



IDEX

INTERIM REPORT FOURTH QUARTER
AND PRELIMINARY RESULT 2020

RECENT HIGHLIGHTS

» Fourth Quarter and Preliminary Full Year Financial Results

- Fourth quarter 2020 revenue was \$598 thousand compared to \$71 thousand in the fourth quarter 2019 as revenue begins to accelerate
- Full year 2020 revenue was \$1.1 million, including \$1 million in product revenue, compared to \$159 thousand in product revenue in 2019
- Fourth quarter and full year gross margins¹ were 70% and 75%, respectively
- 2020 Adjusted Operating Expenses² were \$21.4 million, a decrease of \$4.9 million or 19% compared to \$26.3 million in 2019
- Net loss narrowed to \$26.8 million in 2020 from \$32.4 million in 2019
- Ended the year with \$7.3 million in cash and raised \$26.1 million, net of fees, in a private placement on February 15, 2021
- IDEX was approved to list on the Nasdaq and expects to begin trading on March 1, 2021 under ticker IDBA

» Commercial and Market Updates

- After securing an initial order in the third quarter, IDEX received an additional production order for TrustedBio™ sensors from a tier 1 card manufacturer in late 2020 that will be incorporated in a card available to financial institutions early 2021
- Achieved an additional China UnionPay (CUP) certification for dual interface biometric payment cards with its partner Goldpac. This is the second certification with a card manufacturer on the CUP network
- IDEX's sensor was featured by our partner, CTD, in the first trial of a fingerprint card for a digital RMB hardware wallet in a trial by Postal Savings Bank of China. The DCEP digital currency initiative in China represents a large market opportunity beyond the traditional payment card market.
- Continued to expand its strategic partnerships and added a third global payment network to deliver its fingerprint sensors and related biometric solutions
- Received advanced volume production orders of TrustedBio sensors from multiple tier 1 card manufacturers to secure allocation of future supply
- Expanded its direct customer engagements with tier 1 innovation leaders, representing over 40% share of the global payment card market
- Continued to ramp production shipments to a large IT and financial services customer for an information security access control solution

¹ Gross Margin is Total Revenue less Purchases, net of inventory change

² Adjusted Operating Expense is Total Operating Expenses less stock compensation expense, amortization and depreciation expense, and expense related to the Nasdaq listing

CEO'S COMMENTS

During 2020 we made good progress transitioning from pure product development to commercial activities and ramping of deliveries. Even with the extraordinary challenges created by COVID-19 on business and society, the team remained focused and continued to execute on our business plan.



Throughout the year we achieved several certifications by multiple major payment networks. Several new card manufacturers have initiated new product developments based on IDEX's biometric technologies. In addition to ramping commercial production shipments for a large IT and financial services customer, we successfully secured the first commercial orders and began shipment of our next-generation TrustedBio™ solution for biometric payment cards. TrustedBio is the only biometric system solution that was purpose-built for biometric card applications. This optimized design provides a level of integration that enables a card cost in the range of \$5 opening the door for issuers to offer biometric cards to their entire customer base.

Entering the new year, the Postal Savings Bank of China announced the first trial of a fingerprint biometric card hardware-wallet as part of China's digital renminbi (RMB) initiative. This initiative represents a new high-volume application for fingerprint biometrics. The *Hardware Wallet* will help to bring China's large population of the unbanked into the mainstream economy. Parts of the population, such as the elderly, can use digital renminbi without the need for mobile phones, helping to narrow the digital divide in financial services.

We expect 2021 will see broader use of our technology for these new digital currency applications globally, and increasing orders and shipments to a broader range of traditional customers, banks and credit issuers.

Vince Graziani, CEO, IDEX Biometrics ASA

BUSINESS REVIEW

LEADERSHIP IN BIOMETRIC FINGERPRINT SENSING TECHNOLOGY FOR PAYMENT CARDS

IDEX is a biometrics company specializing in the design and development of fingerprint identification sensors and authentication solutions.

IDEX's business model includes the design, development and sale or licensing of fingerprint identification devices as well as authentication systems and solutions. Manufacturing is outsourced to large and established semiconductor fabrication companies along with other established providers of components and manufacturing services.

Products and Technology

The company's portfolio of products includes fingerprint sensors, fingerprint modules with software and algorithms, and remote enrollment solutions. The company's fingerprint sensors can be used in dual interface, contactless-only and contact only payment cards. The company's fingerprint modules offer a complete biometric solution that integrates fingerprint sensing with additional biometric processing and system power management functions. Additionally, with the company's remote enrollment solutions, cardholders can easily enroll their fingerprints at home and without the need to visit a bank branch.

The company's sensors use a patented off-chip design, which separates the fingerprint sensor into two key components: the sensor array and the silicon chip (Application Specific Integrated Circuit, or ASIC). This off-chip design architecture allows the sensor array to be made from a flexible and cost-efficient polymer substrate that minimizes the silicon area of the ASIC, providing IDEX's solutions with a significant cost advantage in biometric card applications.

In 2020 the company launched its next-generation product, TrustedBio™. This third generation of products and solutions was specifically designed to reduce biometric payment cards cost while also improving both performance and security. TrustedBio utilizes advanced semiconductor technology to transform the sensor ASIC into a complete biometric-system-on-chip that fully leverages the benefits of the capacitive off-chip sensor architecture.

Markets

The company's fingerprint sensors and biometric solutions are used in dual interface and contactless or touch-free smart cards, including payment cards, as well as in a broad range of other markets, including identification, access control, healthcare and the Internet of Things, or IoT.

