



Quarterly Report

Third Quarter 2024



IDEX BIOMETRICS IN THE THIRD QUARTER 2024

Highlights in the third quarter of 2024

- Catharina Eklof was appointed as Chief Executive Officer.
- IDEX received Visa Approval for Visa's biometric payment application. Partner manufacturers are estimated to receive Visa Approval for biometric cards in the second quarter of 2025.
- KONA I, Korea's largest smartcard manufacturer received Mastercard Approval for the world's first metal biometric payment card based on the IDEX Pay platform.
- IDEX has successfully completed the first Live Biometric Transaction on India's domestic payment scheme RuPay with IDEX Pay.
- In Bangladesh, market and metal biometric card deployment activities has resumed after the political instability in late summer.
- TaluCard is launching a biometric payment solution for visually impaired on the IDEX Pay platform. TaluCard has partnered with UK Royal National Institute of Blind People for optimized customer experience.
- IDEX partnered with Vasmobile Fintelco in Kenya, new use case for school ID solution.
- Private placement of NOK 70 million or USD 6.6 million in gross proceeds in September and as of this report, it has been fully funded.
- In connection with the equity issue, more favorable terms for the company's convertible bond, issued in December 2023, were achieved.
- Repair issue expected in November, with a potential to further strengthen the balance sheet with up to NOK 21 million or USD 2.0 million.

Financial results in the third quarter of 2024

- Revenues in the third quarter totaled \$0.1 million.
- Net Income in Q3 was \$1.4 million with Adjusted Net Loss of \$4.8 million. Adjustments are related to the restructuring charges and the derivative value changes.
- Operating expenses reduced to \$4.1 million, a reduction of \$2.0 million from last quarter.
- Restructuring cost in the third quarter were \$0.4 million including severance and other items. Restructuring gain of \$0.7 million resulting from reversed impairment related to termination of two lease agreements.

- On track to achieve a cash operating expense run-rate of \$2.5 million per quarter by the end of this year.
- Recorded a gain of \$5.5 million from a change in the derivative value related to outstanding warrants and the favorable renegotiation of our outstanding convertible bond.

CEO Comments

Transitioning into the CEO role this quarter, my focus has been on executing our transformation program and implementing key initiatives to achieve the targeted cash quarterly operating expense run rate of \$2.5 million. By the end of the third quarter, IDEX had executed on targeted reorganization initiatives, significantly reducing operating expenses. We have consolidated our technology teams in the UK and Europe, and optimized our entire workforce to capture the fast growing opportunity across the APAC region. The company is taking actions to secure critical competencies and capacities for the company's next phase.

Over the last two years, IDEX has undergone a transformation, evolving from a design-driven hardware component company to a software-centric full solution provider, offering biometric card system solutions for payment, access, and authentication markets.

We have invested in hardware development, built a robust and scalable biometric card product for the years ahead. We now offer an open biometric card software platform which enables IDEX to expand into new markets and new use-cases. IDEX continues to drive the best customer experience through world-class algorithm and software development on this platform.

On the customer side, we continue to expand our manufacturing partners and solution integrators with our open software platforms and flexible operating system. Focus over the last quarters has been on supporting manufacturers from certification to industrialized production. IDEX is working in close collaboration with manufacturers on yield and quality optimization. As a result, KONA I has achieved Mastercard approval for the world first metal biometric card, based on the IDEX Pay platform. A first commercial program is now being rolled out in Asia.

IDEX is laser focused on seamless and scalable user experience. In September, we demonstrated a successful live transaction on the India based RuPay network with IDEX Pay, together with our partners. This is an indication of IDEX biometric platform readiness to bring trusted identity solutions to consumers around the world.



Catharina Eklof
Chief Executive Officer

About IDEX Biometrics

IDEX Biometrics is a global technology leader in biometric authentication solutions for smart cards, offering secure and convenient solutions for payments, access control, and digital identity. Through our patented and proprietary sensor technologies, integrated circuit designs, and software we make our biometric solutions unique and innovative, delivering secure, fast and seamless user experiences to customers worldwide. IDEX Biometrics partners with leading card manufacturers, technology companies and payment networks, bringing solutions to the market. The IDEX Biometrics flexible technology platform supports a wide range of applications and use cases. Together with our partners, we provide end-to-end solutions to banks and other organizations seeking to launch their own biometric cards for payment or to support other authentication needs.

Business Model and Strategy

Our commitment is to provide trusted proof of identity for all individuals. In an era where security and trust are paramount, our advanced biometric technology ensures that everyone, regardless of their background or circumstance, can rely on a secure and accurate means of confirming their identity, fostering inclusivity, and safeguarding personal information in an increasingly interconnected world.

We offer trusted biometric technology solutions that are scalable and meet the diverse needs of industries and applications. We are dedicated to market and consumer relevant innovation, research, and development, to provide resource optimized state-of-the-art biometric platforms.

IDEX Biometrics is uniquely positioned as a provider of completely decentralized authentication solutions for card-based fingerprint biometric sensing technology. The IDEX Biometrics technology was purpose-built for biometric payment and access smart cards in response to the highest security standards and other requirements of these markets, such as power harvesting, transaction speed, durability, and cost effectiveness. Our technology is based on the biological markers of a person's unique fingerprint and confirms the user's identity through a 'handshake procedure' with the payment terminal, access reader or mobile phone. The biometric card solution eliminates the need for less secure credentials such as passwords, pins or the many costly and cumbersome multifactor authentication methods used today.

IDEX Biometrics has evolved from a component company to an end-to-end solution company. With our own card operating system capabilities, the product offering supports additional market verticals, broadening the target markets and creating new market opportunities.

Global Market Trends and Regulatory Environment

IDEX Biometrics addresses large and well-established markets, with exposure to market megatrends as trusted identity is a top priority in payments and for enterprises. There is demand for secure online transactions and convenient multi-factor authentication solutions.

