas. FOXCONN has agreed to subscribe shares in the upcoming IPO for an amount of at least NOK 30 million. The subscription is conditional upon NEXT raising a total of minimum NOK 120 million in gross proceeds at a price per share of no less than NOK 73.6 and not higher than NOK 105.

As part of the Subscription Agreement FOXCONN shall be granted a number of warrants based on the number of shares it is allocated in the Offering for an amount of NOK 30 million. The warrants shall be divided into three classes of warrants (A, B and C), divided with 25% in each of classes A and B and 50% in class C. The class B shall only be exercisable upon FOXCONN and its group companies purchasing a minimum of 1 million sensors from NEXT over the next three years. The number of shares to be issued upon the exercise of a warrant of the Class C warrants is subject to how many sensors in the range between 1 and 10 million FOXCONN and its group companies purchases from NEXT in the three years period. The total number of warrants to be issued to FOXCONN, and the maximum number of shares to issued upon the exercise of such warrants, shall be the same as the number of shares allocated to FOXCONN for an amount of NOK 30 million in the IPO. The warrants give a right to subscribe for shares at the same price as the final subscription price for institutional investors in the Offering up until 30 June 2017.

At the AGM, held in 16 May, Next Biometrics Group AS converted to NEXT Biometrics ASA (a public company). In additon a new Board of Directs were elected Jan-Eivind Fondal (chairman), Ketil Fridheim, Ngoc Minh Dinh, Marit Kristin Instanes, Ralph Høibakk, Svenn-Tore Larsen, Inger Berg Ørstavik, Brita Eilertsen.

In the commercialization phase NEXT needs during 2014 to raise additional funds to be able to realize the company's overall strategic and commercial plans going forward. NEXT is planning to raise additional funds in preparation of the planned listing at Oslo Stock exchange In June 2014.

Between 31 March 2014 and the resolution of these condensed consolidated interim financial statements, there has not been any other event which have had any noticeable impact on NEXT's result in the first quarter of 2014 or the value of the company's assets and liabilities at 31 March 2014.

APPENDIX D:

RETAIL APPLICATION FORM

APPLICATION FORM FOR THE RETAIL OFFERING

General information: The terms and conditions for the Retail Offering are set out in the prospectus dated 6 June 2014 (the "**Prospectus**"), which has been issued by NEXT Biometrics Group ASA (the "**Company**") in connection with the initial public offering and listing (the "**Listing**") on Oslo Axess ("Oslo Axess"). All capitalised terms not defined herein shall have the meaning as assigned to them in the Prospectus.

Application procedure: Applicants in the Retail Offering who are residents of Norway with a Norwegian personal identification number may apply for Offer Shares by using the following websites: www.arcticsec.no and www.carnegie.no. Applications in the Retail Offering can also be made by using this Retail Application Form (see definition in Section 16.5.4 "Application procedures and application office" of the Prospectus). Retail Application Forms must be correctly completed and submitted by the applicable deadline to one of the following application offices:

Arctic Securities ASA Haakon VII's gate 5 P.O. Box 1833 Vika N- 0161 Oslo Norway Tel: +47 21 01 30 40 Facsimile: +47 21 01 31 36 subscription@arcticsec.no	Carnegie AS Grundingen 2 P.O. Box 684 Sentrum N-0250 OSLO NORWAY Tel: +47 22 00 93 00 Facsimile: +47 22 00 99 60 subscriptions@carnegie.no

The applicant is responsible for the correctness of the information filled in on this Retail Application Form. Retail Application Forms that are incomplete or incorrectly completed, electronically or physically, or that are received after expiry of the Application Period, and any application that may be unlawful, may be disregarded without further notice to the applicant. **Subject to any shortening or extension of the Application Period, applications made through the VPS online application system must be duly registered by 12:00 hours (CET) on 19 June 2014, while applications made on Retail Application Forms must be received by one of the application offices by the same time**. None of the Company or any of the Managers may be held responsible for postal delays, unavailable fax lines, internet lines or servers or other logistical or technical matters that may result in applications not being received in time or at all by any of the application offices. All applications made in the Retail Offering will be irrevocable and binding upon receipt of a duly completed Retail Application Form, or in the case of applications through the VPS online application system, upon registration of the application, irrespective of any shortening or extension of the Application Period, and cannot be withdrawn, cancelled or modified by the applicant after having been received by the application office, or in the case of applications through the VPS online application system, upon registration of the application.