Based on an analysis by Zion Market Research in February 2020, the size of the global fingerprint sensor market is estimated to be \$3.6 billion in 2020 and is projected to

expand at a compound annual growth rate of nearly 15% to \$6.7 billion by 2025.

IDEX has been able to leverage its unique payment card technology into other large and growing markets with similar requirements and form factor constraints. These other markets include access control, healthcare, identification and IoT.

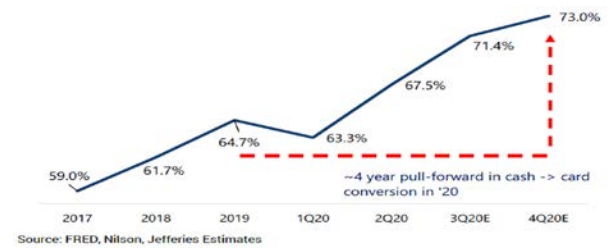
The access control market opportunity includes both information access and security, and physical access control. This market segment is estimated to be 250 million units annually and growing at 5%¹.

Payment Cards

IDEX’s primary target market is payment cards, a massive and growing market with 22 billion payment cards in circulation globally and projected to grow to 29 billion by 2023². The company’s addressable market includes chip enabled biometric cards and, more specifically, contactless payment cards.

Following the COVID-19 outbreak, IDEX believes consumers are increasingly motivated to go cashless. With many businesses discouraging the use of cash, in part due to hygiene questions linked to handling money, the use of contactless payments increased significantly during 2020. While lockdowns associated with COVID-19 caused delays to the start of some bank pilots, hygiene concerns have increased the use of contactless cards and are expected to accelerate market adoption of biometric payment cards by as much as four years.

US Card Spend as a % of Total Purchase Volume



As the use of contactless payments continues to grow and contactless payment limits begin to be lifted, the risks and costs associated with fraud are also anticipated to increase. IDEX believes that incorporating a biometric fingerprint sensor meets the needs of a touch-free payment while simultaneously providing a very high level of security. Global payment card fraud is an ever-growing problem, resulting in billions of losses each year for the issuers and the payment card networks. Global fraud losses are expected to increase for the next several years and IDEX and other industry participants believe the losses can be reduced by adding biometric fingerprint sensors to payment cards.

Worldwide Card Fraud Exceeded \$28 Billion in 2019³



As the price for biometric payments cards is coming down, card issuers can make a business case related to fraud alone.

¹ ABI Research

² Nilson Report

³ Nilson Report December 2020

Recently, the European bank BNP Paribas, became the first bank to announce the intention to roll-out biometric payment cards to all customers in 2021.

The entire payment card ecosystem is pushing forward to make this evolution happen, and IDEX believes that its system solution approach and unique low cost design positions the company to capture market share.

Business Update

Throughout 2020 and despite the global COVID-19 pandemic, IDEX has made significant business progress. The company achieved several key milestones, most notably exceeding \$1 million of shipments on existing products and the production of silicon on its new TrustedBio ASIC as well as initial product shipments of TrustedBio. Simultaneously, the company also reduced annual operating expenses by nearly 17% compared to 2019.

IDEX has secured important design wins in the payment card market with IDEMIA and ZWIPE. ZWIPE, a leading biometric fintech company, placed an order for 300,000 units to support the roll-out of ZWIPE's Pay ONE platform. The company exited 2020 with more than \$7 million of revenue under contract.

Further, in 2020, multiple card manufacturers have been certified on multiple payment networks and there have been several soft launches in the market.

Financials

IDEX recorded revenue of \$598 thousand in the fourth quarter of 2020, up from \$71 thousand in the corresponding period of 2019. In the full year of 2020, revenue was \$1.1 million, compared to \$424 thousand in the same period of 2019. Revenue in 2020 is primarily related to sales of fingerprint sensors whereas revenue in 2019 was primarily related to engineering services.

The gross margin⁴ in the fourth quarter was 70%, compared to 79% in same quarter of 2019. For the full year 2020, the gross margin was 75% compared to 85% in 2019. Gross margin in 2019 was higher due to the mix of revenue; \$159 thousand of product revenue and \$265 thousand of services revenue for the year ended December 31, 2019.

Total operating expenses in the fourth quarter of 2020 were \$7.7 million, compared to \$9.7 million in the fourth quarter of 2019. Operating expenses in the fourth quarter of 2020 included stock-based compensation of \$0.9 million and U.S. public listing costs of \$0.5 million. Operating expenses in the fourth quarter of 2019 included \$0.6 million of stock-based compensation. For the full year, total operating expenses were \$27.2 million in 2020 and \$32.4 million in 2019. Stock based compensation for the full year 2020 was \$2.9 million compared to \$2.6 million in 2019 and U.S. public listing costs were \$1.1 million in 2020. The decrease in operating expenses compared to 2019 is mainly a result of cost reduction actions taken in the fourth quarter of 2019 as well as additional cost mitigation and control activities

⁴ Gross Margin is Total Revenue less Purchases, net of inventory change

undertaken in 2020 at the onset of the global COVID-19 pandemic. The decrease in costs was largely in payroll, partially offset by costs in the second quarter of 2020 related to the successful silicon production on the TrustedBio ASIC.

As of December 31, 2020, the company had \$7.3 million in cash and no financial debt. In addition, the company raised \$26.1 million, net of fees, in a private placement on February 15, 2021.

IDEX was approved for listing on the Nasdaq and expects to begin trading on March 1, 2021 under ticker symbol IDBA.

Impact of COVID-19

Effective March 16, 2020, all travel and face-to-face meetings were stopped, and most staff were asked to work from home. Staff that needed to work at an IDEX facility did so in line with local government guidelines.

