



## **IDEX Biometrics ASA**

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

Organization number: 976 846 923

This Prospectus (the “**Prospectus**”) relates to and has been prepared in connection with the listing on Oslo Børs of 29,415,424 shares (the “**Prospectus Shares**”) issued in connection with and as part of a private placement in IDEX Biometrics ASA (“**IDEX**” or the “**Company**”) of a total of 83,214,674 shares (the “**New Shares**”) at a subscription price of NOK 2.75 per New Share (the “**Subscription Price**”), each with a par value of NOK 0.15, to certain new and existing investors (the “**Private Placement**”), raising gross proceeds of approximately NOK 229 million.

The New Shares were issued by a resolution by the Company’s Board of Directors (the “**Board**”) on 15 February 2021, pursuant to an authorization from the Extraordinary General Meeting dated 15 December 2020. The New Shares were settled with existing and unencumbered shares (“**Existing Shares**”) in the Company already listed on Oslo Børs, pursuant to a share lending agreement between Arctic Securities AS (the “**Manager**”), the Company and certain existing shareholders (the “**Share Lending Agreement**”), in order to facilitate delivery of listed shares to investors on a payment versus delivery basis on 18 February 2021. The Existing Shares were tradable immediately upon delivery.

The Manager will settle the share loan according to the Share Lending Agreement with the New Shares in the Company issued by the Board on 15 February 2021, as stated above. The New Shares were delivered immediately upon registration of the associated share capital increase being registered in the Company Registry, on 23 February 2021. Out of the New Shares, 53,799,250 shares were tradable immediately upon delivery. The Prospectus Shares will be transferred to IDEX’s ordinary ISIN and be tradable on the Oslo Børs under the ticker code “IDEX” upon approval and publication of this Prospectus.

**Investing in the Company and the Shares involves material risks and uncertainties. See Section 2 “Risk Factors” and Section 4.2 “Cautionary note regarding Forward-looking Statements”.**

**This Prospectus relates solely to the listing of the Prospectus Shares and no offer is being made to purchase or subscribe for any Shares or other securities of the Company.**

DATE: 10 March 2021

## IMPORTANT INFORMATION

For the definition of terms used throughout this Prospectus, please see Section 15 “*Definitions and Glossary of Terms*” of this Prospectus.

This Prospectus has been prepared to comply with the Norwegian Securities Trading Act of 29 June 2007 no. 75 (the “**Norwegian Securities Trading Act**”) and related legislation and regulations, including Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017, as incorporated in Norway (the “**EU Prospectus Regulation**”) by Section 7-1 of the Norwegian Securities Trading Act. This Prospectus has been prepared solely in the English language.

This Prospectus has been approved by the Financial Supervisory Authority of Norway (Nw. *Finanstilsynet*) (the “**Financial Supervisory Authority**”), as a competent authority under the EU Prospectus Regulation. Such approval was granted on 10 March 2021.

This Prospectus has been drawn up as part of the simplified prospectus regime in accordance with Article 14 of the EU Prospectus Regulation.

**This Prospectus relates solely to the listing of the Prospectus Shares and no offer is being made to purchase or subscribe for any Shares or other securities of the Company.**

All inquiries relating to this Prospectus should be directed to the Company. No other person has been authorized to give any information about, or make any representation on behalf of, the Company in connection with the Private Placement and, if given or made, such other information or representation must not be relied upon as having been authorized by the Company.

The information contained herein is current as of the date hereof and subject to change, completion and amendment without notice. There may have been changes affecting the Company or the Group subsequent to the date of this Prospectus. In accordance with Article 23 of the EU Prospectus Regulation, every significant new factor, material mistake or inaccuracy relating to the information included in this Prospectus, which is capable of affecting the assessment of the Shares and which arises or is noted between the time when this Prospectus is approved and the date of listing of the Prospectus Shares at Oslo Børs, will be included in a supplement to the Prospectus. Neither the publication nor distribution of this Prospectus shall under any circumstances create any implication that there has been no change in the Company’s affairs or that the information herein is correct as of any date subsequent to the date of this Prospectus.

**Readers are expressly advised that the Shares are exposed to financial and legal risk and they should therefore read this Prospectus in its entirety, in particular Section 2 “*Risk Factors*”. An investment in the Company is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of their investment.**

The contents of this Prospectus are not to be construed as legal, financial or tax advice. Each reader of this Prospectus should consult his, her or its own legal adviser, independent financial advisor or tax adviser for legal, financial or tax advice. If you are in any doubt about the contents of this Prospectus, you should consult your stockbroker, bank manager, lawyer, accountant, or other professional adviser.

**The distribution of this Prospectus may be restricted by law in certain jurisdictions. Accordingly, this Prospectus may not be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. The Company requires persons in possession of this Prospectus, to inform themselves about, and to observe, any such Prospectus distribution restrictions.**

For further information on the sale and transfer restrictions of the Shares, see Section 5.9 “*Restrictions on sale and transfer*”.

The Prospectus is subject to Norwegian law. Any dispute arising in respect of or in connection with this Prospectus is subject to the exclusive jurisdiction of Norwegian courts with Oslo District Court as legal venue in the first instance.

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## 1 EXECUTIVE SUMMARY

### 1.1 SECTION A – INTRODUCTION AND WARNINGS

Warnings	<p>This summary contains all sections required to be included in a summary for this type of securities and issuer. This summary should be read as an introduction to the Prospectus.</p> <p>Any decision to invest should be based on consideration of the Prospectus as a whole by the investor.</p> <p>Any decision to invest could result in the investor losing all or part of the invested capital.</p> <p>Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the applicable national law, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.</p> <p>Civil liability attaches only to those persons who have tabled this summary including any transactions thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.</p>
The securities	<p>The Company’s shares are subject to trading on the Oslo Stock Exchange under ticker code “IDEX”.</p> <p>International securities identification number (ISIN): NO 0003070609</p>
The issuer	<p>Name of the issuer: IDEX Biometrics ASA          Business registration number: 976 846 923          Legal entity identifier (LEI): 5967007LIEEXZXHECW11          Address: Dronning Eufemias gate 16, 0191 Oslo, Norway          Tel: +47 6783 9119          Website: <a href="http://www.idexbiometrics.com">www.idexbiometrics.com</a></p>
Approval of the Prospectus	<p>The Prospectus was approved by the Financial Supervisory Authority of Norway on 10 March 2021.</p> <p>Contact information:          Financial Supervisory Authority of Norway          Address: Revierstredet 3, Postboks 1187 Sentrum, 0107 Oslo, Norway          Tel: +47 22 93 98 00          E-mail: <a href="mailto:post@finanstilsynet.no">post@finanstilsynet.no</a></p>



## 1.2 SECTION B – KEY INFORMATION ON THE ISSUER

<b>Who is the issuer of the securities?</b>																			
Corporate information	<p>IDEX Biometrics ASA (“<b>IDEX</b>” or the “<b>Company</b>”). IDEX is a Norwegian public limited liability company incorporated under the laws of Norway and subject to the Norwegian Public Limited Liability Companies Act of 13 June 1997 no. 45 (Nw.: “<i>allmennaksjeloven</i>”) (the “<b>Norwegian Public Limited Companies Act</b>”). The Company was incorporated on 24 July 1996 and its LEI is 5967007LIEEXZXHECW11.</p>																		
Principal activities	<p>IDEX develops fingerprint sensors and related system solutions and products for a range of biometrically-enabled applications, providing both hardware and software fingerprint solutions suitable to being embedded into products in order to improve security, user interface and convenience. IDEX’s product portfolio enables on-device fingerprint enrolment, template storage and verification. IDEX is growing and broadening its product portfolio of fingerprint sensors by developing next-generation products for its target markets.</p>																		
Major shareholders	<p>As of the date of the Prospectus, the following registered shareholders have holdings in excess of the statutory thresholds for disclosure requirements.<sup>1</sup> Note: The list may include nominee shareholders, which holding may belong to one or several beneficial owners. In case of nominee shareholders, the disclosure requirement applies to the beneficial owner of the Shares.</p> <table border="1"> <thead> <tr> <th>Name of registered shareholder</th> <th>Number of Shares</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Société Générale</td> <td>72,660,606</td> <td>7.94 %</td> </tr> <tr> <td>Sundt AS</td> <td>61,740,365</td> <td>6.74 %</td> </tr> <tr> <td>Robert Keith</td> <td>61,639,394</td> <td>6.73 %</td> </tr> <tr> <td>Goldman Sachs International</td> <td>59,623,073</td> <td>6.51 %</td> </tr> <tr> <td>Sundvall Holding AS</td> <td>56,964,051</td> <td>6.22 %</td> </tr> </tbody> </table> <p>Société Générale and Goldman Sachs International are nominee shareholders. The Company is not aware of the number or identity of any beneficial owners of shares held by said nominees. To the best of the Company’s knowledge and belief, no shareholder, or group of shareholders, controls the Company, directly or indirectly.</p> <p>On 16 February 2021, Robert Napier Keith and close associates disclosed a holding of 166,659,914 shares in the Company, corresponding to 18.21% of the shares and votes following the Private Placement.</p> <p>On 30 January 2019, Charles Street International Holdings Limited (CSIHL) disclosed a combined holding of 59,623,073 shares in the Company, corresponding to 9.98% of the number of shares and votes in the Company at the time.</p>	Name of registered shareholder	Number of Shares	%	Société Générale	72,660,606	7.94 %	Sundt AS	61,740,365	6.74 %	Robert Keith	61,639,394	6.73 %	Goldman Sachs International	59,623,073	6.51 %	Sundvall Holding AS	56,964,051	6.22 %
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<sup>1</sup> The overview includes the New Shares. The overview is based on data from the VPS as of 4 March 2021.

Key management	The Company's key management comprise of the following members:								
	<table border="1"> <thead> <tr> <th>Name</th> <th>Position</th> </tr> </thead> <tbody> <tr> <td>Vincent Graziani</td> <td>Chief Executive Officer</td> </tr> <tr> <td>Derek D'Antilio</td> <td>Chief Financial Officer</td> </tr> <tr> <td>Anthony Eaton</td> <td>Chief Technology Officer</td> </tr> </tbody> </table>	Name	Position	Vincent Graziani	Chief Executive Officer	Derek D'Antilio	Chief Financial Officer	Anthony Eaton	Chief Technology Officer
	Name	Position							
	Vincent Graziani	Chief Executive Officer							
Derek D'Antilio	Chief Financial Officer								
Anthony Eaton	Chief Technology Officer								
Statutory auditor	The Company's statutory auditor is Ernst & Young AS with registered address at Dronning Eufemias gate 6, 0191 Oslo, Norway.								

### What is the key financial information regarding the issuer?

Selected historical key financial information	<p><b>Financial statements</b></p> <p>The tables below set out selected historical information for the Group derived from the Group's audited consolidated financial statements as of and for the year ended 31 December 2019, and the unaudited consolidated interim financial statements as of 31 December 2020, for the three months' periods ended 31 December 2020 and 31 December 2019, as well as the six months' periods ended 30 June 2020 and 30 June 2019.</p>																																																	
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	<p><b>Investments</b></p> <p>There are no significant fixed assets ordered at the date of this Prospectus. The Group does not have any firm plans or obligations to make significant future investments in tangible or intangible assets, or financial assets.</p>																																																	
Selected key pro forma financial information	Not applicable. There is no pro forma financial information.																																																	
Qualifications in audit report	The audit report from the 2019 Annual Report includes qualifications as follows. The Company will need to increase sales, raise more equity																																																	

	or issue debt instruments to fund operating commitments for the next twelve months. This indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.
<b>What are the key risks that are specific to the issuer?</b>	
Key risks specific to the issuer	<p>Risks related to the Group and the industry it operates in:</p> <ul style="list-style-type: none"> <li>• IDEX has a history of losses and expects additional losses in the future</li> <li>• IDEX may need additional capital, which, if obtainable, could dilute the ownership interest of investors</li> <li>• IDEX's business depends heavily on revenues from new technology, the commercial success of which is unproven</li> <li>• IDEX is subject to lengthy development periods and product acceptance cycles, which can result in substantial costs without any further revenue</li> <li>• A significant portion of IDEX's sales comes from one or more large customers, the loss of which could harm its business, financial condition and operating result</li> <li>• IDEX may not be able to effectively manage growth</li> <li>• IDEX is highly dependent on IP and the Company's methods of protecting its IP, or IP shared with third parties, may not be adequate</li> <li>• IDEX faces risks of claims for IP infringement</li> <li>• IDEX's markets are immature</li> <li>• IDEX faces intense competition in the biometric payment card market</li> </ul>

### 1.3 SECTION C – KEY INFORMATION ON THE SECURITIES

<b>What are the main features of the securities?</b>	
Type of class of securities being offered	<p>The Company has one class of Shares, and all Shares carry equal rights as set out in Section 4-1 (1), first sentence, of the Norwegian Public Limited Companies Act. The Shares are registered in the VPS and carry the securities identification code ISIN NO 0003070609.</p> <p>The New Shares are in all respects equal to the existing Shares of the Company.</p>
Currency	The Shares are issued in NOK and are quoted and traded in NOK at Oslo Stock Exchange.
Number of shares and par value	Following the Private Placement, IDEX's share capital will be NOK 137,304,213.30, divided into 915,361,422 ordinary Shares, each Share fully paid and having a par value of NOK 0.15. <sup>2</sup>

<sup>2</sup> Please note that the Board resolved on 2 March 2021, prior to the approval of this Prospectus, to issue 1,060,179 shares in connection with the Company's Employee Share Purchase Plan. Following registration of such share issue, the Company's share capital will be NOK 137,463,240.15 divided into 916,421,601 shares each with a nominal value of NOK 0.15.

Rights attached	The New Shares are ordinary Shares in the Company, i.e., the same class as the Shares already in issue and listed on Oslo Stock Exchange. The New Shares will obtain rights to receive dividends from the time of registration of the share capital increase in the Company Registry. The Company’s shares have equal rights to the Company’s profits, in the event of liquidation and to receive dividends unless all the shareholders approve otherwise. Each Share in the Company gives the holder the right to cast one vote at the general meetings of shareholders of the Company.
Restrictions on free transferability	The Company’s Shares are freely transferable according to Norwegian law and the Company’s Articles of Association.
Dividend policy	IDEX does not have any established dividend policy in place except to say that the Company’s aim and focus is to enhance shareholder value and provide an active market in its Shares. IDEX has historically never declared or paid any dividends on its Shares and does not anticipate paying any cash dividends for 2021 or the next few years. IDEX intends to retain future earnings, if any, to finance operations and the expansion of its business. Any future determination to pay dividends will depend on the Company’s financial condition, results of operation and capital requirements.
<b>Where will the securities be traded?</b>	
Listing and admission to trading	<p>The Company’s Shares have been listed on Oslo Stock Exchange since 11 May 2015 under the ticker symbol “IDEX”.</p> <p>The listing on Oslo Stock Exchange of the Prospectus Shares is subject to the approval of the Prospectus by the Financial Supervisory Authority under the rules of the Norwegian Securities Trading Act. Such approval was granted on 10 March 2021.</p> <p>The first day of trading of the New Shares not subject to the publication of a listing prospectus was on 23 February 2021. The first day of trading of the Prospectus Shares is expected to be on or about 11 March 2021. IDEX’s shares are not listed on any other regulated market place.</p> <p>On 15 October 2020 the Company announced that a confidential submission of a registration statement to the SEC in connection with a proposed listing of ADSs, representing the Company’s ordinary shares on the Nasdaq Stock Market, had been made. On 24 February 2021, the Company announced that the Nasdaq Stock Market approved the listing of such ADSs, and on 1 March 2021 it was further announced that the ADSs listed and began trading on the Nasdaq Stock Market as of 1 March 2021, under the symbol “IDBA”, each ADS representing 75 ordinary shares of the Company.</p> <p>Since 11 November 2019, IDEX shares have been traded on the OTCQB Venture Market exchange under the ticker symbol IDXAF.</p>
<b>What are the key risks that are specific to the securities?</b>	

Key risks specific to securities	Future issuances of Shares or other securities could dilute the holdings of shareholder and could materially affect the price of the Shares.
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#### 1.4 SECTION D – KEY INFORMATION ON THE PRIVATE PLACEMENT

<b>Under which conditions and timetable can I invest in this security?</b>																							
Terms and conditions of the offer	<p>On 15 February 2021, IDEX raised approximately NOK 229 million million in gross proceeds through the issuance of 83,214,674 New Shares, each with a par value of NOK 0.15 and a Subscription Price of NOK 2.75 per New Share. Out of the New Shares, 29,415,424 Prospectus Shares are subject to the approval and publication of this Prospectus before listing on Oslo Børs.</p> <p>Below is an overview of the terms and timetable for the Private Placement:</p> <table border="1"> <tr> <td><b>Number of New Shares:</b></td> <td>83,214,674</td> </tr> <tr> <td><b>Subscription Price per New Share:</b></td> <td>NOK 2.75</td> </tr> <tr> <td><b>Payment date:</b></td> <td>18 February 2021</td> </tr> <tr> <td><b>Registration of share capital increase:</b></td> <td>23 February 2021</td> </tr> <tr> <td><b>Delivery of New Shares:</b></td> <td>23 February 2021</td> </tr> <tr> <td><b>Trading of the New Shares not subject to approval and publication of this Prospectus:</b></td> <td>23 February 2021</td> </tr> <tr> <td><b>Trading of the Prospectus Shares:</b></td> <td>Expected first day of trading on or about 11 March 2021</td> </tr> <tr> <td><b>Number of Shares pre Private Placement:</b></td> <td>832,146,748 Shares, each with a par value of NOK 0.15.</td> </tr> <tr> <td><b>Number of Shares post Private Placement:</b></td> <td>915,361,422 Shares, each with a par value of NOK 0.15.</td> </tr> <tr> <td><b>Rights of the New Shares:</b></td> <td>The Private Placement shares are in all respects equal to the ordinary Shares of the Company.</td> </tr> <tr> <td><b>Dilution:</b></td> <td>The percentage of immediate dilution resulting from the Private Placement for the Company's existing shareholders who did not participate in the Private Placement, is approximately 9.1%.</td> </tr> </table>	<b>Number of New Shares:</b>	83,214,674	<b>Subscription Price per New Share:</b>	NOK 2.75	<b>Payment date:</b>	18 February 2021	<b>Registration of share capital increase:</b>	23 February 2021	<b>Delivery of New Shares:</b>	23 February 2021	<b>Trading of the New Shares not subject to approval and publication of this Prospectus:</b>	23 February 2021	<b>Trading of the Prospectus Shares:</b>	Expected first day of trading on or about 11 March 2021	<b>Number of Shares pre Private Placement:</b>	832,146,748 Shares, each with a par value of NOK 0.15.	<b>Number of Shares post Private Placement:</b>	915,361,422 Shares, each with a par value of NOK 0.15.	<b>Rights of the New Shares:</b>	The Private Placement shares are in all respects equal to the ordinary Shares of the Company.	<b>Dilution:</b>	The percentage of immediate dilution resulting from the Private Placement for the Company's existing shareholders who did not participate in the Private Placement, is approximately 9.1%.
<b>Number of New Shares:</b>	83,214,674																						
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<b>Dilution:</b>	The percentage of immediate dilution resulting from the Private Placement for the Company's existing shareholders who did not participate in the Private Placement, is approximately 9.1%.																						

Estimated expenses	The total estimated expenses relating to the Private Placement will be NOK 12.5 million including Prospectus costs and fees to the Manager and the legal advisor. No expenses will be charged to the investors by the Company.
<b>Why is this prospectus being produced?</b>	
Reasons for the offer/Use of proceeds	<p>The net proceeds raised through the Private Placement of approximately NOK 216.3 million will be used for the following principal purposes, presented in order of priority:</p> <ul style="list-style-type: none"> <li>• 70% of the net proceeds will be used for supporting development of the Company’s technology roadmap and securing further growth</li> <li>• 30% of the net proceeds will be used for securing working capital for the expected increase in customer shipments</li> </ul>
Estimated net proceeds	The Subscription Price per New Share was NOK 2.75, amounting to an aggregate Subscription Price and gross proceeds in the Private Placement of approximately NOK 228.8 million. Taking into account the transaction costs related to the New Shares and all other directly attributable costs in connection with the Private Placement, the net proceeds are expected to be approximately NOK 216.3 million.
Underwriting agreements	No underwriting agreements have been concluded in connection with issuance of the New Shares.
Material conflicts	There is no conflicts of interest of any natural and legal persons involved in the Private Placement that is material to the Private Placement.

## 2 RISK FACTORS

*Investment in the Company involves a high degree of risk. An investor considering an investment in the Shares should carefully consider the following risk factors and all other information set forth in this Prospectus, including information incorporated hereto by reference, see Section 14.5 “Incorporation by reference”, as well as other publicly available information regarding the Company that the Company displays on its website or makes available through Oslo Stock Exchange’s information system, [www.newsweb.no](http://www.newsweb.no), before deciding to invest in the Shares. Should any of the following risks and uncertainties develop into actual events, it could have a material adverse effect on the Company’s business, prospects, results of operations, cash flows and financial position, and the price of the shares may decline, causing investors to lose all or part of their investment. The risk factors identified below are the material risk factors known to the Company as of the date of the Prospectus.*

*The risk factors presented in this Section 2 are not exhaustive with respect to all risks relating to the Company and the Shares, but are limited risk factors that are considered specific to the Company and the Shares. The risk factors are presented in a limited number of categories, where each risk factor is sought placed in the most appropriate category based on the nature of the risk it represents. Within each category the risk factors deemed most material for the Company and the Shares, taking into account their potential negative effect for the Company and its Subsidiaries and the profitability of their occurrence, are set out first. This does not mean that the remaining risk factors are ranked in order of their materiality or comprehensibility, nor based on a probability of their occurrence.*

*Before making any decision to invest in the Company’s shares, an investor must take into account that a number of general risk factors that are not included in this Section 2 still apply to the Company and the Shares.*

*An investment in the Shares is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of their investment.*

### 2.1 RISKS RELATED TO THE COMPANY’S FINANCIAL CONDITION

#### 2.1.1 IDEX has a history of losses and expects additional losses in the future

To date, IDEX has not achieved significant revenues or profitability, and has incurred significant operating losses and negative cash flows since its inception. IDEX will need to increase its revenues significantly in order to achieve profitability, and the Company cannot be certain whether or when it will obtain a high enough volume of sales in the future to generate significant revenue, grow its business or achieve or maintain profitability. The Company also expect costs and expenses to increase in future periods, which could negatively affect future results of operations even if IDEX is able to significantly increase revenue. IDEX’s efforts to grow its business may be costlier than expected, or the rate of growth in revenue may be slower than expected, and the Company may not be able to increase revenue enough to offset operating expenses. If IDEX is unable to generate significant revenue and/or achieve and sustain profitability, the value of its business and ordinary shares may significantly decrease. If IDEX does achieve profitability, the Company cannot assure that it can sustain or increase profitability on a quarterly or annual basis in the future. Revenues from the Company’s business depend among other things on market factors, see Section 2.3 below.

### 2.1.2 IDEX may need additional capital, which, if obtainable, could dilute the ownership interest of investors

The Company has raised approximately NOK 228.8 million in gross proceeds from the Private Placement. Since IDEX was founded in 1996, the Company has experienced negative cash flow from operations and investments and expects to experience significant negative cash flow from operations in the future. To the extent that cash from operations and the cash proceeds from the Private Placement are insufficient to fund the Company's operations, IDEX may need to raise additional funds through the issuance of equity, equity-related or convertible debt securities. Shareholders may experience dilution of their voting rights and/or the value of their shares, depending on the instruments used and the method the Company uses when issuing additional equity securities or related instruments, and at what price per share the instruments are issued.

Because a decision to issue securities in the future will depend on numerous considerations, including factors beyond the Company's control, the Company cannot predict or estimate the amount, timing, or nature of any future issuances of debt or equity securities. Furthermore, IDEX cannot be certain that additional financing will be available to the Company on acceptable terms when required, or at all, which may result in the Company being unable to maintain their operations.

## 2.2 RISKS RELATED TO THE COMPANY'S BUSINESS

### 2.2.1 IDEX's business depends heavily on revenues from new technology, the commercial success of which is unproven

IDEX's future growth depends on the commercial success of its technology. It is not certain that IDEX's target customers will choose the Company's technology for technical, cost, support or commercial reasons. Many of IDEX's target customers may have established successful businesses using other technologies and may find it difficult or unattractive to switch to IDEX's technology. If IDEX's target customers do not adopt and purchase the Company's technology, the future growth will be limited.

### 2.2.2 IDEX is subject to lengthy development periods and product acceptance cycles, which can result in substantial costs without any further revenue

IDEX provides fingerprint sensors and related software solutions that are incorporated by card manufacturers into the products they sell. The card manufacturers make the determination during their product development programs whether to incorporate IDEX's solutions or pursue other alternatives. This process requires IDEX to make significant investments of time and resources well before customers introduce their products incorporating IDEX's solutions into the market, and before IDEX can be sure that this will generate any significant sales to its customers or if IDEX will be able to recover its investment. During a customer's entire product development process, IDEX faces the risk that its solutions will fail to meet its customer's technical, performance, or cost requirements, or that its products will be replaced by competitive products or alternative technological solutions. Even if IDEX completes its design process in a manner satisfactory to its customer, the customer may delay or terminate its product development efforts. The occurrence of any of these events could cause sales to not materialize, be deferred, or be cancelled, which could adversely affect IDEX's operating results.

### 2.2.3 A significant portion of IDEX's sales comes from one or more large customers, the loss of which could harm its business, financial condition and operating result

IDEX has historically generated limited revenue, and most of its generated revenue has come from a limited number of customers. In 2019 and 2020, IDEX's five largest customers in each period (which



differed by period) collectively accounted for 91% and 98% of the Company's revenue, respectively. While the Company works to maintain its relationships with current customers and seek out new business, it may continue to face challenges in diversifying its customer base. The loss of major customers, or a decrease in demand for products by these customers within a short period of time, could adversely affect current and future revenue, financial condition and business. The adverse effect could be more substantial if other customers do not increase their orders or if the Company is unsuccessful in generating orders for solutions with new customers. Many of these card manufacturers sell to the same card issuers, and therefore IDEX may be reliant on certain card manufacturers. Concentration in customer base and partner relationship, now and in the future, may make fluctuations in revenue and earnings more severe and make business planning more difficult.

#### 2.2.4 IDEX may not be able to effectively manage growth

IDEX will not be successful unless the Company manages to generate recurring revenue and grow its business, IDEX might need to hire additional employees and expand both its research and development and sales and marketing functions in order to achieve the Company's business plan. Future growth may place a significant strain on IDEX's management systems and resources. IDEX will need to continuously improve its financial and managerial controls and reporting systems and procedures, and expand, train and manage its work force worldwide. The Company may not be successful if it fails to manage any of these aspects of its growth.

#### 2.2.5 IDEX is highly dependent on IP and the Company's methods of protecting its IP, or IP shared with IDEX by third parties, may not be adequate

IDEX's business and business strategy are tied to the Company's technology. IDEX relies on a combination of patent and trademark laws, trade secrets, confidentiality procedures and contractual provisions to protect the Company's IPR. IDEX cannot be certain that the Company will be able to obtain patent protection on the key components of its technology or that the Company will be able to obtain and maintain patents in key jurisdictions such as the United States, China or EU. IDEX cannot give assurances that the Company will develop new products or technologies that are patentable, that any issued patent will provide the Company with any competitive advantages or will not be challenged by third parties, or that the patents of others will not impair the Company's ability to do business. Despite IDEX's efforts to protect the Company's IPR, trade secrets and confidential information, unauthorized parties may attempt to copy or obtain and use the Company's technology. Policing unauthorized use of IDEX's technology is difficult and there can be no assurance that the steps taken by the Company will prevent misappropriation of its technology. If the Company's technology is not adequately protected or is misappropriated, the Company may not be able to sufficiently differentiate itself from competitors and may not be able to achieve targeted levels of revenue and profitability.

#### 2.2.6 IDEX faces risks of claims for IP infringement

Substantial litigation exists in the industry. Any claims of IPR infringement, with or without merit, may result in significant litigation costs and diversion of resources, including the attention of management, and could require IDEX to enter into royalty or licensing agreements, any of which could have a material adverse effect on its business. There are no assurance that such licenses could be obtained on commercially reasonable terms, if at all, or that the terms of any offered licenses would be acceptable to the Company. If litigation were to result in a judgment that IDEX infringed a valid and enforceable patent, a court may order the Company to pay substantial damages to the owner of the patent and to stop selling any infringing technology or products. This could cause a significant disruption in IDEX's business and force the Company to incur substantial costs to develop and implement alternative, non-infringing technology or products, or to obtain a license from the patent owner. Furthermore, there is no guarantee that the Company would be able to develop or acquire

alternate non-infringing technology. This could also lead IDEX’s licensees and customers to bring warranty claims against the Company.

## **2.3 RISKS RELATED TO THE COMPANY’S MARKET**

### **2.3.1 IDEX’s markets are immature**

IDEX’s largest potential market is the biometric payment card market. IDEX also offers its products and solutions in other vertical markets including, Identification, Access control, Healthcare, and the Internet of Things (“IOT”), all of which are expected to be competitive. The market for biometric payment cards is an undeveloped and emerging market and it is difficult to predict how large this market could be. IDEX’s technology represents a novel security solution and the Company has not yet generated significant sales. The biometric payment card market remains an undeveloped and emerging market. Biometric based solutions compete with more traditional security methods including keys, cards, personal identification numbers and security personnel. In addition, IDEX’s biometric technology has not yet gained, and may never gain, widespread market acceptance. Acceptance of biometrics and IDEX’s technology as an alternative to such traditional methods depends upon a number of factors, including:

- the performance and reliability of biometric solutions;
- public perception regarding privacy concerns;
- costs involved in adopting and integrating biometric solutions; and
- proposed or enacted legislation related to privacy of information.

For these reasons, the Company is uncertain whether its biometric technology will gain widespread acceptance in any commercial markets or that demand will be sufficient to create a market large enough to produce significant revenue or earnings. IDEX’s future success depends, in part, upon business customers adopting biometrics generally, and the Company’s solutions specifically.

### **2.3.2 IDEX faces intense competition in the biometric payment card market**

The Company competes with both established companies and startup enterprises that provide biometric solutions, as well as providers of more traditional security methods. IDEX’s competitors include, among others, Fingerprint Cards AB, NEXT Biometrics ASA and ELAN Microelectronics Corp. Some of IDEX’s competitors have substantially greater financial and marketing resources than IDEX, and may independently develop superior technologies, which may result in IDEX’s technology becoming less competitive or obsolete. If the Company is unable to develop new applications or enhance its existing technology in a timely manner in response to technological changes, it will be unable to compete in its chosen markets. IDEX’s actual and potential competitors may also have greater name recognition and more extensive customer bases. In addition, if one or more other biometric technologies such as voice, face, iris, hand geometry or blood vessel recognition are widely adopted, it would significantly reduce the potential market for IDEX’s fingerprint identification technology in certain industries.