Credentials are increasingly stored online, together with other user information. This exposes people, enterprises and society to new types of threats. The costs for cybercrimes are accelerating, especially considering the emerging capabilities of AI and deep fake technologies. We believe this is an alarming global trend representing an opportunity at scale for IDEX to address, as protection of individual identity and integrity is a rising concern in today's society, manifested by increasing focus from regulators, governments and corporations. g
The regulatory landscape worldwide strives to enhance end-user control and improve data accessibility for consumers. EU has recently sharpened directives and regulations, bringing stricter enforcement of multi factor authentication among organizations, who must upgrade their current IT

infrastructures and find the right balance between frictionless customer experiences and stricter security measures.

US Cybersecurity and Infrastructure Security Agency are promoting multifactor authentication including biometrics as a key ingredient to raise the bar against cyber threats across businesses and in society. Similar initiatives and mandates can be seen among governments globally.

Within payments, EMVCo, a governing body in the industry, is now intensifying efforts for global standards for biometric payment cards. IDEX Biometrics is an engaged member and participates in EMVCo's industry expert group for biometric payment cards. IDEX is also an associate level member of the FIDO Alliance, a global industry association developing standards for password-less authentication.

Biometric smart cards provide multi-factor authentication by design. Biometric authentication, using unique physical characteristics is a solution that protects individuals and society efficiently and represents an untapped market potential. The user's biometric data is encrypted and stored only on the card, making the biometric card the ultimate hack-resistant authentication device as it is never connected to the internet.

Market Opportunity and Target Markets

The IDEX Biometric unique biometric platform solution can be applied in multiple market segments using smart cards with the use cases of biometrics expanding to new segments. The company has three main target markets with an accelerating need for biometric identity solutions: banking and payment, enterprise security and public services. IDEX Biometrics is today a leader in biometrics technology offering decentralized authentication solutions across payments and access control.

As the market matures and technology on cards gets more powerful, we expect the solution for different use cases will converge. Our biometric card technology can already be seen in solutions that combine physical and digital access. The abilities to attach attributes related to ID and health records are emerging. Fiat and digital currencies could soon co-exist on the same card, and there are many other examples.

I - Payments

We see the market for biometric payment cards evolve in stages, with affluent consumers taking the role of early adopters. A product segment related to this is the metal card market of more than 40 million cards/year and a double-digit annual growth. As the IDEX biometric solution expands beyond metal and into the traditional market of payment cards, economy of scale will drive prices down and allow for biometric card services to become ubiquitous.

The global market for chip enabled payment cards is currently near 3 billion cards annually and is estimated to be greater than 12 billion EMV cards in circulation today. The growth in the markets is driven by the rising adoption of contactless payments, increased use of digital payments and growing e-commerce.

II - Access Control

Investments in enterprise security continue to grow double digit and biometric technologies are quickly becoming necessities in solutions targeting access control and identity management. With growing cyber security threats, and higher potential liabilities, enterprises are stepping up their efforts to authenticate every person they let into their systems and onto their premises.

Biometric on-card authentication has proven to be the most secure and convenient solution for multi factor authentication. It is economically viable and reduces the risk for cloud-based data

threats putting the user in total control of their own digital identity. In addition, the card form factor is ideal as it can also function as an employee identity badge and be visibly worn.

In compliance with reinforced cybersecurity and data privacy regulations, biometric identity solutions protect assets and secure access for enterprises, governments, and individuals, by removing the need for PINs and passwords. Biometric authentication cards enable decentralized biometric identification and meet the demand for secure identity solutions with use cases for biometric access solutions expanding. With the global cost for cybercrimes reaching \$8 trillion in 2023, secure access control solutions have become one of the highest priorities for CISO's and other decision makers.

Supply Chain and Operations

IDEX has an asset light, fables business model, using external manufacturing partners for the fabrication, assembly and testing of its products. The majority of our card manufacturing partners are present in both payment and access.

The IDEX Biometrics operational strategy is to maximize efficiency and cost competitiveness by using industry standard design processes, incorporating verified high-volume components and materials, and outsourcing manufacturing to partners using established production processes.

Go-to-market Model

Customers of IDEX Biometrics are manufacturers of payment cards, access cards, and other products using fingerprint sensors as the key to proving identity. Our customers are part of a large ecosystem with a multiparty supply chain to reach the final customer. The ecosystem is different for payments and access. IDEX Biometrics therefore has a distinct engagement strategy to enable the eco system and have business relationships and go-to market models for various parties in the value chain. Our flexible solutions for smart card manufacturers, our implementation programs, and our user-friendly suite of enrollment solutions meet demands from various customer types and use cases, accelerating time to market.

Product Development and Innovation

The company has adapted to customer needs when developing products and solutions, focusing on a seamless user experience. Our industry leading solutions are software defined, and we have the development expertise, plus over 200 patents, to fully support the end-to-end solutions recently certified.

Our vertical approach to product development covers the entire biometric smartcard technology stack from high level solution and system architectures, through secure biometric algorithms and software, down to the lowest level sensor and silicon hardware. Thanks to the combination of our large area sensor and its efficient, on-board image, biometric and security processor, we can achieve industry-leading user experience and security.

Our biometric algorithms and software integrate a wide range of both proprietary and industry-standard cryptographic security functions for privacy and tamper protection, as well as implementing critical biometric enrollment, liveness detection and authentication features.

IDEX Pay is a manufacturer-agnostic end-to-end biometric smartcard solution, providing all the necessary biometric performance, functionality and security certifications required by payment schemes such as Mastercard and VISA. It enables our customers and partners to take their own card manufacturing processes and complete a fast-track certification by incorporating IDEX Pay technology and leveraging our certified smartcard reference design into their own card manufacturing lines.

The IDEX Pay biometric solution is offered with a suite of enrollment methods to enable issuers to deploy turnkey biometric activation and on-boarding solutions allowing users to enroll via their smartphone, with a dedicated device at home or in a branch.

IDEX biometric software platform, IDEX Pay, and access, IDEX Access are built on the same biometric platform, serving two different markets. The solution can be layered with different applets to provide new functions and capabilities for supporting payment, crypto wallets, and other digital authentication solutions such as digital access. The full card solution from IDEX Biometrics is complete with hardware (sensor, secure element modules and all accompanying components) and software (OS, applets, SDKs). The OS developed by IDEX allows our customers to provide their own customized applet for application specific functions.