There have not been any significant delays in development projects. However, the pandemic has caused certain customer delays in the short-term, including contract-related activities such as biometric card pilots. In addition, the company took actions during the pandemic to reduce costs and the

cash burn rate, including temporary payroll reductions which have now been restored.

Summary and Outlook

During 2020 IDEX made good progress transitioning from research and development to commercial activities. Even with the extraordinary challenges created by COVID-19 on business and society, the team was able to remain focused and execute on the 2020 business plan.

Throughout the year, IDEX achieved several certifications by multiple major payment networks/brands. Several new card manufacturers have initiated new product developments based on IDEX's biometric technology and solutions. The company began to ramp commercial production shipments for the large IT and financial services customer and had the first commercial orders and shipments of the third generation TrustedBio solution for biometric payment cards.

Estimates show the addressable market for biometric cards to steadily grow and reach more than 3 billion units by 2024. We expect 2021 will see increasing shipments to a broader range of customers, banks, and credit issuers.

February 24, 2021

The board of directors of IDEX Biometrics ASA

FINANCIAL REVIEW

Statements of profit and loss

IDEX recorded revenues of \$598 thousand in the fourth quarter of 2020, up from \$71 thousand in the corresponding period of 2019. In the full-year of 2020, revenue was \$1.1 million, compared to \$424 thousand in the same period of 2019. Revenues in 2020 are primarily related to sales of sensors and revenues in 2019 were primarily related to engineering services.

Purchases net of inventory change increased by \$213 thousand in 2020 compared to 2019, and in the fourth quarter of 2020 the increase was \$163 thousand compared to the fourth quarter of the year before. This increase was due to an increase in product sales. The purchases as a percentage of revenues, was 25% and 15% in the years 2020 and 2019 respectively, and 30% and 21% in the fourth quarters. The change is mainly due to the mix of revenue; in 2019, services represented more than half the revenue in the year and less than one tenth in 2020.

Total operating expenses in the fourth quarter of 2020 were \$7.8 million, compared to \$9.7 million in the fourth quarter of 2019. Operating expenses in the fourth quarter of 2020 included stock-based compensation of \$0.9 million and U.S. public listing costs of \$0.6 million.

Operating expenses in the fourth quarter of 2019 included \$0.6 million of stock-based compensation. For the full-year, total operating expenses were \$27.5 million in 2020 and \$32.5 million in 2019. Stock based compensation for the full year 2020 was \$2.9 million compared to \$2.6 million in 2019 and costs related to U.S. public listing were \$1.0 million in 2020. The decrease in operating

expenses compared to 2019 is mainly a result of cost reduction actions taken in the fourth quarter of 2019 as well as additional cost mitigation and control activities undertaken in 2020 at the onset of the global COVID-19 pandemic. The decrease in costs was largely in payroll, partially offset by costs in the second quarter of 2020 related to the tape-out of the TrustedBio™ ASIC.

Payroll expenses were \$5.2 million in the fourth quarter of 2020 and \$17.7 million in the full-year 2020, down from \$6.7 million and \$21.7 million in the corresponding periods of 2019. Payroll cost excluding share-based compensation was \$4.3 million in the fourth quarter and included \$0.8 million of incentive compensation compared to \$6.1 million in the fourth quarter of 2019 which included \$0.5 million incentive compensation. The decrease largely reflects that the average number of IDEX employees was 90 full-time equivalents (FTE) in the fourth quarter of this year, down from 109 FTE in the fourth quarter of 2019.

IDEX's staff, including both employees and individual contractors, was 97 FTE at December 31, 2020, down from 110 FTE at December 31, 2019. The staff is comprised of 90 FTE employees and 7 FTE individual contractors.

Development expenses, net of R&D tax relief, were \$(0.1) million in the fourth quarter of 2020 and included research credits of \$0.9 million, compared to \$1.4 million in the fourth quarter of 2019, which also included research credits of \$0.6 million. For the full-year of 2020, development expenses were \$1.9 million which included \$2.3 million of research credits, compared to \$4.4 million in 2019, which

included research credits of \$0.6 million. Excluding research credits, R&D expenses were \$4.3 million in 2020 and \$5.0 million in 2019.

Other operating expenses, mainly expenses related to sales, marketing and administration, amounted to \$2.2 million in the fourth quarter and \$5.9 million in the full-year of 2020. Other operating costs included \$0.6 million and \$1.0 million, in the fourth quarter and full year of 2020, respectively, of costs in connection with filing a registration statement with the U.S. Securities and Exchange Commission with the purpose to list IDEX's shares on Nasdaq. Other operating expenses in the fourth quarter and full year of 2019 were \$1.2 million and \$4.6 million, respectively.

Amortization and depreciation charges were \$439 thousand and \$1.7 million in the fourth quarter and full year of 2020 compared to \$432 thousand and \$1.6 million in the corresponding periods last year. The increase year-on-year is primarily due to IDEX's investment in high-volume test equipment and lab equipment in the second half of 2019.

Net financial items amounted to an income of \$36 thousand in the fourth quarter of 2020 and an expense of \$451 thousand in for the full year of 2020 compared to an expense of \$34 thousand in the fourth quarter of 2019 and an expense of \$216 thousand for the full year of 2019. The variation in net financial items between periods is mainly caused by fluctuations of the U.S. dollar to NOK exchange rate.

The company recorded an income tax expense of \$45 thousand in the fourth quarter and an income tax credit of \$99 thousand for the full year of 2020, respectively, due to tax credits in the U.S. and UK. The company recorded an income tax credit of \$218 thousand in the fourth quarter of 2019 and an income tax

expense of \$160 thousand for the full year of 2019.