Price of Offer Shares: The indicative price range (the "**Indicative Price Range**") for the Offering is from NOK 75 to NOK 90 per Offer Share. The Company will, in consultation with the Managers, determine the final Offer Price on the basis of applications received and not withdrawn in the Institutional Offering during the Bookbuilding Period and the number of applications received in the Retail Offering. The Offer Price will be determined on or about 19 June 2014. The Offer Price may be set within, below or above the Indicative Price Range. Each applicant in the Retail Offering will be permitted, but not required, to indicate when ordering through the VPS online application system or on the Retail Application Form that the applicant does not wish to be allocated Offer Shares should the Offer Price be set higher than the highest price in the Price Range. If the applicant does so, the applicant will not be allocated any Offer Shares in the event that the Offer Price is set higher than the highest price in the Indicative Price Range. If the applicant does not expressly stipulate such reservation when ordering through the VPS online application system or on the Retail Application Form, the application will be binding regardless of whether the Offer Price is set within or above (or below) the Indicative Price Range

Allocation, payment and delivery of Shares: The Managers, acting as settlement agent for the Retail Offering, expects to issue notifications of allocation of Offer Shares in the Retail Offering on or about 20 June 2014 by issuing allocation notes to the applicants by mail or otherwise. Any applicant wishing to know the precise number of Offer Shares allocated to it may contact the application office listed above from on or about 20 June 2014 during business hours. Applicants who have access to investor services through an institution that operates the applicant's VPS account should be able to see the number of Offer Shares they have been allocated from on or about 20 June 2014. In registering an application through the VPS online application system or by completing and submitting a Retail Application Form, each applicant in the Retail Offering will authorise the Manager to debit the applicant's Norwegian bank account for the total amount due for the Offer Shares allocated to the applicant. Accounts will be debited on or about 23 June 2014 (the "Payment Date"), and there must be sufficient funds in the stated bank account from and including 22 June 2014. Applicants who do not have a Norwegian bank account must ensure that payment for the allocated Offer Shares is made on or before the Payment Date. Further details and instructions will be set out in the allocation notes to the applicant to be issued on or about 20 June 2014, or can be obtained by contacting the Managers at +47 21 01 30 40 or +47 22 00 93 00. The Managers are only authorised to debit each account once, but reserves the right (but has no obligation) to make up to three debit attempts through 30 June 2014 if there are insufficient funds on the account on the Payment Date. Should any applicant have insufficient funds on its account, or should payment be delayed for any reason, or if it is not possible to debit the account, overdue interest will accrue and other terms will apply as set out under the heading "Overdue and missing payments" below. Subject to timely payment by the applicant, delivery of the Offer Shares allocated in the Retail Offering is expected to take place on or about 24 June 2014 (or such later date upon the successful debit of the relevant account).

Guidelines for the applicant: Please refer to the second page of this Retail Application Form for further application guidelines.

Applicant's VPS-account (12 digits):	**I / we apply for Offer Shares for a total of NOK (minimum NOK 10,500 and maximum NOK 499,999):**	**Applicant's bank account to be debited (11 digits):**
OFFER PRICE: My/our application is conditional upon the final Offer Price not being set above the upper end of the Indicative Price Range (insert cross) **(must only be completed if the application is conditional upon the final Offer Price not being set above the upper end of the Indicative Price Range):**		

I/we hereby irrevocably (i) apply for the number of Offer Shares allocated to me/us, at the Offer Price, up to the aggregate application amount as specified above subject to the terms and conditions set out in this Retail Application Form and in the Prospectus, (ii) authorise and instruct each of the Managers (or someone appointed by any of them) acting jointly or severally to take all actions required to purchase and/or subscribe the Offer Shares allocated to me/us on my/our behalf, to take all other actions deemed required by them to give effect to the transactions contemplated by this Retail Application Form, and to ensure delivery of beneficial interest in such Offer Shares to me/us in the VPS, on my/our behalf, (iii) authorise the Managers to debit my/our bank account as set out in this Retail Application Form for the amount payable for the Offer Shares allotted to me/us, and (iv) confirm and warrant to have read the Prospectus and that I/we are eligible to apply for and purchase Offer Shares under the terms set forth therein.

Date and place*:	**Binding signature****:

* Must be dated during the Application Period.
** The applicant must be of legal age. If the Retail Application Form is signed by a proxy, documentary evidence of authority to sign must be attached in the form of a Power of Attorney or Company Registration Certificate.