IDEX’s ability to compete successfully will depend on a number of factors, and include the following:

- IDEX’s success in designing and introducing new fingerprint sensors and related software solutions, including those implementing new technologies;

- IDEX’s ability to predict the evolving needs of its customers and to assist them in incorporating IDEX’s technologies into their new and existing products;
- IDEX’s ability to meet its customers’ requirements for ease of use, reliability, durability, price or performance;
- the quality of IDEX’s customer service and support;
- the rate at which customers incorporate IDEX’s fingerprint sensors and related software solutions into their own products; and
- product or technology introductions by IDEX’s competitors.

Moreover, additional competitors may enter the biometrics market and become significant long-term competitors. In the future, IDEX may encounter competition from other larger, well-established and well-financed entities that may continue to acquire, invest in or form joint ventures with providers of fingerprint recognition technology, and existing providers may elect to consolidate. IDEX’s position in the existing markets could be eroded rapidly by product or technology enhancements or the development of new, superior products and technology by competitors. Increased competition could result in price reductions, fewer customer orders, reduced gross margins and lower market prices of IDEX’s Shares.

## **2.4 RISKS RELATED TO THE COMPANY’S SHARES**

### **2.4.1 Future issuances of Shares or other securities could dilute the holdings of shareholder and could materially affect the price of the Shares**

Any issuance of new Shares in connection with the Company’s ESPP or upon the exercise of Subscription Rights will result in the dilution of the ownership interests of the Company’s existing shareholders. As of the date of this Prospectus, there are 57,032,259 outstanding Subscription Rights in the Company. In addition, the Company may in the future decide to offer additional Shares or other securities in order to finance new capital-intensive projects, in connection with unanticipated liabilities or expenses or for any other purposes. There is no assurance that the Company will not decide to conduct further offerings of securities in the future. Depending on the structure of any future offering, certain existing shareholders may not have the ability to purchase additional equity securities. If the Company raises additional funds by issuing additional equity securities, the holdings and voting interests of existing shareholders could be diluted.

### 3 RESPONSIBILITY STATEMENT

The Prospectus has been prepared by the Board of Directors of IDEX Biometrics ASA (the “**Board**” or the “**Board of Directors**”) to provide information in connection with the listing of the New Shares issued in the Private Placement, as described herein.

The Board of Directors hereby declares that, to the best of our knowledge, the information contained in this Prospectus is in accordance with the facts and that the Prospectus makes no omission likely to affect its import.

The Board of Directors of IDEX Biometrics ASA

10 March 2021

<u>/s/ Morten Opstad</u> Morten Opstad, <i>Chair</i>	<u>/s/ Lawrence John Ciaccia</u> Lawrence John Ciaccia, <i>Deputy chair</i>	<u>/s/ Deborah Lee Davis</u> Deborah Lee Davis, <i>Board member</i>
<u>/s/ Hanne Høvding</u> Hanne Høvding, <i>Board member</i>	<u>/s/ Stephen Andrew Skaggs</u> Stephen Andrew Skaggs, <i>Board member</i>	

## 4 GENERAL INFORMATION

### 4.1 Approval of the Prospectus

This Prospectus has been approved by the Financial Supervisory Authority, as a competent authority under the EU Prospectus Regulation. The Financial Supervisory Authority only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the EU Prospectus Regulation. Such approval shall not be considered as an endorsement of the issuer or the quality of the securities that is the subject of this Prospectus. Any investor should make their own assessment as to the suitability of investing in the securities.

This Prospectus has been drawn up as part of the simplified prospectus regime in accordance with Article 14 of the EU Prospectus Regulation.

### 4.2 Cautionary note regarding Forward-looking Statements

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

When used in this document, the words “anticipate”, “believe”, “can”, “could”, “estimate”, “expect”, “intends”, “may”, “might”, “plans”, “seek to”, “should”, “will”, “would”, or similar expressions, as they relate to the Group or its management, are intended to identify forward-looking statements. The Company can make no assurance as to the correctness of such Forward-looking Statements and investors are cautioned that any Forward-looking Statements are not guarantees of future performance. By their nature, Forward-looking Statements involve and are subject to known and unknown risks, uncertainties and/or assumptions as they relate to events and depend on circumstances that may or may not occur in the future. Because of these known and unknown risks, uncertainties, assumptions and other factors, the actual results, performance or achievements of the Company and its Subsidiaries, or, as the case may be, the industry, may materially differ from any future results, performance or achievements expressed or implied by forward-looking statements in this Prospectus. Furthermore, Forward-looking Statements are based on numerous assumptions regarding the Group’s present and future business strategies and the environment in which the Company and its Subsidiaries operate.

Prospective investors in the Shares are cautioned that Forward-looking Statements are not guarantees of future performance and that the Group’s actual financial position, operating results and liquidity, and the development of the industry in which the Group operates, may differ materially from those made in or suggested by the Forward-looking Statements contained in this Prospectus. The Company cannot guarantee that the intentions, beliefs or current expectations upon which its Forward-looking Statements are based will occur. Given the aforementioned uncertainties, prospective investors are cautioned not to place undue reliance on any of these Forward-looking Statements.

In particular, Sections 2 and 6 of this Prospectus contain statements regarding the Group’s strategy going forward.

## 5 INFORMATION CONCERNING THE SECURITIES BEING ADMITTED TO TRADING

*The number of New Shares not subject to approval and publication of this Prospectus before being admitted to trading, have been issued and admitted to trading on Oslo Børs. The listing of the Prospectus Shares in the Private Placement is subject to the approval and publication of this Prospectus. Notwithstanding the foregoing, for the sake of completeness, this Section 5 provides information on the Private Placement as a whole.*

### 5.1 The background for, the purpose and the use of proceeds

The net proceeds raised through the Private Placement of approximately NOK 216.3 million will be used for the following principal purposes, presented in order of priority:

- 70% of the net proceeds will be used for supporting development of the Company's technology roadmap and securing further growth; and
- 30% of the net proceeds will be used for securing working capital for the expected increase in customer shipments.

### 5.2 The Private Placement

#### 5.2.1 Overview

The full terms and conditions of the Private Placement are set out in Section 5.2.6. The main terms and timetable are set out in the table below.

<b>Number of New Shares:</b>	83,214,674
<b>Subscription Price per New Share:</b>	NOK 2.75
<b>Payment date:</b>	18 February 2021
<b>Registration of share capital increase:</b>	23 February 2021
<b>Delivery of New Shares:</b>	23 February 2021
<b>Trading of the New Shares not subject to the approval and publication of this Prospectus:</b>	First day of trading on Oslo Børs was on 23 February 2021
<b>Trading of the Prospectus Shares:</b>	Expected first day of trading on Oslo Børs is on or about 11 March 2021
<b>Number of Shares pre Private Placement:</b>	832,146,748 Shares, each with a par value of NOK 0.15.
<b>Number of Shares post Private Placement:</b>	915,361,422 Shares, each with a par value of NOK 0.15.
<b>Rights of the New Shares:</b>	The New Shares are in all respects equal to the ordinary Shares of the Company.
<b>Dilution:</b>	The percentage of immediate dilution resulting from the Private Placement for the Company's existing shareholders who did not participate in the Private Placement, is approximately 9.1%.

The Company received subscriptions for a total of 83,214,674 New Shares in the Company at a subscription price of NOK 2.75 per New Share.

The Private Placement, which represented approximately 10% of the Company's outstanding share capital (before the Private Placement), was directed towards certain existing registered shareholders and certain new investors. The Private Placement structure of the transaction inherently requires a waiver of existing shareholders' preferential rights to subscribe for New Shares in favor of the subscribers in the Private Placement. The Board considered such structure and waiver necessary and appropriate to secure timely financing for the purposes described in Section 5.1. Moreover, the Subscription Price in the Private Placement was set at NOK 2.75 per New Share, being at an approximate 4.5% discount compared to the closing price on the Company's share on 15 February 2021, as reported by Oslo Børs. On this background, the Board did not view a subsequent offering to be warranted or necessary. By reason of the foregoing, the Board has concluded that there was a sound and just basis for the deviation from shareholders' preferential rights to subscribe for New Shares.

The Board had in place an authorization from the 15 December 2020 Extraordinary General Meeting to issue shares in connection with private placements and rights issues. Under this authorization, the Board could issue a maximum of 83,214,674 new Shares. The Board authorization had not been used until the Private Placement.

Listing on Oslo Børs of new shares representing 20% or more of the shares already listed on the exchange, calculated over a period of 12 months, require the publication of a listing prospectus. On this basis and given past share capital increases over the preceding 12 months, 29,415,425 of the New Shares (being the Prospectus Shares) could not be admitted to trading pending publication of this Prospectus. For the foregoing reason and also to facilitate a delivery versus payment settlement of the New Shares on 18 February 2021, the delivery of New Shares was settled with the Existing Shares, pursuant to a Share Lending Agreement between the Manager, the Company and certain existing shareholders. The Existing Shares were tradable immediately upon delivery.

The share loan was settled by the Manager on 23 February 2021 with the New Shares, which were delivered immediately upon registration of the associated share capital increase being registered in the Company Registry on 23 February 2021. Out of the New Shares, 53,799,250 shares were tradable immediately upon delivery. The admission of the Prospectus Shares to trading on Oslo Børs remained subject to approval and publication of a listing prospectus in accordance with Article 3 of the EU Prospectus Regulation. Therefore, upon registration of the share capital increase associated with the New Shares in the Company Registry, the Prospectus Shares were issued to the share lender on a separate non-tradeable ISIN number and, immediately after approval and publication of this Prospectus, such shares are transferred to the ordinary ISIN number of the Company's shares that are traded on Oslo Børs.

### 5.2.2 Subscription Price

The Subscription Price per New Share in the Private Placement was NOK 2.75. The Subscription Price was announced on 15 February 2021 through Oslo Børs' electronic information system.

The Subscription Price was equivalent to an approximate 4.5% discount on the closing price on the Company's Shares on Oslo Børs on 15 February 2021 (being the trading date of the Board's resolution to carry out the Private Placement). The Subscription Price is wholly settled in cash.

No expenses or taxes were specifically charged to the subscribers in the Private Placement.

### 5.2.3 Subscription

The New Shares were timely subscribed for in the minutes from the board meeting resolving the issuance on 15 February 2021.

### 5.2.4 Allocation, payment for and delivery of the New Shares

The application period ran from and including 15 February 2021 at 16:30 hours (CET) to and including 16 February 2021 at 08:00 hours (CET). The minimum amount of application was EUR 100,000. Any application to subscribe for shares was irrevocable and could not be withdrawn by the applicant. The Private Placement and the allocation were approved by the Board on 15 February 2021.

Notifications of allotment and payment instructions for the Private Placement were sent to the applicants on 16 February 2021.

The total subscription amount for the New Shares was timely paid in full to the designated share issue account within the payment deadline. The share capital increase associated with the New Shares was registered in the Company Registry on 23 February 2021, with a subsequent announcement on the same day regarding the registration of the share capital increase in the Company Registry. The private placement shares were settled with Existing Shares in accordance with the Share Lending Agreement on 18 February 2021 by delivery to the subscribers' VPS account and were tradable immediately upon delivery. The share loan was settled by the Manager to the existing shareholders with the New Shares upon registration of the associated share capital increase in the Company Registry on 23 February 2021. Out of the New Shares, 53,799,250 shares was tradable upon delivery. The Prospectus Shares were delivered to a separate non-tradable ISIN and, upon approval and publication of this Prospectus, will be transferred to the Company's ordinary ISIN NO 0003070609 and be admitted to trading on Oslo Børs. The Prospectus Shares are expected to be tradable on or about 11 March 2021.

The following investors were allocated more than 5% of New Shares the Private Placement:

<b>Name of investor</b>	<b>Number of allocated New Shares</b>	<b>% of the Private Placement</b>
DNB Asset Management	13,500,000	16.2%
Arctic Asset Management	6,000,000	7.2%
Sundt AS	6,000,000	7.2%
Norda ASA	4,500,000	5.4%

Sundt AS was registered as a shareholder in the Company prior to the Private Placement, holding 55,740,365 as of 12 February 2020, which equals 6.70% of the shares in the Company.

Derek D'Antilio, CFO in the Company, was allocated 76,000 New Shares in the Private Placement, which equals 0.09% of the Private Placement.

Other than the above-mentioned shareholders, no existing major shareholder or members of the Company's management, supervisory or administrative bodies were allocated or subscribed for New Shares in the Private Placement.

### 5.2.5 Admission to trading and dealing arrangements

The Company's Shares are listed on Oslo Stock Exchange under the ticker-code "IDEX".



The listing on Oslo Stock Exchange of the Prospectus Shares is subject to the approval of the Prospectus by the Financial Supervisory Authority under the rules of the Norwegian Securities Trading Act. Such approval was granted on 11 March 2021.

The first day of trading of the New Shares on Oslo Børs, under Oslo Børs ticker symbol “IDEX”, not subject to the approval and publication of this Prospectus was on 23 February 2021. The first day of trading of the Prospectus Shares is expected to be on or about 11 March 2021.

The registrar for the Shares is DNB Bank ASA, Verdipapirservice, Dronning Eufemias gate 30, NO-0191 Oslo, Norway.

The Company has not entered into any underwriting agreement, stabilisation agreements, market making agreements or similar agreements for trading of its Shares on Oslo Stock Exchange.

#### 5.2.6 Resolutions to issue the New Shares

The issuance of the New Shares was approved by the Company’s Board on 15 February 2021 through the following resolution:

*The Board resolved that the Company's share capital is increased with NOK 12,482,201.10 from NOK 124,822,012.20 to NOK 137,304,213.30 by issuance of 83,214,674 new shares, each having a par value of NOK 0.15, in a private placement of shares for a subscription price per share of NOK 2.75. The total par value of NOK 12,482,201.10 shall be added to the share capital of the Company, while the remaining NOK 216,358,152.40 is share premium. The new shares may be subscribed for by Arctic Securities AS on behalf of the investors, who have been allocated shares in the placement. The existing shareholders' preferential right is deviated from. Subscription for the new shares shall be made in the minutes of this Board meeting. The subscription price shall be paid within 18 February 2021 to the bank account specified by the Company in writing (or such later date as determined by the Board, but no later than 28 February 2021). The new shares shall carry shareholder rights, including right to dividends or other distributions that are declared, from registration of the share capital increase in the Norwegian Register of Business Enterprises. The estimated costs related to the private placement are approximately NOK 12.5 million, which includes fees to the manager and the legal advisor assisting on the placement.*

By reason of the above share capital increase, Section 5 of the Company’s Articles of Association<sup>3</sup> was amended to read:

*“The Company's share capital is NOK 137,304,213.30 divided into 915,361,422 shares, each with a nominal value of 0.15 NOK per share and issued in name.”*

<sup>3</sup> Please note that the Board resolved on 2 March 2021, prior to the approval of this Prospectus, to issue 1,060,179 shares in connection with the Company’s Employee Share Purchase Plan. Following registration of the share capital increase in connection with said share issue, the Company’s share capital will be NOK 137,463,240.15 divided into 916,421,601 shares each with a nominal value of NOK 0.15.

### 5.3 Shareholders' rights relating to the New Shares

The Company has one class of Shares, and all Shares carry equal rights as set out in Section 4-1 (1), first sentence, of the Norwegian Public Limited Companies Act. The Shares are registered in the VPS and carry the securities identification code ISIN NO 0003070609.

The New Shares are in all respects equal to the existing Shares of the Company.

The Shares are issued in NOK and are quoted and traded in NOK at Oslo Stock Exchange.

The rights attached to the New Shares, will be the same as those attached to the Company's existing Shares. The New Shares will be issued electronically and will rank pari passu with existing Shares in all respects from such time as the share capital increase in connection with the issuances of the New Shares are registered in the Company Registry. The holders of the New Shares will be entitled to dividend from the date of registration of the respective share capital increases in the Company Registry. There are no particular restrictions or procedures in relation to the distribution of dividends to shareholders who are resident outside Norway, other than an obligation on part of the Company to deduct withholding tax as further described in Section 13.

Pursuant to the Norwegian Public Limited Companies Act, all shareholders have equal rights to the Company's profits, in the event of liquidation and to receive dividend, unless all the shareholders approve otherwise. Please see Section 11 on more details concerning the rights attached to the Shares and issues regarding shareholding in a Norwegian Public Limited Company.

The New Shares will have the same VPS registrar and the same ISIN number as the Company's other Shares; provided, however, that the Prospectus Shares were issued on a separate non-tradeable ISIN number pending publication of this Prospectus.

### 5.4 Dilution

The dilutive effect following the issuance of the New Shares represents an immediate dilution of approximately 9.1% for existing shareholders who did not participate in the Private Placement.

The net asset value in the Financial Statements on 31 December 2020 was NOK 106,776 thousand, which translates to NOK 0.13 per share outstanding before the share capital increase in connection with the Private Placement. The Subscription Price in the Private Placement was NOK 2.75.

### 5.5 Lock-up

No lock-up agreements have been entered into in connection with the Private Placement.

### 5.6 Expenses

Costs attributable to the Private Placement will be borne by the Company. The costs related to the Private Placement will amount to approximately NOK 12.5 million including Prospectus costs and fees to the Manager and the legal advisor. Thus, the net proceeds to the Company from the Private Placement will be approximately NOK 216.3 million.

## **5.7 Advisors**

Arctic Securities AS (the “Manager”), Haakon VIIIs gate 5, P.O. Box 1833 Vika, NO-0123, has acted at the exclusive Manager and broker in connection with the Private Placement.

Advokatfirmaet Ræder AS, Dronning Eufemias gate 11, P.O. Box 2944 Solli, NO-0230 Oslo, Norway serves as the Company’s Norwegian legal adviser in connection with the Private Placement.

## **5.8 Jurisdiction and choice of law**

The New Shares have been issued in accordance with the rules of the Norwegian Public Limited Companies Act.

This Prospectus shall be governed by and construed in accordance with Norwegian law. Any dispute arising out of, or in connection with, this Prospectus shall be subject to the exclusive jurisdiction of Oslo District Court.

## **5.9 Restrictions on sale and transfer**

No action has been taken or will be taken in any jurisdiction by the Company that would permit the possession or distribution of any documents relating to the New Shares, including but not limited to this Prospectus, in any country or jurisdiction where specific action for that purpose is required. In particular, the New Shares and this Prospectus neither have nor will be registered under the U.S. Securities Act of 1933, as amended, or under any other state securities laws. As such, the New Shares may not be offered or sold except pursuant to an exemption from, or in transactions not subject to, the registration requirements of the U.S. Securities Act and otherwise in compliance with any applicable securities laws of any states or other jurisdiction of the United States.

## **5.10 Interest of natural and legal persons involved in the Private Placement**

Two existing shareholders in the Company, Robert N. Keith and Sundt AS, provided the Manager with a share loan in accordance with the Share Lending Agreement to facilitate delivery of listed shares to the investors in the Private Placement on a payment versus delivery basis on 18 February 2021. The share loan was settled by the Manager upon delivery of the New Shares on 23 February 2021. Listing of the Prospectus Shares on Oslo Børs, which were delivered to one of the lending shareholders, are subject to the approval and publication of this Prospectus.

There is no interest of any natural and legal persons involved in the Private Placement, including any conflict of interest, that is material to the Private Placement.

## 6 THE COMPANY AND ITS BUSINESS

### 6.1 Principal Activities

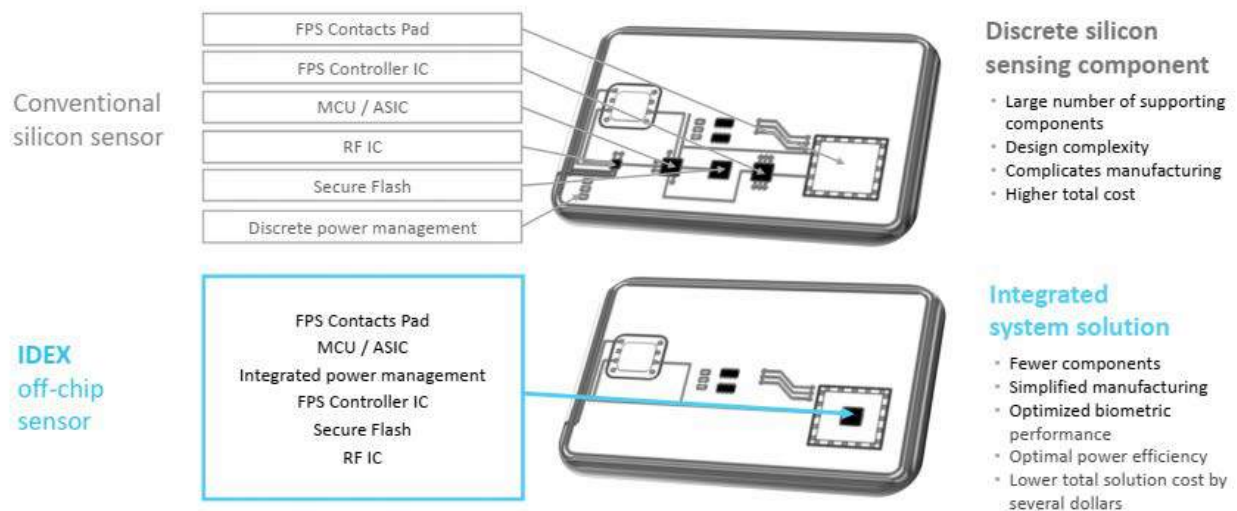
IDEX is specializing in the design, development and sale of fingerprint identification and authentication solutions. Manufacturing is outsourced to production partners. The Company’s fingerprint sensors and biometric solutions are used in dual interface and contactless (touch-free) smart cards, including payment cards, and a range of electronic devices. The Company also offers license agreements to manufacturers, whereby they can embed IDEX’s technology in their products against paying royalty.

#### 6.1.1 Fingerprint sensor technology

##### 6.1.1.1 Off-chip design

IDEX’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 while minimizing the silicon area needed for the ASIC. Compared to conventional silicon sensors, for which the sensor array is made of silicon, the off-chip design allows for a larger sensing area, better matching reliability and lower costs. The Company believes that it is the only provider supplying capacitive off-chip sensors and biometric algorithms optimized for integration with payment cards.

TrustedBio™, the latest version of IDEX’s product, utilizes advanced semiconductor technology to transform the sensor ASIC into a complete biometric system on chip, while maintaining all the benefits of the capacitive off-chip sensor architecture.



The off-chip technology also allows IDEX to develop sensors of different form factors without developing new ASICs as the same ASIC can be used for different sensor arrays.

A disadvantage of off-chip design is that it is more complex to manufacture since it requires integration of the sensor array and the ASIC. Although this integration process adds cost, IDEX considers that this is more than compensated by reduced silicon consumption.

IDEX considers itself to be the only vendor capable of supplying off-chip sensor designs and embedded biometric algorithms suited to capacitive fingerprint sensors. IDEX considers that the full system approach, coupled with the off-chip sensor design, gives the Company a fundamental cost advantage.

#### *6.1.1.2 Matching and enrollment*

When a host device such as a smart card or mobile phone has been equipped with a fingerprint sensor, the crux is that the fingerprint image that is captured when the user wants to unlock the device, is compared to the stored image(s) of fingerprint(s) that are authorised for access.

The image comparison, called matching, leads to access being granted or rejected. The matching is done by complex mathematical computations, using algorithms. The algorithms must enable the computations to be performed very fast for user convenience, highly securely to avoid false access, and very reliably to avoid false rejection. Depending on the host device, the computing power and speed as well as the electrical power to carry out the process, may be strictly limited. A typical example would be a contactless smart card. IDEX considers it has leading algorithm design, which is patented, and efficient software programs.

Obtaining and storing the template image(s) is called enrollment. The enrollment is a crucial step. The host device must be protected by other means until the enrollment has taken place. After enrollment, the stored template must be stored securely and tamper-proof. IDEX uses a method of collecting a fixed number of sample fingerprints to construct the template. In IDEX's view, this inherently gives a higher degree of security than some other vendors' method of constantly updating and widening the template during use of the device, which can lead to the template being blurred and "trained" to accept a false fingerprint. Such updating and widening is needed on small sensors to avoid rejection of an enrolled user because he/she on access does not touch the substrate perfectly. The IDEX sensors are sufficiently large to enable the limited sampling to form a template that does not reject an enrolled user.

#### *6.1.2 Current Product Overview*

IDEX's portfolio of products includes fingerprint sensors, fingerprint modules, software and algorithms, and remote enrollment devices.

##### *6.1.2.1 Fingerprint sensors*

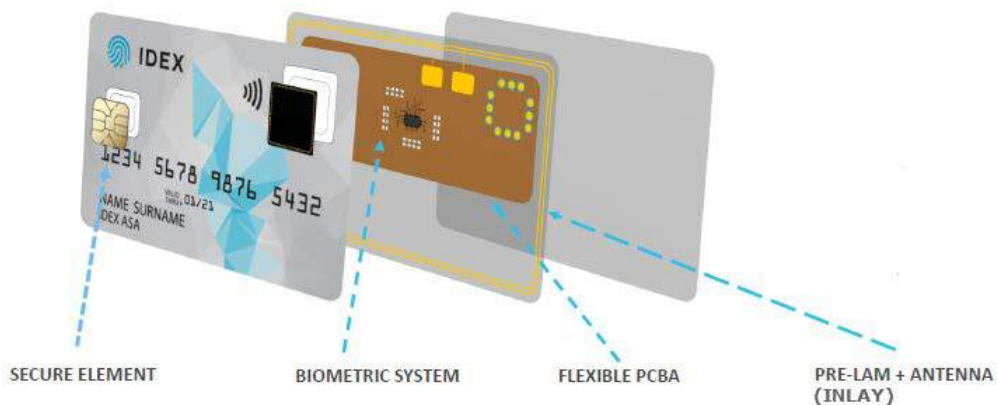
The Company's fingerprint sensors can be used in dual interface, contactless-only and contact only payment cards. IDEX's fingerprint modules offer a complete biometric solution that integrates fingerprint sensing with additional biometric processing and system power management functions. Additionally,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

In 2017, IDEX launched an ASIC platform for off-chip sensors. The platform delivered both enhanced performance and reduced power consumption at a lower price compared to our previous generation ASIC. The ASIC was designed to be used across multiple product applications in IDEX's target markets, including the biometric payment card market, access control market, identification market and IoT market. The chip's low power consumption increased its compatibility with contactless card applications. Additionally, the ASIC featured increased processing power and enhanced security features. Products designed on this ASIC platform began to ship in volume in 2020.

In February 2020, IDEX launched TrustedBio, the Company’s next generation of dual-interface products and solutions designed to reduce biometric smart card cost while improving both performance and security. The TrustedBio sensor utilizes leading semiconductor technology to implement a biometric-system-on-chip in the ASIC while maintaining all the benefits of the capacitive off-chip sensor architecture. Unlike existing sensors, this new generation of products removes the need to have any electronic components laminated within the card’s inlay. This is expected to lead to an improvement in manufacturing processes and yields, substantially reducing the time to market and cost of the card. IDEX completed the first shipment of TrustedBio in August 2020. The Company expects to achieve commercial deployment in the second half of 2021.

### 6.1.2.2 Fingerprint Modules

A fingerprint module consists of the fingerprint sensor together with ancillary components, such as the microprocessor unit and power management needed for a complete solution. While a sensor needs the host device to provide power and operate the software, the module will perform these functions. In addition to the fingerprint sensor, which comes with the image-capturing ASIC, IDEX’s fingerprint modules also include circuitry for power harvesting from the card terminal and power management circuitry, microcontroller with software for image processing and template creation in addition to secure channel communication with the card’s secure element (SE). In a payment card, the matching typically takes place in the SE, however for applications which do not require using of a SE, matching can also occur in the module. IDEX’s fingerprint modules offer a turn-key solution for customers to develop, prototype and manufacture their own end-product.



*Smart card exploded view, showing inlay with components.*

The modules offer a turn-key solution for customers to develop, prototype and manufacture their own product’s biometric interface.

### 6.1.2.3 Software and algorithms

Both software and algorithms are required to make fingerprint sensors and modules operate and communicate with their host device. The software is installed on the host device of the sensor or on the module. IDEX develops software components, ranging from elements such as on-sensor firmware to enrollment software, and extract-and-match algorithms.

IDEX has a range of high-performance embedded ridge-matching algorithms which extract biometric features from sensor images and then perform a proprietary matching process against a reference set of biometric features. These algorithms have been developed for security, performance and convenience in highly resource-constrained environments. IDEX’s distributed matcher

algorithms use a unique partitioning approach to perform processing in both secure and non-secure domains and optimize system performance while meeting the strict security requirements of the payment card schemes.

In 2017, IDEX launched its third-generation system software that is optimized for dual interface biometric cards. The software is designed to be power and memory efficient. IDEX has a proprietary, patented matcher algorithm for biometric cards. This algorithm is rotation insensitive and accepts partial touches. It is designed for use in both smart card and IoT applications.

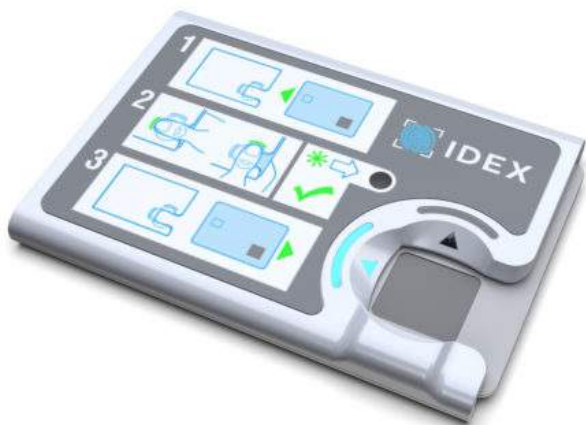
Since the launch, IDEX has released security-enhanced versions of its matcher. In the current version the critical matcher function and template information reside on the secure element, while the less secure on-card biometric processor performs feature extract functions that do not need to be secured. This distributed matcher architecture meets the biometric performance and security guidelines of multiple global payment schemes. In 2019 IDEX became the first and only biometric sensor company to pass a development site EMVCo® Security Evaluation.

#### 6.1.2.4 On-card enrollment solutions

IDEX's patented on-card enrollment solution enables remote enrollment. This allows card users to securely enroll themselves without visiting a bank branch or similar. Remote enrollment is a low-cost, simple, convenient and secure end-user registration process. The Company believes that secure remote enrollment of the fingerprint on the card will be a key enabler of the mass adoption of biometric payment cards.

IDEX's enrollment device is mailed to the user. Enrollment takes place entirely inside the smart card using its standard secure EMV chip. There is no need to connect the enrollment device or smart card to a computer, smartphone or any other connected device. Thus, there is no possibility of any tampering or external interference during the enrollment process. Card suppliers/issuers need not provide and support mobile phone or desktop apps to enroll card users. Enrollment takes less than a minute. Once enrollment is complete the device can be discarded or recycled.