The company made a net loss of \$7.2 million in the fourth quarter of 2020 and \$26.8 million for the full year of 2020 compared to a net loss of \$9.5 million in the fourth quarter of 2019 and \$32.4 million for the full year of 2019.

Loss per weighted average basic share was \$0.01 in the fourth quarter, compared to \$0.02 in the fourth quarter of 2019. Loss per share for the full year 2020 was \$0.03 compared to \$0.05 for 2019.

Financial position

The main assets held on the balance sheet are cash and acquired intangible assets representing 43% and 20% of total assets, respectively.

The acquired intangible assets and intellectual property rights included goodwill of \$968 thousand and amortizing assets with a net book value of \$2.4 million at December 31, 2020. The corresponding values at December 31, 2019 were \$941 thousand and \$2.6 million respectively. IDEX's self-developed intellectual property rights and product development costs are generally not held on the balance sheet because they do not satisfy the criteria for capitalization. No development expenses were capitalized during 2020 or 2019.

Tangible fixed assets amounted to \$1.7 million at December 31, 2020, down from \$2.0 million at December 31, 2019. The decrease was mainly due to depreciation. Fixed assets are comprised of scientific and test equipment, engineering tools, leasehold outfitting, office equipment and furniture with useful lives of 3 to 7 years

Inventory was \$859 thousand at December 31, 2020 compared to \$686 thousand at December 31, 2019. Inventory consists mainly

of components and fingerprint sensors. As a result of significant lead times for certain components, IDEX holds inventory to satisfy expected demand for deliveries with short notice.

There were customer receivables of \$487 thousand at December 31, 2020 compared to \$31 thousand at December 31, 2019. The increase in receivables is a result of increasing product shipments.

At December 31, 2020 the company had a cash balance of \$7.3 million compared to \$14.1 million at December 31, 2019. On November 9, 2020 IDEX completed a private placement of shares, raising \$7.8 million before expenses.

Equity was \$12.5 million at December 31, 2020 compared to \$17.8 million at December 31, 2019. During 2020, new equity of \$20.8 million was added. The overall decrease is mainly caused by net losses.

The company has no debt to financial institutions or lenders.

Total short-term liabilities were \$4.2 million at December 31, 2020 compared to \$5.0 million at December 31, 2019. Variations between quarters are caused by activity level, payment terms and timing of deliveries.

Net working capital, short-term assets less short-term liabilities, was \$6.7 million at December 31, 2020 compared to \$11.4 million at December 31, 2019. The company expects an increase in inventory, customer receivables and trade payables as revenues increase, leading to a net increase in working capital.

Liquidity

The company's cash outflow from operating activities was \$6.3 million and \$23.3 million in the fourth quarter and full year of 2020, respectively, compared to cash outflows of \$6.3 million and \$27.2 million in the corresponding periods of 2019. The main operating cash items are the operating losses in each period, less non-cash expenses including share-based compensation, depreciation and amortization. Working capital varies between quarters, mainly due to fluctuating payables to suppliers and accrued liabilities. Future planned growth of revenue is expected to cause an increase in working capital in the form of inventory and receivables, partly funded by payables.

The company invested \$242 thousand and \$333 thousand in property and equipment during the fourth quarter and full year of 2020, respectively, compared to \$324 thousand and \$850 thousand in the corresponding periods of 2019. The cash flow for investments in 2020 was mainly the final payment on intellectual property acquired in 2015.

IDEX's balance sheet solvency, defined as the cash position less the net of receivables and short-term liabilities, amounted to \$5.8 million at December 31, 2020 compared to \$10.7 million at December 31, 2019. The decrease was mainly caused by the net loss in the period, largely offset by the private placements in May and November of 2020.

In addition, the company raised \$27.2 million before expenses in a private placement on February 15, 2021. The board believes the company has sufficient capital to fund operations for at least one year.

INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS

Amounts in USD 1,000	Note	Quarters		Full year	
		Q4 2020	Q4 2019	2020	2019
Operating revenue					
Product revenue	4	593	53	1 013	159
Service revenue	4	5	18	82	265
Total revenue		598	71	1 095	424
Operating expenses					
Purchases, net of inventory change		178	15	275	62
Payroll expenses	5	5 206	6 676	17 672	21 750
Research and development expenses	6	(144)	1 360	1 895	4 385
Other operating expenses	7	2 157	1 246	5 936	4 641
Amortization and depreciation	8	439	432	1 719	1 633
Total operating expenses		7 836	9 729	27 497	32 471
Loss from operations		(7 238)	(9 658)	(26 402)	(32 047)
Finance income	9	5	21	26	135
Finance cost	9	31	(55)	(477)	(351)
Loss before tax		(7 202)	(9 692)	(26 853)	(32 263)
Income tax expense	10	45	(218)	(99)	160
Net loss for the period		(7 247)	(9 474)	(26 754)	(32 423)
Loss per share, basic and diluted (USD)	11	(0.01)	(0.02)	(0.03)	(0.05)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Amounts in USD 1,000	Quarters		Full year	
	Q4 2020	Q4 2019	2020	2019
Net loss for the period	(7 247)	(9 474)	(26 754)	(32 423)
Foreign currency exchange differences	879	441	670	(662)
Total comprehensive income (loss) for the period, net of tax	(6 368)	(9 033)	(26 084)	(33 085)