Therefore, sensitive biometric information is never communicated to third parties or stored in a connected database. We are committed to investing in patents and other intellectual property protection measures that ensure our products are, and remain, the leading solution in our target markets.

FINANCIAL REVIEW

Statements of profit and loss

- Revenue amounted to \$0.1 million quartering in the third quarter of 2024 compared to \$0.9 million in the third quarter of 2023. The lower revenue is related to lower sensor shipments in the biometric pay market.
- Gross profit margin was 53% of product revenue¹ in the third quarter of 2024 versus 22.8% in the third quarter of 2023.
- Expenses for Compensation & Benefits, Research & Development, Other Operating Expenses and Depreciation & Amortization were \$4.3 million in the third quarter of 2024 compared to \$7.0 million in the third quarter of 2023.
- The company continues to focus on reducing expenses and during the second quarter reduced its full-time equivalent (FTE) to 50 at the end of September 2024, down from 59 at the end the second quarter of 2024, and 87 at the end of the fourth quarter of 2023.
- Further reductions have been enacted with the impacted individuals already notified. This will continue to reduce headcount and operating expenses in the fourth quarter of 2024. The related severance restructuring charge was \$0.3 million during the third quarter of 2024.
- IDEX has consolidated certain engineering and administration functions to the UK and Norway this year and there are further consolidation actions to be completed by the end of the year.
- Net income in the third quarter of 2024 was \$1.4 million. The result includes \$5.5 million in financial gains in the period on the convertible debt and outstanding warrants.
- EBITDA for the third quarter of 2024 was negative \$4.4 million compared to negative \$6.4 million in the third quarter of 2024. EBITDA for the first nine months of 2024 was negative \$14.9 million compared to \$20.4 million in the first nine months of 2023.

Statement Financial Position

The largest assets held on the company's Statements of financial position as of September 30, 2024, were inventory of \$6.4 million, and cash of \$1.1 million. Total intangible assets include acquired intellectual property and goodwill amounting to \$1.6 million, and the company has fixed assets amounting to \$0.7 million.

Customer accounts receivable amounted to \$1.0 million as of September 30, 2024. The amounts are net of reserves for bad debt. IDEX has a legal dispute with a customer that has not yet paid for contracted shipments from IDEX in 2023. The possible outcome of the case is difficult to estimate reliably. The receivable is held at an estimated recoverable value.

Total long-term liabilities amounted to \$2.4 million as of September 30, 2024, compared to \$1.4 million as of September 30, 2023, and \$1.2 million as of December 31, 2023. The amended term of the convertible bond caused \$2.3 million to be reclassified from short-term to long-term debt on September 17, 2024. Due to the termination of the leases in the US, the long-term lease liability of USD \$0.8 million was disposed of.

Total short-term liabilities amounted to \$4.9 million as of September 30, 2024, compared to \$5.4 million as of September 30, 2023, and \$12.4 million as of December 31, 2023. The decrease is mainly due to the reclassification of the convertible debt, mentioned above.

Net working capital (i.e., current assets, excluding cash, less short-term liabilities, excluding convertible loan) amounted to \$4.6 million as of September 30, 2024, \$5.8 million as of September 30, 2023, and \$5.2 million as of December 31, 2023.

Equity amounted to \$5.7 million as of September 30, 2024, compared to \$13.2 million as of September 30, 2023, and \$11.3 million as of December 31, 2023.

The company incurred an operating cash outflow of \$2.3 million in the third quarter of 2024, in contrast to an operating cash outflow of \$7.2 million in the third quarter of 2023. The primary operating cash items are the operating losses in each period, less non-cash expenses and gains, including share-based compensation, depreciation and amortization and changes in financial liabilities. The reduction in operating cash outflow is mainly due to lower opex and favourable working capital movement.

The company is an asset-light company because the manufacturing processes are subcontracted and as such the company has minimal capital expenditures. In the third quarter of 2024 there were no significant capital expenses.

Total cash flow from financing activities amounted to a net inflow of \$1.3 million in the third quarter of 2024. The primary activity was cash received from the private placement of NOK 70 million (USD 6.6 million), of which NOK 21 million was received in September and the remaining balance received in October of 2024. The extraordinary general meeting on October 9, 2024 authorized the board to conduct a subsequent offering to all shareholders and resolved to issue warrants to the investors taking part in the private placement and the subsequent issue. These actions will further benefit equity and the cash position of the company.

Liquidity

The cash balance amounted to \$1.1 million as of September 30, 2024, compared to \$3.7 million as of September 30, 2023, and \$11.4 million as of December 31, 2023. The company's balance sheet solvency, defined as the value of cash plus accounts receivable, less short-term liabilities, was negative \$1.9 million as of September 30, 2024. The solvency was improved by \$5.1 million on October 9, 2024, upon receipt of the proceeds from Tranche 2 of the private placement completed in September.

October 28, 2024

The Board of Directors of IDEX Biometrics ASA

CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED)