IDEX's on-card enrollment solutions can be used for contactless only, contact-based and dual-interface smart card applications.



*Enrollment device for smart cards.*

## 6.2 Principal Markets

The global Fingerprint Sensors Market was valued at USD 13.19 billion in 2018 and is expected to reach USD 26.75 billion by 2023 with a CAGR of 18.33% during the anticipated period (2016 - 2027).<sup>4</sup>

There have not been any material changes in the Company's regulatory environment since 31 December 2019.

### 6.2.1 Smart Card Market

IDEX's largest market opportunity is the biometric payment card market and more specifically its addressable market includes chip enabled cards which also include contactless payment cards. IDEX believes the addition of a biometric sensor to the payment cards will significantly reduce the opportunity for fraud while making the transaction more convenient while using existing point of sale infrastructure. The Company further believes the continued migration towards contactless payment cards will provide additional opportunities for its technologies.

According to Nilson there were 22 billion payment cards in circulation globally as of December 2018.<sup>5</sup> This number is projected to further grow to 29 billion by 2023. Most of these cards are smart cards, i.e., cards with a chip. IDEX's payment card total addressable market includes all cards with a chip. In addition, according to EMVCo, the industry standard organization, there are more than 8.2 billion chip-enabled consumer cards—credit and debit—now in use across the world.<sup>6</sup> These cards potentially may be replaced by smart cards.

The rising penetration of biometric solutions and fingerprint sensors in mobile devices has paved the way for the inclusion of such technology into payment cards. IDEX believes that the rapid growth of this market is attributable to an ever-increasing need for highly secure yet safe, fast and convenient identification and authentication solutions. According to the findings of a survey commissioned by Visa, consumers are ready to discard the PIN code: 70% of the consumers surveyed believe that biometrics are always more convenient as they do not involve memorizing passwords or codes. More than 86% of consumers are interested in using biometrics to verify the identity or to make payments.<sup>7</sup>

Touch-free or contactless payment cards are expected to drive significant growth for the Company's products. In addition, following the COVID-19 outbreak, IDEX believes consumers increasingly are motivated to go cashless. With many businesses discouraging the use of cash, in part due to hygiene concerns linked to handling money, the prevalence of card payments has increased significantly in 2020. The share of touch-free card payments have accelerated significantly, and PIN-less amount limits have been increased. These trends increase the risk of fraud and IDEX believes that adding a biometric fingerprint sensor meets the needs for a high level of security on contactless transactions.

<sup>4</sup> FN 2 – Market Watch Press Release on 23 February 2021, *Fingerprint Sensors Market Size USD 26.75 Billion at 18.33% CAGR*, viewed on 28 February 2021: <https://www.marketwatch.com/press-release/fingerprint-sensors-market-size-usd-2675-billion-at-1833-cagr-know-covid-19-analysis-top-companies--3m-cogent-inc-dermalog-identification-systems-crossmatch-2021-02-23?tesla=y>

<sup>5</sup> Nilson Report, January 2019

<sup>6</sup> EMVCo website on 22 January 2020, *EMVCo: Majority Of Payment Cards (8.2B) Are Chip-Enabled*, viewed on 28 February: <https://www.pymnts.com/news/payments-innovation/2020/emvco-majority-of-payment-cards-8-2b-are-chip-enabled/>

<sup>7</sup> Visa Fingerprint survey, viewed on 28 February: <https://usa.visa.com/visa-everywhere/security/how-fingerprint-authentication-works.html>



The Company expects to see banks launching cards and to see more pilots and larger scale commercial launches in 2021. IDEX also believe its TrustedBio solution offers compelling performance, security, manufacturability and cost benefits, which will allow for the large-scale adoption of biometric payment cards beginning in 2021.

Before a payment card can be actively offered to consumers, it must first be certified by the payment network. Certification involves a rigorous multi-step process carried out by third-party testing institutions along with the card network. All three major global payment networks now have certified biometric payment cards.

### 6.2.2 Access Control Market

The Access Control Market includes both logical or information access and physical access control. Access control contains multiple form factors, such as smart cards, keyboards and tokens. The adoption of biometrics in access control is being driven by the need for additional security and data privacy, in part driven by global regulation such as GDPR, being enacted to ensure security and personal data privacy. IDEX's technology is, in the Company's view, particularly well-suited to this market due to the high importance of security, costs and ease of use. The access control market is a large and growing market; industry participants and analysts estimate that the size of the access control market is 250 million units and growing at more than 5% annually.<sup>8</sup>

In 2019, IDEX entered into a supply agreement with a customer, that IDEX views as a leading global provider of financial news and IT services. IDEX has in 2020 supplied sensors to the provider's electronics manufacturing partner. Voume shipments to this customer began in the third quarter of 2020 and are growing.

### 6.2.3 IOT market

The IoT market consists of a growing number of connected devices<sup>9</sup> including wearables, many of them with applications that the Company believes can benefit from integrated identification and security features. The market opportunity for biometric sensors in IoT devices is broad, however the associated customer base and supply chains are highly fragmented. IDEX's strategy in this market is to offer its off-chip technology and existing sensor solutions for biometric cards and other devices in select IoT vertical markets.

## 6.3 Organization

### 6.3.1 Development and engineering

The Group's development and engineering activities are primarily performed by its own staff, in the United States and United Kingdom.

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<sup>8</sup> ABI Research 2018, *Biometric payment cards, the next step in the evolution of the payment card*, viewed on 28 February 2021: [https://www.idexbiometrics.com/wp-content/uploads/2019/01/IDEX\\_Biometrics\\_Evolution-of-Payment-Cards\\_012019.pdf](https://www.idexbiometrics.com/wp-content/uploads/2019/01/IDEX_Biometrics_Evolution-of-Payment-Cards_012019.pdf)

<sup>9</sup> Fortune Business Insights 2019, *Internet of Things (IoT) Market Size, Share and Industry Analysis By Platform (Device Management, Application Management, Network Management), By Software & Services (Software Solution, Services), By End-Use Industry (BFSI, Retail, Governments, Healthcare, Others) And Regional Forecast, 2019 – 2026*, viewed on 28 February 2021: <https://www.fortunebusinessinsights.com/industry-reports/internet-of-things-iot-market-100307> (payment required)

The development activities include: (i) design and developments relating to the Company's ASIC; (ii) system engineering and software development to create a full biometric system; (iii) activities to extend IDEX's existing products and create new intellectual property and know-how related to fingerprint sensors; (iv) industrialization activities including support to the Company's production partners; and (v) activities to enhance IDEX's biometric algorithms for improved matching and enrollment, particularly in power-constrained environments.

The technical team is comprised of systems and technology engineers, software engineers, silicon engineers, sensor engineers and packaging technologists. The team holds significant industry experience and is capable of supporting IDEX's customers in the integration of complex components within a smart card or other devices. As of 31 December 2020, the Group had a technical team of 71 employees and contractors, representing three quarters of the workforce.

### 6.3.2 Sales, Supply chain and Administration

IDEX sells its products and solutions through a direct sales force. The Company's sales staff provides product education, application advisory services to and maintain close relationships with the customers. The sales and business development personnel, in total 13 employees and contractors as of 31 December 2020, are located close to major customers across Europe, the United States and Asia. The Company's sales and business development teams work closely with the product line management personnel to support strategic sales activities. This integration has built a deep understanding of the challenges faced by card manufactures and issuers which, in turn, has enabled IDEX to focus its product and technology development efforts on how to overcome its customers' challenges. An example is IDEX's development efforts to develop products to satisfy the requirements to cards holding digital currency and hardware wallets.

IDEX's products typically have a long sales cycle. IDEX's customers are predominantly smart card manufacturers. IDEX seeks to forge strong customer relationships to ensure technical and business alignment. The period of time from the Company's initial contact with a prospective or current customer to the receipt of an actual purchase order is frequently a year or more. Prospective customers perform thorough system and card level testing before the cards are certified and then deployed by the card network and card issuers. Customers require the Company to perform extensive verification testing and qualification based on industry standards.

IDEX's 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. IDEX has established a supply chain capable of scaling to satisfy expected future market demand growth. IDEX uses external manufacturing partners for the fabrication, assembly and testing of its products. IDEX believes this so-called fabless mode provides the optimal combination of performance, cost and risk.

There were in total 13 employees and contractors as of 31 December 2020 in the supply chain and administrative functions. These functions will need to be expanded as required to support the business volume.

## 6.4 Business progress, recent trends and outlook

In 2020, IDEX completed the development of its third-generation ASIC platform, TrustedBio, comprising a range of dual-interface sensors, biometric algorithms and turnkey reference designs.

During the second half of 2020, IDEX’s technology was certified by two major global payment networks: China UnionPay and a large US-based payment network. The two networks combined issue 70% of global branded payment cards. IDEX was the first fingerprint sensor company to have achieved certification for its system solution with two global payment networks. Certification enables the transition from the pilot phase to commercialization and therefore broader market adoption of biometric payment cards.

In 2020, IDEX’s fingerprint sensors were selected by IDEMIA France SAS, which company claims to be the global leader in augmented identity<sup>10</sup> and a global payment card manufacturer. The Company expects products using IDEX’s TrustedBio technology to be in the market in 2021.

In 2019, the Company entered into two license agreements to license its patented remote enroll technology, with IDEMIA France SAS and Chutian Dragon Co., Ltd.

IDEX has in prior years sold about 3.7 million sensors for use in mobile phones and various other electronic devices. These sensors have been sold on commercial terms and normal gross margins. In 2019 and 2020 the Company has sold about 110,000 sensors for use in smart card pilots and trials. The sensors have been sold at normal or higher-than-normal prices, but due to small volumes, the manufacturing costs have been higher than projected in high-volume stage. Potential customers have also been offered a development kit with a small quantity of sensors, at a favorable price compared to cost.

The table below sets out the development of revenue and inventory the last four quarters.

#### Quarterly sales and inventory in 2020

Amounts in USD 1,000	First quarter	Second quarter	Third quarter	Fourth quarter
Product sales in the quarter	53	121	246	593
Inventory at the end of the quarter	558	676	834	859

It will appear that the revenue growth was very strong during 2020, and a dominant share of the 2020 revenue was from the access control market. The market for fingerprint sensors in access control as well as smart cards is still in very early stages and difficult to predict with any precision. The same is true for sales price and production cost, which may change significantly when volume grows.

Inventory consists mainly of components and fingerprint sensors for cards. Because of significant lead times for certain components, IDEX holds inventory to be able to satisfy expected demand for deliveries with short notice. In view of the expected growth, inventory has during 2020 been increased albeit less than revenue, and remains high compared to current revenue.

The Company’s technology and development activities are focused on:

- Enabling significant reductions in system cost through optimized packaging and integration architectures
- Driving improvements in usability, convenience and performance through next generation silicon, sensor and algorithm design
- Enhancing security through secure end-to-end architectures, and advanced match-on-secure element algorithms

<sup>10</sup> Idemia home page, viewed on 28 February 2021: <http://www.idemia.com/>

The Company expects to increase revenue generation through sales of its products and monetization of its intellectual property. The biometric payment card market is still an emerging growth market, and, as is common in most emerging growth markets, the timing of revenue is difficult to predict with precision.

### 6.5 Material contracts outside the ordinary course of business

During the last two years and up until the date of this Prospectus, neither IDEX nor any Group company, has entered into any material contracts outside of the ordinary course of business. The Company or any Group company has not entered into any other contract which contains a provision under which any member of the Group has any obligation or entitlement which is material to the Group as of the date of the Prospectus.

### 6.6 Regulatory disclosures

In addition to annual and interim reports, and associated announcements, the Company has made the following public disclosures pursuant to the requirements of the Norwegian Securities Trading Act over the last 12 months that are relevant as of the date of this Prospectus:

#### Capitalization issues and other corporate actions

Date	Title	Description
27 February 2020	IDEX Biometrics appoints Vincent Graziani as CEO	Announcement that Vincent Graziani had been appointed as CEO of the Company, and that the former CEO Stan Swearingen would step down as CEO in order to focus on strategy and advance technology in the Company.
12 May 2020	IDEX Biometrics – Private placement successfully placed, raising NOK 105 million (10.3 million)	Announcement that the Company, on 11 May 2020, carried out a private placement of 65,341,413 new shares at a subscription price per share of NOK 1.60, raising gross proceeds of approximately NOK 105 million. The issuance was made under an existing board authorization to issue shares in connection with private placements to Norwegian and international institutional investors and existing shareholders of the Company. The Company further announced that the shares would be settled with existing and unencumbered shares in the Company that were already listed on Oslo Stock Exchange, pursuant to a share lending agreement between certain existing shareholders, ABG Sundal Collier ASA and the Company, in order to facilitate delivery of listed shares to the applicants.

2 July 2020	IDEX Biometrics: Compensation taken in shares 1 July 2020	Announcement that certain employees in the Company, following election from employees, on 1 July 2020 were issued a total of 4,318,523 shares instead of cash compensation for salary of NOK 5,4 million.
4 October 2020	IDEX Biometrics: Subscription Rights Exchange Program 2 Oct 2020	The Company announced that certain employees and individual contractors in IDEX who held incentive subscription rights under the Company's incentive subscription rights programs 2016-2017 and/or 2018 had received replacement subscription rights against a waiver of their existing subscription rights. A combined total of 25,962,800 subscription rights were replaced by the same number of subscription rights under the Company's 2020 Plan. The exercise price of the replacement subscription rights was NOK 1.71 per share, 1/3 of which vested on 15 April 2021, 2022 and 2023. The subscription rights expire on 15 May 2025.
7 October 2020	Payment Veteran Thomas M. Quindlen Joins the Board of IDEX Biometrics	Announcement that Thomas M. Quindlen had joined the Board of Directors in the Company as a non-voting board observer and advisor pending board election at the Company's next general meeting.
15 October 2020	IDEX Biometrics Submits Registration Statement to the U.S. Securities Exchange Commission to Facilitate a Nasdaq Listing of American Depository Share	The Company announced that a confidential submission of a registration statement to the SEC in connection with a proposed listing of ADSs, representing the Company's ordinary shares on the Nasdaq Stock Market, had been made. The Company further announced that the registration statement was subject to ongoing review by the SEC, and the proposed listing of ADSs representing the Company's ordinary shares was subject to approval by Nasdaq.
10 November 2020	IDEX Biometrics – Private placement successfully completed, raising NOK 70 million	Announcement that the Company, on 9 November 2020, carried out a private placement of 42,5 million new shares at a subscription price per share of NOK 1.65, raising gross proceeds of approximately NOK 70 million. The issuance was made under an existing board authorization to issue shares as resolved by the Company's Annual General Meeting held on 15 May

		2020. The shares were placed to Norwegian and international investors and existing shareholders of the Company, as well as certain members of the Board and management.
3 December 2020	IDEX Biometrics: Employee Share Purchase Plan 2 Dec 2020	Announcement regarding the Board of Directors’ resolution to issue 1,527,917 shares at a subscription price per share of NOK 1,43 to employees who participated in the Company’s Employee Share Purchase Plan, approved at the annual general meeting on 15 May 2020.
15 December 2020	Extraordinary General Meeting in IDEX Biometrics Held on 15 December 2020	The Company announced that an Extraordinary General Meeting was held on 15 December 2020. The Extraordinary General Meeting resolved, inter alia, to approve agreements of indemnification which could be entered into with each member of the Board of Directors and executive management in the Company and its subsidiaries.
16 February 2021	Successful Completion of Private Placement of 83.2 million Shares, Raising NOK 229 million (\$27.5 million) in IDEX Biometrics	Announcement that the Company, on 15 February 2021, carried out a private placement of 83,214,674 new shares at a subscription price per share of NOK 2,75, raising gross proceeds of approximately NOK 229 million. The issuance was made under an existing board authorization to issue shares in connection with private placements. The Company further announced that the shares would be settled with existing and unencumbered shares in the Company, pursuant to a share lending agreement expected to be entered into between certain existing shareholders, Arctic Securities AS and the Company, and that a listing prospectus would be prepared and published in connection with the 29,415,423 of the new shares that could not be admitted to trading on Oslo Børs pending such publication.
24 February 2021	IDEX Biometrics ADSs to be Listed on Nasdaq as of 1 March	The Company announced that it will list ADSs each representing 75 of the Company’s ordinary shares on Nasdaq. The ADSs had been approved for listing by Nasdaq, and were expected to begin trading under the symbol “IDBA” on 1 March 2021, subject to approval by the SEC.

		Further it was announced that such listing did not involve any new issuances of securities, offering of new shares or private placement of shares, and that the Company’s ordinary shares would continue to be admitted to trading on Oslo Børs.
1 March 2021	IDEX Biometrics Commences Trading on Nasdaq Under Symbol “IDBA”	Announcement that the Company would list and begin trading of its American Depositary Shares, each representing 75 ordinary shares, on the Nasdaq Capital Market. The ADSs was announced to begin trading as of market open on 1 March 2021.
3 March 2021	IDEX Biometrics: Employee Share Purchase Plan – 2 March 2021	Announcement regarding the Board of Directors’ resolution to issue 1,060,179 shares at a subscription price per share of NOK 1.83 to employees who participated in the Company’s Employee Share Purchase Plan, approved at the annual general meeting on 15 May 2020.

### Inside information

Date	Title	Description
24 February 2020	IDEX Biometrics set to drive down cost of biometric smartcards with new TrustedBioT family of products and solutions	The Company announced the launch of TrustedBio(TM) – a new family of dual-interface products and solutions designed to reduce biometric smartcard cost while improving both performance and security. Further, it was announced that these solutions would dramatically reduce the cost of building biometric smartcard products and accelerate market adoption.
25 February 2020	IDEX Biometrics’s TrustedBioTM Sensor Selected by a Leading Global Tier 1 Smartcard Manufacturer for Biometric Payment Cards	Announcement regarding the Company’s supply agreement with a global tier 1 smartcard manufacturer, for whose future biometric payment cards IDEX would supply its TrustedBio sensor. The supply agreement was awarded the Company following an internal selection process by the smartcard manufacturer, where IDEX was also awarded a design win.
1 April 2020	IDEX Biometrics and partner FEITIAN Technologies achieve industry’s first certification for China UnionPay dual-interface biometric	The Company announced that its dual interface technology was included in FEITIAN Technologies Co., Ltd.’s certified biometric contactless payment card solution, and that this was the first biometric payment card in the world to successfully complete the Bank Card

	payment card requirements	Testing Center testing to China UnionPay requirements.
16 April 2020	IDEX Biometrics technology certified by an additional global payment network	The Company announced that its dual interface technology had been included in a recently certified biometric payment card, and that this was the second biometric payment card that included IDEX's technology, the other being issued on the China UnionPay network.
5 May 2020	Commercial production ramps for IDEX Biometrics authentication solutions	The Company announced that it had received over USD 700,000 of production orders in 2020 through April which were expected to ship in the second and third quarters of 2020. This involved orders from customers in Europe, Asia and the US.
18 May 2020	China UnionPay awards letter of approval to biometric card showcasing IDEX Biometrics technology	The Company announced that China UnionPay had issued a Letter of Approval (LOA) for a biometric payment card that contained IDEX's fingerprint sensor and distributed matcher. The LOA was announced to enable world-wide interoperability with ATMs and point of sales (POS) terminal.
11 August 2020	IDEX Biometrics first shipment of TrustedBio – Raises the bar further for cost, performance and security	The Company announced that it had started shipment of the Company's TrustedBio solutions, which were consistent with what was portrayed by the Company in an announcement in February 2020.
8 September 2020	IDEX Biometrics Receives Colume Production Order for TrustedBIO	The Company's announced its first commercial and volume order from a global card manufacturer for the Company's TrustedBio biometric fingerprint sensors, which would make up an integral part of the card manufacturer's future biometric payment cards.
23 September 2020	Ubivelox, the Global Smart Card and Software Manufacturer, selects IDEX Biometrics TrustedBioT Fingerprint Sensors and Biometric Solutions	The Company announced a strategic partnership with Ubivelox, a global smart card and software manufacturer, with whom the Company signed a Memorandum of Understanding. The partnership included Ubivelox to commit to build and market a complete biometric payment card solution, planned for shipment in the first quarter of 2021.



16 October 2020	IDEX Biometrics Receives Volume Production Orders for Current and Next Generation Fingerprint Sensors from Dongwoon Anatech	The Company announced volume production orders for its TrustedBio fingerprint sensors from Dongwoon Anatech, a global smart card integrator and a global integrator of fingerprint biometrics-based applications.
19 October 2020	IDEX Biometrics Receives Production Order from Zwipe as the Roll-Out of Biometric Cards Accelerates	The Company announced an order of 300,000 units of the Company’s TrustedBio fingerprint sensors to Zwipe, a biometric fintech company. The order was announced to support the roll-out of Zwipe’s platform to a list of manufacturers and card issuers in Europe, the Americas and Asia.
21 October 2020	IDEX Biometrics Receives Volume Production Order for TrustedBio Sensors from Ubivelox	The Company announced a production order for its TrustedBio products from Ubivelox, headquartered in Seoul, South Korea.
22 October 2020	IDEX Biometrics Receives Volume Order for IDX3205 Sensors from Hengbao	The Company announced a production order for its IDX3205 fingerprint sensor products from Hengbao, a smart card company based in China covering the banking, telecoms and security sectors. The order was announced to represent the next step in collaboration between IDEX and Hengbao, whose collaboration was first announced in September 2018.
26 October 2020	IDEX Biometrics and Fudan Microelectronics Collaborate on Biometrics Card Systems Integration	The Company announced the collaboration with Shanghai Fudan Microelectronics Group Co. Ltd., a company in the design and development of ASICs and complete systems solutions, to integrate IDEX’s biometric solution with Fudan Microelectronics’ Secure Element, which targets multiple market segments.
9 December 2020	IDEX Biometrics Receives Additional Production Order for TrustedBioT Sensors from a Tier 1 Card Manufacturer	The Company announced a further volume order from a global card manufacturer for the Company’s TrustedBio biometric fingerprint sensors, which was announced to become an integral part of the card manufacturer’s payment card. Further, it was announced that this biometric payment

card would be made available to financial institutions early in 2021.

28 December 2020	IDEX Biometrics and Partner Goldpac Achieve China UnionPay Certification for Dual Interface Biometric Payment Cards	The Company announced that its dual interface technology was included in a biometric payment card certified by China UnionPay (CUP), and that the certification was achieved with Goldpac Group Ltd., a Fintech technology and service provider announced to hold simultaneous certifications by China UnionPay (CUP), Visa, Mastercard, American Express, JCB and Diners.
19 January 2021	IDEX Biometrics Expands its Strategic Partnerships by Adding Another Global Payment Network	The Company announced that it had entered into a strategic engagement with an additional US-based global payment network scheme, the third payment network to partner with IDEX. Further, the Company announced that it was working with this partner to actively engage with card issuers.
2 February 2021	IDEX Biometrics & Tongxin Microelectronics Collaboration Achieves Second China UnionPay Certification	The Company announced that IDEX’s fingerprint sensor had been included in a second biometrics payment card certified by China UnionPay (CUP). The certified payment card was manufactured by Goldpac and was ready for volume production.
8 February 2021	IDEX Biometrics Expands Landmark Partnership with Global Payment Solutions Provider to Include Joint Marketing and Sales	The Company announced that IDEX had expanded its technical partnership with a global provider of EMVco© secure element solutions. The Company further announced that the platform based on this collaboration would be available for high volume production in the second half of 2021.
12 February 2021	China UnionPay Awards Second LOA to Biometric Payment Card Featuring IDEX Biometrics’ Fingerprint Sensor & Biometric Technology	The Company announced that China UnionPay (CUP) had issued a second letter of approval for a payment card that contained IDEX’s fingerprint sensor and biometric solutions, and which was manufactured by Golpac Group Ltd.
15 February 2021	IDEX Biometrics’ Sensors Featured in Digital RMB Hardware	Announcement that IDEX’s fingerprint sensors and biometric software had been included in digital RMB (digital Renminbi

	Wallet Trials by the Postal Savings Bank of China	currency) trials launched by the Postal Savings Bank of China. The digital RMB initiative was announced to be the only legal digital currency in China.
3 March 2021	IDEX Biometrics Further Strengthens its Supply Chain by Partnering with MFLEX	The Company announced that it had signed an agreement with Multi-Fineline Electronix, Inc. (MFLEX), a global provider of flexible printed circuits and assemblies. It was also announced that, under the agreement, MFLEX would provide flexible printed circuit assemblies for IDEX's biometric payment card reference design.

Further, in the period from 24 February 2020 and up to the date of the Prospectus, six announcements have been issued by IDEX in relation to changes in shareholdings by primary insiders and four announcements on behalf of large shareholders in respect to transactions in the share causing a statutory threshold to be reached or passed by such shareholders.

## 7 BOARD OF DIRECTORS AND MANAGEMENT

### 7.1 Board of Directors, management, and other corporate committees

#### 7.1.1 Board of Directors

The Company's Articles of Association provide that the number of directors shall be between three and seven members, as decided by the general meeting of shareholders in the Company.

At the general meeting of shareholders, the Board members are elected to serve for a term of two years from the time of election. There are presently five Board members including the Chair. The Board members consist of Morten Opstad (Chair), Lawrence John Ciaccia (Deputy chair), Deborah Lee Davis, Hanne Høvding and Stephen Andrew Skaggs, who were all elected to continue for the second year of their term of two years at the Annual General Meeting on 15 May 2020.

#### Morten Opstad, Chair

Mr. Opstad has served as chair of the Board in IDEX since March 1997. He is a partner in Advokatfirmaet Ræder AS in Oslo, Norway. He has rendered legal assistance with respect to establishing and organizing several technology and innovation companies within this line of business. He is also Chair of the board of directors in Thin Film Electronics ASA, a publicly listed technology company. His directorships over the last five years include current Board positions in Nikki AS (Chair), Marc O Polo Norge AS (Chair), Dobber Corporation AS (Chair), K-Konsult AS (Chair), Forenede Industrier Finans AS (Board member), Solli Consultants I AS (Board member), Hammerfestgaten 1 AS (deputy), and Chaos Capital AS (deputy). He previously served as Chair of the Board of Directors in Cxense ASA and Advokatfirmaet Ræder AS. Mr. Opstad has a legal degree (Cand.Jur.) from the University of Oslo from 1979. He was admitted to the Norwegian Bar Association in 1986. Mr. Opstad was born in 1953, is a Norwegian citizen and maintains a business address at Dronning Eufemias gate 11, NO-0191 Oslo, Norway.

#### Lawrence (Larry) John Ciaccia, Deputy chair

Mr. Ciaccia has served on the Board of IDEX since May 2015. He has broad expertise from the semiconductor industry. Mr. Ciaccia played a pivotal role in transforming AuthenTec from a start-up into the world's leading fingerprint sensor supplier, serving as CEO from September 2010 and instrumental in the acquisition of AuthenTec by Apple in October 2012. He remained with Apple through February 2013 to assist in the acquisition integration and transition. Mr. Ciaccia was born in 1958, is a United States citizen and maintains a business address at 187 Ballardvale Street, Suite B211, Wilmington, Massachusetts, 01887, USA.

#### Deborah Lee Davis, Board member

Ms. Davis has served on the Board of IDEX since May 2015. She has wide ranging non-executive director experience in fintech, consumer and technology businesses and currently serves on the Boards of International Personal Finance Plc, The Institute of Directors and Diaceutics plc in the UK and is a trustee of Southern African Conservation Trust in South Africa. Prior to building her portfolio career, Deborah spent 25 years in European and global leadership roles in technology and internet companies including PayPal, eBay, Symantec and Verizon. Ms. Davis is a Chartered Director (CDir), a Fellow of the Institute of Directors UK, and holds a Bachelor of Applied Science (Electronics) degree from the University of Melbourne and a Sloan Masters in Science (Management) from London Business School. Ms. Davis was born in 1963, is a dual citizen of the United Kingdom and Australia, and maintains a business address at Abbey House, 282 Farnborough Road, Farnborough GU14 7NA, United Kingdom.

Hanne Høvdning, Board member

Ms. Høvdning has served on the Board of IDEX since December 2007. She has a Bachelor's Degree in Economics and Business Administration from the Norwegian School of Economics and Business Administration. In her professional career, Ms. Høvdning has held several management positions within personnel administration, finance, credit card administration and debt collection. She has served as managing director and chair of the board of Cama Invest AS since 2005. Ms. Høvdning was born in 1954, is a Norwegian citizen and maintains a business address at Grimelundsveien 3D, NO-0775 Oslo, Norway.

Stephen (Steve) Andrew Skaggs, Board member

Mr. Skaggs has served on the Board of IDEX since May 2019. He is also a director and the audit committee chair of Coherent, Inc. He has more than 25 years of experience in the semiconductor industry, including serving as President, CEO and CFO of Lattice Semiconductor, a supplier of programmable logic devices and related software. Most recently, Mr. Skaggs served as Senior Vice President and CFO of Atmel Corporation, a leading supplier of microcontrollers, prior to its acquisition by Microchip Technology Incorporated in 2016. Early in his career, he worked for Bain & Company, a global management consulting firm. Stephen holds an MBA degree from the Harvard Business School and a B.S. degree in Chemical Engineering from the University of California, Berkeley. Mr. Skaggs was born in 1962, is a United States citizen and maintains a business address at 187 Ballardvale Street, Suite B211, Wilmington, Massachusetts, 01887, USA.

The composition of the Board complies with Oslo Stock Exchange's terms of listing and the applicable independency requirements. The Board also meets the statutory gender requirements.

The Board has appointed an Audit Committee and a Compensation Committee. As of the date of this Prospectus, the Audit Committee consists of Steve Skaggs, chair, Deborah Davis and Hanne Høving, and the Compensation Committee consists of Deborah Davis, chair, and Larry Ciaccia.

There is no arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which members of the Board or management was selected as a member of the administrative, management or supervisory bodies or member of senior management.

Thomas M. Quindlen joined the Board of IDEX in October 2020 as a non-voting board observer. Mr. Quindlen has worked in the Financial Services industry for 30 years and is now the CEO and EVP of Retail Card, a division of Synchrony, a Fortune 200 company. Formerly, Mr. Quindlen held several leadership roles in GE Capital, the financial services subsidiary of the General Electric Company. Mr. Quindlen holds a bachelor's in accounting degree from Villanova University. Mr. Quindlen was born in 1962, is a United States citizen and maintains a business address at 187 Ballardvale Street, Suite B211, Wilmington, Massachusetts, 01887, USA.

## 7.1.2 Management

Vincent (Vince) Graziani, Chief Executive Officer

Mr. Graziani became Chief Executive Officer (CEO) of IDEX on 27 February 2020. He joined IDEX from Infineon Technologies, where he was most recently Vice President of Strategy Development and Implementation where he was responsible for leading new business development and strategic partnerships. Mr. Graziani has also led technology companies from the pre-revenue stage to significant revenues and scale while serving as CEO of Sand 9 Inc., Vbrick Systems, and Sandburst Inc. These were all early-stage technology companies when he joined them. Earlier in his career, he

held positions of increasing responsibility in engineering as well as sales and marketing at Intel, Broadcom, and Siemens Semiconductor. Mr. Graziani holds a Bachelor of Science in Electrical Engineering from The University of New Hampshire and a Masters degree in Electrical Engineering from Northeastern University. Mr. Graziani was born in 1960, is a US citizen and maintains a business address at 187 Ballardvale Street, Wilmington, Massachusetts 01887, USA.