STATEMENTS OF FINANCIAL POSITION

Amounts in USD 1,000	Note	December 31, 2020	December 31, 2019
Assets			
Non-current assets			
Goodwill		968	941
Intangible assets		2 442	2 605
Total intangible assets		3 410	3 546
Property, plant and equipment		1 667	2 013
Right-of-use assets		1 016	1 375
Non-current receivables		75	152
Total non-current assets	8	6 168	7 086
Current assets			
Inventory	13	859	686
Trade receivables		487	31
Prepaid expenses		1 031	769
Other current receivables		1 163	772
Total receivables and prepaid expenses		2 681	1 572
Cash and cash equivalents		7 298	14 126
Total current assets		10 838	16 384
Total assets		17 006	23 470
Equity and liabilities			
Equity			
Share capital		17 251	15 445
Share premium		213 858	197 639
Other paid-in capital		18 664	15 903
Total paid-in capital	12	249 773	228 987
Foreign currency translation effects		(12 322)	(12 992)
Accumulated loss		(224 937)	(198 183)
Total equity		12 514	17 812
Non-current liabilities			
Deferred tax liabilities			31
Non-current lease liabilities		327	610
Total non-current liabilities		327	641
Current liabilities			
Accounts payable		631	463
Income tax payable		0	129
Current lease liabilities		731	788
Public duties payable		320	357
Accr.d empl.r's tax on share-based comp.	5	216	3
Other current liabilities		2 267	3 277
Total current liabilities		4 165	5 017
Total liabilities		4 492	5 658
Total equity and liabilities		17 006	23 470

STATEMENTS OF CHANGES IN EQUITY

Amounts in USD 1,000	Note	Share capital	Share premium	Other paid-in capital	Foreign currency translation effects	Accumulated loss	Total equity
Balance at January 1, 2020		15 445	197 639	15 903	(12 992)	(198 183)	17 812
Share issue 11 May	12	983	8 985				9 968
Share issue 29 May (board remun.)	5,7,12	7		39			46
Share issue 1 July (compstn.)	5,7,12	70		615			685
Share issue 9 November	12	746	7 234				7 980
Employee Share Purchase Program	5,7,12			52			52
Share-based compensation	5,7,12			2 055			2 055
Loss for the year						(26 754)	(26 754)
Other comprehensive income					670		670
Balance at December 31, 2020		17 251	213 858	18 664	(12 322)	(224 937)	12 514
Balance at January 1, 2019		12 501	166 419	13 353	(12 330)	(165 760)	14 183
Share issue 25 January	12	940	23 312				24 252
Share issue 2 December	12	904	3 569				4 473
Share issue 24 December	12	1 096	4 339				5 435
Share issue (board remun.)	12	4					4
Share-based compensation	7			2 550			2 550
Loss for the year						(32 423)	(32 423)
Other comprehensive income					(662)		(662)
Balance at December 31, 2019		15 445	197 639	15 903	(12 992)	(198 183)	17 812

STATEMENTS OF CASH FLOW

Amounts in USD 1,000	Note	Quarters		Full year	
		Q4 2020	Q4 2019	2020	2019
Operating activities					
Profit (loss) before tax		(7 202)	(9 692)	(26 853)	(32 263)
Amortization and depreciation expense	8	439	432	1 719	1 633
Share-based compensation expense		775	490	2 755	2 531
Change in inventories		59	983	(139)	470
Change in accounts receivables		(220)	(22)	(414)	8
Change in accounts payable		41	(219)	141	(124)
Change in other working capital items		133	1 782	(618)	895
Other operating activities		109	12	579	43
Interest expense	9	(5)	27	(27)	103
Other financial items	9		(48)		(238)
Income taxes		(464)		(437)	(226)
Net cash flow from operating activities		(6 335)	(6 255)	(23 294)	(27 168)
Investing activities					
Purchases of property, plant and equipment	8	(242)	(324)	(333)	(850)
Payments on non-current receivables		1	(8)	75	(6)
Interest received	9	5	21	26	135
Net cash flow used in investing activities		(236)	(311)	(232)	(721)
Financing activities					
Net proceeds from issue of shares		8 035	9 908	18 731	34 164
Payments on lease liabilities	8	(202)	(182)	(793)	(675)
Payment related to a financed asset purchase				(500)	(500)
Net cash flow from financing activities		7 833	9 726	17 438	32 989
Net change in cash and cash equivalents		1 262	3 160	(6 088)	5 100
Effect of foreign exchange rate changes		332	299	(740)	(609)
Opening cash and cash equivalents balance		5 704	10 667	14 126	9 635
Cash and cash equivalents at December 31		7 298	14 126	7 298	14 126

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1 IDEX and its business

IDEX designs, develops and sells fingerprint identification and authentication solutions. IDEX's largest potential market is the biometric payment card market. The company has developed an off-chip sensor architecture and embedded biometric algorithms suited to capacitive fingerprint sensors. The company is a public limited liability company incorporated and domiciled in Norway. The address of the head office is Dronning Eufemias gate 16 at NO-0191 Oslo. IDEX Biometrics ASA's shares are listed at Oslo Børs, the stock exchange in Oslo, under ticker IDEX, and has been approved for trading in the United States on the Nasdaq Capital Market under ticker IDBA.

IDEX Biometrics ASA holds a subsidiary group in the United States of America, a subsidiary in the People's Republic of China and a subsidiary in the United Kingdom. The subsidiaries provide technical development services, sales facilitation, marketing assistance and/or logistics processing for IDEX Biometrics ASA.

2 Basis of preparation and accounting policies

These interim financial statements for the three months and year ended December 31, 2020 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2019, which were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in conformity with IFRS as adopted by the European Union. The going concern assumption has been applied when preparing this interim financial report. See note 3. This interim financial report has not been subject to audit. The report was approved by the board of directors on February 24, 2021.