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS

Amounts in USD 000s	Note	Quarters		YTD		Full year
		Q3 2024	Q3 2023	2024	2023	2023
Operating revenue						
Product revenue	4	54	950	701	3 654	4 131
Service and other revenue	4	6		116		8
Total revenue		60	950	817	3 654	4 138
Operating expenses						
Cost of materials, net of inventory change		28	733	498	2 792	3 908
Compensation and benefits	5	1 858	3 584	7 537	11 960	14 305
Research and development	6	1 393	844	2 622	2 629	2 393
Other operating expenses	7	1 203	2 168	5 037	6 685	8 743
Amortization, depreciation and impairment	8	(372)	388	1 110	1 131	1 635
Total operating expenses		4 111	7 717	16 804	25 197	30 986
Loss from operations						
		(4 051)	(6 768)	(15 987)	(21 544)	(26 847)
Financial income	9,14	3 871	78	5 136	406	842
Gain (loss) on modification of financial liabilities, net	14	1 841	0	1 841	0	0
Financial cost	9	300	345	1 716	604	639
Profit (loss) before tax						
		1 360	(7 035)	(10 727)	(21 742)	(26 644)
Income tax benefit (expense)						
	10		5	(2)	31	16
Net profit (loss) for the period						
		1 360	(7 030)	(10 729)	(21 711)	(26 629)
Profit (loss) per share, basic and diluted						
	11	0.00	(0.01)	(0.04)	(0.02)	(0.11)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Amounts in USD 000s	Quarters		YTD		Full year	
	Q3 2024	Q3 2023	2024	2023	2023	
Net profit (loss) for the period						
		1 360	(7 030)	(10 729)	(21 711)	(26 629)
Foreign currency translation adjustment						
		(618)	290	(514)	(123)	(436)
Total comprehensive income (loss) for the period, net of tax						
		743	(6 740)	(11 243)	(21 834)	(27 065)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Amounts in USD 000s	Note	September 30, 2024	September 30, 2023	December 31, 2023
Assets				
Non-current assets				
Goodwill		968	968	968
Intangible assets		653	1 130	1 011
Total intangible assets		1 621	2 098	1 979
Property, plant and equipment		313	1 039	812
Right-of-use assets		411	1 907	1 779
Non-current receivables		85	72	81
Total non-current assets	8	2 429	5 116	4 651
Current assets				
Prepaid expenses		1 176	1 209	648
Inventory	13	6 405	7 343	6 384
Accounts receivable, trade		971	1 664	979
Accounts receivable, other		930	983	949
Cash and cash equivalents		1 081	3 661	11 352
Total current assets		10 563	14 860	20 312
Total assets		12 992	19 976	24 962
Equity and liabilities				
Equity				
Share capital		12 410	24 858	25 955
Share premium		5 215	13 139	2 118
Share-based payment		25 109	24 535	24 858
Foreign currency translation effects		(12 582)	(11 754)	(12 068)
Capital reduction reserves		316 341	287 500	300 500
Accumulated loss		(340 758)	(325 112)	(330 030)
Total equity	12	5 734	13 165	11 334
Non-current liabilities				
Non-current non-interest-bearing loans	14	1 907	-	-
Other non-current financial liabilities	14	400	-	-
Non-current lease liabilities		69	1 367	1 238
Total non-current liabilities		2 376	1 367	1 238
Current liabilities				
Accounts payable		2 300	596	688
Current lease liabilities		452	609	624
Public duties payable		256	324	283
Interest-bearing loans		-	-	5 076
Other current financial liabilities	14	5	-	3 545
Other current liabilities		1 869	3 914	2 174
Total current liabilities		4 883	5 443	12 390
Total liabilities		7 258	6 810	13 628
Total equity and liabilities		12 992	19 976	24 962

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Amounts in USD 000s	Note	Share capital	Share premium	Share based payment	Foreign currency translation effects	Capital reduction reserve	Accumulated loss	Total equity
Balance at January 1, 2024		25 955	2 118	24 858	(12 068)	300 500	(330 030)	11 334
Share issuance	12	2 291	3 097	-	-	-	-	5 388
Share capital reduction	5,7,12	(15 841)	-	-	-	15 841	-	-
Share-based compensation	5,7,12	5	-	250	-	-	-	255
Loss for the period		-	-	-	-	-	(10 729)	(10 729)
Other comprehensive income		-	-	-	(515)	-	-	(515)
Balance at September 30, 2024		12 410	5 215	25 109	(12 582)	316 341	(340 758)	5 734
Balance at January 1, 2023		22 762	4 036	23 576	(11 632)	287 500	(303 401)	22 841
Share issuance	12	2 020	8 921	-	-	-	-	10 942
Share-based compensation	5,7,12	48	144	725	-	-	-	917
Loss for the period		-	-	-	-	-	(14 681)	(14 681)
Other comprehensive income		-	-	-	(412)	-	-	(412)
Balance at September 30, 2023		24 831	13 102	24 301	(12 044)	287 500	(318 082)	19 607
Balance at January 1, 2023		22 762	4 036	23 576	(11 632)	287 500	(303 401)	22 841
Share issuance	12	3 128	11 009	-	-	-	-	14 137
Share-based compensation	5,7,12	65	73	1 283	-	-	-	1 421
Loss for the period		-	-	-	-	-	(26 629)	(26 629)
Transfer of share premium		-	(13 000)	-	-	13 000	-	-
Other comprehensive income		-	-	-	(436)	-	-	(436)
Balance at December 31, 2023		25 955	2 118	24 858	(12 068)	300 500	(330 030)	11 334

CONSOLIDATED STATEMENTS OF CASH FLOWS

Amounts in USD 000s	Note	Quarters		YTD		Full year
		Q3 2024	Q3 2023	2024	2023	2023
Operating activities						
Profit (loss) before tax		1 360	(7 035)	(10 727)	(21 742)	(26 644)
<i>Adjustments to reconcile profit before tax to net cash flows:</i>						
Amortization, depreciation and impairment expense	8	(375)	388	1 107	1 131	1 635
Share-based compensation expense	5	74	234	250	960	1 283
Gain (loss) on modification of financial liabilities, net		(1 841)	-	(1 841)	-	-
Value change convertible loan and warrants		(3 435)	-	(4 199)	-	-
Other financial items		(187)	184	762	(243)	(434)
<i>Other operating cash flows:</i>						
(Increase) decrease in inventories		(96)	(877)	(21)	(2 896)	(1 937)
(Increase) decrease in accounts receivables		168	(609)	97	(315)	370
Increase (decrease) in accounts payable		1 386	(401)	1 608	(948)	(852)
(Increase) decrease in other working capital items		668	906	(969)	789	(466)
Interest paid	9	(1)	(31)	(254)	(101)	(5)
Change in income taxes		-	28	(2)	44	46
Net cash flow used in operating activities		(2 279)	(7 213)	(14 188)	(23 320)	(27 005)
Investing activities						
(Purchases) sales of property, plant and equipment	8	(30)	(71)	192	(243)	(243)
Change in non-current receivables		0	(17)	(1)	1	(6)
Interest received	9	5	63	78	207	254
Net cash flow used in investing activities		(25)	(25)	269	(36)	4
Financing activities						
Net proceeds from issuance of shares		1 902	65	6 789	11 199	14 275
Proceeds from borrowings	14	-	-	-	-	8 621
Repayments of borrowings	14	(440)	-	(2 657)	-	-
Payments on lease liabilities	8	(145)	(109)	(492)	(300)	(671)
Net cash flow from financing activities		1 317	(44)	3 640	10 899	22 225
Net change in cash and cash equivalents		(987)	(7 282)	(10 278)	(12 456)	(4 776)
Effect of foreign exchange rate changes		11	(12)	7	(7)	3
Opening cash and cash equivalents balance		2 057	10 955	11 352	16 124	16 124
Cash and cash equivalents at period end		1 081	3 661	1 081	3 661	11 352