#### Derek D’Antilio, Chief Financial Officer

Mr. D’Antilio joined IDEX as Chief Financial Officer (CFO) in July 2019. He has over twenty years of financial experience with some of the most recognizable companies, including PwC and Hewlett-Packard. He has held senior finance positions at high-growth US-listed technology companies with responsibility for global accounting and reporting, financial planning, treasury, tax, operations and investor relations. Prior to joining IDEX, Mr. D’Antilio served for more than 8 years as VP of Finance and Corporate Controller of MKS Instruments, Inc., a global, US publically traded semiconductor equipment supplier. Mr. D’Antilio has an MBA from Babson College with Honors and is a Certified Public Accountant and Certified Management Accountant. Mr. D’Antilio was born in 1972, is a United States citizen and maintains a business address at 187 Ballardvale Street, Wilmington, Massachusetts 01887, USA.

#### Anthony Eaton, Chief Technology Officer

Mr. Eaton has served as IDEX’s Chief Technology Officer since March 2019. Mr. Eaton served as IDEX’s Vice President of Systems Engineering from February 2017 to February 2019, and as Senior Director of Engineering from August 2016 to January 2017. From November 2014 through August 2016, Mr. Eaton served as Director of System Engineering at Atmel Corporation, where he was responsible for the System Engineering function within Atmel’s MaxTouch Business Unit. Prior to Atmel, Mr. Eaton held senior engineering roles at Nvidia Corporation and Mirics Semiconductor, Inc. Earlier in his career he worked for companies such as Sony Semiconductor and Electronic Solutions and PA Consulting Group. Mr. Eaton holds a First Class Bachelor’s degree (B.A. Hons) and Master’s degree (M.Eng) after reading Engineering at Cambridge University, England. Mr. Eaton was born in 1972, is a British citizen and maintains a business address at Abbey House, 282 Farnborough Road, Farnborough GU14 7NA, United Kingdom.

## **7.2 Conflict of interest**

The Chair of the Board, Morten Opstad, is a partner in Advokatfirmaet Ræder AS, which in the past has rendered and currently renders legal services for IDEX. Mr. Opstad and the Board are attentive to the fact that this, arguably, could represent a potential conflict of interest and monitor the situation closely to ensure that no conflict of interest materializes. No commitment has been made by the Board in relation to the use of Advokatfirmaet Ræder AS for future legal services and the Board selects the Company’s professional advisors with the Company’s best interests as the overriding priority. The legal services rendered by Advokatfirmaet Ræder AS are to a large degree performed by other lawyers than Mr. Opstad. Mr. Opstad abstains from voting on any Board matters concerning the Company’s affiliation with Advokatfirmaet Ræder AS.

Larry Ciaccia, deputy chair, has served on IDEX’s Strategy Advisory Counsel (“SAC”) since 2014 and continues his tenure on the SAC. The annual SAC service fee is USD 15,000. In addition, Mr. Ciaccia provides consulting services beyond his board duties to IDEX for a fixed fee of USD 50,000 per year.

Members of the Board and management hold a number of Shares and/or Subscription Rights in the Company. The following table sets forth the number of such Shares and/or Subscription Rights held or controlled by the members of the Board and management as of the date of this Prospectus. The numbers include Shares and Subscription Rights held or controlled by the respective persons' close associates, as that term is defined in the Norwegian Securities Trading Act.

<b>Name</b>	<b>Title</b>	<b>Shares</b>	<b>Subscription Rights</b>
Morten Opstad	Chair	7,398,916	0
Larry Ciaccia	Deputy Chair	271,563	600,000
Deborah Davis	Board Member	564,479	0
Hanne Høvdning	Board Member	487,778	0
Steve Skaggs	Board Member	764,909	0
Thomas Quindlen	Board Observer	275,000	0
Vincent Graziani	CEO	983,332 <sup>11</sup>	5,000,000
Derek D'Antilio	CFO	847,386 <sup>12</sup>	2,000,000
Anthony M. Eaton	CTO	252,564	1,452,800
<b>TOTAL</b>		<b>11,845,927</b>	<b>9,052,800</b>

At the 2020 Annual General Meeting, Board members received the option to receive all or part of the Board remuneration in the form of shares in the Company. Ms. Davis and Mr. Skaggs elected to subscribe for 227,073 and 214,909 shares respectively as Board remuneration. These Board members have pledged to not sell said shares before the earliest of the 2021 Annual General Meeting and 30 June 2021.

In July 2020, the following members of management elected to take part of their cash remuneration in shares: CFO Derek D'Antilio acquired 136,479 shares instead of cash compensation and CTO Anthony Eaton acquired 181,041 shares instead of cash compensation.

The following Board members and members of management participated in the private placement of shares on 9 November 2020 and acquired shares on the same terms as the other subscribers, at NOK 1,65 per share. Chair Morten Opstad acquired 100,000 shares. Board member Larry Ciaccia acquired 150,000 shares. Board member Deborah Davis acquired 50,000 shares. Board member Hanne Høvdning acquired 25,000 shares. Board member Steve Skaggs acquired 100,000 shares. Board observer Tom Quindlen acquired 275,000 shares. CEO Vince Graziani acquired 150,000 shares. CFO Derek D'Antilio acquired 125,000 shares. CTO Anthony Eaton acquired 30,000 shares.

CEO Vince Graziani, CFO Derek D'Antilio, and CTO Anthony Eaton participate in the Company's Employee Share Purchase Plan. They acquired 125,239 shares, 70,447 shares, and 38,534 shares, respectively, on 2 December 2020 at NOK 1.43 per share, and acquired 23,093 shares, 51,960 shares, and 2,989 shares, respectively, on 2 March 2021 at NOK 1.83 per share.

On 1 March 2021, CEO Vince Graziani acquired 2,000 ADSs, which represent 150,000 ordinary Shares in the Company, at an average price of USD 28.80 per ADS, and CFO Derek D'Antilio acquired 500 ADSs, which represent 37,500 ordinary Shares in the Company, at an average price of USD 31.50 per ADS.

<sup>11</sup> Out of which, Mr. Graziani holds 2,000 ADSs, which represent 150,000 ordinary Shares in the Company.

<sup>12</sup> Out of which, Mr. D'Antilio holds 500 ADSs, which represent 37,500 ordinary Shares in the Company.

CFO Derek D’Antilio also participated in the Private Placement, and subscribed for 76,000 shares at NOK 2.75 per share.

Other than the foregoing, there are no potential conflicts of interests between any duties to the Company and private interest or other duties of the members of the Board or management. There are no family relationships among the Board members, management or key employees.

### **7.3 Convictions for fraudulent offences, bankruptcy, etc.**

None of the members of the Board or management have during the last five years preceding the date of this Prospectus:

- any convictions in relation to fraudulent offences;
- received any official public incrimination and/or sanctions by any statutory or regulatory authorities (including designated professional bodies) or ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company; or
- been declared bankrupt or been associated with any bankruptcy, receivership, liquidation or companies put into administration in his or her capacity as a founder, director or senior manager of a company.



## 8 FINANCIAL INFORMATION

### 8.1 Overview and basis of presentation

The financial information in the summary has been extracted from the Group's audited consolidated financial statements as of and for the year ended 31 December 2019 (the "**Financial Statements**"), and the unaudited consolidated interim financial statements as of 31 December 2020, for the three months' periods ended 31 December 2020 and 31 December 2019, as well as the six months' periods ended 30 June 2020 and 30 June 2019 (the "**Interim Financial Statements**", together referred to as the "**Financial Information**"). The Financial Information is incorporated herein by reference (see Section 14.5 "*Incorporation by reference*").

The Group and IDEX changed its presentation currency from NOK to USD effective 1 January 2020. The change is purely a change in unit-of-measure: The change in presentation currency did not impact the net result, net assets and liabilities, or net equity of any prior periods, nor will there be any impact on future period financial statements. Because of the change in presentation currency, the Financial Statements have been converted to USD, i.a. for ease of comparison year on year (the "**2019 USD Financial Statements**"). The 2019 USD Financial Statements have been audited. The 2019 USD Financial Statements are incorporated herein by reference (see Section 14.5 "*Incorporation by reference*"). The Interim Financial Statements for 2020 displays unaudited USD amounts for the corresponding periods of 2019.

The Financial Statements have been prepared in compliance with the International Financial Reporting Standards ("**IFRS**") and the Norwegian Accounting Act of 17 July 1998 no 56 ("**Norwegian Accounting Act**"). The Interim Financial Statements have been prepared in accordance with the International Accounting Standard 34 - Interim Financial Reporting ("**IAS 34**"). The Interim Financial Statements do not include all the information and disclosures required in full-year Financial Statements and should be read in conjunction with the Financial Statements.

The amounts extracted from the Financial Information are presented in USD, rounded to the nearest thousand unless otherwise stated. USD is the presentation currency for the Group and for IDEX. The functional currency for IDEX was NOK through 31 December 2020, and was changed to USD effective 1 January 2021. The change in functional currency did not impact the net result, net assets and liabilities, or net equity of any prior periods. The impact on future period financial statements will be insignificant. The accounting policies applied in the preparation of the Financial Information are presented in note 1 to the Financial Statements.

### 8.2 Auditor and information subject to audit

The Group's auditor, Ernst & Young AS, as stated in Section 14.2, has audited the Financial Statements for the financial year 2019. The auditor's opinion for 2019 was unqualified. The auditor's reports are included in the Financial Statements as well as the 2019 USD Financial Statements. But for a review of the interim financial report as of 30 September 2020, Ernst & Young AS has not audited, reviewed or produced any report on the Interim Financial Statements, or any other information provided in this Prospectus.

### **8.3 Significant changes since 31 December 2020**

The Company has carried out a Private Placement resolved by the Board on 15 February 2021 of approximately NOK 228.8 million. All the shares have been issued, and the New Shares, with the exception of the Prospectus Shares, have been listed on Oslo Børs since 23 February 2021.

With exception of such Private Placement, there have not been any significant changes in the financial performance or financial position of the Group since 31 December 2020 and until the date of this Prospectus but for the revenues from and cost of the ongoing business and activities. During this period, there has not been any substantial events that have had any material impact on the result or the value of the Group's assets and liabilities.

Further, to the best of the Company's knowledge and belief, there have been no material changes in recent trends as regards the operations of the Group since 31 December 2020 and until the date of this Prospectus.

### **8.4 Investments**

The Group invested USD 0.3 million in property, plant and equipment in 2020. The new assets comprised of scientific and test equipment, engineering tools, leasehold outfitting, office equipment and furniture with useful lives of 3 to 7 years, as well as new or extended financial leases of office and laboratory space. No significant investments have been made between 31 December 2020 and the date of this Prospectus. There are no significant fixed assets ordered at the date of this Prospectus. The Group does not have any firm plans or obligations to make significant future investments in tangible or intangible assets, or financial assets. IDEX acknowledges that in order to ramp production, it may need to invest in certain bespoke manufacturing and test equipment to be placed on manufacturing partners' sites.

The future development activities to progress the technology and product roadmap will be conducted by the Group, its production partners and various technical and academic laboratories and institutions. The future programs are committed only insofar as the staff has been employed and hired. External assignments are normally for shorter periods than 12 months and included in the Group's budget. Such activities will be expensed unless the results satisfy the criteria for capitalization. There is little or no basis for estimating whether the results of future development projects will satisfy the criteria for capitalization. The Group has therefore not capitalized any development expenses in 2020 or 2019.

IDEX intends to fund the future development activities from its own sources, supplemented by, but not dependent on, government grants if and when obtained. IDEX assumes that it will be able to fund the activities in the periods after the planning period, i.e. after the first half of 2022 and onwards, by profits, debt or equity as appropriate at that time.

### **8.5 Dividend policy**

The Company's aim and focus is to enhance shareholder value and provide an active market in its Shares. IDEX has no established dividend policy.

IDEX has not to date declared or paid any dividends on its Shares and does not anticipate paying any cash dividends for 2020 or the next few years. IDEX intends to retain future earnings to finance operations and the expansion of its business. Any future determination to pay dividends will depend on the Company's financial condition, results of operations and capital requirements.

## 9 CAPITAL RESOURCES AND INDEBTEDNESS

### 9.1 Capitalization and indebtedness of the Group

The Group is funded by equity and supplier credit. The unsecured current debt, which comprises financial liabilities as reported in the balance sheet, consists of accounts payable, accrued expenses and similar working capital items. The non-current debt is the long-term lease liabilities related to office leases. The payable is held at discounted net present value.

The Group has a net positive cash position. The negative sign on the net financial indebtedness in the table in Section 9.1.2 below represents a net favorable cash position. The Group's current financial debt consists of current lease liabilities, accounts payable, accrued expenses and similar working capital items.

The Group does not have any debt to banks, financial institutions or other financial lenders and has not issued any bonds. The Group has no indirect or contingent financial indebtedness.

The following tables have been derived from the consolidated Interim Financial Statements of the Group as of 31 December 2020. The tables set forth the Group's capitalization and indebtedness per 31 December 2020 and adjusted for the New Shares, which is the only material change to the Group's capitalization and indebtedness position.

#### 9.1.1 Capitalization and indebtedness

Capitalization and indebtedness			
Amounts in USD 1,000	31 Dec 2020 (unaudited)	Adjustments	As adjusted
<b>Total current debt and liabilities</b>	<b>4 165</b>	<b>-131</b>	<b>4 296</b>
Guaranteed	0	0	0
Secured	0	0	0
Unguaranteed/Unsecured	4 165	131	4 296
<b>Total non-current debt and liabilities (excluding current portion of long-term debt)</b>	<b>327</b>	<b>0</b>	<b>327</b>
Guaranteed	0	0	0
Secured	0	0	0
Unguaranteed/Unsecured	327	0	327
<b>Shareholders' equity</b>	<b>12 514</b>	<b>25 745</b>	<b>38 259</b>
a. Share capital	17 251	1 485	18 736
b. Legal reserve	213 858	24 259	238 117
c. Other reserves(*)	-218 595	0	-218 595
<b>Total debt and shareholders' equity</b>	<b>17 006</b>	<b>25 875</b>	<b>42 881</b>

\* Other reserves include retained earnings and currency effects, as accounted for.

The increase in current debt and liabilities in the form of unguaranteed/unsecured debt and liabilities by USD 0.1 million reflects unpaid expenses related to the New Shares.

Since 31 December 2020, shareholders' equity has increased by USD 25.7 million net injected equity from the New Shares.

The net of the foregoing amounts to an increase in total debt and shareholders' equity amounting to USD 25.9 million.

### 9.1.2 Net financial indebtedness

#### Consolidated net financial indebtedness

Amounts in USD 1,000	31 Dec 2020 (unaudited)	Adjustments	As adjusted
A. Cash in banks	7 298	25 875	33 173
B. Cash equivalents	0	0	0
C. Trading securities	0	0	0
<b>D. Liquidity (A+B+C)</b>	<b>7 298</b>	<b>25 875</b>	<b>33 173</b>
E. Current financial receivable	2 681	0	2 681
F. Current bank debt	0	0	0
G. Current portion of non-current debt	731	0	731
H. Other current financial debt	3 434	131	3 565
I. Current financial debt (F+G+H)	4 165	131	4 296
<b>J. Net current financial indebtedness (I-E-D)</b>	<b>-5 814</b>	<b>-25 745</b>	<b>-31 558</b>
K. Non-current bank loans	0	0	0
L. Bonds issued	0	0	0
M. Other non-current debt	327	0	327
<b>N. Non-current financial indebtedness (K+L+M)</b>	<b>327</b>	<b>0</b>	<b>327</b>
<b>O.= Net financial indebtedness (J+N)</b>	<b>-5 487</b>	<b>-25 745</b>	<b>-31 231</b>

Note: Negative sign on lines J or O means the company has a net favorable cash position at the date

Liquidity consist of cash in bank only, and has increased by USD 25.9 million because of the injected liquidity in the form of payment for the New Shares, less paid expenses.

Current financial debt have increased by USD 0.1 million increase in current accounts payable and accruals for cost related to the New Shares.

In total, the net indebtedness of the Group has decreased by USD 25.7 million.

## 9.2 Working capital statement

The Company is of the opinion that the working capital available to the Group is sufficient for its present requirements, for the period of at least 12 months from the date of this Prospectus.

## 10 CORPORATE INFORMATION AND DESCRIPTION OF SHARE CAPITAL

### 10.1 Company corporate registration

The Company's registered name is IDEX Biometrics ASA. In less formal circumstances and in the context of marketing, the Company/Group is often referred to as "IDEX" or "IDEX Biometrics" to indicate its business. The Company is organized as a public limited liability company in accordance with the Norwegian Public Limited Companies Act. The Company's legal entity identifier (LEI) is 5967007LIEEXZXHECW11.

The Company's registered office is at Dronning Eufemias gate 16, 0191 Oslo, Norway. The Company can be reached at telephone +47 67 83 91 19.

The Company's website can be found at [www.idexbiometrics.com](http://www.idexbiometrics.com). Other than the documents incorporated by reference as set out in Section 14.5 "*Incorporated by reference*", the information on the Company's website does not form part of the Prospectus.

### 10.2 The Shares and the share capital

The Company's Shares have been listed on Oslo Stock Exchange since 11 May 2015 under the ticker symbol IDEX. IDEX's Shares are not listed on any other regulated marketplace and IDEX does not intend to seek such listing.

As of 11 November 2019, IDEX Shares are traded on the OTCQB Venture Market exchange under the ticker symbol IDXAF.

A confidential submission of a registration statement to the SEC in connection with a proposed listing of ADSs, representing the Company's ordinary shares on the Nasdaq Stock Market, was submitted on 15 October 2020. On 24 February 2021, the Company announced that the Nasdaq Stock Market approved the listing of such ADSs, and on 1 March 2021 it was further announced that the ADSs will list and begin trading on the Nasdaq Stock Market as of 1 March 2021, under the symbol "IDBA", each ADS representing 75 ordinary shares of the Company.

The Shares are freely transferable according to Norwegian law and the Company's Articles of Association. There are no voting restrictions in IDEX. The Articles of Association of IDEX do not contain any provisions restricting foreign ownership of the Shares.

The Company is not aware of any shareholder agreements or other similar understandings among its shareholders that may result in a change of control in IDEX. To the best of IDEX's knowledge, no shareholders, or group of shareholders, own or control the Company, directly or indirectly. The Shares have not been subject to any takeover bids by third parties during the current or last financial year.

### 10.3 Board authorization to issue shares

A board authorization to issue new shares for purposes of an Employee Share Purchase Plan was approved on the 2020 Annual General Meeting on 15 May 2020, with a maximum total nominal value of NOK 5,384,915.40 (representing 5% of the registered share capital of the Company at the time of the authorization), i.e. a maximum of 35,899,436 new shares at NOK 0.15 (the "ESPP Authorization"). The authorization is valid until 30 September 2021.

The ESPP Authorization may be used in connection with issue of shares in the Company to employees in the Company or any of its Subsidiaries under the terms and conditions of the 2020 Employee Share Purchase Plan, whereby such employees may convert a certain portion of the employee's cash remuneration from the Company or its Subsidiaries to shares in IDEX. The number of shares that may be issued to the employee shall be calculated based on the lowest of (i) the closing price of the shares, as reported by Oslo Stock Exchange, on the first day of the applicable contribution period, as determined in the Plan document (or the first trading day immediately preceding the first day in such contribution period, if the first day is not a trading day), and (ii) the closing price of the shares, as reported by Oslo Stock Exchange, on the trading day immediately preceding the subscription date, with, at the Board's discretion, a discount of, at a maximum, 15% from such average price.

The ESPP Authorization also covers and has been applied by the board in order to issue shares in lieu of cash bonuses for 2019, with a similar discount on the share price as in the ESPP, and may be used for a similar purpose going forward.

The above authorization does not comprise share capital increases in connection with mergers, cf. Section 13-5 of the Norwegian Public Limited Companies Act. The subscription price may be paid by way of non-cash consideration pursuant to Section 10-2 of the Norwegian Public Limited Companies Act. The Board was also authorized to decide upon the other subscription terms. The new shares which may be subscribed for according to the authorization shall have rights to dividends declared subsequent to the subscriber having paid the subscription price and the associated share capital increase having been registered in the Company Registry. In other respects, the shares shall have shareholder rights from the time of issuance, unless the Board otherwise determines.

The ESPP Authorization was registered in the Company Registry on 2 June 2020.

As of the date of this Prospectus, NOK 1,035,992.85 has been used<sup>13</sup> out of the ESPP Authorization.

All previous authorizations has been withdrawn by the shareholders or used in their entirety, and there are therefore no other board authorizations to issue shares in effect as of the date of this Prospectus.

#### **10.4 Board authorization to acquire own shares**

On the Extraordinary General Meeting held on 15 December 2020, the shareholders approved a board authorization to acquire the Company's own shares, through ownership or charge, for a total nominal value of NOK 12,482,201.22 (representing 10% of the Company's share capital at the time of the authorization), i.e. a maximum of 83,214,674 shares at NOK 0.15.

If the Company acquires own shares in accordance with the authorization, the price per share to be paid by the Company shall be minimum NOK 0.15 and maximum equal to the closing price per share, as reported by Oslo Stock Exchange, as of the close of trading on the day the offer of acquisition is made; provided, however, that the amount shall not exceed the amount of NOK 1,000 per share. The Board is authorized to decide upon the manner and terms of the acquisition, disposition, transfer and sale of own shares, while, however, taking into consideration the statutory requirement of equal treatment of shareholders. The authorization is valid until the 2021 Annual General Meeting, but no later than 30 June 2021.

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<sup>13</sup> Out of which NOK 159,026.85 is subject to registration in the Company Registry subsequent to approval of this Prospectus.

## 10.5 Subscription Rights and other Financial Instruments

### 10.5.1 Subscription Rights

At the 15 May 2020 Annual General Meeting, the shareholders adopted an incentive subscription rights plan available for employees in the Company and its Subsidiaries, and to individual contractors performing similar work (the “**2020 Plan**”). The Company has had annual corresponding subscription right plans for the years 2016 (the “**2016 Plan**”), 2017 (the “**2017 Plan**”), 2018 (the “**2018 Plan**”) and 2019 (the “**2019 Plan**”). Upon adoption of a new plan, the former plans have been closed for further grants.

To enable four years vesting period, IDEX renews its subscription right plans each year at the Annual General Meetings, whereby the preceding plan is closed for new grants when the new plan takes effect. The maximum number of Subscription Rights, which may be issued under the 2020 Plan, is 71,798,873 Subscription Rights; provided, however, that the maximum number of Subscription Rights that may be outstanding under all the plans may not exceed 10 % of the registered number of shares in the Company at any given time.

Upon vesting, each Subscription Right entitles the holder to demand the issuance of one share in IDEX. As consideration for the shares to be issued in the Company upon exercise of the Subscription Rights issued under the 2020 Plan, the holder of the Subscription Rights shall pay to the Company a price per share, which at least shall equal the greater of (i) the average closing price on the Company’s share, as reported on Oslo Stock Exchange, over a period of 10 (ten) trading days immediately preceding the date of grant of the Subscription Right, and (ii) the closing price of the Company’s share, as reported by Oslo Stock Exchange, on the trading day immediately preceding the date of grant of the Subscription Rights. Notwithstanding the foregoing, if the Subscription Right holder is an owner of 10 % or more of the Company’s Shares, in the case of a grant which is an “*Incentive Stock Option*” under the US Internal Revenue Code, the exercise price shall be not less than at least 110 % of the greater of (i) the average closing price of the Company’s Share reported by Oslo Stock Exchange over ten trading days immediately preceding the date of grant of the Subscription Rights and (ii) the closing price of the Company’s Share reported by Oslo Stock Exchange on the trading day immediately preceding the date of grant of the Subscription Rights.

In particular circumstances, subject to the Board’s discretion, the Subscription Right price per Share may be lower than stated above; provided that the price per Share shall not be less than the par value per Share at any given time. The maximum number of Shares that may be issued with a lower price per share, shall not exceed 7,179,887 Shares. The Subscription Rights under the 2020 Plan will expire five years after the resolution by the 2020 Annual General Meeting implementing the 2020 Plan.

The Subscription Rights shall become exercisable in installments during the individual’s period of employment or service and will be subject to earlier termination if the individual is no longer employed or retained by IDEX or any of its Subsidiaries. The Subscription Rights vest 25% each year, beginning one year after the vesting commencement date, being the latest of the following dates preceding a grant: i) 15 January, ii) 15 April, iii) 15 July or iv) 15 October. In case the subscription right holder resigns or is terminated, without cause, he or she will be entitled to exercise, within three months after end of employment or service, the subscription rights that were vested at the end of the employment or service notice period. The Board may determine an accelerated vesting schedule, if deemed appropriate. The 25% per year vesting is chosen as it balances the short-term incentives and the long-term attractiveness. In case the subscription right holder is terminated for cause, all vested

and non-exercised Subscription Rights will expire on the date of termination. The Subscription Rights are non-assignable other than by will or by the laws of descent and distribution. The terms and conditions for vesting and exercise of subscription rights under the 2016 Plan, 2017 Plan, 2018 Plan, and 2019 Plan are substantially the same as the terms and conditions under the 2020 Plan.

In order for the 2020 Plan to qualify under the US Tax Code, the plan document was approved by the Company's shareholders on the Extraordinary General Meeting held on 15 December 2020.

Further, the 2020 Annual General Meeting resolved to offer to issue subscription rights under the 2020 Plan to employees of the Group and to individual consultants that held issued, outstanding and not expired subscription rights granted under the plans from 2016 to 2018 ("Existing Subscription Rights"), provided that the individual holder of Existing Subscription Rights waived any right to claim Shares under the Existing Subscription Rights (the "Subscription Rights Exchange Program"). Out of the Subscription Rights issued pursuant to said resolution 1/3 shall be considered vested on 15 April 2021 (the "Vesting Commencement Date"), and 1/3 shall vest the two following years from such date, respectively. The subscription price for Shares issued upon exercise of the replacement Subscription Rights shall be minimum NOK 1.71 per Share. On 2 October 2020, the Board resolved to replace combined a total of 25,962,800 Existing Subscription Rights with Subscription Rights under the 2020 Plan. As the Board's resolution to replace the Existing Subscription Rights for administrative reasons was made after the deadline set by the 2020 Annual General Meeting, the Subscription Rights Exchange Program was ratified and approved by the Extraordinary General Meeting held on 15 December 2020.

As of the date of this Prospectus, there are 57,032,259 outstanding Subscription Rights in the Company. If all the issued and outstanding Subscription Rights are exercised, IDEX's share capital will increase by NOK 8,554,838.85.

#### 10.5.2 Other Financial Instruments

The Company currently has no other outstanding warrants, rights shares, convertible loans, convertible securities, exchangeable securities, securities with warrants or other financial instruments in issue giving the holder the right to subscribe for Shares in IDEX. No third party has any financial instruments or rights entitling them to subscribe for or acquire shares in any Group company.

### 10.6 The Employee Share Purchase Plan

In accordance with the ESPP Authorization, as described in Section 10.3 above, the Company has in place an employee share purchase plan, in which the employees of the Company or any of its Subsidiaries, for such period as determined by the Board, may convert a certain portion of the employee's cash remuneration from the Company or its Subsidiaries to shares in IDEX (the "ESPP").

The ESPP is structured around four contribution periods a year, each starting on the first day of the calendar month following each planned disclosure of a quarterly report of the Company, and lasts for the following three months (March-May, June-August, September-November, December-February). During the contribution period, a fixed amount (maximum 20 % of the employees' gross base salary) is withdrawn from the employees' salary. The employees may sign up to participate in the ESPP from the date of a public disclosure of a quarterly report until the beginning of the contribution period. Unless the employee explicitly withdraws from the ESPP, the employee's participation in the plan is automatically renewed for the same amount for subsequent contribution periods.



The subscription price per share is equal to the lowest of 85% of i) the closing price of the Company's Share on the first day of the contribution period, and ii) the closing price of the Company's share on the last trading day of the contribution period. Payment of the subscription amount is made by withdrawals from the amount withdrawn from the employees' salary. The shares will be issued after the end of each contribution period.

## 10.7 Major shareholders

Pursuant to the Norwegian Securities Trading Act, shareholders that obtain holdings of shares, and/or rights to shares, that exceed 5% of the Company's share capital or a corresponding portion of the votes, have an interest in the issuer's capital or voting rights which is notifiable. As of the date of this Prospectus,<sup>14</sup> the following registered shareholders in IDEX have holdings in excess of the statutory thresholds for disclosure requirements. In case of nominee shareholders, the disclosure requirement applies to the beneficial owner of the Shares. The overview below includes the New Shares.

Name of registered shareholder	Number of Shares	%
Société Générale	72,660,606	7.94 %
Sundt AS	61,740,365	6.74 %
Robert N. Keith	61,639,394	6.73 %
Goldman Sachs International	59,623,073	6.51 %
Sundvall Holding AS	56,964,051	6.22 %

Société Générale and Goldman Sachs International are nominee shareholders. The Company is not aware of the number or identity of any beneficial owners of shares held by said nominees. Note that shareholders may control several accounts, and/or foreign shareholders' Shares may be held by one or more nominee(s).

On 16 February 2021, Robert Napier Keith and close associates disclosed a holding of 166,659,914 shares in the Company, corresponding to 18.21% of the shares and votes following the Private Placement.

On 30 January 2019, Charles Street International Holdings Limited (CSIHL) disclosed a combined holding of 59,623,073 shares in the Company, corresponding to 9.98% of the number of shares and votes in the Company at the time.

Other than the foregoing and primary insiders' mandatory obligation to disclose trades, the Board is not aware of any person having an interest in the Company's share capital or voting rights that must be disclosed under Norwegian law.

All Shares in the Company have equal voting rights, with each Share carrying the right to one vote at the General Meetings.

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<sup>14</sup> The overview is based on data from the VPS as of 4 March 2021.

## 11 SHAREHOLDER MATTERS AND COMPANY AND SECURITIES LAW

### 11.1 Introduction

This section includes certain aspects of Norwegian legislation relating to shareholding in a Norwegian public limited liability company, with its shares listed on Oslo Stock Exchange, but is however not a full or complete description of the matters described herein. The following summary does not purport to be a comprehensive description of all the legal considerations that may be relevant to a decision to purchase, own or dispose of Shares.

The Company is a Norwegian public limited company and is as such subject to, inter alia, Norwegian company and securities law, including the Norwegian Public Limited Companies Act and the Norwegian Securities Trading Act with regard to disclosure of inside information and ongoing disclosure requirements, market abuse, mandatory take-overs, squeeze-out, etc.