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

As of the first quarter of 2020, IDEX changed presentation currency for the group's financial statements to the U.S. dollar. Prior period figures have been restated using the U.S. dollar for comparison purposes. The change in presentation currency has no impact the profit or loss, valuation of assets, liabilities, equity or any ratios using these measures.

3 Risks

It is the duty of the board of directors to duly present the principal risks of IDEX and its business. The company's major risk is its business risk, meaning the ability to generate revenue and earn profit. Future revenue generation will depend, among other factors, on IDEX's ability to market and deliver technically sound, cost-effective and competitively differentiated products, and the company's ability to legally protect its intellectual property rights. The ability to generate future revenue is also highly dependent on the development of a market for biometric payment cards.

IDEX currently generates insufficient revenue and operates at a significant loss. IDEX completed private placements of shares on May 11, 2020 and November 9, 2020, raising \$18.7 million before expenses. Net equity amounted to \$12.5 million and balance sheet solvency amounted to \$5.8 million at December 31,

2020. As of December 31, 2020, the company had \$7.3 million in cash and no debt to financial institutions. The company expects to significantly increase revenue generation through sales of its products.

The company raised \$27.2 million in a private placement on February 15, 2021. As a result, the board has determined the company has sufficient capital to fund operations for at least one year.

The biometric payment card market is an emerging growth market, and, as is common in most emerging growth markets, the timing of revenue is difficult to predict with any precision. IDEX monitors its cash position very closely, including the expense and working capital requirements. IDEX will continue to review opportunities to optimally capitalize the business, while minimizing shareholder dilution.

IDEX's balance sheet comprises mainly, cash, working capital and intangible assets and the company is fully funded by equity. IDEX maintains liquidity by investing available funds in floating-interest rate bank accounts. The Company's exposure to currency exchange rates is managed by maintaining an appropriate mix of cash deposits in the various currencies IDEX utilizes for its operations. The U.S. dollar is the dominant currency of the company's receivables and payables.

COVID-19

The future progression of the pandemic and its effects on the Company's business and operations are uncertain. The Company is monitoring the potential impact of COVID-19 on its business and consolidated financial statements. The effects of the public health directives and the Company's work-from-home policies may negatively impact productivity and disrupt its business, the magnitude of which will depend, in part, on the length and severity of the restrictions and other limitations on its ability to conduct business in the ordinary course. These and similar, and perhaps more severe, disruptions in the Company's operations could negatively impact business, results of operations and financial condition, including its ability to obtain financing.

The pandemic did not have a material impact on the Company's revenue, for the three and twelve months ended December 31, 2020, as the Company's revenue has not been material to date. The Company did initiate certain cost reduction actions as a result of the pandemic beginning in March of 2020 including temporary salary reductions and travel restrictions. These actions, among other actions implemented in the fourth quarter of 2019, have contributed to lower operating expenses during the three and twelve months ended December 31, 2020 as compared to the same periods in 2019. Salaries were restored in June; however, travel restrictions were still in place. As a result, the Company expects that operating expenses could increase in future periods if and when certain restrictions are lifted. The Company did not experience a material change in liquidity or cash flows as a result of the pandemic.

The Company cannot be certain what the overall impact of the COVID-19 pandemic will be on its business and prospects. The extent to which the COVID-19 pandemic will directly or indirectly impact its business, results of operations, financial condition and liquidity, including planned research and development costs, will depend on future developments that are highly uncertain, including as a result of new information that may emerge concerning COVID-19, the actions taken to contain or treat it, and the duration and intensity of the related effects.

4 Revenue from contracts with customers

The Company earns revenue mainly from supplying biometric fingerprint sensor products and rendering technical development and other engineering services to its customers. IDEX operates one operating segment, fingerprint imaging and recognition technology.

The balances of trade receivables at December 31, 2020 and December 30, 2019 were \$487 thousand and \$31 thousand, respectively. There were no contract asset or contract liability balances at either date.

Amounts in USD 1,000	Quarters		Full year	
	Q4 2020	Q4 2019	2020	2019
EMEA	567	49	952	47
Americas	0	1	5	5
Asia-Pacific	26	3	56	107
Product revenue	593	53	1,013	159
EMEA	1		2	
Americas		18	77	265
Asia-Pacific	4		3	
Service revenue	5	18	82	265
Total revenue	598	71	1,095	424

5 Payroll expenses

Amounts in USD 1,000	Quarters		Full year	
	Q4 2020	Q4 2019	2020	2019
Salary, payroll tax, benefits, other	4 313	6 103	14 717	19 127
Payable payroll tax on realized share-based benefit	6		6	9
Share-based compensation	774	490	2 755	2 531
Net employer's tax on subscr.rights	112	83	194	83
Payroll expenses	5 206	6 676	17 672	21 750

The fair value at grant date of subscription rights granted to employees is expensed over the vesting period of each tranche. The fair value of the subscription rights is determined using a Black-Scholes option pricing model. Employer's social security tax related to share-based remuneration is calculated on the balance sheet date based on the earned intrinsic value of the subscription rights, and the adjustment to the accrued amount is charged or credited to cost.

6 Research and development expenses

Research and development costs are expensed when incurred unless development costs qualify for capitalization. IDEX's patents and other intellectual property rights created by IDEX are capitalized and held in the balance sheet only if they satisfy the criteria for capitalization. The same applies to the development costs. IDEX has not capitalized development costs in any of the periods presented. Development costs related to the creation of intellectual property have been expensed when incurred.