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 The Company and its business

IDEX Biometrics specializes in the design, development, and sale of fingerprint authentication solutions. The Company's fingerprint authentication solutions are used primarily in contactless smart cards, including financial payment cards, access control cards, and card-based devices for the storage of digital currencies. 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, Norway. There is one class of ordinary (i.e., common) shares, and all shares have equal rights. The Company's Ordinary Shares are listed on Euronext Oslo Børs, the stock exchange in Oslo, Norway, under the ticker IDEX.

IDEX Biometrics has wholly owned subsidiaries in the United States, the United Kingdom, and China. The subsidiaries provide technical development services, sales facilitation, marketing assistance, and/or logistics processing for the parent company. The entities in the US and China are in the process of being closed down.

2 Basis of preparation and accounting policies

These Consolidated interim financial statements for the quarter ended September 30, 2024, have been prepared in accordance with IAS 34 *Interim Financial Reporting* and have not been subject to audit. These interim financial statements should be read in conjunction with the audited annual financial statements for the year ended December 31, 2023, which were prepared in accordance with IFRS Accounting Standards as adopted by the EU. The accounting policies applied herein are consistent with those applied in the preparation of the annual financial statements for the year ended December 31, 2023. Amounts presented may not sum precisely due to rounding.

IDEX Biometrics operates in one operating segment, fingerprint imaging and recognition technology, and these interim financial statements present the full consolidation of the accounts of the Company and all subsidiaries, reflecting this operational focus.

The going concern assumption has been applied in the preparation of the consolidated financial statements. Going concern assumes the realization of assets and liquidation of liabilities in the normal course of business.

IDEX Biometrics has incurred significant operating losses and negative cash flows during the development stage of the business. Net equity amounted to \$5.7 million which meant that more than half the share capital was lost, and the balance sheet solvency was negative as of September 30, 2024. The Company has implemented measures to significantly reduce operating expenses, mainly in the technical functions in the US, while maintaining the customer support functions and supply chain capabilities. Following the extraordinary general meeting on October 9, 2024, which meeting approved Tranche 2 of the private placement conducted on September 17, 2024, \$5.1 million has been paid in and improved the equity and liquidity situation. The EGM also authorized the board to conduct a subsequent offering to all shareholders and resolved to issue warrants to the investors taking part in the private placement and the subsequent issue. These actions will add further equity and cash.

IDEX anticipates that the Company will continue to incur operating losses and consume cash through 2024 and into 2025. The working capital presently available to the IDEX is not sufficient for its present requirements for a period of at least 12 months from the date of this report. The Company expects to obtain additional working capital from issue of shares issued in the subsequent offering and from exercise of the warrants approved at the extraordinary general meeting on October 9, 2024.

3 Risks

It is the duty of the Board of Directors to present the principal risks facing the Company in the conduct of its business. The Company's major risk is its business risk, broadly meaning risks to its ability to generate revenue and earn profit. Future revenue generation will depend, among other such risks, on the Company's ability to market and profitably deliver products on a sustained basis, its ability to raise sufficient capital to pursue its business strategies, its ability to legally protect its intellectual property rights, its ability to scale its operations to maximize efficiencies, and its ability to retain current employees and to attract new employees. The ability to generate future revenue is also highly dependent on the pace of development of the market for biometric payment cards, which remains in an early stage.

See note 2 regarding the going concern risk.

The Company's assets primarily consist of cash, working capital, and intangible assets. The Company maintains liquidity by investing available funds in readily accessible, floating-interest rate bank accounts. The Company's exposure to currency exchange rate changes is managed by maintaining an appropriate mix of cash deposits in the various currencies it utilizes for its operations. The Company does not engage in any active hedging strategies. The U.S. Dollar is the dominant currency of the Company's receivables and payables.

As of September 30, 2024, the Company had a convertible debt recognized at \$1.9 million, as presented in note 14. The original loan amount was NOK 100 million, and the loan is denominated in NOK. The agreement was amended as of September 17, 2024. Following the amendment, the convertible debt is interest free, and the term payments will be semi-annual starting from June 28, 2026. As of September 30, 2024, the nominal debt outstanding amounted to NOK 66.6 million or USD 6.3 million. The debt represents a NOK/USD currency exchange rate risk, and a cash flow risk. The currency risk is not hedged. The Company may elect to make any and all term payments in shares versus cash, reducing the liquidity risk.

The conversion option is accounted for as an embedded derivative recognized separately from the host contract as a financial liability at fair value through profit or loss. The derivative liability will eventually amount to nil after the final term payment on the loan. The decline in fair value of the derivative, which is a non-cash item, is recognized as a financial income. The fair value is measured at each balance sheet date, and the value of the derivative will increase or decrease with share price, share volatility and risk-free interest rate, as well as the NOK/USD exchange rate. Consequently, the non-cash financial effect may vary considerably between periods. This risk has not been hedged.

4 Revenue from contracts with customers

The Company records revenue from the sale of biometric fingerprint sensor products and the delivery of technical development and other engineering services to its customers. Product-related revenue is recognized upon shipment, primarily on ex-works basis.

There were no contract asset or contract liability balances at September 30, 2024, or December 31, 2023.