DETAILS OF THE APPLICANT — ALL FIELDS MUST BE COMPLETED	
First name	Surname/Family name/Company name
Home address (for companies: registered business address)	Zip code and town
Identity number (11 digits) / business registration number (9 digits)	Nationality
Telephone number (daytime)	E-mail address

GUIDELINES FOR THE APPLICANT

THIS RETAIL APPLICATION FORM IS NOT FOR DISTRIBUTION OR RELEASE, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES, OR ANY OTHER JURISDICTION IN WHICH THE DISTRIBUTION OR RELEASE WOULD BE UNLAWFUL. OTHER RESTRICTIONS ARE APPLICABLE. PLEASE SEE "SELLING RESTRICTIONS" BELOW.

Regulatory issues: Legislation passed throughout the European Economic Area (the "**EEA**") pursuant to the Markets and Financial Instruments Directive ("**MiFID**") implemented in the Norwegian Securities Trading Act, imposes requirements in relation to business investment. In this respect the Managers must categorise all new clients in one of three categories: Eligible counterparties, Professional and Non-professional clients. All applicants applying for Offer Shares in the Offering who/which are not existing clients of one of the Managers will be categorised as Non-professional clients. The applicant can by written request to the Managers ask to be categorised as a Professional client if the applicant fulfils the provisions of the Norwegian Securities Trading Act. For further information about the categorisation the applicant may contact the Managers. The applicant represents that it has sufficient knowledge, sophistication and experience in financial and business matters to be capable of evaluating the merits and risks of an investment decision to invest in the Company by applying for Offer Shares, and the applicant is able to bear the economic risk, and to withstand a complete loss of an investment in the Company.

Execution only: As the Managers are not in the position to determine whether the application for Offer Shares is suitable for the applicant, the Managers will treat the application as an execution only instruction from the applicant to apply for Offer Shares in the Offering. Hence, the applicant will not benefit from the corresponding protection of the relevant conduct of business rules in accordance with the Norwegian Securities Trading Act.

Information barriers: The Managers are securities firms, offering a broad range of investment services. In order to ensure that assignments undertaken in the Managers' corporate finance departments are kept confidential, the Managers' other activities, including analysis and stock broking, are separated from their corporate finance departments by information barriers known as "Chinese walls". The applicant acknowledges that the Managers' analysis and stock broking activity may act in conflict with the applicant's interests with regard to transactions in the Offer Shares as a consequence of such Chinese walls.

VPS account and anti-money laundering procedures: The Offering is subject to applicable anti-money laundering legislation, including the Norwegian Money Laundering Act of 6 March 2009 No. 11 and the Norwegian Money Laundering Regulation of 13 March 2009 No. 302 (collectively the "**Anti-Money Laundering Legislation"**). Applicants who are not registered as existing customers of one of the Managers must verify their identity to one of the Managers in accordance with requirements of the Anti-Money Laundering Legislation, unless an exemption is available. Applicants who have designated an existing Norwegian bank account and an existing VPS account on the Retail Application Form are exempted, unless verification of identity is requested by a Joint Lead Bookrunner. Applicants who have not completed the required verification of identity prior to the expiry of the Application Period will not be allocated Offer Shares. Participation in the Offering is conditional upon the applicant holding a VPS account. The VPS account number must be stated in the Retail Application Form. VPS accounts can be established with authorised VPS registrars, who can be Norwegian banks, authorised securities brokers in Norway and Norwegian branches of credit institutions established within the EEA. Establishment of a VPS account requires verification of identity to the VPS registrar in accordance with the Anti-Money Laundering Legislation. However, non-Norwegian investors may use nominee VPS accounts registered in the name of a nominee. The nominee must be authorised by the Norwegian FSA.

Selling restrictions: The Offering is subject to specific legal or regulatory restrictions in certain jurisdictions, see Section 17 "Selling and Transfer Restrictions" in the Prospectus. Neither the Company nor any of the Managers assume any responsibility in the event there is a violation by any person of such restrictions. The Offer Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**") or under any securities laws of any state or other jurisdiction of the United States and may not be taken up, offered, sold, resold, transferred, delivered or distributed, directly or indirectly, within, into or from the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with the securities laws of any state or other jurisdiction of the United States. There will be no public offer in the United States. The Offer Shares will, and may, not be offered, sold, resold, transferred, delivered or distributed, directly or indirectly, within, into or from any jurisdiction where the offer or sale of the Offer Shares is not permitted, or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any jurisdiction where the offer or sale is not permitted, except pursuant to an applicable exemption. In the Retail Offering, the Offer Shares are being offered and sold to certain persons outside the United States in offshore transactions within the meaning of and in compliance with Rule 903 of Regulation S under the U.S. Securities Act.