Amounts in USD 1,000	Quarters		Full year	
	Q4 2020	Q4 2019	2020	2019
Gross R&D expenses	792	1 913	4 196	4 953
Government grants credited to cost	(936)	(553)	(2 301)	(568)
Net R&D expenses	(144)	1 360	1 895	4 385

IDEX has in 2020 claimed research and development tax credits in the UK relating to 2017, 2018 and 2019. UK tax credits received are credited to research and development expenses as grants. R&D grant related to Norwegian Skattefunn of \$506 thousand were credited to R&D expense in the fourth quarter of 2020.

Government support is recognised when it is probable that IDEX will qualify and receive support, and the amount can be measured reliably. It is therefore normally recognised only in the fourth quarter.

7 Related party transactions

The chair Morten Opstad is a partner in Advokatfirma Ræder AS. Ræder provided services to the company amounting to \$477 thousand in 2020. The services include work related to the private placements completed in May and November of 2020 and the recent public listing in the U.S. Mr Opstad's work beyond board duty has been invoiced by Ræder.

Lawrence Ciaccia, who was elected board member at the annual general meeting on May 12, 2015 and later re-elected, has served on IDEX's Strategy Advisory Committee (SAC) since 2014 and continues his tenure on the SAC. The SAC service fee is \$15 thousand per year. Mr. Ciaccia also provides consulting services beyond board duty to IDEX for a fixed fee of \$50 thousand per year.

Following the annual general meeting of IDEX on May 15, 2020, board members Deborah Davis and Steve Skaggs elected to receive part of their board remuneration in shares. Board member Deborah Davis acquired 227,073 shares against payment of NOK 0.15 per share, instead of NOK 280,000 of board remuneration. Ms Davis took the remainder of her board remuneration in cash. Board member Steve Skaggs acquired 214,909 shares against payment of NOK 0.15 per share, instead of NOK 265,000 of board remuneration. Mr. Skaggs took the remainder of his board remuneration in cash.

On February 27, 2020, the board granted 5,000,000 incentive subscription rights to the then new CEO, Vince Graziani. The exercise price of the subscription rights is NOK 1.11 per share and 25 percent of the subscription rights vest per year. The subscription rights expire on May 9, 2024.

The following officers elected in July 2020 to take part of their cash remuneration in shares: CFO Derek D'Antilio received 136,479 shares instead of \$17,500 in cash compensation and CTO Anthony Eaton received 181,041 shares instead of GBP 18,915 in cash compensation,

The board resolved on October 2, 2020 to replace incentive subscription rights (SRs) from the Company's incentive plans for 2016, 2017 or 2018, by the same number of Replacement SRs under the Company's 2020 Subscription Rights Incentive Plan. CTO Anthony Eaton waived 1,125,000 Existing SRs and received the same number of Replacement SRs. Board member Lawrence John Ciaccia, in his capacity as adviser to the company, waived 600,000 Replacement SRs, and received the same number of Replacement SRs.

The following board members and officers participated in the private placement of shares on November 9, 2020 and acquired shares on the same terms as the other subscribers, at NOK 1.65 per share. Chair Morten Opstad 100,000 shares; board members Larry Ciaccia 150 000 shares, Deborah Davis 50,000 shares, Hanne Høvding 25,000 shares, Steve Skaggs 100,000 shares and observer Tom Quindlen 275,000 shares; CEO Vince Graziani 150,000 shares, CFO Derek D'Antilio 125 000 shares and CTO Anthony Eaton 30,000 shares.

The board resolved on December 2, 2020 to issue shares at NOK 1.43 per share to the following officers who participate in the Company's Employee Share Purchase Plan (ESPP), which plan was approved by the annual general meeting on 15 May 2020. CEO Vince Graziani 125,239 shares, CFO Derek D'Antilio 70,447 shares, CTO Anthony Eaton 38,534 shares.

8 Non-current assets

Amounts in USD 1,000	Goodwill	Oth. intang assets	Tangible fixed assets	Right-of-use assets	Long-term receivables	Total long- term assets
Balance at 1 January 2020	941	2 605	2 013	1 375	152	7 086
Additions		198	154	427		779
Disposals and retirements at cost					(62)	(63)
Depreciation and impairment losses		(436)	(468)	(814)		(1 719)
Depreciation on disposed and retired assets			(109)			(109)
Effects of changes in foreign currency	27	75	77	28	(15)	194
Balance at 31 December 2020	968	2 442	1 667	1 016	75	6 168
Balance at 1 January 2019	951	3 080	1 679	1 140	146	6 996
Additions			850	910	8	1 768
Disposals and retirements at cost		(33)	(122)		(2)	(157)
Depreciation and impairment losses		(415)	(520)	(698)		(1 633)
Depreciation on disposed and retired assets		6	109			115
Effects of changes in foreign currency	(10)	(33)	17	23		(3)
Balance at 31 December 2019	941	2 605	2 013	1 375	152	7 086

Acquired intangible assets and intellectual property rights have been capitalized. These assets depreciate over their respective economic lives. The major items depreciate over 9.5 years and 17.3 years from acquisition, through July 2024 and to the end of 2030 respectively. Goodwill is not amortized but tested for impairment at least annually. IDEX's self-developed patents and other intellectual property rights are not held in the balance sheet because they do not satisfy the criteria for capitalization. Development costs have largely been expensed for the same reason. IDEX did not capitalize any development expenses in 2020 or 2019.

The Company is one cash generating unit and has assessed its goodwill. No impairment charge has been made.