IDEX Biometrics categorizes customers by geographic region utilizing the addresses to which IDEX Biometrics invoices its products or services. The Company's products and service revenue by geographic region is as follows:

Amounts in USD 1,000	Quarters		YTD		Full year
	Q3 2024	Q3 2023	2024	2023	2023
EMEA	(0)	849	106	2 652	3 029
Americas	49	48	248	941	975
Asia-Pacific	5	53	347	61	126
Product revenue	53	950	701	3 654	4 131
EMEA	-	-	-	-	2
Americas	6	-	47	-	-
Asia-Pacific	-	-	69	-	6
Service and other revenue	6	-	116	-	8
Total revenue	59	950	817	3 654	4 138

5 Compensation and benefits

Amounts in USD 1,000	Quarters		YTD		Full year
	Q3 2024	Q3 2023	2024	2023	2023
Salary, payroll tax, benefits, other	1 791	3 351	7 305	11 012	13 026
Share-based compensation	286	233	452	948	1 280
Compensation and benefits	2 078	3 584	7 757	11 960	14 305

Compensation and benefit expenses consist of costs for direct employees of the Company. Individual contractors are classified as Research and development expenses or Other operating expenses, as applicable.

The table below sets forth the number of employees and individual contractors by their function measured in full-time equivalents (FTE). Certain individuals are contractors because they work in countries in which the Company does not have a business presence.

Full-time equivalents (FTEs) by function	September 30, 2024		September 30, 2023		December 31, 2023	
	Employees	Contractors	Employees	Contractors	Employees	Contractors
Research and development	21	5	54	5	53	5
Marketing and sales	4	7	5	12	4	11
General and administrative	3	1	5	2	5	2
Supply chain and distribution	9	-	7	-	7	-
Total	37	13	71	19	69	18

IDEX Biometrics presents operating expenses by *nature*, in contrast to *function*. Accordingly, Compensation and benefits expenses includes the compensation and benefit costs for all employees. Cost of materials, net of inventory change, Research and development expenses, and Other operating expenses do not include the cost of compensation to personnel assigned to those activities.

6 Research and development expenses

Research costs are expensed when incurred. Development costs are expensed unless they qualify for capitalization. The Company's patents and other intellectual property rights created are capitalized and recorded on the Statement of financial position only if they satisfy the criteria for capitalization. The Company

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		YTD	Full Year	
	Q3 2024	Q3 2023	2024	2023	2023
Gross R&D expenses	1 393	844	2 622	2 629	3 495
Government grants credited to cost	-	-	-	-	(1 102)
Net R&D expenses	1 393	844	2 622	2 629	2 393

Government support is recognized when it is probable the Company will qualify and receive support, and the amount can be measured reliably. Norwegian SkatteFUNN grants are recorded in the fourth quarter each year.

7 Related party transactions

Chair of the board, formerly board member, Morten Opstad, is a partner in the law firm Ræder Bing advokatfirma AS. Ræder Bing has provided legal services to the Company resulting in charges of \$201 thousand during the first three quarters of 2024. Mr. Opstad's work on behalf of the Company beyond his board duties is invoiced by Ræder Bing.

The former chair of the Board of Directors, Lawrence J. Ciaccia, provided consulting services to the Company for a fixed fee of \$50 thousand per year. The service agreement was ended April 30, 2024.

In connection with the private placement on May 15, 2024, the Company entered into a share lending agreement with certain shareholders in order to facilitate settlement of the new shares in the private placement. As a fixed fee for the share lending, each lender received a fee equaling 5% per annum on the subscription price multiplied by the number of borrowed shares lent by the respective lender. The fees paid amounted to \$5.5 thousand to Mr. Robert Keith and \$2.6 thousand to Sundt AS.

Following approval by the annual general meeting (AGM) on May 16, 2024, IDEX has paid the board and committee remuneration for the period from the 2023 AGM to the 2024 AGM.

8 Non-current assets

Amounts in USD 1,000	Goodwill	Intangible assets	Property, plant and equipment	Right-of-use assets	Non-current receivables	Total non-current assets
Balance at January 1, 2024	968	1 011	812	1 779	81	4 651
Additions	-	-	(192)	-	-	(192)
Settlements	-	-	-	-	-	-
Depreciation and amortization	-	(358)	(311)	(417)	-	(1 086)
Net book value of disposed and retired assets	-	-	-	(948)	-	(948)
Impairment	-	-	-	-	-	-
Effects of changes in foreign currency	-	-	4	(4)	4	4
Balance at September 30, 2024	968	653	313	411	85	2 429

Amounts in USD 1,000	Goodwill	Intangible assets	Property, plant and equipment	Right-of-use assets	Non-current receivables	Total non-current assets
Balance at January 1, 2023	968	1 488	1 107	1 545	73	5 181
Additions	-	-	243	820	16	1 079
Settlements	-	-	-	-	(17)	(17)
Depreciation and amortization	-	(373)	(300)	(458)	-	(1 131)
Effects of changes in foreign currency	-	15	(11)	-	-	4
Balance at September 30, 2023	968	1 130	1 039	1 907	72	5 116
Balance at January 1, 2023	968	1 488	1 107	1 545	73	5 181
Additions	-	-	243	844	25	1 112
Settlements	-	-	-	-	(17)	(17)
Depreciation and amortization	-	(477)	(548)	(610)	-	(1 635)
Effects of changes in foreign currency	-	-	10	-	-	11
Balance at December 31, 2023	968	1 011	812	1 779	81	4 651

Acquired intangible assets and intellectual property rights have been capitalized at the time of acquisition. These assets are depreciated over their respective economic lives. The major items depreciate over 9.5 years and 17 years from acquisition, through July 2024 and to the end of 2030, respectively. Goodwill is not amortized but is tested for impairment at least annually or more frequently, if circumstances merit. The Company is one cash generating unit for purposes of impairment testing. Tangible fixed assets are comprised of scientific and test equipment, engineering tools, leasehold improvements, office equipment, and furniture with useful lives of three to seven years.

In the second quarter of 2024, the Company recorded an impairment amounting to USD 722K on right to use assets, i.e. leasehold properties in the US. The leasehold agreements were amicably terminated in the third quarter of 2024. Consequently, the impairment was reversed in the third quarter of 2024, and the right-to use assets retired. The corresponding financial liability was also removed in the third quarter.