### 11.2 Voting rights

Each Share in the Company (other than treasury shares) gives the holder the right to cast one vote at general meetings of shareholders. There are no limitations under Norwegian law on the rights of non-residents or foreign owners to hold or vote the Shares.

As a general rule, resolutions that shareholders are entitled to make pursuant to the Norwegian Public Limited Companies Act or the Company's Articles of Association require a simple majority of the votes cast. In the case of election of directors to the Board of Directors, the persons who obtain the most votes cast are deemed elected to fill the positions up for election. However, as required under Norwegian law, certain decisions, including resolutions to waive preferential rights in connection with share issues, to approve a merger or de-merger, to amend the Company's Articles of Association or to authorize an increase or reduction in the share capital, must receive the approval of at least two-thirds of the aggregate number of votes cast as well as at least two-thirds of the share capital represented at a shareholders' meeting.

Norwegian law further requires that certain decisions which have the effect of substantially altering the rights and preferences of any Shares or class of Shares receive the approval of the holders of such Shares or class of shares as well as the majority required for amendments to the Company's Articles of Association. Decisions that (i) would reduce any shareholder's right in respect of dividend payments or other rights to the assets of the Company or (ii) restrict the transferability of the shares require a majority vote of at least 90% of the share capital represented at the general meeting in question as well as the majority required for amendments to the Company's Articles of Association. Certain types of changes in the rights of shareholders require the consent of all shareholders affected thereby as well as the majority required for amendments to the Company's Articles of Association.

In general, only shareholders registered in the VPS are entitled to vote for the Shares. Beneficial owners of Shares that are registered in the name of a nominee are generally not entitled to vote for Shares under Norwegian law, nor are persons who are designated in the VPS register as the holder of such Shares as nominees. Readers should note that there are varying opinions as to the interpretation of Norwegian law in respect of the right to vote nominee-registered Shares. For example, Oslo Stock Exchange has held that in its opinion "nominee-shareholders" may vote in general meetings if they actually prove their shareholding prior to the general meeting. Readers should also note an ongoing legislative process where a Proposition to the Norwegian Parliament, which is expected to introduce new legislation on the topic, is expected within April 2021. The proposed changes in the Hearing Note from November 2019 seek to introduce legislation which will both affirm the right to attend and

vote on general meetings for holders of nominee-registered Shares, and in addition make it easier for holders of such Shares to exercise this right.

### **11.3 Additional issuances and preferential rights**

All issuances of Shares by the Company, including bonus issues, require an amendment to the Articles of Association, which requires the same vote as other amendments to the Articles of Association. Furthermore, under Norwegian law, the Company's shareholders have a preferential right to subscribe for new shares issued against cash contribution. The preferential rights to subscribe in an issue may be waived by a resolution in a general meeting by the same vote required to approve amendments to the Articles of Association. A waiver of the shareholders' preferential rights in respect of bonus issues requires the approval of all outstanding Shares, irrespective of class.

Under Norwegian law, bonus issues may be distributed, subject to shareholder approval, by transfer from the Company's free equity or from its share premium reserve. Such bonus issues may be affected either by issuing Shares or by increasing the par value of the Shares outstanding.

### **11.4 Dividends**

Dividends may be paid in cash or in some instances in kind. Pursuant to the Norwegian Public Limited Companies Act, a public limited liability company may only distribute dividends to the extent it will have net assets covering the company's share capital and other restricted equity after the distribution has been made. The calculation shall be made on the basis of the balance sheet in the Company's last approved financial statements, provided, however, that it is the registered share capital at the time of decision that applies. Further, extraordinary dividend payments may be resolved based upon an interim balance sheet not older than six (6) months.

In the amount that may be distributed, a deduction shall be made for (i) the aggregate nominal value of treasury shares held by the company, (ii) credit and collateral pursuant to Sections 8-7 to 8-10 of the Norwegian Public Limited Companies Act, with the exception of credit and collateral repaid or settled prior to the time of decision or credit which is settled by a netting in the dividend and (iii) other dispositions after the balance day which pursuant to law shall lie within the scope of the funds that the Company may use to distribute dividend. Even if all other requirements are fulfilled, the Company may only distribute dividend to the extent that it after the distribution has a sound equity and liquidity.

Distribution of dividends is resolved by the general meeting of shareholders with simple majority, and on the basis of a proposal from the Board of Directors. The general meeting cannot distribute a larger amount than what is proposed or accepted by the Board of Directors. The general meeting can also, following its approval of the annual financial statement, provide the Board of Directors with an authorization to resolve distribution of dividends on the basis of the company's financial statement. Such authorization is however limited in time to the next ordinary General Meeting.

According to the Norwegian Public Limited Companies Act, there is no time limit after which entitlement to dividends lapses. Under the Norwegian Limitations Act, the general period of limitation is three years from the date on which an obligation is due. The payment date may not be set later than six months from the resolution to distribute dividends. Further, there are no dividend restrictions or specific procedures for non-Norwegian resident shareholders in the Norwegian Public Limited Companies Act.

Under Norwegian foreign exchange controls currently in effect, transfers of capital to and from Norway are not subject to prior government approval except for the physical transfer of payments in currency, which is restricted to licensed banks. Consequently, a non-Norwegian resident may receive dividend payments without Norwegian exchange control consent if such payment is made only through a licensed bank.

Any potential future payments of dividends on the Shares will be denominated in NOK and will be paid to the shareholders through the VPS. Payment to investors registered in the VPS whose address is outside Norway will be conducted by the Company's registrar based on information received from the VPS. Investors registered in the VPS with an address outside Norway who have not supplied VPS with their bank account details or who do not have valid bank account number will receive a letter from the Company's VPS registrar, which needs to be returned before the dividend payment can take place.

### **11.5 Rights on liquidation**

Under Norwegian law, a company may be liquidated by a resolution in a general meeting of the Company passed by a two thirds majority of the aggregate votes cast as well as two thirds of the aggregate share capital represented at such meeting. The Shares rank *pari passu* in the event of a return on capital by the Company upon a liquidation or otherwise.

### **11.6 Disclosure obligations**

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

Shares held or acquired or disposed of by close associates, as defined in Section 2-5 of the Norwegian Securities Trading Act, are regarded as equivalent to the acquirer's or disposer's own Shares.

### **11.7 The VPS and transfer of Shares**

The Company's shareholder register is operated through the VPS. The VPS is the Norwegian paperless centralized securities register. It is an electronic book-keeping system in which the ownership of, and all transactions relating to, Norwegian listed shares must be recorded. The VPS and Oslo Stock Exchange are both wholly-owned by Euronext N.V.

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

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

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

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

### **11.8 Shareholder register**

Under Norwegian law, shares are registered in the name of the beneficial owner of the shares. As a general rule, there are no arrangements for nominee registration and Norwegian shareholders are not allowed to register their shares in VPS through a nominee. However, foreign shareholders may register their shares in the VPS in the name of a nominee (bank or other nominee) approved by the Financial Supervisory Authority. An approved and registered nominee has a duty to provide information on demand about beneficial shareholders to the company and to the Norwegian authorities. In the case of registration by nominees, the registration in the VPS must show that the registered owner is a nominee. A registered nominee has the right to receive dividends and other distributions, but cannot vote in general meetings on behalf of the beneficial owners. Reference is made to the ongoing legislative process, as described in Section 11.3, regarding the right to attend and vote on general meetings for holders of nominee-registered Shares.

### **11.9 Foreign investment in shares listed in Norway**

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

### **11.10 Insider trading**

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

### 11.11 Mandatory offer requirement

The Norwegian Securities Trading Act requires any person, entity or consolidated group that becomes the owner of shares representing more than one-third of the voting rights of a company listed on a Norwegian regulated market (with the exception of certain foreign companies) to, within four (4) weeks, make an unconditional general offer for the purchase of the remaining shares in that company. A mandatory offer obligation may also be triggered where a party acquires the right to become the owner of shares that, together with the party's own shareholding, represent more than one-third of the voting rights in the company and Oslo Stock Exchange decides that this is regarded as an effective acquisition of the shares in question. The mandatory offer obligation ceases to apply if the person, entity or consolidated group sells the portion of the shares that exceeds the relevant threshold within four weeks of the date on which the mandatory offer obligation was triggered.

When a mandatory offer obligation is triggered, the person subject to the obligation is required to immediately notify Oslo Stock Exchange and the company in question accordingly. The notification is required to state whether an offer will be made to acquire the remaining shares in the company or whether a sale will take place. A notification informing about a disposal can be altered to a notice of making an offer within the four (4) week period, while a notification stating that the shareholder will make an offer cannot be amended and is thus binding.

The offer and the offer document required are subject to approval by Oslo Stock Exchange before the offer is submitted to the shareholders or made public. The offer price per share must be at least as high as the highest price paid or agreed by the offeror for the shares in the six-month period prior to the date the 1/3 threshold was exceeded, but at least equal to the market price, if it is clear that the market price was higher when the mandatory offer obligation was triggered. If the acquirer acquires or agrees to acquire additional shares at a higher price prior to the expiration of the mandatory offer period, the acquirer is obliged to restate its offer at such higher price. A mandatory offer must be unconditional and in cash (NOK) or contain a cash alternative at least equivalent to any other consideration offered.

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

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

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

### **11.12 Compulsory acquisition**

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

If a shareholder acquires shares representing more than 90% of the total number of issued shares, as well as more than 90% of the total voting rights, through a voluntary offer in accordance with the Securities Trading Act, a compulsory acquisition can, subject to the following conditions, be carried out without such shareholder being obliged to make a mandatory offer: (i) the compulsory acquisition is commenced no later than four (4) weeks after the acquisition of shares through the voluntary offer, (ii) the price offered per share is equal to or higher than what the offer price would have been in a mandatory offer, and (iii) the settlement is guaranteed by a financial institution authorized to provide such guarantees in Norway.

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

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

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

### **11.13 Foreign exchange controls**

There are currently no foreign exchange control restrictions in Norway that would potentially restrict the payment of dividends to a shareholder outside Norway, and there are currently no restrictions that would affect the right of shareholders of a company that has its shares registered with the VPS who

are not residents in Norway to dispose of their shares and receive the proceeds from a disposal outside Norway. There is no maximum transferable amount either to or from Norway, although transferring banks are required to submit reports on foreign currency exchange transactions into and out of Norway into a central data register maintained by the Norwegian customs and excise authorities. The Norwegian police, tax authorities, customs and excise authorities, the Directorate of Labour and Welfare and the Financial Supervisory Authority have electronic access to the data in this register.

## **12 LEGAL MATTERS**

### **12.1 Legal and arbitration proceedings**

The Group is not involved in any governmental, legal or arbitration proceedings, nor is the Company aware of any such pending or threatened proceedings, nor has the Group since its inception been involved or threatened to be involved in any governmental, legal or arbitration proceedings, which may have or have had any significant effects on the Company or Group's financial position or profitability.

### **12.2 Related party transactions since 31 December 2020 and until the date of this Prospectus**

Reference is made to the description of chair Morten Opstad's position as a partner in Advokatfirma Ræder AS in Section 7.2. Advokatfirmaet Ræder AS provides services to the Company on an ongoing basis. In the period 1 January 2021 – 31 January 2021, IDEX has been invoiced approximately NOK 162,650 for legal services provided by Advokatfirmaet Ræder AS.

Reference is further made to the description in Section 7.2 of Larry Ciaccia, board member, serving on IDEX's Strategy Advisory Committee. Mr. Ciaccia continues his tenure on the SAC. Mr. Ciaccia also continues to provide consulting services beyond board duty to IDEX for a fixed fee of USD 50 thousand per year.

CFO in the Company, Derek D'Antilio, participated in the Private Placement. Mr. D'Antilio was allocated 76,000 New Shares in the Private Placement, which equals 0.09% of the Private Placement.

CEO Vince Graziani, CFO Derek D'Antilio, and CTO Anthony Eaton participate in the Company's Employee Share Purchase Plan, and acquired 23,093 shares, 51,960 shares, and 2,989 shares, respectively, on 2 March 2021 at NOK 1.83 per share.

On 1 March 2021, CEO Vince Graziani acquired 2,000 ADSs, which represent 150,000 ordinary Shares in the Company, at an average price of USD 28.80 per ADS, and CFO Derek D'Antilio acquired 500 ADSs, which represent 37,500 ordinary Shares in the Company, at an average price of USD 31.50 per ADS.

Other than the above-mentioned transactions, the Company has not, as of the date of this Prospectus, entered into any other related party transactions since 31 December 2020.



## 13 TAXATION

### 13.1 General

Set out in this chapter 13 is a summary of certain tax matters related to purchase, holding and disposal of shares. The statements herein are, unless otherwise stated, based on the laws, rules and regulations in force in Norway as of the date of this Prospectus, and are subject to any changes in law occurring after such date. Such changes could possibly be made on a retrospective basis. Tax rates indicated below are applicable for the income year 2021. The tax legislation of the investor's member state in the European Economic Area or country of residence/incorporation and of the Company's country of incorporation may have an impact on the income received from the securities.

The following summary is of a general nature and does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, own or dispose Shares or Subscription Rights. Furthermore, the summary only focuses on the shareholder categories explicitly mentioned below (individual shareholders and limited liability companies). Shareholders are advised to consult their own tax advisors concerning the overall tax consequences of their ownership of shares. The summary does not address foreign tax laws. In particular, this document does not include any information with respect to U.S. taxation. Prospective investors who may be subject to tax in the United States are urged to consult their tax adviser regarding the U.S. federal, state, local and other tax consequence of owning and disposing of shares in IDEX.

### 13.2 Norwegian shareholders

#### 13.2.1 Taxation of dividends – Individual shareholders

Dividends distributed to Norwegian individual shareholders are taxable as general income. The taxable dividend, less a calculated tax-free allowance, will be multiplied by 1.44 which amount is taxed at the general income tax rate of 22% (22% x 1.44 resulting in an effective tax rate of 31.68%). The tax-free allowance shall be calculated on a share by share basis, and the allowance for each share will be equal to the cost price of the share, multiplied by a risk-free interest rate. This risk-free interest rate is set in January of the year following the income year. Any part of the calculated allowance one year exceeding the dividend distributed on the share will be carried forward to the following years and reduce the taxable dividend income. Unused allowance will also be included in the basis for calculating the tax-free allowance later years. The tax-free allowance is calculated for each calendar year, and is allocated solely to Norwegian individual shareholders holding shares at the expiry of the relevant income year.

#### 13.2.2 Taxation of dividends – Corporate shareholders (Limited liability companies)

Dividends distributed to a shareholder which is a limited liability company tax-resident in Norway (“**Norwegian corporate shareholders**”) and holding more than 90% of the shares and votes in the distributing company are fully exempt from taxation. To other corporate shareholders 3% of the dividends shall be subject to general income tax at the 22% rate (resulting in an effective tax rate of 0.66%).

#### 13.2.3 Taxation on realization of shares – Individual shareholders

Sale, redemption or other disposal of shares is considered a realization for Norwegian tax purposes. A capital gain or loss generated by a Norwegian individual shareholder through a disposal of shares is taxable or tax deductible in Norway. Such capital gain or loss is included in or deducted from the basis for computation of general income in the year of disposal. The gain is subject to tax and the loss is tax deductible irrespective of the duration of the ownership and the number of shares disposed of.

The capital gain is calculated on the consideration received less the cost price of the share and transactional expenses. The taxable gain, less any unused calculated tax-free allowance, will be multiplied by 1.44, which amount is taxed at the general income tax rate of 22% (22% x 1.44 resulting in an effective tax rate of 31.68%). The tax-free allowance for each share is equal to the total of any unused tax-free allowance amounts calculated for this share for previous years (ref. “Taxation of dividends – Individual shareholders” above), which exceeded dividends distributed on this share. The calculated tax-free allowance may only be deducted in order to reduce a taxable gain calculated upon the realization of the share, and may not be deducted in order to produce or increase a loss for tax purposes.

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

#### 13.2.4 Taxation on realization of shares – Corporate shareholders (Limited liability companies)

Norwegian corporate shareholders are not taxable for capital gains related to realization of shares in a Norwegian company, and losses related to such realization are not tax deductible.

#### 13.2.5 Taxation related to independent subscription rights – Individual shareholders

A Norwegian individual shareholder’s subscription for independent subscription rights is not subject to taxation in Norway. Costs related to the subscription for independent subscription rights will be added to the cost price of the independent subscription right.

Exercise of independent subscription rights is not taxable; the cost price of the subscription right shall be added to the tax base of the shares acquired.

Sale and other transfer of subscription rights is considered as realization for Norwegian tax purposes. A capital gain or loss generated by a Norwegian individual shareholder through a realization of independent subscription rights is taxable or tax deductible in Norway. Such capital gain or loss is generally included in or deducted from the basis for computation of general income in the year of disposal. The general income will be multiplied by 1.44 and taxed at the rate of 22% (22% x 1.44 resulting in an effective tax-rate of 31.68%).

However, please note that the gains related to independent subscription rights granted to employees as a consequence of their employment will be included in the basis for calculating their salary payments. Such salary payments are subject to taxation at a marginal tax rate of 46.4%. In addition, the employer will be obligated to pay social security contributions at a rate normally of 14.1%.

#### 13.2.6 Taxation related to independent subscription rights – Corporate shareholders

A Norwegian corporate shareholder’s subscription for independent subscription rights is not subject to taxation in Norway. Costs related to the subscription for independent subscription rights will be added to the cost price of the independent subscription rights.

Norwegian corporate shareholders are generally exempt from tax on capital gains upon the sale or other realization of independent subscription rights to shares in a Norwegian company, and losses are not tax deductible.

#### 13.2.7 Net wealth tax

The value of shares is included in the basis for the computation of wealth tax imposed on Norwegian individual shareholders. The marginal wealth tax rate is 0.85% of the value assessed. The value for

assessment purposes for shares on Oslo Børs is 55% (from 1 January 2021) of the listed value as of 1 January in the year of assessment. Norwegian corporate shareholders are not subject to net wealth tax.

### 13.2.8 Inheritance tax

Effective 1 January 2021, there is no inheritance tax in Norway.

## 13.3 Non-resident shareholders

This section summarizes Norwegian tax rules relevant to shareholders who are not tax-resident in Norway (“**Non-resident shareholders**”). Non-resident shareholders’ tax liabilities in their home country or other countries will depend on applicable tax rules in the relevant country.

### 13.3.1 Taxation of dividends

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

The above generally applies also to shareholders who are limited liability companies not tax-resident in Norway (“**Non-resident corporate shareholders**”). However, dividends distributed to Non-resident corporate shareholders tax-resident within the EEA are exempt from Norwegian withholding tax, provided the shareholder genuinely is established and conducts business activity within the EEA.

Non-resident individual shareholders tax-resident within the EEA area are subject to ordinary withholding tax, but entitled to apply for a partial refund of the withholding tax, equal to a calculated tax-free allowance similar to the calculated allowance used by Norwegian individual shareholders, ref above.

Nominee registered shares will be subject to withholding tax at a rate of 25% unless the shareholder has fulfilled specific documentation requirements and the nominee has obtained approval from the Norwegian Tax Administration for the dividend to be subject to a lower withholding tax rate. Non-resident shareholders that have suffered a higher withholding tax than set out by an applicable tax treaty or the Norwegian Tax Act may apply to the Norwegian tax authorities for a refund of the excess withholding tax deducted.

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

### 13.3.2 Taxation on realization of shares or independent subscription rights

Realization of shares or independent subscription rights by a Non-resident individual or corporate shareholder will not be subject to taxation in Norway unless the Non-resident shareholder is holding the shares or warrants in connection with the conduct of a trade or business in Norway, in which case the tax treatment is as described for Norwegian shareholders.

### 13.3.3 Net wealth tax

Shareholders not tax-resident in Norway are not subject to Norwegian net wealth tax. Foreign individual shareholders can however be taxable if the shareholding is effectively connected to the conduct of trade or business in Norway.

### **13.4 VAT and transfer taxes**

No VAT, stamp or similar duties are currently imposed in Norway on the transfer of shares whether on acquisition or disposal.

## 14 ADDITIONAL INFORMATION

### 14.1 Auditors

The Company's auditor, who also audits the Group's Financial Statements, is Ernst & Young AS, Dronning Eufemias gate 6, NO-0191 Oslo, Norway, who has acted as the Company's auditors since being elected at the Extraordinary General Meeting on 13 November 2000. Ernst & Young AS is a member of the Norwegian Institute of Public Accountants. Accordingly, no auditor of the Group has resigned, been removed or failed to be re-appointed during the period covered by the historical financial information discussed herein.

The auditor's report on the Financial Statements is included together with the Financial Statements as incorporated hereto by reference; see Section 14.5 "*Incorporation by reference*". Other than Ernst & Young's report on the Financial Statements, neither Ernst & Young nor any other auditor has audited, reviewed or produced any report on any other information provided in this Prospectus.

### 14.2 Expert Statements

There are no reports, letters, valuations or statements prepared by any expert at the Company's request referred to in the Prospectus.

### 14.3 Third party information

The Company confirms that where information has been sourced from a third party, it has been accurately reproduced and that as far as the Company is aware and is able to ascertain from information published by that third party, no fact has been omitted which would render the reproduced information inaccurate or misleading. Where information sourced from third parties has been presented, the source of information has been identified.

### 14.4 Documents available

The following documents are available at the Company's website at [www.idexbiometrics.com](http://www.idexbiometrics.com). The documents (or copies thereof) will also be available for inspection during normal business hours at any business day free of charge at the offices of the Company's legal advisor Advokatfirmaet Ræder AS, Dronning Eufemias gate 11, P.O. Box 2944 Solli, NO-0230 Oslo, Norway:

- a) This Prospectus;
- b) The Company's Certificate of Incorporation and Articles of Association of the Company; and
- c) Any reports, letters and other documents, valuations and statements prepared by any expert at the Company's request any part of which is included or referred to in the Prospectus.

The above documents are available for inspection for the life of this Prospectus.

### 14.5 Incorporation by reference

The information incorporated by reference in the Prospectus shall be read in connection with the cross-reference list as set out in the table below. Except as provided in this section, no other information is incorporated by reference in this Prospectus.

The following documents have been incorporated hereto by reference:

<b>Section in the Prospectus</b>	<b>Disclosure Requirements of the Prospectus</b>	<b>Reference document and link</b>
Section 8.1	Audited historical financial information 2019 in NOK	<a href="https://www.idexbiometrics.com/investors/annual-reports/">https://www.idexbiometrics.com/investors/annual-reports/</a>
Section 8.1	Audited historical financial information 2019 in USD	<a href="https://www.idexbiometrics.com/investors/annual-reports/">https://www.idexbiometrics.com/investors/annual-reports/</a>
Section 8.1	Interim financial information Q4 2020	<a href="https://www.idexbiometrics.com/investors/interim-results/">https://www.idexbiometrics.com/investors/interim-results/</a>
Section 8.1	Interim financial information Q2 2020	<a href="https://www.idexbiometrics.com/investors/interim-results/">https://www.idexbiometrics.com/investors/interim-results/</a>

## 15 DEFINITIONS AND GLOSSARY OF TERMS

The following definitions and glossary apply in this Prospectus unless otherwise dictated by the context, including the foregoing pages of this Prospectus. Words importing the plural shall be construed to include the singular and vice versa.

“ADS”	American Depositary Shares
“ASIC”	Application Specific Integrated Circuit
“Articles of Association”	The Articles of Association of IDEX
“Board”	Board of Directors of the Company
“CAST”	Card Application Security Test
“CEO”	Chief Executive Officer
“CFO”	Chief Financial Officer
“Company” or “IDEX”	IDEX Biometrics ASA, the parent company of the IDEX Group
“Company Registry”	The Norwegian Register of Business Enterprises or “Foretaksregisteret”
“CTO”	Chief Technology Officer
“EMV”	Technical standard for smart payment cards and terminals
“ESPP”	The Group’s Employee Share Purchase Plan
“ESPP Authorization”	The Board authorization to issue new shares in connection with an Employee Share Purchase Plan resolved by the Annual General Meeting on 15 May 2020
“EU Prospectus Regulation”	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017, as incorporated in Norway by Section 7-1 of the Norwegian Securities Trading Act
“Existing Shares”	Existing and unencumbered shares in the Company, listed on Oslo Børs prior to the Private Placement, and used to settle the New Shares in the Private Placement according to the Share Lending Agreement
“Existing Subscription Rights”	Issued, outstanding and not expired subscription rights granted under the 2016-2018 Plans
“FAR”	False Acceptance Rate
“Financial Information”	The Financial Statements and Interim Financial Statements together
“Financial Statements”	The Group’s consolidated financial statements as of and for the year ended 31 December 2019
“Financial Supervisory Authority”	Financial Supervisory Authority of Norway or “Finanstilsynet”
“Forward-looking Statements”	Statements, including, without limitation, projections and expectations regarding the Group’s future financial position, business strategy, plans and objectives
“FRR”	False Rejection Rate

“GDPR”		Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation)
“Group or IDEX Group”		IDEX Biometrics ASA and its Subsidiaries
“IAS 34”		The International Accounting Standard 34 - Interim Financial Reporting
“IFRS”		International Financial Reporting Standards
“Interim Financial Statements”		Unaudited consolidated interim financial statements as of 31 December 2020, for the three months’ periods ended 31 December 2020 and 31 December 2019, as well as the six months’ periods ended 30 June 2020 and 30 June 2019
“IOT”		Internet of Things
“IP”		Intellectual property
“IPR”		Intellectual property rights
“ISIN”		International Securities Identification Number
“ISO”		International Organisation for Standardization
“LEI”		Legal Entity Identifier
“Manager”		Arctic Securities AS
“MCU”		Micro Controller Unit, a complete and small computer on a single integrated circuit
“New Shares”		The 83,214,674 new shares issued in the Private Placement
“Norwegian kroner” or “NOK”		Norwegian Kroner, the lawful currency of the Kingdom of Norway
“Non-resident shareholders”		Shareholders who are not resident in Norway for tax purposes
“Non-resident corporate shareholders”		Shareholders who are limited liability companies not resident in Norway for tax purposes
“Non-resident individual shareholders”		Shareholders who are individuals not resident in Norway for tax purposes
“Norwegian Accounting Act”		The Norwegian Accounting Act of 17 July 1998
“Norwegian Public Limited Companies Act” or the “PLCA”		The Norwegian Public Limited Companies Act of 13 June 1997 no. 48 (as amended from time to time)
“Norwegian Securities Trading Act”		The Norwegian Securities Trading Act of 29 June 2007 No. 752 (as amended from time to time)
“OEM”		Original Equipment Manufacturer
“Oslo Børs”		Oslo Børs ASA



“PicoField”	PicoField Technologies, Inc.
“Private Placement”	The private placement of 83,214,674 New Shares in IDEX resolved by the Board on 15 February 2021
“Prospectus”	This prospectus dated 10 March 2021
“Prospectus Shares”	29,415,423 of the New Shares issued in the Private Placement, the listing of which on Oslo Børs are subject to approval and publication of this Prospectus
“SAC”	IDEX’s Strategy Advisory Council
“SEC”	US Securities and Exchange Commission
“SE” or “Secure Element”	Industry-standard, certified chip for managing payment applications in smart cards. Designed to be tamper-proof.
“Shares”	The Shares in the Company
“Share Lending Agreement”	Agreement between the Manager, the Company and certain existing shareholders in the Company, pursuant to which Existing Shares in the Company were used to settle the New Shares in the Private Placement on a payment versus delivery basis
“Subscription Price”	NOK 2.75per New Share
“Subscription Rights”	Independent subscription rights or “frittstående tegningsretter” issued in accordance with Section 11-12 of the Norwegian Limited Companies Act.
“Subscription Rights Exchange Program”	The Group’s program where holders of Existing Subscription Rights were offered replacement subscription rights under the 2020 Plan, against a waiver of the Existing Subscription Rights.
“Subsidiaries”	The wholly-owned (directly or indirectly) subsidiaries of IDEX: IDEX Holding Company Inc., IDEX America Inc., IDEX Electronics (Shanghai) Co., Ltd, a company incorporated and existing under the laws of the People’s Republic of China, and IDEX Biometrics UK Ltd., a company incorporated and organized under the laws of England and Wales with organization number 9193617.
“USD”	United States dollar, the official currency of the United States
“VPS”	The Norwegian Central Securities Depository or “Verdipapirsentralen”, which organizes the Norwegian paperless securities registration system.
“2016 Plan”, “2017 Plan”, “2018 Plan”, “2019 Plan” or “2020 Plan”.	The Group’s Subscription Rights Incentive Plans



# IDEX

## Annual report 2019

IDEX Biometrics ASA

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## REPORT FROM THE BOARD OF DIRECTORS 2019

IDEX continues to be a leader in bringing fingerprint biometric technology to mass markets where the company believes now more than ever, it has a compelling solution for card issuers and consumers. Over the last year, the biometric smartcard market moved forward with a number of additional pilots and strong consumer acceptance of fingerprint biometrics.

During 2019, significant progress was made in the development of the required ecosystem while on the manufacturing side, IDEX worked with its customers to achieve high-volume production of biometric smartcards. IDEX's remote enrollment technology has been recognized as the industry standard and critical to mass market adoption of biometrics on payment cards and this was validated as IDEX in 2019 entered into licensing agreements with two major card manufacturers; IDEMIA and Chutian Dragon. IDEX became the first fingerprint biometric sensor company to achieve EMVCo™ security certification. Very importantly, IDEX was awarded its largest ever sales contract,



a USD 6 million agreement to supply sensors and software to a leading global IT and financial news company. Production shipments for this program are expected to begin in the second quarter of 2020.

Moving into the current year, IDEX believes, as do most industry analysts, that 2020 will be marked by continued payment card certifications, additional pilots and several geographic markets transitioning

into commercial launches. Already in 2020 IDEX has launched a major product; the TrustedBio™ sensor and software platform that enables significant cost and performance improvements and the company has entered into a supply agreement with one of the largest global payment card manufacturers to incorporate IDEX's sensor technology into their biometric payment cards. IDEX's technology was recently included in the first biometric payment card certified on the China UnionPay network and the company's technology was also included in a certified biometric card with one of the world's largest payment card manufacturers. In February 2020, Vincent Graziani joined IDEX as CEO to lead the company as it transitions into large scale commercialization.

The board is excited about the company's prospects going forward. With very large addressable markets, cost and performance leading technology, newly certified payment cards, a new and experienced CEO, a strong team and a supportive shareholder base the company is positioned for commercial success.

## ABOUT IDEX BIOMETRICS

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IDEX Biometrics ASA is a Norwegian public company specializing in the design, development, and sale of fingerprint identification and authentication solutions. IDEX's largest potential market is the biometric payment card market. IDEX also offers its products and solutions for other large and growing markets including access control, identification, healthcare, and the Internet of Things (IOT). The parent company is located in Oslo, Norway with subsidiaries in the United States, the United Kingdom and China performing sales and marketing, research and development, supply chain operations, and administrative functions. The company's executive management is largely located in the United States.