9 Financial items

Amounts in USD 1,000	Quarters		Full year	
	Q4 2020	Q4 2019	2020	2019
Interest income	5	(109)	26	135
Other financial income		130		
Total financial income	5	21	26	135
Interest expenses on lease liabilities	20	34	63	50
Interest expenses on deferred se		(10)		54
Currency exchange (gain) loss	(51)	30	414	248
Total financial expense	(31)	55	477	351
Net financial items	36	(34)	(451)	(216)

10 Income tax expense

IDEX has in 2020 claimed research and development (R&D) tax credits in the U.S. relating to 2017, 2018 and 2019. The tax credit in the United States is used to offset a portion of taxable income. The repayment made on paid tax due to the amendments made on the 2017-2018 tax returns in the UK has been credited to income tax expense.

IDEX Biometrics ASA has not generated taxable profits in prior years. At December 31, 2020 there was not sufficiently convincing evidence that sufficient taxable profit will be generated, against which the unused tax

losses could be applied. Consequently, no deferred tax asset has been recognized. There are no restrictions as to how long tax losses may be carried forward in Norway.

11 Profit (Loss) per share

	Quarters		Full year	
	Q4 2020	Q4 2019	2020	2019
Profit (loss) attributable to the shareholders (USD 1,000)	(7 247)	(9 474)	(26 754)	(32 423)
Weighted average basic number of shares	867 551 573	613 330 138	767 069 645	598 392 108
Weighted average diluted number of shares	873 074 037	605 436 010	773 393 062	600 152 099
Profit (loss) per share, basic and diluted	USD (0.01)	USD (0.02)	USD (0.03)	USD (0.05)

The profit or loss per share is calculated by dividing the profit (loss) for the period by the weighted average number of ordinary shares outstanding in the period. The profit (loss) per fully diluted share is calculated based on the result for the period divided by the weighted average number of fully diluted shares. In case of a net loss, dilution would reduce the loss per share; therefore, the effect of dilution is not taken into account.

12 Shares and subscription rights

Number of financial instruments	Incentive subscription rights	Shares
Balance at 1 January 2020	52 875 043	717 988 732
11 May: Share issue		65 341 413
29 May: Issued shares in lieu of board remuneration		441 982
1 July: Issued shares in lieu of cash compensation		4 318 523
9 November: Share issue		42 528 181
Employee Stock Purchase Plan		1 527 917
Granted incentive subscription rights	10 452 000	
Exercised incentive subscription rights	(52 150)	
Expired/forfeited incentive subscription rights	(6 930 800)	
Balance at 31 December 2020	56 344 093	832 146 748
Balance at 1 January 2019	37 471 050	544 314 537
25 January: Share issue		53 437 500
28 May: Issued shares in lieu of board remuneration		236 695
2 December: Share issue		55 425 407
24 December Share issue		64 574 593
Granted incentive subscription rights	20 414 143	
Expired/forfeited incentive subscription rights	(5 010 150)	
Balance at 31 December 2019	52 875 043	717 988 732

IDEX from time to time grants incentive subscription rights (SRs) to employees and individual contractors. Unless specifically resolved otherwise, 25% of each grant of subscription rights vest per year and expire on the fifth anniversary following the general meeting that resolved the program. Unvested subscription rights terminate on the holder's last day of employment. Vested subscription rights may be exercised up to 90 days after the holder's last day of employment. The weighted average exercise price of outstanding incentive SRs on December 31, 2020 was NOK 1.66 per share.

The board resolved on October 2, 2020 to replace a combined total of 25,962,800 incentive SRs from the incentive plans for 2016, 2017 or 2018, by the same number of Replacement SRs under the company's 2020 Subscription Rights Incentive Plan. The new SRs vest 1/3 each year over three years from April 15, 2020 and the exercise price is NOK 1.71.

The annual general meeting (AGM) on May 15, 2020 approved an employee stock purchase plan (ESPP), whereby employees may elect to invest a portion of their compensation in IDEX shares. The ESPP was implemented effective September 1, 2020. On December 2, 2020 employees acquired 1,527,917 shares at NOK 1.43 per share. The AGM also authorized the board to offer to employees to take a part of their salary in shares instead of cash. 59 employees elected in July 2020 to take shares in lieu of a total of \$0.6 million cash salary. See note 5.

The AGM also resolved that the board members could elect to receive all or part of the board remuneration in the form of shares in IDEX. See note 7.

13 Inventory

	December 31, 2020			December 31, 2019		
	Cost	Reserves	Net	Cost	Reserves	Net
Raw Materials	460	(114)	346	796	(513)	283
Work in progress	25		25	81	(70)	11
Finished Goods	588	(100)	488	963	(571)	392
Total Inventory	1 073	(214)	859	1 840	(1 154)	686

Inventory, consisting mainly of components for use in manufacturing and fingerprint sensors which are manufactured for sale, is held at cost, which is less than recoverable value. Inventory value has been reduced to reflect aging, obsolescence and estimated shrinkage.

14 Events after the balance sheet date

On February 15, 2021 IDEX completed a private placement of shares raising \$27.2 million before expenses. Approximately 83.2 million new shares will be issued at NOK 2.75 per share. The placement was conducted by a book building with professional investors after market close. The shares have been issued and the company's share capital amounts to NOK 137,304,213 divided into 915,361,422 shares at NOK 0.15 nominal value per share.

The board resolved on February 24, 2021 to issue 934,900 incentive subscription rights (SRs) to employees in the IDEX group. The grant was made under the company's 2020 SR plan as resolved at the annual general meeting on 15 May 2020. The exercise price of the SRs is NOK 3.10 per share. The SRs vest by 25% per year and expire on 15 May 2025. Following the grant there will be 57,278,993 SRs outstanding.

There have been no events between December 31, 2020 and the resolution of these interim financial statements that have had any material impact on IDEX's results in the fourth quarter of 2020 or the value of the company's assets and liabilities at December 31, 2020.

Get in touch



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