The Company has not authorised any offer to the public of its securities in any Member State of the EEA other than Norway. With respect to each Member State of the EEA other than Norway and which has implemented the EU Prospectus Directive (each, a "**Relevant Member State**"), no action has been undertaken or will be undertaken to make an offer to the public of the Offer Shares requiring a publication of a prospectus in any Relevant Member State. Any offers outside Norway will only be made in circumstances where there is no obligation to produce a prospectus.

Stabilisation: In connection with the Offering, Arctic Securities ASA (as the "**Stabilisation Manager**") (or persons acting on behalf of the Stabilisation Manager) may over-allot shares or effect transactions with a view to supporting the market price of the shares at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the first day of the Listing and, if begun, may be ended at any time, but it must end no later than 30 calendar days after the first day of the Listing.

Investment decisions based on full Prospectus: Investors must neither accept any offer for, nor acquire any Offer Shares, on any other basis than on the complete Prospectus.

Terms and conditions for payment by direct debiting - securities trading: Payment by direct debiting is a service provided by cooperating banks in Norway. In the relationship between the payer and the payer's bank the following standard terms and conditions apply.

1. The service "Payment by direct debiting — securities trading" is supplemented by the account agreement between the payer and the payer's bank, in particular Section C of the account agreement, General terms and conditions for deposit and payment instructions.
2. Costs related to the use of "Payment by direct debiting — securities trading" appear from the bank's prevailing price list, account information and/or information is given by other appropriate manner. The bank will charge the indicated account for incurred costs.
3. The authorisation for direct debiting is signed by the payer and delivered to the beneficiary. The beneficiary will deliver the instructions to its bank who in turn will charge the payer's bank account.
4. In case of withdrawal of the authorisation for direct debiting the payer shall address this issue with the beneficiary. Pursuant to the Financial Contracts Act, the payer's bank shall assist if payer withdraws a payment instruction which has not been completed. Such withdrawal may be regarded as a breach of the agreement between the payer and the beneficiary.
5. The payer cannot authorise for payment a higher amount than the funds available at the payer's account at the time of payment. The payer's bank will normally perform a verification of available funds prior to the account being charged. If the account has been charged with an amount higher than the funds available, the difference shall be covered by the payer immediately.
6. The payer's account will be charged on the indicated date of payment. If the date of payment has not been indicated in the authorisation for direct debiting, the account will be charged as soon as possible after the beneficiary has delivered the instructions to its bank. The charge will not, however, take place after the authorisation has expired as indicated above. Payment will normally be credited the beneficiary's account between one and three working days after the indicated date of payment/delivery.
7. If the payer's account is wrongfully charged after direct debiting, the payer's right to repayment of the charged amount will be governed by the account agreement and the Financial Contracts Act.

Overdue and missing payments: Overdue payments will be charged with interest at the applicable rate under the Norwegian Act on Interest on Overdue Payments of 17 December 1976 No. 100, which at the date of the Prospectus is 9.50% per annum.

The non-paying investors will remain fully liable for payment of the Offer Shares allocated to them, irrespective of any payment made by any payment guarantor. If payment is not received by the payment due date, the Company and the Managers reserve the right to re-allot, cancel or reduce the allocation or otherwise dispose of the allocated Offer Shares in accordance with and to the fullest extent permitted by applicable laws. The Company and the Managers may choose to transfer the Offer Shares allocated to such applicants to a VPS account operated by the Managers, for transfer to the non-paying investor when payment of the Offer Shares is received. In such case, the Managers reserve the right without further notice, to sell or assume ownership of such Offer Shares if payment has not been received by the third day after the payment due date. If Offer Shares are sold on behalf of the investor, such sale will be for the investor's account and risk (however so that the investor shall not be entitled to profits therefrom, if any) and the investor will be liable for any loss, costs, charges and expenses suffered or incurred by the Company and/or the Managers, as a result of or in connection with such sales, and the Company and/or the Managers may enforce payment of any amount outstanding in accordance with Norwegian law.

Registered office and advisors

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Legal Adviser to the Manager
Wikborg & Rein & Co Advokatfirma DA
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