IDEX shares are listed on the Oslo Børs and as of 31 December 2019, the company had 4,732 shareholders. In November 2019, IDEX's shares were listed on the OTCQB Venture Market in the United States (ticker: IDXAF).

IDEX's business model includes the design, development and sale or licensing of fingerprint identification and authentication products and solutions. The company maintains in-house design, testing, and supply chain management functions. Manufacturing is outsourced to large and established semiconductor fabrication companies as well as other providers of components and manufacturing services. The company generates revenue through the sale of fingerprint sensors and solutions and via royalties on products that incorporate IDEX's technology.

## END MARKETS

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IDEX markets and sells its products and solutions to manufacturers of payment cards as well as for use in other large and growing markets where fingerprint biometrics can add significant value, such as access control, identification, healthcare, and IOT.

The global biometric market is expected to exceed USD 50 billion by 2024, according to Global Markets Insights.

Biometrics address a long-standing concern of ensuring one's identity, irrefutably. Historically, applications using biometrics have been predominantly initiated by authorities for military access control, criminal or civil identification under tightly regulated legal and technical frameworks. Fingerprint biometrics became widely accepted by consumers when they were incorporated into smartphones.

Today, the need for, and acceptance of, biometrics is even greater as governments mandate multiple means of authentication, and banks, retailers, and others are all showing increased interest for the use of biometrics. Technological development have made payment with biometric smart cards possible, while still being convenient for customers.

Fingerprint biometrics are considered an optimal solution for the markets that IDEX serves, compared to other biometric modalities. Fingerprint biometrics are proven and widely accepted, convenient, unobtrusive, provide good tamper-proof protection and are low cost. The fingerprint biometrics market is projected to grow from USD 3.5 billion in 2019 to USD 7.1 billion by 2024, a 15.3% growth per year.

## BIOMETRIC PAYMENT CARDS

The largest addressable market for IDEX's products and solutions is the biometric payment card market. This market today includes 8.2 billion chip-enabled cards and is growing. The number of units in the payment card market is nearly three times the number of units in the smartphone market. Biometric payment cards are expected to be the next mass market for biometric fingerprint sensors

The demand for biometric payment cards is being driven by a desire for higher levels of security, a frictionless transaction process as well as a means for card issuers to continue to acquire and retain customers and remain top of wallet. In addition, the use of biometric payment cards does not require new point of sale infrastructure or software.

The integration of a fingerprint sensor into smartcards is a safe and convenient way to authenticate people. These cards open up a new dimension in identification

with an easy-to-use, portable, and secure device. They use fingerprint recognition instead of a PIN code to authenticate the cardholder and the card never leaves the hand of the cardholder.

The user's biometric data is stored on the card only, not in a central database. Customer details are protected if the bank falls victim to a cyberattack. Likewise, if the card was to become lost or stolen, the holder's fingerprint could not be replicated.

Significant progress was made in 2019, and continues in 2020, towards bringing biometric payment cards to the mass market. Several user pilots were conducted and 2019 marked the first commercial launch of a biometric payment card. Dual interface biometric payment cards have recently been certified by major global payment schemes incorporating IDEX and competitor technologies. Additional certifications are expected to follow, further enabling market adoption.

## ACCESS CONTROL

The access control market is another significant opportunity for IDEX. Access control includes both logical or information access as well as physical access control. This market is estimated at 250 million units annually and growing at 5%. Access control devices have multiple form factors, including smart cards, keyboards and tokens. The adoption of biometrics in access control is being driven by the need for additional security and data privacy.

In access control, IDEX secured the largest design win, and supply agreement in the company's history, a USD

6 million minimum commitment to supply sensors and software to a major global financial news and IT services company. IDEX was chosen based on its unique ability to implement the customer's security requirements. By enabling an end-to-end security architecture, IDEX was able to bring the fingerprint sensor into the system's chain of trust. In addition, IDEX had additional design wins in Asia for access control applications. Production shipments to these customers are expected to begin in the second quarter of 2020.

## TECHNOLOGY

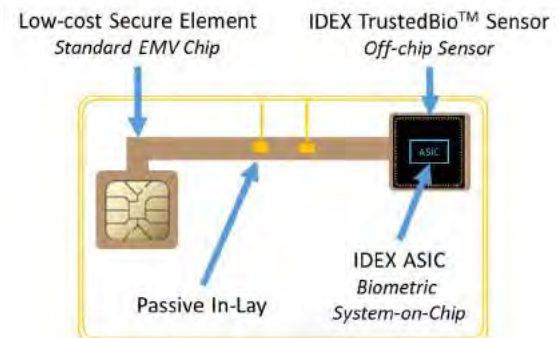
### A LEADER IN BIOMETRIC FINGERPRINT IDENTIFICATION AND AUTHENTICATION SOLUTIONS

IDEX is the only vendor capable of supplying capacitive off-chip architecture designs, sensors, and biometric algorithms optimized for the smartcard market.

IDEX delivers fingerprint identification and authentication solutions to mass markets based on a unique flexible and cost efficient off-chip technology. The off-chip design separates the fingerprint sensor into two key components; the sensor substrate and the silicon chip (ASIC). This architecture allows the sensor to be made from a low-cost flexible polymer enabling a larger sensing area, thus improving matching reliability, while decreasing the total amount of silicon used. Overall this provides optimal size and cost-to-performance characteristics.

The off-chip technology also enables integration of additional features and value into the ASIC, including the biometric microcontroller, encryption and power management. The recently launched TrustedBio™ family of products delivers this unprecedented level of integration and dramatically reduces biometric smartcard costs while improving performance, security, and manufacturability. TrustedBio™ utilizes leading-edge semiconductor technology to implement a biometric-system-on-chip in the ASIC while maintaining all the benefits of the capacitive off-chip sensor architecture. Unlike existing sensors, this new generation of products removes the need to have any electronic components laminated within the card's inlay. This is expected to lead to an improvement in manufacturing processes and yields, substantially reducing the time to market and cost of the card.

As a result, IDEX has been selected by a leading global Tier 1 smartcard manufacturer for use in their high-volume biometric smartcard platform. The agreement deepens a long-standing collaboration between IDEX and this card manufacturer to develop biometric



payment cards. IDEX's technology was chosen over competition for its performance, low power consumption, advanced security features, manufacturability, and cost.

Over the past few years, IDEX has built a world-class engineering team with deep industry expertise, comprised of systems engineers, software engineers, silicon engineers and packaging technologists. The strong team, advanced technology and cost leadership are key competitive advantages for IDEX.

Recently, IDEX became the first and only biometric sensor company to achieve EMVCo™ security certification. IDEX's software engineering team is certified to develop and deliver software that resides in the secure element of the card. Smartcard manufacturers can now choose to directly integrate IDEX's biometric software, use IDEX's reference design, and embed the sensor into their products, and experience a seamless certification process. IDEX's technology featured in the first biometric payment card certified on the China UnionPay network and the technology was included in a certified biometric card with one of the world's largest payment card manufacturers.

## TECHNOLOGY ROADMAP

Innovation through research and development is critical to maintain cost and performance leadership for IDEX's customers.

IDEX's technology roadmap includes:

- Significant reductions in system costs through optimized architecture and integration
- Improvements in usability, convenience and performance through next-generation ASIC, sensor and algorithm design
- Enhancements to security through secure end-to-end architectures, and advanced match on secure element algorithms

- Developing solutions for in-display sensor integration

The company's broad and deep engineering and industry experience enables IDEX to support its customers in the integration of the complex components within the smartcard. This approach is a key tenet of IDEX's strategy and allows IDEX the flexibility to offer customers a full biometric module or a plain sensor or a matching algorithm which can perform the fingerprint match in the secure element. This strategy is expected to help accelerate the production and adoption of biometric smartcards.

## PRODUCTS AND SOLUTIONS

### SUPPLIER OF COMPLETE BIOMETRIC FINGERPRINT SOLUTIONS

IDEX's portfolio of fingerprint sensor products is based on capacitive sensor technologies, which is the most commonly used fingerprint technology due to its

superior performance, high level of security and low cost.

### FINGERPRINT SENSORS

IDEX's fingerprint sensors are highly durable and can be used in dual interface, contactless only and contact only smartcards. IDEX is the only supplier to offer off-chip capacitive fingerprint sensors and the only supplier using this technology with the preferred ridge-

matching biometric algorithm. IDEX's off-chip capacitive sensors separate the fingerprint sensing elements from the chip that acquires the image and processes the biometric data. This design ensures high levels of security, performance and usability.

### ENROLLMENT SOLUTIONS

IDEX's innovative yet simple on-card enrollment solution overcomes what the industry previously viewed as the largest obstacle to adoption of biometric smart cards for payments; Remote in-person enrollment. The low-cost and seamless solution allows

card users to securely enroll themselves without the cardholder visiting a bank branch or ATM. Enrollment takes place entirely inside the smart card using its standard secure element. There is no need to connect the enrollment device or smart card to a computer,



smartphone or any other connected device. Therefore, there is no need for the card supplier to support a multitude of mobile phone or desktop apps. IDEX's enrollment device is a small plastic user receptacle that the user plugs the card into. The user enrollment process is very intuitive prompted by a sequence of flashing LEDs that lead the user to

sequentially touch the sensor. The enrollment can be completed in less than a minute. IDEX's enrollment sleeve is inherently secure given the fact that the user's biometric information never leaves the card. It is also easily mass deployable since the user receives both the new card and enrollment sleeve in the mail and can complete the enrollment process at home.

## SOFTWARE AND ALGORITHMS

Software is an essential element of the biometric solutions that IDEX develops and sells. The software components include elements such as on-sensor firmware, enrollment software as well as image extracting and matching algorithms. IDEX's proprietary matcher algorithm is ideal for biometric cards and designed for real-world usability in both card and IoT applications, being rotation insensitive and accepting of partial touches.

In 2019 IDEX released a security-enhanced version of the matcher that moves the critical matcher function and template information onto the secure element, while the less secure on-card biometric processor performs feature extract functions that do not need to

be secured. This distributed matcher architecture has been demonstrated to meet the biometric performance and security guidelines of multiple global payment schemes.

Recently, IDEX became the first and only biometric sensor company to achieve EMVCo™ security certification. IDEX's software engineering team is certified to develop and deliver software that resides in the secure element of the card. Smartcard manufacturers can now choose to directly integrate IDEX's biometric software, use IDEX's reference design, and embed the sensor into their products, and experience a seamless certification process.

## INTELLECTUAL PROPERTY

IDEX's technology is founded on a strong portfolio of proprietary technology. As of 31 December 2019, IDEX held 55 patent families with 113 granted patents and 101 pending patent applications. IDEX's IP rights cover complete biometric systems ranging from measurement principles, algorithms, sensor design and system

solutions. The company holds patents in a wide range of countries including the United States, Europe, China, Korea, Japan, Taiwan and India. IDEX intends to seek patent protection for aspects of its technology that provide significant competitive advantage.

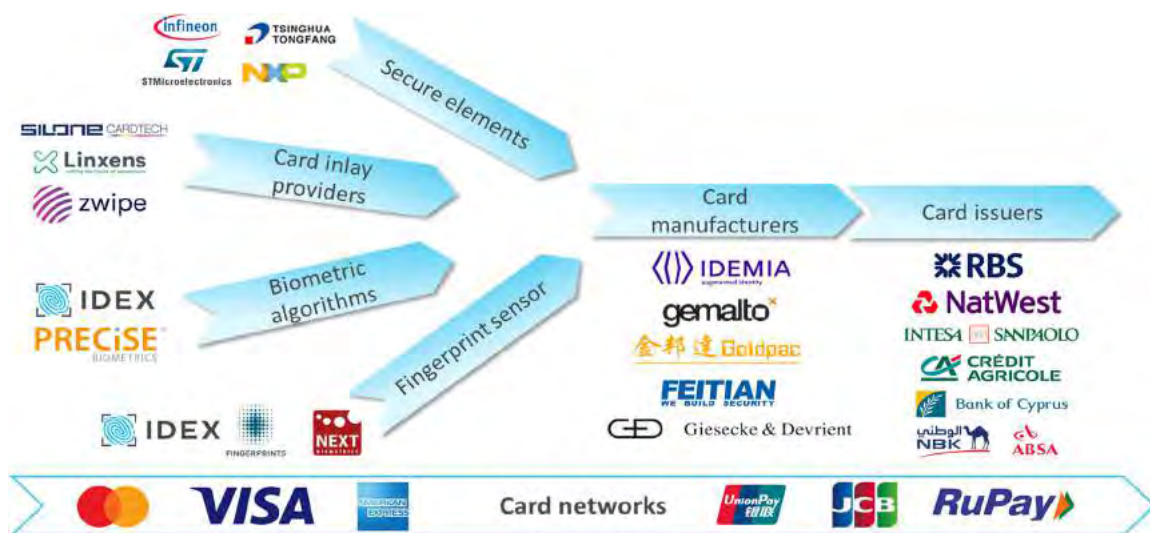
## ECOSYSTEM AND VALUE CHAIN

The smartcard ecosystem is complex and involves many different companies working together to bring biometric smartcards to the mass markets.

IDEX sells its products and solutions to smartcard manufacturers and other integrators of biometric sensor technology, such as keyboards and dongles. IDEX works closely with customers on manufacturing and alongside other component suppliers within the card ecosystem. IDEX has established partnerships

with secure element producers, card inlay providers and card networks to help bring biometric smartcards to market. The strategic rationale is to ensure that crucial components within the biometric smartcard ecosystem are compatible and ready for mass production and to enhance IDEX's ability to offer comprehensive solutions to its customers.

The biometric smartcard value chain is shown below.



## VOLUME PRODUCTION SUPPLY CHAIN ESTABLISHED

IDEX's operations strategy is to maximize efficiencies and cost competitiveness by designing its products using industry standard design processes, incorporating verified high-volume components and materials, and utilizing established manufacturing processes. In support of the anticipated demand for biometric smartcard solutions, IDEX has established a robust, high-capacity supply chain to satisfy future market demand. The company's selected manufacturing partners for sensor production are Amkor Technology and SPIL, both leaders in OSAT (outsourced semiconductor assembly and test) production. IDEX has partnered with TSMC, the leading

semiconductor manufacturer in the world, for volume manufacturing of its ASICs. The TSMC relationship gives IDEX access to the newest and most competitive silicon manufacturing processes and provides the capacity and cost structure to serve high volume opportunities. In addition, to accelerate the development of mass production test solutions for its biometric sensor products, IDEX has invested in high-volume test equipment at the company's facility in Rochester, New York. Production test deployments with the OSAT partners are fully verified in house prior to installation on the production line, reducing cycle time, production engineering support and costs.

## SALES, DISTRIBUTION AND MARKETING

IDEX sells its products and solutions through a direct sales force in order to increase interaction and more closely manage relationships with the smartcard manufacturers. IDEX has sales and business development personnel located close to major customers across Asia, the United States and Europe. As a result of this direct approach, the company has

gained improved visibility into the sales channel as well as valuable real-time customer feedback which supports IDEX's ongoing technology development and manufacturability improvement. Marketing activities have also helped IDEX to promote the benefits of its biometric solutions and enabled the company to work more closely with its partners.

## FINANCIAL REVIEW

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The comments regarding the consolidated profit and loss statements, as well as the consolidated statements of financial position, largely apply to the parent company itself. The parent company holds all intellectual property rights. It is also party to all trade relations with manufacturing partners and customers. All revenues and cost of goods sold accrue in the

parent company. The subsidiaries provide development services, market facilitation services, supply-chain and administrative services to IDEX Biometrics ASA and do not trade with external customers. The parent company recognizes these services as development expense and other expenses. The entities are funded through a combination of equity and intercompany loans, as required.

## INCOME STATEMENTS

### Revenue

IDEX recorded revenue amounting to NOK 3.7 million in 2019. NOK 1.4 million related to product sales, chiefly related to card products, while NOK 2.3 million was other operating income, mainly engineering services to a large customer to qualify IDEX products with this customer.

The revenue in 2018 amounted to NOK 3.6 million of which NOK 1.4 million was product sales and NOK 2.2 million was other operating income, mainly sale of services under the company's agreement with Mastercard.

### Cost of goods sold

Gross margin was NOK 3.2 million in 2019, representing 85 per cent for the full year. The margin reflects the services income. The gross margin from product sales was 61 per cent in 2019, compared with

31 per cent in 2018. The gross margin at small volumes is not necessarily representative of the gross margin achievable at mass volumes.

## Operating expenses

Operating expenses were NOK 270.8 million in 2019 compared to NOK 238.7 million in 2018. The increase in operating expenses was due to an increase in payroll expenses, largely share-based compensation and a higher average number of employees in 2019 compared to 2018, and professional services related to capital raises in 2019.

## Payroll expenses

Payroll expenses were NOK 191.4 million in 2019, compared to NOK 161.0 million in 2018.

The increase in payroll expenses was due to an increase in the average number of full-time equivalent (FTE) employees during the year as the company added additional development and sales staff. The average number of FTEs was 109 in 2019, up from 99 in 2018. However, as a result of cost reduction

Adjusted operating expenses which exclude cost of inventory and intangibles reserves related to a discontinued product, severance pay from cost reductions, and share based compensation were NOK 237.2 in 2019, up 12 per cent from NOK 211.8 million in 2018. Most of the group's costs are effectively in USD or GBP, which appreciated 8 per cent and 4 per cent year on year respectively.

activities undertaken in the fourth quarter of 2019, IDEX had 100 FTEs as of 31 December 2019, compared to 104 FTEs at the end of 2018.

Payroll expenses excluding share-based pay increased to NOK 168.3 million in 2019 from NOK 137.0 million in 2018. Most of this increase was in IDEX UK and IDEX America. IDEX did not capitalize payroll costs related to development work in 2019 or 2018.

## Research and development expenses

Research and development (R&D) expenses were NOK 43.6 million in 2019, a reduction of 14 per cent, from NOK 50.8 million in 2018, largely due to increased internal development capacity. In addition, payroll cost of R&D staff, reported on the payroll expenses line, amounted to NOK 141.7 million in 2019 compared to NOK 116.1 million in 2018.

IDEX did not capitalize research and development expenses in 2019 or 2018. Contribution from the

Norwegian government R&D grant scheme SkatteFunn has been credited to development expenses. The contribution amounted to NOK 5.0 million in 2019, same as in 2018.

The parent company purchases development services from the subsidiaries, whose charges include the payroll cost of the R&D staff. Thus, the parent company reports higher R&D costs than the consolidated group.

## Other operating expenses

Other operating expenses were NOK 40.8 million in 2019 compared to NOK 31.9 million in 2018. Other operating expenses include sales, marketing and general administrative expenses. The increase was primarily due to outside professional services associated with the two capital raises as well as customer contracts, and IT infrastructure and operations.

The parent company purchases marketing and other services from the subsidiaries, whose charges include the payroll cost of the staff performing the service. Thus, the parent company reports higher other costs than the consolidated group.

## Depreciation

Depreciation amounted to NOK 14.4 million in 2019, compared to NOK 6.9 million in 2018. Total investments amounted to NOK 7.5 million in 2019, down from NOK 9.0 million in 2018. Most of the 2019 investments were in the parent company, while in 2018 the investments were mainly in IDEX America

## Net financial items

Net financial items amounted to a cost of NOK 1.9 million in 2019, down from a cost of NOK 2.3 million in 2018. Currency exchange losses were down NOK 0.7 million from 2018, while NOK 0.4 million imputed interest cost related to leases were added in 2019.

## Taxes

The group operated at a loss in 2019 and 2018. However, IDEX America, IDEX UK and IDEX China made a profit on services to the parent company and incurred an income tax amounting to NOK 1.4 million in 2019 and NOK 0.3 million in 2018. IDEX Biometrics ASA did not incur deferred or payable income taxes in 2019 or 2018.

In 2020, IDEX has successfully claimed research and development tax relief in the United Kingdom where the company performs certain research and development activities. UK small and medium-sized enterprise (SME) R&D tax relief allows companies to

## Net result for the year

The group's net loss in 2019 was NOK 285.3 million, compared to NOK 246.1 million in 2018. IDEX America, IDEX UK and IDEX China made a combined

and IDEX UK. The major investment in 2019 was a laser cutting machine for wafers, plus the capitalization of right-to-use assets on implementation IFRS 16 Leases. The major investment in 2018 was the high-volume test equipment.

IDEX Biometrics ASA's net financial items amounted to NOK 0.1 million cost in 2019, compared to NOK 0.7 million cost in 2018. Currency exchange losses were down NOK 0.3 million from 2018, and interest income on cash in bank and from the subsidiaries was up by NOK 0.4 million in 2019.

deduct up to 230% of their qualifying costs from their yearly profit or claim a tax credit if the company is loss making, worth up to 14.5% of the eligible loss. IDEX has claimed United Kingdom SME tax relief for 2017 and 2018 and received a cash refund of 8.1 million NOK in March 2020. The company will carryforward NOK 25.4 million in tax credits available to offset future taxable income in the United Kingdom.

The company plans to claim additional research and development tax relief when it files its 2019 tax return.

net profit of NOK 11.2 million in 2019, compared to a net profit of NOK 6.3 million in 2018.

## STATEMENTS OF FINANCIAL POSITION

### Fixed assets

Long-term assets amounted to NOK 62.2 million at the end of 2019, up from NOK 50.9 million at the end of 2018. Intangible assets were amortized from NOK 26.8 million at the end of 2018 to NOK 22.9 million at the end of 2019. All of the group's intangible assets, including patents and other intellectual property (IP) are held by the parent company. No IP investments were made in 2019 or 2018. No development expenses were capitalized in 2019 nor 2018.

Fixed assets increased from NOK 14.6 million to NOK 17.7 million in 2019 due to investment in a laser cutting machine held by IDEX Biometrics ASA, and in scientific and test equipment, engineering tools, leasehold outfitting, office equipment and furniture with useful lives of 3-7 years in the subsidiaries. The investments amounted to NOK 7.5 million in 2019, compared to investments of NOK 9.0 million in 2018. NOK 5.8 million of the NOK 7.5 million invested in

2019 was related to manufacturing equipment for use in manufacturing at suppliers. Some old, unused assets were disposed of in 2019, causing a net loss of NOK 265 thousand. In 2018, disposals caused a net loss of NOK 18 thousand.

IDEX implemented IFRS 16 Leases effective 1 January 2019. The total right-of-use asset recognized for the group was NOK 9.9 million. The corresponding liability was NOK 4.0 million long-term and NOK 5.9 million short-term. The implementation has led to a decrease in rent expense offset by an increase in amortization and financial costs. For the full year of 2019, IDEX reported NOK 6.1 million in amortization of right-of-use assets, NOK 6.4 million in rent offset and NOK 0.4 million financial cost. Right-of-use assets at the end of 2019 amounted to NOK 12.1 million, while the lease liabilities amounted to NOK 12.3 million..

### Inventory

Only the parent company holds inventory. This consists mainly of completed or in-progress fingerprint sensors being manufactured by IDEX's partners. The inventory at the end of 2019 amounted to NOK 6.0 million, down from NOK 10.2 million at the end of 2018. The inventory consists mainly of components and fingerprint sensors for cards. Because of significant lead times for certain components, IDEX holds inventory to satisfy expected

demand for deliveries with short notice. In 2019 NOK 9.5 million of materials used in new product development was charged to development expense. In 2018, IDEX made an impairment charge of NOK 2.9 million, mainly on silicon sensors for mobile and related component because of the company's strategic shift to biometric cards.

### Cash

Total cash and bank deposits amounted to NOK 124.0 million at the end of 2019, representing 60 per cent of the total assets, compared to NOK 83.7 million at the end of 2018. Capital raises added more cash than the company spent during 2019. Operating activities including working capital changes, consumed cash in an amount of NOK 243.5 million in 2019, compared to NOK 214.7 million in 2018. Investments net after

interest income amounted to NOK 6.3 million in 2019. In 2018, investments, net after interest income, amounted to NOK 7.9 million.

The group's cash pool is held and managed by the parent company and the subsidiaries only hold cash to cover local expense and working capital requirements.

## Equity

At 31 December 2019, the equity in the group amounted to NOK 156.4 million and the equity in the parent company amounted to NOK 140.3 million, compared to NOK 123.2 million and NOK 118.7 million respectively one year earlier. The equity in the group amounted to more than 75 per cent of the total capital at the end of 2019 compared to 79 per cent at the end of 2018. On 25 January 2019 IDEX made a private placement of shares, raising NOK 213.8 million

## Liabilities

IDEX does not have any debt to financial institutions or lenders. The long-term liability of NOK 5.6 million at the end of 2019 was NOK 5.4 million long-term lease liabilities in the group and NOK 0.3 million

## Liquidity and capital resources

Balance sheet solvency, cash less net of short-term receivables and liabilities, amounted to NOK 93.8 million at 31 December 2019, compared to NOK 62.4 million at 31 December 2018. The company had no financial debt at the end of 2019.

## EVENTS AFTER 31 DECEMBER 2019

IDEX Biometrics has successfully claimed research and development tax relief in the United Kingdom where the company performs certain research and development activities. UK small and medium-sized enterprise (SME) R&D tax relief allows companies to deduct up to 230% their qualifying costs from their yearly profit or claim a tax credit if the company is loss making, worth up to 14.5% of the eligible loss. IDEX has claimed United Kingdom SME tax relief for 2017 and 2018 and received a cash refund of 8.1 million NOK in March 2020. The company will carryforward 25.4 million NOK in tax credits available to offset future taxable income in the United Kingdom. The company plans to claim additional research and development tax relief when it files its 2019 tax return.

The board granted 5,542,500 incentive subscription rights to employees and individual contractors in the IDEX group on 26 February 2020. The grant was made

before expenses. On 17 November 2019, IDEX made additional private placements of shares, raising a total of NOK 90.0 million before expenses. Net of expenses, a total of NOK 295.9 million new equity was added. The net loss in 2019 has been charged to equity.

In 2018 employees exercising subscription rights injected NOK 7.1 million. No subscription rights were exercised in 2019.

deferred tax liabilities in IDEX UK. Accruals, in a total amount of NOK 44.0 million at the end of 2019, up from NOK 32.8 million at the end of 2018.

Reference is made to the section on going concern, below.

under the company's 2019 incentive subscription rights plan. The exercise price of the subscription rights is NOK 1.11 per share. The subscription rights vest by 25% per year and expire on 9 May 2024. Following the grant there are 58,417,543 subscription rights outstanding. Effective 27 February 2020, IDEX appointed Vince Graziani as CEO, to replace Stan Swearingen, who continues with IDEX as executive vice president of advanced technology and strategy. See section Organization, below.

Reference is made to the sections on Covid-19, and going concern, below.

Between 31 December 2019 and the resolution of these annual financial statements, there have not been any events that have had a material impact on IDEX's result in 2019 or the value of the group's assets and liabilities at 31 December 2019.

## IMPACT OF COVID-19

The World Health Organization has declared Covid-19 a global pandemic. This pandemic has led to an abrupt decrease in global commerce and a rapid deterioration of global financial markets.

IDEX has adopted the guidelines outlined by the relevant governments where the company operates, to ensure the health of its employees and their families. The company has established an internal virus response team, who are responsible for on-going contingency planning. All travel and face-to-face meetings have been stopped. New working practices, enabling the majority of staff to work from home, came into effect on 16 March 2020. Staff, with specific roles that need to work at an IDEX facility, being supported in-line with local government guidelines.

Through the date of this report, there have not been significant delays in development projects and IDEX has not incurred significant additional costs due to the preventive actions taken.

Earlier in the first quarter, many of IDEX's business partners in Asia were impacted but the IDEX team were in regular contact and today the vast majority, if not all, of these partners have returned to their offices and factories.

IDEX acknowledges that there could be a negative business impact of reduced customer contact, deferred activity at customers, and/or lower manufacturing capacity at the company's production partners. The company is not in a position to quantify the possible effects. On the other hand, IDEX has observed that the pandemic has increased end-user awareness of the benefits of contactless payments without PIN.

While the financial impact to IDEX is difficult to predict at this time, IDEX has taken actions to delay or reduce costs to the extent possible while protecting the company's business prospects and development projects. Management and the board will continue to monitor closely and take further actions as appropriate.

## GOING CONCERN

The going concern assumption has been applied for the group as well as the parent company when preparing the financial statements. The going concern assumes the realization of assets and liquidation of liabilities in the normal course of business. IDEX has incurred significant operating losses and has accumulated uncovered losses of NOK 1,534.2 million as of 31 December 2019 and has reported negative cash flows from operations. The company has no financial debt. The net equity amounted to NOK 156.4 million and the balance sheet solvency amounted to NOK 93.8 million at the end of 2019.

The company expects to significantly increase revenue generation through sales of its products and monetization of intellectual property, however, the company does not currently have the cash resources to fully meet its operating commitments for the next

twelve months. These factors, among others, may cast significant doubt on the Company's ability to continue as a going concern.

As an ongoing activity the company monitors liquidity and the board is prepared to take appropriate measures as and when required. The company has been successful in the past with taking cost reductions and raising capital through private placements. However, there can be no assurance that cash generated by future operations will be adequate to meet the company's needs or that IDEX will be successful in raising additional capital in the form of equity or borrowing. Based on recent progress and ongoing discussions with IDEX's financial advisers as well as major current and prospective shareholders, the board expects that additional funds can be raised in due course.



## ALLOCATION OF NET LOSS FOR THE YEAR

The net loss for 2019 of the parent company IDEX Biometrics ASA was NOK 296 516 588, compared to a net loss of NOK 252,345,704 in 2018. The board

proposes that the loss shall be carried forward as uncovered losses. The board does not propose any dividend payments for 2019.

## FINANCIAL RISKS

IDEX is exposed to certain financial risks related to exchange rates and interest rates. These are, however, insignificant compared to the business risk. The business risk may be summarized in five points:

- (i) IDEX has reported accumulating losses and expects future losses in the short term.
- (ii) IDEX's business plan assumes revenue from products which IDEX has traded commercially in small volumes, but not in mass production volumes.
- (iii) Revenue from IDEX's products depend among other things on market factors, which are not controlled by IDEX.
- (iv) Competitive products may outperform IDEX's product offering.
- (v) Some of IDEX's intended markets remain immature and all are undergoing rapid technological changes.

Reference is also made to the sections above regarding possible effects of Covid-19 and the uncertainty regarding going concern.

IDEX takes for its basis that the trade receivables and other receivables do not contain significant credit risk. The valuation is based on a relatively short commercial history and limited experience with the customers. The inventory is current, but not returnable. IDEX does not hold any other financial instruments in the balance sheet or any such instruments outside the balance sheet.

IDEX does not have any debt to financial institutions or lenders and is funded by equity denominated in NOK. No hedging transactions have been entered into.

## SHARE CAPITAL AND SHAREHOLDERS

The issued and fully paid share capital of the Company at the end of 2019 amounted to NOK 107 698 309.80, consisting of 717 988 732 ordinary shares, each share having a par value of NOK 0.15. At the end of 2019 there were 4,732 registered shareholder accounts, compared to 3,449 one year earlier.