9 Financial items

Amounts in USD 1,000	Quarters		YTD	Full year	
	Q3 2024	Q3 2023	2024	2023	2023
Interest income	5	63	78	207	254
Currency exchange gain	250	15	859	200	588
Gain on modification of financial instruments	1 841	-	1 841	-	-
Change in fair value of financial instruments	3 616	-	4 199	-	-
Total financial income	5 711	78	6 977	406	842
Interest expenses on lease liabilities	23	32	76	101	130
Interest expenses	570	-	1 681	-	5
Currency exchange loss	(293)	313	(40)	503	503
Total financial expense	300	345	1 716	604	639

See note 14 regarding the gain on financial instruments.

10 Income tax expense

The Company has significant accumulated tax losses. No deferred tax asset associated with these accumulated tax losses has been recorded on the Statement of financial position, as there is not sufficient

evidence that taxable profit will be generated, against which the unused tax losses could be applied. There are no restrictions as to how long tax losses may be carried forward in Norway.

11 Loss per share

	Quarters		YTD	Full year	
	Q3 2024	Q3 2023	2024	2023	2023
Profit (loss) attributable to the shareholders (USD 1,000)	1 360	(7 030)	(10 729)	(21 711)	(26 629)
Weighted average basic number of shares	313 205 379	266 466 434	299 526 606	245 201 213	253 042 411
Weighted average diluted number of shares	314 071 804	268 226 337	300 471 301	246 098 532	254 080 521
Profit (loss) per share, basic and diluted (USD)	0.00	(0.03)	(0.04)	(0.09)	(0.11)

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 for the period. Loss per share is calculated per basic share (i.e. without consideration for the anti-dilutive effect of exercisable subscription rights or warrants).

12 Shares and subscription rights

On 10 January 2024, a 5:1 share consolidation (reverse split) took effect. This is reflected in the table below. The subscription rights scheme has adjustment clauses so that the number of subscription rights and the exercise prices are adjusted by the same ratio.

Number of financial instruments	Incentive subscription rights	Warrants	Shares
Balance at January 1, 2024	94 834 662		1 397 010 650
Jan 10: After 5:1 share consolidation	18 966 932		279 402 130
May 15: Share issue		27 940 213	27 940 213
Jun 19: Share issue		5 393 120	5 393 120
Aug 20: Share issue			16 166 667
Aug 29: Share issue - convertible loan term payment settled in shares			9 123 333
Sep 16: Share issue			101 624 966
Employee Stock Purchase Plan			358 525
Granted incentive subscription rights	15 383 130		
Mar 20: Exercised incentive subscription rights	(532 572)		365 900
Expired/forfeited incentive subscription rights	(7 333 540)		
Balance at September 30, 2024	26 483 950	33 333 333	440 374 854
Balance at January 1, 2023	81 106 631		1 166 326 584
May 24: Share issue			116 897 492
Jun 16: Share issue			30 161 332
Employee Stock Purchase Plan			4 538 974
Granted incentive subscription rights	21 975 200		
Exercised incentive subscription rights			
Expired/forfeited incentive subscription rights	(3 651 980)		
Balance at September 30, 2023	99 429 851		1 317 924 382
Balance at January 1, 2023	81 106 631		1 166 326 584
May 24: Share issue			116 897 492
Jun 16: Share issue			30 161 332
Nov 20: Share issue			78 651 685
Employee Stock Purchase Plan			4 583 949
Granted incentive subscription rights	22 475 200		
Exercised incentive subscription rights	(389 608)		389 608
Expired/forfeited incentive subscription rights	(8 357 561)		
Balance at December 31, 2023	94 834 662		1 397 010 650

On May 15, 2024, IDEX conducted a private placement of 33,333,333 shares at NOK 1.65 per share, raising gross proceeds of NOK 55 million or \$5.1 million. In addition, the subscribers received one warrant at NOK 1.65 per share subscribed to. The warrants are exercisable in quarterly windows after issue of interim reports and expire fourteen days after the interim report for the first quarter of 2025 has been issued.

On August 23, 2024, IDEX conducted a private placement of 16,166,667 shares at NOK 0.60 per share, raising gross proceeds of NOK 9.7 million or \$0.9 million. 2,904,261 of these shares will be admitted to listing on Euronext Oslo Børs only after the Norwegian Financial Surveillance Authority has approved a listing prospectus. Such approval is expected mid November.

On August 29, 2024, IDEX settled a term payment on the convertible bond in shares. The Company issued 9,123,333 shares at NOK 0.60 for a total amount of NOK 5.5 million or \$0.5 million.

On September 16, 2024, IDEX conducted a private placement of 466,666,666 shares at NOK 0.15 per share, raising gross proceeds of NOK 70.0 million or \$6.6 million. For each two shares subscribed to, the subscriber would receive two warrants: One warrant A exercisable within the first 14 days following the disclosure of the interim report for the fourth quarter of 2024, which is expected on February 27, 2025, and one warrant B which is exercisable from 31 March 2025 to 11 April 2025. The warrants will lapse unless exercised within the respective periods. The private placement was divided into two tranches, with 101,624,966 shares in Tranche 1 and 365,041,700 shares in Tranche 2, subject to approval by extraordinary general meetings of the Company held on September 23, 2024 and October 9, 2024, respectively. The warrants were also subject to approval by the extraordinary general meeting held on October 9, 2024. As of September 30, 2024, the Tranche 1 shares had been issued. Tranche 2 shares and warrants relating to both tranches were issued on October 9, 2024. The shares will be admitted to listing on Euronext Oslo Børs only after the Norwegian Financial Surveillance Authority has approved a listing prospectus. Such approval is expected mid November.

From time to time, on a discretionary basis, IDEX Biometrics awards subscription rights for the purchase of shares to employees and individual contractors, pursuant to the terms of an annual subscription rights program approved by shareholders at the annual general meeting (AGM). Such subscription rights are denominated in NOK. Unless specifically resolved otherwise by the Board of Directors, 25% of each grant of subscription rights vests per year, and the grant expires on the fifth anniversary of the AGM at which the program was approved. Unvested subscription rights terminate on the holder's last day of employment or termination of contract. Vested subscription rights may be exercised up to 90 days after such termination date. The weighted average exercise price of outstanding incentive subscription rights on September 30, 2024, was NOK 3.90 per share.