The closing share price on 30 December 2019, which was the last day of trading in 2019, was NOK 1.28, compared to NOK 3.04 on the last trading day of 2018, representing a decrease of 58 per cent. The board acknowledges the financial loss that shareholders have suffered.

Highest and lowest closing prices per share in 2019 were NOK 4.05 and NOK 0.51 respectively. There were 90,820 trades in the share, with a total turnover

amounting to NOK 711.7 million, up from 49,573 trades and total turnover amounting to NOK 1,481.7 million in 2018.

IDEX made a private placement of shares on 25 January 2019, raising NOK 213.8 million before expenses. On 17 November 2019, IDEX made additional private placements of shares, raising a total of NOK 90.0 million before expenses. Net of expenses, a total of NOK 295.9 million new equity was added.

Following the annual general meeting of IDEX on 9 May 2019, three board members elected to receive part or full board remuneration in shares.

The annual general meeting held on 9 May 2019 resolved the 2019 Subscription Rights Incentive Plan, replacing the 2018 plan. The company may issue

independent subscription rights to employees of IDEX Biometrics ASA and its subsidiaries and associated companies and to individual contractors performing similar work. The board may grant up to 59,775,203 subscription rights but limited in such a way that the total number of subscription rights outstanding may not exceed 10 per cent of the number of shares outstanding. In 2019, the board granted a total of 20,414,143 subscription rights under the 2019 and

2018 incentive subscription programs. At the end of 2019, there were a total of 52,875,043 subscription rights outstanding under all programs. The weighted average exercise price was NOK 4.01 per share

IDEX does not hold any of its own shares, and there are no authorizations to the board for IDEX to purchase its own shares.

## ORGANIZATION

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IDEX continues to invest in people and capabilities that will enable the growth of the business and help the organization deliver on its strategy of achieving leadership in biometric identification and authentication solutions. The company continues to strengthen its board, management and core engineering teams. Over the last several years, IDEX has attracted a significant number of key industry experts. Over the past few years, the company has built a world-class engineering team with deep industry expertise. The team is comprised of systems engineers, software engineers, silicon engineers and packaging technologists, most with advanced degrees. The sales team has significant and broad experience in biometric technology applications, as well as experience from the payment market specifically.

The supply chain, finance, human resources and administrative teams have been developed to support

significant commercial growth. These investments will allow IDEX to scale the business significantly without adding corresponding cost. At the end of 2019, IDEX employed and contracted 110 full-time equivalent (FTE) staff, down from 115 FTE at the end of the 2018. Of the 110 FTEs, 100 are IDEX employees and 10 are contractors. 16 are female, representing 13.9 per cent, compared to 13.5 per cent at the end of 2018. This is to a large degree a result of the talent pool available in the fields of electronics, material physics and embedded software. In addition to its employees and individual contractors on site, IDEX makes use of various service providers in its development projects, marketing and sales, and specialist functions like patenting. All product manufacturing activities are outsourced to partner companies. IDEX believes its ability to attract and retain top talent in semiconductor and biometric technologies is a critical to the company's success.

## CHANGES TO IDEX LEADERSHIP

The board has approved a number of key changes to the senior leadership. This reflects the international and commercial opportunity for IDEX in the biometric market. On 8 July 2019, Derek P D'Antilio joined IDEX as Chief Financial Officer. On 27 February 2020, Vince Graziani joined IDEX as CEO. Vince came to IDEX from Infineon Technologies where he was most recently Vice President of Strategy Development and

Implementation, responsible for leading new business development and strategic partnerships. Vince has also led technology companies from the pre-revenue stage to significant revenues and scale while serving as CEO of Sand 9 Inc., Vbrick Systems, and Sandburst Inc. These were all early-stage technology companies when he joined. Earlier in his career, he held positions of increasing responsibility in both engineering and

sales and marketing at Intel, Broadcom, and Siemens Semiconductor.

The previous CEO, Stan Swearingen, remains with IDEX and will focus on strategy and advanced technology consistent with his past roles with some of the most innovative companies in Silicon Valley.

During Stan's two years as CEO, he has transformed IDEX from an IP organization into a technology leading product company well positioned for success in the biometric smartcard market.

Derek, Vince and Stan are all based at the company's facility in Wilmington, Massachusetts.

## HEALTH, SAFETY AND ENVIRONMENT

The board and management seek to create a working environment that is pleasant, stimulating, safe and to the benefit of all employees. The working environment complies with the existing rules and regulations. IDEX offers flexible working hours for all employees. The board has not found reason to implement special measures.

No employee has suffered work-related injury resulting in sick leave. No accidents or incidents involving the assets of IDEX have occurred. The sick leave in the group was 0.6 per cent in 2019, compared to 0.7 per cent in 2018. In the parent company there

was no sick leave in 2019, compared to 0.6 per cent in 2018.

IDEX practices equal opportunities in all aspects. All facilities at IDEX are equally well equipped for females and males. Traditionally, fewer women than men have graduated in IDEX's fields of work. The management structure reflects the composition of the technical staff. The board has not taken any special measures in these respects.

IDEX's activities do not pollute the environment. No hazardous materials are used in the facilities.

## THE BOARD OF DIRECTORS

There are presently five board members including the chair. At the annual general meeting 2019, it was resolved that Morten Opstad will continue as chair for an additional two-year term. It was also resolved that Lawrence Ciaccia be appointed deputy chair for a two-year term. Board members Deborah Davis and Hanne Høvdning were re-elected to continue for a two-year

term and Stephen (Steve) Skaggs was elected to serve as a board member for a two-year term.

The Board has held thirteen meetings in the period after the annual general meeting on 9 May 2019 and until and including 21 April 2020.

## CORPORATE SOCIAL RESPONSIBILITY

The board resolved ethical guidelines for IDEX in 2009 with subsequent updates, the latest of which was on 13 June 2017. The guidelines are reviewed annually and revised periodically as appropriate. The guidelines, which are available at the Company's website, apply to all employed and contracted staff members as well as the elected board members. The ethical guidelines incorporate IDEX's guidelines on social responsibility.

The purpose of IDEX's business is to create value for shareholders, while also benefiting customers, employed and contracted staff, suppliers, other business relations and the society at large. IDEX is committed to maintaining a high standard of corporate governance, be a good corporate citizen and demonstrate integrity and high ethical standards in all of its business dealings. IDEX makes every reasonable effort to secure a healthy, safe and lawful work environment and that the Company complies with all

applicable laws, rules and regulations concerning occupational health, safety and environmental protection.

The Company promotes equality and non-discrimination, non-harassment, fairness and ethical behavior. The Company offers a pleasant, well-equipped and risk-free work environment, maintains fair and balanced employment practices and equal employment opportunity policies and complies with all applicable labor laws. IDEX encourages and also expects similar commitment from its suppliers, partners and customers.

IDEX fulfils its role as a socially responsible member of society by the business it operates and how it is conducted. If and when publicity, attention and other benefits are evident and expedient for the business, the Company may be a sponsor. The Company refrains from charitable donations because such donations are not within the authority from the shareholders to the board and management. In case IDEX Staff or shareholders should want to make such donations it is more effective that they do so directly than via the Company. Gifts from IDEX may also

establish or be considered to represent inappropriate ties. IDEX does not make any political contributions.

With a growing organization, IDEX is also creating and implementing new policies, monitoring activities and control mechanisms in order to have adequate business controls. The electronics industry is not perceived as a high-risk industry. China is the only country where IDEX itself operates that has high risk related to human rights, employment conditions, environment or corruption. All customers, partners and suppliers to IDEX are reputable companies. Some of the partner companies operate in high-risk countries, such as China, the Philippines or Thailand. IDEX takes for its basis that the companies it deals with comply with the applicable regulatory framework and pay due respect to the norms of the various stakeholders in their businesses. None of the processes in use by the suppliers are known to be of particular hazard to staff or the environment. The board has not taken any special measures in these respects.

As IDEX's operation continues to grow, the Company will implement appropriate additional programs to ensure the integrity of its business.

## CORPORATE GOVERNANCE

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The IDEX board has adopted policies for corporate governance to safeguard the interests of the company's shareholders, employees and other stakeholders

The objective of the Norwegian code of practice for corporate governance is to regulate the division of roles between shareholders, the board and executive

management more comprehensively than what is required by the legislation. IDEX complies with the Norwegian code of practice for corporate governance. Reference is made to the section Corporate Governance in this annual report. The information is also available on the company's website, at [www.idexbiometrics.com](http://www.idexbiometrics.com)

## STATEMENT ON MANAGEMENT REMUNERATION

The annual general meetings in 2019 and prior years have considered and resolved guiding and mandatory guidelines for management remuneration. The guidelines and the actual remuneration in 2019 have been included in a note to the financial statements and

will also be presented to the annual general meeting in a separate document. The managing director of the parent company is also CEO of the group and performs this duty as a part of his employment in the parent company for no additional remuneration.

## OUTLOOK

IDEX has made substantial progress during 2019 and into 2020. The board is pleased to see a major product launch, design wins in both the payment card market and access control market, and the certification of biometric payment cards using IDEX's technology from two major global payment schemes.

Industry participants and analysts believe 2020 will be the year where the biometric payment card market moves from one defined by pilots, towards commercial deployments. IDEX expects additional payment card certifications and orders on existing platforms in the

near term. Sensors including the TrustedBio™ technology are expected to be released to mass production in the fourth quarter of 2020.

In the access control market, IDEX expects to begin volume shipments in the second quarter of 2020.

The board is excited about the company's prospects as IDEX moves forward into 2020, with a new and experienced CEO, a strong team, a supportive shareholder base, and a family of products with demonstrated technology and cost leadership.

21 April 2020

*The board of directors of IDEX Biometrics ASA*



Morten Opstad, Chair



Lawrence John Ciaccia, Deputy chair



Deborah Davis, Board member



Hanne Høvdning, Board member



Stephen Andrew Skaggs, Board member



Vincent Graziani, CEO

## ANNUAL FINANCIAL STATEMENTS 2019

### Statements of comprehensive income

1 January-31 December		IDEX group		IDEX Biometrics ASA	
Amounts in NOK 1,000	Note	2019	2018	2019	2018
<b>Operating revenue</b>					
Product sales	2	1 396	2 181	1 396	2 181
Other operating income		2 328	1 404	2 395	1 393
<b>Total revenue</b>		<b>3 724</b>	<b>3 585</b>	<b>3 791</b>	<b>3 573</b>
<b>Cost of goods sold</b>		<b>547</b>	<b>1 502</b>	<b>547</b>	<b>1 502</b>
<b>Gross margin</b>		<b>3 177</b>	<b>2 082</b>	<b>3 243</b>	<b>2 071</b>
<b>Operating expenses</b>					
Payroll expenses	3	191 396	160 983	37 050	35 598
Development expenses	4, 5, 7	38 589	45 850	184 299	159 212
Other operating expenses	6, 7	40 838	31 908	74 245	54 902
<b>Total operating expenses</b>		<b>270 824</b>	<b>238 740</b>	<b>295 594</b>	<b>249 712</b>
<b>Profit (loss) before interest, tax, depreciation and amortisation (EBITDA)</b>		<b>(267 647)</b>	<b>(236 658)</b>	<b>(292 351)</b>	<b>(247 641)</b>
Amortisation and depreciation	10-12	14 372	6 854	4 115	4 003
<b>Profit (loss) before interest and tax (EBIT)</b>		<b>(282 019)</b>	<b>(243 512)</b>	<b>(296 466)</b>	<b>(251 644)</b>
<b>Net financial items</b>		<b>(1 904)</b>	<b>(2 254)</b>	<b>(50)</b>	<b>(702)</b>
<b>Net result before tax (EBT)</b>		<b>(283 923)</b>	<b>(245 766)</b>	<b>(296 517)</b>	<b>(252 346)</b>
Income taxes	8	1 412	332		
<b>Net loss for the year</b>		<b>(285 335)</b>	<b>(246 097)</b>	<b>(296 517)</b>	<b>(252 346)</b>
<b>Profit (loss) per share, basic and diluted (NOK)</b>	9	<b>(0.48)</b>	<b>(0.45)</b>		

### Statements of other comprehensive income

Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax)

1 January-31 December		IDEX group		IDEX Biometrics ASA	
Amounts in NOK 1,000	Note	2019	2018	2019	2018
<b>Net loss for the year</b>		<b>(285 335)</b>	<b>(246 097)</b>	<b>(296 517)</b>	<b>(252 346)</b>
Exchange differences on foreign operations		298	946		
<b>Total comprehensive income (loss) for the year, net of tax, attributable to the equity holders of IDEX Biometrics ASA</b>		<b>(285 037)</b>	<b>(245 151)</b>	<b>(296 517)</b>	<b>(252 346)</b>

## Statements of financial position 31 December

Amounts in NOK 1,000

Assets	Note	IDEX group		IDEX Biometrics ASA	
		2019	2018	2019	2018
<b>Long-term assets</b>					
Goodwill		8 260	8 260	8 260	8 260
Intangible assets		22 870	26 763	22 870	26 763
Total intangible assets	10	31 130	35 023	31 130	35 023
Fixed assets	11	17 678	14 590	5 693	361
Right of use assets	12	12 070		539	
Total fixed assets		29 748	14 590	6 232	361
Shares in subsidiaries	1, 13			14 924	14 924
Long-term loans to group companies	18			27 035	27 611
Long-term receivables	15, 18	1 336	1 269	602	531
Total financial assets		1 336	1 269	42 562	43 067
<b>Total long-term assets</b>		<b>62 215</b>	<b>50 882</b>	<b>79 924</b>	<b>78 451</b>
<b>Current assets</b>					
Inventory	20	6 026	10 164	6 026	10 164
Customer receivables		271	339	271	339
Receivables from group companies				1 831	1 192
Prepaid expenses		6 752	5 529	1 149	1 755
Other short-term receivables		6 780	5 684	6 275	5 246
Total receivables	18	13 803	11 552	9 525	8 532
Cash and bank deposits	14	124 031	83 714	104 177	72 205
<b>Total current assets</b>		<b>143 861</b>	<b>105 430</b>	<b>119 728</b>	<b>90 900</b>
<b>Total assets</b>		<b>206 076</b>	<b>156 312</b>	<b>199 653</b>	<b>169 351</b>
<b>Equity and liabilities</b>					
<b>Equity</b>					
Share capital		107 698	81 647	107 698	81 647
Share premium		1 462 097	1 192 222	1 462 097	1 192 222
Other paid-in capital		120 830	98 553	120 830	98 553
Total paid-in capital	16, 17	1 690 625	1 372 422	1 690 625	1 372 422
Retained earnings (losses)		(1 534 220)	(1 249 183)	(1 550 279)	(1 253 763)
<b>Total equity</b>		<b>156 405</b>	<b>123 239</b>	<b>140 346</b>	<b>118 659</b>
<b>Long-term liabilities</b>					
Deferred tax liabilities	8	271	226		
Long-term lease liabilities	12	5 355		334	
<b>Total long-term liabilities</b>		<b>5 626</b>	<b>226</b>	<b>334</b>	
<b>Short-term liabilities</b>					
Accounts payable	19	4 062	5 126	2 840	4 080
Payables to group companies	19			36 600	32 810
Income tax payable	8	1 134	1 716		
Short-term lease liabilities	19	6 921		207	
Public duties payable		3 131	2 276	739	772
Notional employer's tax on share-based remuneration	3, 16, 19	22		22	
Other short-term liabilities	19	28 775	23 729	18 565	13 030
<b>Total short-term liabilities</b>		<b>44 045</b>	<b>32 847</b>	<b>58 973</b>	<b>50 692</b>
<b>Total liabilities</b>		<b>49 671</b>	<b>33 073</b>	<b>59 307</b>	<b>50 692</b>
<b>Total equity and liabilities</b>		<b>206 076</b>	<b>156 312</b>	<b>199 653</b>	<b>169 351</b>

21 April 2020

The board of directors of IDEX Biometrics ASA



Morten Opstad, Chair



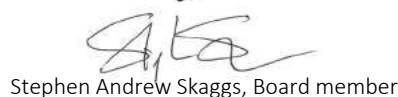
Lawrence John Giaccia, Deputy chair



Deborah Davis, Board member



Hanne Høvdning, Board member



Stephen Andrew Skaggs, Board member



Vincent Graziani, CEO

## Statements of changes in equity

### IDEX group

Amounts in NOK 1,000	Share capital	Share premium	Other paid-in capital	Retained earnings (uncovered loss)	Total equity
<b>Balance at 1 January 2019</b>	<b>81 647</b>	<b>1 192 222</b>	<b>98 553</b>	<b>(1 249 183)</b>	<b>123 239</b>
Share issue 25 January	8 016	198 704			206 720
Share issue 2 December	8 314	33 255			41 569
Share issue 24 December	9 686	37 915			47 601
Share issue (board remun.)	36		549		585
Share-based remuneration			21 728		21 728
Profit (loss) for the year				(285 335)	(285 335)
Exchange differences on foreign operations				298	298
<b>Balance at 31 December 2019</b>	<b>107 698</b>	<b>1 462 097</b>	<b>120 830</b>	<b>(1 534 220)</b>	<b>156 405</b>
<b>Balance at 1 January 2018</b>	<b>81 357</b>	<b>1 185 355</b>	<b>74 382</b>	<b>(1 004 032)</b>	<b>337 062</b>
Exercise of subscript. rights	245	6 868			7 112
Share issue (board remun.)	45		1 030		1 075
Share-based remuneration			23 141		23 141
Profit (loss) for the year				(246 097)	(246 097)
Exchange differences on foreign operations				946	946
<b>Balance at 31 December 2018</b>	<b>81 647</b>	<b>1 192 222</b>	<b>98 553</b>	<b>(1 249 183)</b>	<b>123 239</b>

### IDEX Biometrics ASA

Amounts in NOK 1,000	Share capital	Share premium	Other paid-in capital	Retained earnings (uncovered loss)	Total equity
<b>Balance at 1 January 2019</b>	<b>81 647</b>	<b>1 192 222</b>	<b>98 553</b>	<b>(1 253 763)</b>	<b>118 659</b>
Share issue 25 January	8 016	198 704			206 720
Share issue 2 December	8 314	33 255			41 569
Share issue 24 December	9 686	37 915			47 601
Share issue (board remun.)	36		549		585
Share-based remuneration			21 728		21 728
Profit (loss) for the year				(296 517)	(296 517)
<b>Balance at 31 December 2019</b>	<b>107 698</b>	<b>1 462 097</b>	<b>120 830</b>	<b>(1 550 279)</b>	<b>140 346</b>
<b>Balance at 1 January 2018</b>	<b>81 357</b>	<b>1 185 355</b>	<b>74 382</b>	<b>(1 001 417)</b>	<b>339 677</b>
Exercise of subscript. rights	245	6 868			7 112
Share issue (board remun.)	45		1 030		1 075
Share-based remuneration			23 141		23 141
Profit (loss) for the year				(252 346)	(252 346)
<b>Balance at 31 December 2018</b>	<b>81 647</b>	<b>1 192 222</b>	<b>98 553</b>	<b>(1 253 763)</b>	<b>118 659</b>



**Cash flow statements**

1 January-31 December

Amounts in NOK 1,000	Note	IDEX group		IDEX Biometrics ASA	
		2019	2018	2019	2018
<b>Operating activities</b>					
Profit (loss) before tax		<b>(283 923)</b>	(245 766)	<b>(296 517)</b>	(252 346)
Amortization and depreciation	10-12	<b>14 372</b>	6 854	<b>4 115</b>	4 003
Share-based remuneration (equity part)	3	<b>22 277</b>	24 170	<b>22 277</b>	24 170
Change in inventories	20	<b>4 137</b>	(909)	<b>4 137</b>	(909)
Change in accounts receivables	18	<b>68</b>	211	<b>68</b>	211
Change in accounts payable	19	<b>(1 094)</b>	2 051	<b>2 547</b>	15 087
Change in other working capital items		<b>3 473</b>	997	<b>4 466</b>	(2 278)
Other operating activities	13	<b>380</b>	980	<b>268</b>	(3)
Net financial items		<b>(1 183)</b>	(1 731)	<b>(1 177)</b>	(1 991)
Change in income taxes		<b>(1 989)</b>	(1 593)		
<b>Net cash flow from operational activities</b>		<b>(243 481)</b>	(214 735)	<b>(259 815)</b>	(214 054)
<b>Investing activities</b>					
Investments in tangible assets	11	<b>(7 479)</b>	(8 991)	<b>(5 796)</b>	25
Loans to subsidiaries	1, 13			<b>576</b>	(8 235)
Changes in long-term receivables	18	<b>(54)</b>	(3)	<b>(71)</b>	(3)
Interest received	14	<b>1 185</b>	1 095	<b>1 177</b>	1 991
<b>Net cash flow from investing activities</b>		<b>(6 348)</b>	(7 899)	<b>(4 114)</b>	(6 222)
<b>Financing activities</b>					
Net proceeds from issue of shares	16	<b>295 926</b>	7 157	<b>295 926</b>	7 157
Payments on lease liabilities		<b>(5 939)</b>		<b>(26)</b>	
Change in long-term payables	19		(3 271)		(3 270)
<b>Net cash flow from financing activities</b>		<b>289 987</b>	3 886	<b>295 900</b>	3 887
<b>Net change in cash and bank deposits</b>		<b>40 157</b>	(218 748)	<b>31 972</b>	(216 389)
Effect of foreign exchange rate changes		<b>160</b>	360		
Opening cash and bank deposits balance		<b>83 714</b>	302 102	<b>72 205</b>	288 594
<b>Cash and bank deposits at 31 December</b>	14	<b>124 031</b>	83 714	<b>104 177</b>	72 205

# NOTES TO ANNUAL FINANCIAL STATEMENTS

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## 1. Group information, accounting principles

IDEX is a technology company specialised in the development of fingerprint recognition technology. IDEX Biometrics ASA is a public limited liability company incorporated and domiciled in Norway. The address of the head office is Dronning Eufemias gate 16, NO-0191 Oslo, Norway. IDEX Biometrics ASA's shares are listed at Oslo Børs, the stock exchange in Oslo, and are also traded in the U.S.A. on the OTCQB Venture Market.

IDEX Biometrics ASA was incorporated in 1996. The IDEX group comprises the parent company IDEX Biometrics ASA, a sub-group in the USA (established 2013), and subsidiaries in the UK (established 2014) and China (established 2015). All subsidiaries are held 100%. The parent company holds all intellectual property (IP) of the group, and is party to all customer and manufacturing partner agreements. The subsidiaries provide various services to the parent company, mainly within the technical development, supply-chain administration, and customer interfacing and marketing functions, to IDEX Biometrics ASA.

The going concern assumption has been applied for the group as well as the parent company when preparing the financial statements. The going concern assumes the realization of assets and liquidation of liabilities in the normal course of business. IDEX has incurred significant operating losses, and has accumulated uncovered losses of NOK 1,534.2 million as of 31 December 2019, and has reported negative cash flows from operations. The company has no financial debt. Net equity amounted to NOK 156.4 million and the balance sheet solvency amounted to NOK 93.8 million at the end of 2019. The company expects to significantly increase revenue generation through sales of its products and monetization of intellectual property, however, the company does not currently have the cash resources to fully meet its operating commitments for the next twelve months. These factors, among others, may cast significant doubt on the Company's ability to continue as a going concern.

As an ongoing activity the company monitors liquidity and the board is prepared to take appropriate measures if and when required. The company has been successful in the past with implementing cost reductions and raising capital through private placements. However, there can be no assurance that cash generated by future operations will be adequate to meet the company's needs or that IDEX will be successful in raising additional capital in the form of equity or debt. Based on recent progress and ongoing discussions with IDEX's financial advisers as well as major current and prospective shareholders, the board expects that additional funds can be raised in due course.

The annual financial statements for 2019 were resolved by the board on 21 April 2020 and will be presented to the annual general meeting on 15 May 2020.

### Accounting principles

#### Basis of preparation

The accounting year coincides with the calendar year. The annual financial statements have been prepared on an accrual basis and applying the historical cost convention. The group's financial statements are presented in NOK which is the parent company's functional currency. All figures in the tables have been rounded to the nearest thousand except where indicated, total lines may deviate because of roundings. The financial statements of the IDEX group and IDEX Biometrics ASA have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The standards have been applied congruently in the group and in the parent company.

#### Changes in accounting policies

The accounting policies are consistent with those of the previous financial year. IFRS is continuously developed and recently published standards, amendments and interpretations have been reviewed and considered. Only those relevant for IDEX's current business are commented upon in the following.

#### **Standards and interpretations with effect from 1 January 2019:**

*IFRS 16 Leases (effective from 1 January 2019):* IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or

less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The group has, with effect from 1 January 2019, adopted IFRS 16 using the modified retrospective approach. Accordingly, comparable information has not been restated, and the effect is entered in the statement of financial position at the implementation. Upon implementation, the right-of-use asset and lease liability will be the same amount and will not impact on equity.

At the commencement date of a lease, a lessee will recognize a liability at the present value of lease payments with a corresponding asset representing the right to use the underlying asset during the lease term (right-of-use asset). The recognized asset is amortized over the lease period and the depreciation expense is recognized as an operating expense on an ongoing basis. The lease liabilities will be discounted at the incremental borrowing rate, and the interest expense on the lease commitment is recognized as a financial expense.

IDEX has identified office buildings to be the only material lease agreements. The group has used the relief option for leases with a duration of less than 12 months, as of 1 January 2019, and leases with low value, and these leases will not be recognized in the statement of financial position but recognized as an operating expense over the lease period. This approach will be applied consistently to all lease contracts.

Lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The impacts of IFRS 16 adoption per 1 January 2019 and 2019 impact of IFRS 16 are summarized in note 12.

Other standards or interpretations taking effect in 2019 were not relevant to IDEX.

***Standards and interpretations issued or adopted but not yet effective:***

IDEX considers that none of the newly issued, but not yet effective standards, amendments and interpretations will have a significant impact on the financial statements or notes for IDEX's current activity and assets but may affect the accounting for future transactions or arrangements. IDEX will implement the new standards and interpretations in due course.

**Significant accounting judgements and estimates**

Preparation of financial statements compliant to IFRS implies that the management makes judgements and prepares estimates and assumptions which have an impact on the recognized amounts for assets, liabilities, revenue and costs. The judgments as well as the estimates and related assumptions have been based on the management's best understanding of the situation, knowledge of past and recent events, experience and other factors which are considered reasonable under the circumstances. Actual results may deviate from such assumptions. Estimates and underlying assumptions are evaluated continuously.

*Significant accounting judgments for IDEX*

*Intangible assets:* Under IFRS, research costs are expensed as incurred. IDEX's patents and other intellectual property rights created by IDEX are capitalised and held in the balance sheet only when they satisfy the criteria for capitalisation. The same applies to development costs. No development costs have been capitalised in 2019 or 2018, thus all development costs and internal costs related to creation of intellectual property have been expensed when incurred. Acquired intangible assets are capitalised at the price allocated to the various assets based on estimated fair value. Intangible assets are depreciated over the useful life.

*Inventory:* Materials, components, units, software licences and other items which are part of the trade or manufacturing flow in the sense that the item is embedded in or otherwise becomes a part of the physical delivery to the customer, are inventoried if IDEX is in the position to take orders on the related product or if the item is returnable to the vendor for credit. Materials and components for research or development are expensed at the time of purchase. Consumables and supplies which are consumed in the manufacturing process (not becoming part of any physical product delivered to a customer), whether for manufacturing, development, research or administration, are expensed at the time of purchase.

*Income taxes:* Deferred tax assets related to losses carried forward are recognised when it is convincingly probable that the loss carried forward may be utilised. Judgement of probability is based on historical earnings, expected future margins and the size of the order backlog. Future events may lead to these conclusions being changed. Such changes will be recognised when reliable new estimates can be made.

*Significant accounting estimates for IDEX*

*Share based remuneration:* IDEX estimates the fair value of incentive subscription rights (SRs) at the grant date by using the Black & Scholes option pricing model. The valuation is based on share price and exercise price, share price volatility, interest rates and duration of the SRs, and assumptions of staff attrition and propensity of early exercise. The equity cost of share-based remuneration is expensed as earned over the vesting period. The accrued cost of employer's social security tax on the earned intrinsic value of the SRs is calculated at each balance sheet date, and the net change is accounted for.

*Goodwill:* Goodwill amounts to the fair value of the consideration for the assets less the capitalised value of the identifiable assets and any impairment charges, if any. Impairment testing of goodwill is based on the estimated fair value or the value in use of the business.

### **Financial risk, capital management**

IDEX is exposed to certain financial risks related to exchange rates and interest rates. These are, however, insignificant compared to the business risk. There were no hedging transactions in 2019 or 2018.

The business risk may be summarised in five points: (i) IDEX has to date earned insufficient gross margin compared to costs. IDEX has reported accumulating losses and expects future losses in the short term. (ii) IDEX's business plan assumes revenue from products which IDEX has traded commercially in large volumes but not in mass production volumes. (iii) Revenue from IDEX's products depends, among other things, on market factors, which are not controlled by IDEX. (iv) Competitive products may outperform IDEX's product offering. (v) Some of IDEX's intended markets remain immature and all are undergoing rapid technological changes.

IDEX's trade receivables and other receivables have moderate to low credit risk.

Reference is made to the comments regarding going concern above, and regarding Covid-19 in note 21.

IDEX manages its liquidity passively, which means that funds are placed in floating-interest rate bank accounts. Investments in fixed assets are only made when mandatory for the needs of the core business. IDEX has been funded by equity since 2010. IDEX will prepare and implement comprehensive capital management and funding policies as and when needed.

The group does not have any debt to financial institutions or lenders.

Reference is made to the comments above regarding the going concern assumption.

### **Significant accounting policies**

*Consolidation*

The group's consolidated financial statements comprise IDEX Biometrics ASA and companies in which IDEX Biometrics ASA has a controlling interest. Controlling interest means that the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Minority interests, if any, are included in the group's equity. The financial statements of the subsidiaries are prepared for the same reporting periods as the parent company, using accounting policies consistent with the parent's.

The results of subsidiaries acquired or disposed of during the year are included in the income statement from the date when control is obtained and until the control ceases, respectively. Intercompany transactions, balances, revenues and expenses and unrealised group internal profit or losses are eliminated on consolidation. The acquisition method is applied when accounting for business combinations.

*Revenue*

Revenue is recognized to the extent that it is probable that an economic benefit will flow to the group and the revenue can be reliably measured. Revenue is recognized at fair value ex works, net of VAT, returns, discounts and rejects.

*Delivery of products:* Revenue will be recognised at the time of delivery, which is when the risk and rewards of the goods has passed to the buyer and the revenue can be reliably measured.

*Development and other rendering of services:* Revenue from rendering of services is recognised as the services are performed, on the basis of degree of completion that can be reliably measured. Services delivered and billed at an hourly rate are recognised as delivered.

*Licence fees:* Licence fees are recognised when they are unconditionally earned by IDEX, i.e. not contingent on further deliveries by IDEX or contingent on income to the licensee or other caveats.