The fair value at grant date of a subscription right is expensed over the vesting period of each tranche of the grant. The fair value of each tranche of a subscription right is determined using a Black-Scholes option pricing model, based on share prices quoted on the Oslo Børs and applicable volatility and interest rates. The Company's social security tax obligations related to share-based remuneration are recorded on each balance sheet date, based on the earned value of the subscription rights outstanding, and the adjustment to the accrued balance is recorded through profit and loss.

Until February 28, 2024, the Company operated an employee stock purchase plan (ESPP), whereby employees could elect to invest a portion of their after-tax compensation in newly issued ordinary shares. Employees could make payroll contributions of up to 20% of gross salary to the ESPP over the course of six-month contribution periods, March-August, and September-February. At the end of each period, employees purchased shares at a 15% discount to the lesser of the share price at the beginning and ending of the contribution period. The cost of the ESPP was amortized over each contribution period. The cost was based on the contribution amount, the 15% discount, and a Black-Scholes option pricing model at the beginning of the period.

13 Inventory

Amounts in USD 1,000	September 30, 2024			September 30, 2023			December 31, 2023		
	Cost	Reserves	Net	Cost	Reserves	Net	Cost	Reserves	Net
Raw Materials	3 669	-	3 669	4 181	-	4 181	3 795	-	3 795
Work in progress	272	-	272	34	-	34	102	-	102
Finished Goods	2 516	(52)	2 463	3 229	(101)	3 128	3 356	(869)	2 487
Total Inventory	6 457	(52)	6 405	7 443	(101)	7 343	7 254	(869)	6 384

Inventory, consisting of raw materials (primarily semiconductor components and substrates), work-in-progress, and finished goods (completed fingerprint sensing devices available for sale), is valued at the lower of cost or net realizable value, reflecting reserves based on aging and obsolescence until physical disposal.

The finished goods inventory is comprised of current products for sale, and the raw materials at hand are meant for use in the current products offered. Shelf life is practically unlimited. Due to long cycle times of components and at the manufacturing service providers, IDEX has chosen to hold components and finished products in order to enable delivery according to customer requirements.

14 Financial instruments

Convertible Bond

Amounts in USD 1,000	Interest rate	Maturity	September 30, 2024	September 30, 2023	December 31, 2023
Convertible bond	0 %	Semi-annual Amortization from June 28, 2026 to December 28, 2028			
Convertible debt			1 907	-	5 076
Embedded derivative			400	-	3 545
Total:			2 307	-	8 621

In December 2023, IDEX Biometrics entered into a convertible debt financing agreement. The Company issued NOK 100 million, or \$9.9 million in convertible bonds at 6.0% interest p.a. The loan is denominated in NOK. The Company received NOK 92 million after deduction of the issue discount. As of September 30, 2024, the notional value of the convertible bonds was NOK 66.6 million or \$6.3 million. Transactions and balance amounts are reported in USD at the exchange rates at the respective dates.

The conversion option is accounted for as an embedded derivative and was recognized separately from the host contract as a financial liability at fair value through profit or loss. The host contract and the embedded derivative are classified as current or non-current liabilities based on the time until the lender may exercise the conversion option. The host contract is recognized at amortized cost. The value change of the derivative is recognized as a financial item. The derivative liability will eventually be nil, when the debt has been settled, but will vary between periods. The key drivers of the fair value of the derivative are the remaining debt, the share price and the remaining duration.

On September 17, 2024, IDEX entered into a commitment letter with an accompanying term sheet for an amendment agreement to the convertible bond. Per the amended terms, the coupon interest rate on the bond has been reduced to 0%, the term payments will be semi-annual starting from June 28, 2026, extending the term of the loan until December 28, 2027. The conversion rate on the loan was reduced to NOK 0.85. Conversion can, at the earliest, be done on February 28, 2026, unless the share price exceeds NOK 1.25 after June 28, 2025. The Company may elect to settle the principal payments with shares in lieu of cash payments. Any repayment in shares will be converted at 90% of the prevailing market price of the shares.

As the amended terms are substantially different from the original terms, the original host contract and derivative were derecognized, and the amended host contract and derivative were recognized at fair value as of September 17, 2024. The change in value of the liabilities was recorded as a Gain on modification of financial instruments. The value of the amended host contract is calculated using the Company's estimated incremental borrowing rate. The value of the host contract on September 16, 2024, was \$4.0 million. The value as of September 17, 2024, was \$1.9 million. Hence, \$2.1 million has been recorded as a gain on modification. On the derivative, there was a loss on modification of financial instruments amounting to \$0.3 million.

Except for the gain/loss on modification of financial instruments, IDEX recognized a net financial gain in the third quarter of 2024, amounting to \$2.0 million related to the host contract, compared to a cost of \$1.5 million in the second quarter of the year. The value change of the derivative through the quarter was USD 0.4 million.

Warrants

Amounts in USD 1,000	Exercise price	Expiry	September 30, 2024	September 30, 2023	December 31, 2023
Warrants					
Warrants	NOK 1.65	May 29, 2025	5		
Total:			5	-	-

See note 12 regarding issue of warrants on May 15 and June 19 as part of the private placement on May 15, 2024. The warrants were recognized on the respective dates as a financial liability denominated in NOK, at fair value through profit and loss. The option value amounted to NOK 19.7 million or \$1.9 million. The financial liability represented by the warrants will eventually be nil, when the warrants have been exercised or expire, but will vary between periods. The key drivers of the fair value of the warrants are number outstanding, the share price and the remaining duration. IDEX recognized net \$3.6 million in financial gain related to the warrants in the third quarter of 2024.

15 Events after the balance sheet date

The Company held an extraordinary general meeting on October 9, 2024. The shareholders approved the issue of 365,041,700 Tranche 2 shares in the private placement on 16 September 2024, a subsequent offering, and issue of warrants to the subscribers to shares in the private placement and the subsequent offering. The Tranche 2 shares were issued on October 9, 2024. The subsequent offering will take place after an offer prospectus has been approved by the Norwegian Financial Surveillance Authority, and the warrants will be issued soonest after the subsequent offering has been completed.

There have been no events between September 30, 2024 and the approval of these interim financial statements by the Board of Directors that have had any material impact on the Company's results for the nine months ended September 30, 2024, or the value of the Company's assets and liabilities as of September 30, 2024.