*Royalty:* Royalty revenue is recognised at the time the licensee generates income on which IDEX shall receive a royalty payment.

*Cost of goods sold and cost of services sold*

Cost of goods sold is recognised when the related goods have been sold. Cost of goods sold is the full manufacturing and logistic cost up to the ex works point, including any royalty costs to third parties. Licence costs are allocated over time or units of production as applicable. Cost of services sold are recognised in the various operating expenses.

*Currency*

Monetary assets and liabilities denominated in foreign currency are converted using exchange rates of the balance sheet date. Revenues and expenses in foreign currency are converted using the exchange rate at the transaction date. Translation differences on monetary items are recognised in financial items.

Assets and liabilities in foreign operations, including goodwill and fair value adjustments, are translated into NOK using the exchange rates on the balance sheet date. Income and expenses relating to foreign operations are translated into NOK using the average exchange rate.

Translation differences due to the translation of a net investment in foreign operations and from related hedging objects are included in comprehensive income. Translation differences previously recognised in comprehensive income are reversed and recognised in the net result of the year when the foreign operations are disposed of.

*Research and development expenses*

Research costs are expensed as incurred. Development costs that do not meet the criteria of capitalisation are expensed as incurred. Development expenses are capitalised when the criteria for recognition is met, i.e. that it is probable that IDEX will realise future economic benefits from the asset, IDEX has committed itself to complete the asset, the technical feasibility of completing the asset has been demonstrated, and that the cost can be measured reliably. The assets are amortised over their expected useful life once the asset is available for use. Maintenance and training costs are expensed as incurred.

*Fixed assets*

Fixed assets are held at cost less accumulated depreciation and impairment charges. When assets are sold or retired, the original investment amount and accumulated depreciation are derecognised. Any gain or loss on the sale or retirement is recognised in the income statement.

The capitalised amount of fixed assets is the purchase price including freight and installation as well as any duties, taxes and direct acquisition costs related to making the asset ready for use. Costs related to training and commissioning are expensed as incurred. Subsequent costs, such as repair and maintenance expenses, are normally recognised in the income statement as incurred. When increased future economic benefits as a result of repair or maintenance work can be proven, such expenses will be recognised in the balance sheet as additions to fixed assets.

The assets are depreciated using the straight-line method over each asset's useful life. The depreciation period and method are assessed each year to ensure that the method and period used is consistent with the status of the non-current asset. The same applies to the residual value.

*Intangible assets*

Acquired identifiable intangible assets are held at cost less accumulated depreciation and impairment charges. The original investment amount and accumulated depreciation of fully depreciated intangible assets are derecognised. Goodwill on acquisitions is held at cost less impairment charges.

*Shares in subsidiaries*

Shares in subsidiaries are held at original cost in the parent company's balance sheet.

*Impairment of intangible assets, fixed assets and other long-term assets*

An assessment of impairment losses on long-term assets is made when there is an indication of a fall in value. Goodwill is tested minimum annually. If an asset's carrying amount is higher than the asset's recoverable amount, an impairment loss will be recognised in the income statement. The recoverable amount is the higher of the fair value less costs to sell and the discounted cash flow from continued use. The fair value less costs to sell is the net amount that can be obtained from a sale to an independent third party. The recoverable amount is determined separately for each asset.

Impairment losses recognised in the income statements for previous periods are reversed when the reason for the impairment is reduced or ceases to exist. The reversal is recognised on a separate line. Reversal is limited to the lower of the updated recoverable amount and the carrying amount that would have been recognised had no impairment losses been recognised for the asset in prior years. Impairment charges on goodwill are not reversed.

*Interest-bearing loans (receivables)*

Loans are initially recognised at cost, which is the fair value of the amount paid out plus directly attributable transaction costs. Following the initial recognition, the interest-bearing loan is measured at amortised cost applying the effective interest method. Any difference between amount paid out and repayment amount from borrower is recognised over the duration of the loan. Transaction costs and discounts are taken into account when calculating amortised cost. Gains and losses are recorded as net gain or loss when the receivable is derecognised.

*Inventory*

Inventory, i.e. raw materials, work in progress and finished goods for manufacturing and/or sale is held at the lower of average full acquisition cost and net realisable value.

*Accounts receivable*

Receivables are carried at amortised cost. The interest element is disregarded if it is insignificant. Should there be evidence of impairment, the receivable is written down to the present value of future cash flows discounted by the receivable amount's effective interest rate. Significant prepayments from customers are recognised as payables.

*Cash and bank deposits*

Cash and bank deposits include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and any bank overdrafts. Bank overdrafts are current liabilities on the balance sheet.

*Interest-bearing debt*

Debt and credits are initially recognised at cost, which is the fair value of the received amount less directly attributable transaction costs. Following the initial recognition, the interest-bearing debt is measured at amortised cost applying the effective interest method. Any difference between amount received and repayment amount is recognised over the duration of the loan. Transaction costs and discounts are taken into account when calculating amortised cost. Gains and losses are recorded as net gain or loss when the liability is derecognised.

Debt which the lender or IDEX may convert to equity and where the number of issued shares does not change with any change in fair value, are considered composite financial instruments. The equity component is calculated on the issue date as the excess of the amount received and the present value of future interest and repayment amounts, discounted by the market rate for comparable loans without conversion rights. Interest cost is recognized applying the effective interest method.

*Accounts payable*

Payables are carried at amortised cost. The interest element is disregarded if it is insignificant. Significant prepayments to vendors and prepayments to be amortised are recognised as prepayments.

*Provisions*

Provisions are recognised when and only when the group has a valid liability (legal or constructive) as a result of events that have taken place and it is more probable than not that a financial settlement will take place as a result of the event(s), and that the amount can be measured reliably. Provisions are reviewed on each balance sheet date and the amount adjusted to the best estimate of the liability. When the effect of time is significant, the provision will amount to the present value of future payments. Increase in the provision due to time is recorded as interest costs.

*Taxes on taxable income*

For clarity, it is noted that property tax, net worth tax, turnover taxes, and other taxes that are unrelated to taxable income or profit, are reported on the relevant operating expense line of the income statement, and not on the income tax line. The income tax expense consists of the tax payable and changes in deferred tax. Deferred tax has been calculated at the applicable tax rate on the temporary differences between the recorded and tax values, as well as on any tax loss carry-forward at the balance sheet date. Any temporary differences increasing or reducing tax that will or may reverse in the same period, have been netted.

A deferred tax asset will be recognised when it is probable that the group will have a sufficient profit for tax purposes to apply the tax loss carried forward. At each balance sheet date, IDEX reviews its deferred tax assets and the amount to be recognised or not. The group recognises an unrecognised deferred tax asset to the extent that it has become probable that the group can utilise the deferred tax asset. Similarly, the group will reduce its deferred tax asset to the extent that it can no longer utilise it. Deferred tax and deferred tax assets are calculated at the expected future tax rates. The effect of time is not taken into account.

#### *Contingent liabilities and assets*

Contingent liabilities are possible obligations resulting from past events which existence depends on future events; obligations that are not recognised because it is not probable that they will lead to an outflow of resources; and obligations that cannot be measured with sufficient reliability. Contingent liabilities are not recognised in the annual financial statements, but will be disclosed in the notes as appropriate.

A contingent asset is not recognised in the annual financial statements, but is disclosed in the notes if there is a degree of probability that a benefit will accrue to IDEX.

#### *Share-based remuneration*

Subscription rights granted to employees and others are recognised as equity-settled share-based remuneration, with the employer's tax cost recognised as a cash-settled element. The cost of equity-settled remuneration is the fair value at grant, which is charged to the income statement as earned over the vesting period(s). The fair value is determined using the Black & Scholes option pricing model. The notional employer's tax liability is calculated on the earned intrinsic value of the subscription rights. The liability is remeasured at each balance sheet date.

#### *Leasing agreements, rentals*

Leasing contracts are classified as financial or operational leases based on an individual assessment. Operational lease contracts and rentals are expensed on a straight-line basis through the contract period. Assets financed by financial leases are capitalised and amortised over their useful lives. The corresponding lease commitment is reduced by the value of lease payments made, less calculated interest.

#### *Earnings per share*

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

#### *Cash flow*

The cash flow statement has been prepared by the indirect method and reports cash flows classified in operating, investing and financing activities.

#### *Government grants*

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

#### *Segment reporting*

IDEX operates in one business segment, fingerprint imaging and recognition technology, and the parent company and the subsidiaries are managed as one unified entity. Geographical segmentation is not part of the management process. The company has therefore not presented segment reports. IDEX will implement segment reporting as and when segment reporting, whether business or geographical, is informative.

## 2. Revenues

The parent company holds all customer relations and agreements related to the delivery of goods and services to customers, and purchasing of components, manufacturing services and goods for resale. The parent company also holds all intellectual property of IDEX and all vendor relations and agreements related to the goods and services delivered to customers. The subsidiaries provide services to the parent company or, occasionally, services to the customers on behalf of the parent company.

Product sales Amounts in NOK 1,000	Total	IDEX group and IDEX Biometrics ASA Billing currency			
		CNY	EUR	GBP	USD
<b>2019</b>					
Europe, Middle East and Africa	<b>412</b>			0	412
Americas	<b>42</b>				42
Asia	<b>942</b>				942
<b>Total</b>	<b>1 396</b>	0	0	0	1 396
<b>2018</b>					
Europe, Middle East and Africa	<b>1 289</b>			1	1 288
Americas	<b>27</b>				27
Asia	<b>865</b>				865
<b>Total</b>	<b>2 181</b>	0	0	1	2 180

The billing and underlying pricing currency to customers may differ due to currency adjustment clauses.

## 3. Payroll expenses and remuneration

Amounts in NOK 1,000	IDEX group		IDEX Biometrics ASA	
	2019	2018	2019	2018
<b>Payroll expense</b>				
Salaries	<b>141 494</b>	113 668	<b>13 177</b>	9 659
Social security taxes	<b>11 483</b>	10 402	<b>740</b>	1 431
Pension contribution	<b>3 710</b>	2 727	<b>244</b>	96
Other personnel expenses	<b>11 626</b>	10 163	<b>505</b>	389
Payroll tax on exercised subscription rights	<b>77</b>	31	<b>77</b>	31
Share-based remuneration (notional salary)	<b>22 277</b>	24 170	<b>22 277</b>	24 170
Net employer's tax on share-based remuneration	<b>728</b>	(179)	<b>29</b>	(179)
<b>Total</b>	<b>191 396</b>	160 983	<b>37 050</b>	35 598
Average no. of employees (full-time equivalents)	<b>109</b>	99	<b>3</b>	6

The parent company provides a contribution-based pension insurance scheme for all its employees. The scheme satisfies the Norwegian mandatory service pension rules (obligatorisk tjenestepensjon, OTP). The contribution is 10 percent of the employee's annual salary between 1G and 12G in 2019 (2018: 2 percent). G is the basic amount in the Norwegian social security system and amounted to NOK 99 thousand in 2019 (2018: NOK 96 thousand). The pension scheme is a fully insured, defined contribution plan.

Employees of IDEX America are offered participation in an insured health, dental and vision plan. The employee selects coverage level and inclusion of any family members. IDEX America contributes towards the plan cost, at a level depending on family status and chosen plan options. The employee pays any membership premiums required in excess of the company contribution. IDEX America also offers employer-funded schemes for life insurance, short-term disability and long-term disability. IDEX America does not offer or plan to offer any pension plans, except for a 401k plan implemented in 2016.

IDEX China contributes to the mandatory social security schemes in PRC, including contribution of 21 percent of eligible salary to each employee's personal retirement fund. The pension contribution is included in the social security cost.

IDEX UK contributes between 4 and 6 percent of basic salary to employees enrolled in IDEX UK's pension plan, subject to the employee contributing the same percentage through a salary sacrifice arrangement. The contribution satisfies the UK automatic enrolment rules. The pension scheme is a fully insured, defined contribution plan.

The cost of share-based remuneration is based on the fair value of incentive subscription rights (SRs) at grant. The cost is expensed over the vesting period per tranche of grant, which means the cost is front-loaded over the full duration. Due to fewer grants in 2019 than 2018, 20.4 million vs. 23.4 million SRs, and thus a lower average number outstanding during the



year, the cost was lower in 2019 than the year before. The cost is non-cash, and the same amount is added to equity. The potential employer's tax liability is calculated on the earned intrinsic value of the subscription rights at year end, and the net change from the year before is expensed or reversed. At the end of 2019, only a small amount of the outstanding earned SRs had intrinsic value and the net potential employer's tax liability was NOK 22 thousand (2018: nil).

At year-end 2019, there were 15 female and 87 male persons employed in the group; of these, 1 female and 2 males in IDEX Biometrics ASA. (2018: 15 and 90 in the group and 1 and 3 in IDEX Biometrics ASA). Salary statistics per gender have not been prepared.

### Remuneration to officers

2019

Remuneration to the CEO and officers reporting to the CEO.

2019						Share-based	Total
Amounts in NOK 1,000	Salary	Incentive pay (bonus)	Other benefits	Pension contribution		remune- ration *	remune- ration
Stan Swearingen, CEO in 2019 **	3 172	1 901	70			3 970	9 113
Derek D'Antilio, CFO ***	1 079		39			277	1 395
Fred Benkley, CIO ****	1 960	228	88			1 364	3 640
Anthony Eaton, CTO *****	1 656	200	2	211		734	2 803
Henrik Knudtzon, former CFO *****	1 466	800	10	35		1 046	3 357
<b>Total</b>	<b>9 333</b>	<b>3 129</b>	<b>209</b>	<b>246</b>		<b>7 391</b>	<b>20 308</b>

\* The amount is the amortised cost in the year under IFRS 2 Share-based payments, for incentive subscription rights. This is an upfront option value calculation and does not represent any gain from the subscription rights. Gain if any, is reported separately in the year of exercise.

\*\* Stan Swearingen was employed as Chief Executive Officer until 27 February 2020, whereafter he continued as Executive Vice President of Advanced Technology and Strategy.

\*\*\* Derek D'Antilio joined IDEX as Chief Financial officer 8 July 2019.

\*\*\*\* Fred Benkley was employed as Chief Technology Officer until 1 March 2019, whereafter he continued as Chief Innovation Officer.

\*\*\*\*\* Anthony Eaton was promoted to Chief Technology Officer 1 March 2019.

\*\*\*\*\* Henrik Knudtzon left the company 31 May 2019.

Salary, bonus and other benefits, whether cash or in kind, are the amounts declared for tax purposes for the year 2019, while pension cost and share-based remuneration are expensed amounts in the year. When persons leave during the year, the reversal of forfeited share-based remuneration may cause a net credit. Gains on exercise of share-based incentives, if any, are reported separately. Employers' tax is not included. The bonuses paid in 2019 are for achievements in 2018.

No officers exercised incentive subscription rights in 2019.

2018

Remuneration to the CEO and officers reporting to the CEO.

2018						Share-based	Total
Amounts in NOK 1,000	Salary	Incentive pay (bonus)	Other benefits	Pension contribution		remune- ration *	remune- ration
Stan Swearingen, CEO **	3 003		75			5 644	8 722
Henrik Knudtzon, CFO	2 000	729	10	21		1 741	4 501
Fred Benkley, CTO	1 846	710	105			1 534	4 195
Hemant Mardia, former CEO ***	3 268		4	incl. in salary		4 240	7 512
<b>Total</b>	<b>10 117</b>	<b>1 439</b>	<b>194</b>	<b>21</b>		<b>13 159</b>	<b>24 930</b>

\* The amount is the amortised cost in the year under IFRS 2 Share-based payments, for incentive subscription rights. This is an upfront option value calculation and does not represent any gain from the subscription rights. Gain if any, is reported separately in the year of exercise.

\*\* Stan Swearingen was employed as Chief Product Officers until 1 April 2018 when he was promoted to Chief Executive Officer.

\*\*\* Hemant Mardia transferred to an advisory role 1 April 2018 and left the company as of 22 August 2018, whereafter he continued as a member of the strategy advisory board until 23 September 2018.

Salary, bonus and other benefits, whether cash or in kind, are the amounts declared for tax purposes for the year 2018, while pension cost and share-based remuneration are expensed amounts in the year. When persons leave during the year, the reversal of forfeited share-based remuneration may cause a net credit. Gains on exercise of share-based incentives, if any, are reported separately. Employers' tax is not included. The bonuses paid in 2019 are for achievements in 2018.

<b>Officers' exercise of incentive subscription rights 2018</b>	Number of	Amount paid	Taxable gain
Amounts in NOK 1,000	subscr. rights		
Hemant Mardia, former CEO, 6 November	1 500 000	6 675	202

### Guidelines for remuneration to officers

In order to attract and retain the leadership competence that IDEX needs, the remuneration of officers, and all other employees, shall be competitive and comprise a basic salary including standard benefits. Performance-based cash bonus and incentive subscription rights may supplement the salary. Cash bonus plans are limited to fixed amounts or fixed percentage of base pay. The highest bonus plan for any officer is currently limited to a maximum of 50 percent of base pay, and the CEO's bonus plan is currently limited to a maximum of 70 percent of base pay. In addition, the board may grant the CEO an exceptional bonus of up to 30 percent of base salary for strategic achievements. All parts of the remuneration - fixed as well as variable- shall reflect the responsibility and performance over time of the respective officer.

The basic salary is evaluated annually, and the company's bonus plan cycle is from 1 January to 31 December, with a possible mid-term evaluation as at 30 June and pay-out in the third quarter. Officers are enrolled in the same pension scheme(s) that IDEX offers other employees of the same entity. The board determines the salary and other remuneration to the CEO. The CEO determines the salary and other remuneration of all other employees, within the framework set by the board. There is no post-employment remuneration beyond conventional notice periods of 3-6 months, or shorter when applicable.

Except for appropriate travel advances, IDEX has not made any advance payments or issued loans to, or guarantees in favour of, any members of the management.

### Share-based remuneration to officers

The company's subscription rights plan(s) as resolved by the general meeting is the same for officers as for all employees. Grants are scaled based on position, results and competitive considerations. The purpose of such plans is to strengthen the company by providing to employees, management and individual contractors additional performance incentive.

### Implementation and effect of the policies on remuneration to officers

Salary, pension and any paid bonuses will attract employer's tax which will be expensed simultaneously with the paid or earned remuneration.

Actual bonus payments in the respective years are reported in the tables above. The bonus may have been earned partly or in full in the calendar year before the payment was made. Bonuses are paid only after evaluation against bonus criteria has been conducted. Until the evaluation has taken place, an overall accounting accrual covering all participants in the bonus plan has been made. The accrual is not individual and therefore not included in the table of remuneration to officers.

The share-based remuneration reported in the tables is the period's notional cost of the respective officers' subscription rights. The equity effect of this cost is nil because the contra item is a notional equity injection of equal amount. In addition, the cost of employer's tax on the earned intrinsic value on the balance sheet date, is accrued. The value varies with the share price and may entail a net reversal of cost. For the reported officers in the respective years, the cost accrual (reversal) for employer's tax on subscription rights in 2019 amounted to NOK 22 thousand accrual and the accumulated accrual amounted to NOK 22 thousand at the end of the year (2018: reversal NOK 147 thousand and NOK 0 thousand).

On exercise, the actual employer's tax is expensed, and the accrual adjusted to cover the remaining outstanding subscription rights. The actual cost of the employer's tax is normally funded by the equity paid in on exercise. Any exercises of subscription rights by officers in the respective years are disclosed above.

For the shareholders, an actual or possible exercise will represent a dilution. At the end of 2019, the number of outstanding subscription rights to present officers including their close associates was 13,964,100, corresponding to 1.9 percent of the share capital (2018: 11,705,000 outstanding subscription rights corresponding to 2.2 percent of the share capital at the time).

### Board and election committee remuneration

IDEX has no obligation to remunerate the board or election committee members in that capacity other than the remuneration resolved by the annual general meeting upon completion of each year of tenure. The group has not issued any advance payments or loans to, or guarantees in favour of, any board member or election committee member.

The annual general meeting 2019 resolved a board remuneration amounting to NOK 300 thousand (2018: NOK 300 thousand) per board member for the period from the annual general meeting 2018 to the annual general meeting 2019. The chairman received an additional remuneration of NOK 75 thousand (2018: NOK 25 thousand) for the service as chairman. The board

members had the option to receive part or all of the remuneration in the form of shares. The number of shares corresponded to a gross value of 133 percent of the board remuneration, for which the board member paid the par value and the shares were locked up for one year. See note 7.

The annual general meeting 2019 resolved a remuneration to the nomination committee for the period from the annual general meeting 2018 to the annual general meeting 2019 amounting to NOK 15 thousand per member and NOK 25 thousand to its chairman, the same amount as in the preceding period.

Based on the resolutions of the annual general meeting 2018, IDEX has accrued corresponding amounts for board and nomination committee remuneration in the period June through December 2019. The accruals amounted to NOK 951 thousand at the end of 2019 (2018: NOK 922 thousand). The nomination committee shall propose the remunerations for the period June 2019 through May 2020 to the annual general meeting 2020.

The company refunds relevant out-of-pocket expenses incurred by the board members.

The board members of the subsidiaries are executives of IDEX Biometrics ASA or legal advisers to IDEX. No board remuneration is paid, but the legal advisers charge normal rates for their time spent.

#### 4. Research and development expenses

Any research costs are expensed when incurred. IDEX's patents and other intellectual property rights created by IDEX are capitalised and held in the balance sheet only if they satisfy the criteria for capitalisation. The same applies to the development costs. IDEX has not capitalised any development costs in 2019 or 2018. Development costs and internal costs related to creation of IP have been expensed when incurred. Grants and contributions to research and development are credited against costs.

Amounts in NOK 1,000	IDEX group		IDEX Biometrics ASA	
<b>Research and development expenses</b>	<b>2019</b>	2018	<b>2019</b>	2018
Gross development expenses	<b>43 589</b>	50 850	<b>189 299</b>	164 212
Capitalisation of development expense				
Government grants credited to cost	<b>(5 000)</b>	(5 000)	<b>(5 000)</b>	(5 000)
Net development expenses	<b>38 589</b>	45 850	<b>184 299</b>	159 212
Estimated payroll cost related to R&D	<b>141 685</b>	116 127		9 617
Capitalisation of development work				
Net estimated payroll exp. related to development	<b>141 685</b>	116 127		9 617

#### 5. Government grants

Amounts in NOK 1,000	IDEX group and IDEX Biometrics ASA	
<b>Grants during the year</b>	<b>2019</b>	2018
SkatteFunn (recognised as cost reduction of development expenses)	<b>5 000</b>	5 000

SkatteFunn grants for research and development projects are contingent on pre-approved project applications and approved completion reports to the Research Council of Norway, as well as auditor's confirmation of costs. The recognised amount in 2019 represents IDEX's claim based on the cost of the approved project applications. The 2019 reports have been submitted and approved. The cost basis will be audited in the tax return filing process. The support for 2019 will be paid out in the second half of 2020.

#### 6. Audit and audit fees

Amounts in NOK 1,000	IDEX group		IDEX Biometrics ASA	
<b>Audit fees during the year*</b>	<b>2019</b>	2018	<b>2019</b>	2018
Statutory audit of the group and parent company	<b>618 168</b>	539 676	<b>385 355</b>	324 676
Tax assistance	<b>39 800</b>	38 600	<b>39 800</b>	38 600
Other services	<b>38 600</b>		<b>10 600</b>	
Total audit fees	<b>696 568</b>	578 276	<b>435 755</b>	363 276

\* Fees for the statutory audit of IDEX Biometrics ASA and the IDEX group.

Ernst & Young AS (EY) is the appointed auditor for the Group. EY has been the company's auditor since 2001. The responsible partner is Leiv Aschehoug, who has held that role since financial year 2015. EY issues an Independent Auditor's Report on the financial statements of IDEX Biometrics ASA, which comprise the financial statements for the parent company and the Group. IDEX China's local financial statements for 2019 have been subject to local statutory audit by Shanghai Acumen CPA.

IDEX UK (IDEX Biometrics UK Ltd.), in which company IDEX ASA holds all the shares, has taken advantage of section 479a of the UK Companies Act 2006 to be exempt from audit of its financial statements for the period 1 January 2019 through 31 December 2019.

## 7. Transactions with related parties

The company's significant shareholders, board members and management of the group, as well as related parties of these are considered related parties. Parties who are related to the group's related parties, are also considered related parties to the group. Furthermore, the subsidiaries are close relations to the parent company. All transactions with related parties have been carried out on an arm's length principle.

Salary and board remuneration to related parties has been disclosed in note 3. See also note 16.

There were no overdue open items with any related parties at the end of 2019 or 2018. See also note 18.

### Board

The chairman is a partner in Advokatfirma Ræder DA. The law firm provided services to the company amounting to NOK 4,132 thousand in 2019 (2018: NOK 2,709 thousand). The amount in 2019 included, among other assignments, prospectus, ongoing assistance with various actual and contemplated business agreements and certain employment agreements. It also includes work on the share issue in 2019. (The amount in 2018 was chiefly related to ongoing assistance with various actual and contemplated business agreements and certain employment agreements. It also includes work recorded as prepayment related to the share issue announced 30 January 2019.) The recognised amounts include accruals for services received but not yet billed.

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

Since 2016, former board member Andrew MacLeod had provided consulting services beyond board duty to IDEX for a fixed fee of GBP 60 thousand per year. Mr Macleod's service agreement ended on 27 March 2019, and he left the board on 9 May 2019.

Following the annual general meeting of IDEX on 9 May 2019, board members Deborah Davis and Hanne Høvdning, and former board member Andrew MacLeod, elected to receive part or full board remuneration in shares. Board member Deborah Davis acquired 88,291 shares against payment of NOK 0.15 per share, instead of NOK 235,000 of the board remuneration. Ms. Davis took the remainder of the board remuneration in cash. Board member Hanne Høvdning acquired 60,113 shares against payment of NOK 0.15 per share, instead of NOK 160,000 of the board remuneration. Ms. Høvdning took the remainder of the board remuneration in cash. Former board member Andrew MacLeod acquired 88,291 shares against payment of NOK 0.15 per share, instead of NOK 235,000 of the board remuneration. Mr. MacLeod took the remainder of the board remuneration in cash.

### Officers

The board resolved on 4 August 2019 the annual refresh grant of incentive subscription rights (SRs) to IDEX employees under the company's 2019 incentive subscription rights plan. The following grants were made to officers: Stan Swearingen, CEO, 1,200,900 SRs; Derek D'Antilio, CFO 2,000,000 SRs; Anthony Eaton, CTO, 327,800 SRs. The exercise price of the subscription rights is NOK 1.65 per share. 25 percent of the subscription rights vest per year. The subscription rights expire on 9 May 2024.

<b>Grants of incentive subscription rights to related parties 2019</b>	Grant date	Number of subscr. rights	Exercise price NOK per share
Stan Swearingen, former CEO	14 August. 2019	1 200 900	1.65
Derek D'Antilio, CFO	14 August. 2019	2 000 000	1.65
Fred Benkley, CIO	14 August. 2019	245 400	1.65
Anthony Eaton, CTO	14 August. 2019	327 800	1.65

The grants were made under the company's 2019 and 2018 incentive subscription rights plans as resolved at the annual general meetings on 9 May 2019 and 9 May 2018 respectively.

*Subsidiaries*

See note 1, 13 and 18. The parent company purchases various services from the subsidiaries at arm's length basis. The subsidiaries are funded by reasonable equity and interest-free advances as well as interest-bearing loans at arm's length interest rate.

Amounts in NOK 1,000	IDEX Biometrics ASA's cost of services from subsidiaries		Interest income to IDEX Biometrics ASA from subsidiaries	
	2019	2018	2019	2018
<b>Intra-group transactions</b>				
IDEX Holding Company Inc.	0	0	0	
IDEX America Inc.	144 315	121 559	945	625
IDEX Biometrics UK Ltd.	47 969	40 654	236	211
IDEX Electronics (Shanghai) Co., Ltd.	14 296	11 246	67	72
<b>Total</b>	<b>206 580</b>	<b>173 459</b>	<b>1 249</b>	<b>908</b>

IDEX Biometrics ASA has sold lab equipment to IDEX Biometrics UK Ltd. amounting to NOK 69 thousand in 2019 (2018: NOK 19 thousand).

There were no overdue payables between any of the group companies at the end of 2019 or 2018.

**8. Income tax expense**

Specification of the tax expense for the year	IDEX group		IDEX Biometrics ASA	
	2019	2018	2019	2018
Amounts in NOK 1,000				
Payable taxes on the result of the year	1 412	322		
Change in deferred tax asset/liability				
<b>Tax expense on net result</b>	<b>1 412</b>	<b>322</b>		

Computation of payable taxes for the year	IDEX group		IDEX Biometrics ASA	
	2019	2018	2019	2018
Amounts in NOK 1,000				
Net result before taxes	(283 923)	(245 766)	(296 517)	(252 346)
Permanent differences	25 603	20 232	25 603	20 232
Changes in temporary differences	1 850	(573)	1 527	(384)
<b>Basis for payable taxes</b>	<b>(256 470)</b>	<b>(226 107)</b>	<b>(269 387)</b>	<b>(232 498)</b>
Calculated payable taxes on current year's result in the UK and the USA	1 412	332		
22 % tax, representing payable taxes on current year's result in Norway (2018: 22%)				
<b>Payable taxes on current year's result</b>	<b>1412</b>	<b>332</b>		

Temporary differences	Temporary differences		Change in temporary differences	
	31 Dec. 2019	31 Dec. 2018	2019	2018
Amounts in NOK 1,000				
<b>IDEX group</b>				
Temporary differences	(9 614)	(7 763)	(1 850)	573
<b>IDEX Biometrics ASA</b>				
Temporary differences	(8 108)	(6 581)	(1 527)	(74)

Specification of temporary differences	IDEX group		IDEX Biometrics ASA	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Amounts in NOK 1,000				
Employer's tax on share-based remuneration	(22)		(22)	
Fixed Assets	541	(456)	2 047	726
Inventory	(10 133)	(7 258)	(10 133)	(7 258)
Receivable		(49)		(49)
<b>Total</b>	<b>(9 614)</b>	<b>(7 763)</b>	<b>(8 108)</b>	<b>(6 581)</b>
Losses carried forward	(1 698 959)	(1 429 583)	(1 698 959)	(1 429 583)
Temporary differences	(9 614)	(7 763)	(8 108)	(6 581)
<b>Basis for deferred taxes</b>	<b>(1 708 573)</b>	<b>(1 437 346)</b>	<b>(1 707 067)</b>	<b>(1 436 164)</b>
Calculated net deferred tax expense (income), Norway 22% (2018: 22%), UK 19% (2018: 19%)	(375 555)	(315 956)	(375 555)	(315 956)
Unrecognised deferred tax asset (liability)*	375 826	316 181	375 555	315 956
Deferred tax asset (liability) in the balance sheet**	(271)	(226)		

\* The deferred tax asset is in Norway,

\*\* The deferred tax liability is in UK

Specification of payable taxes in the balance sheet	IDEX group		IDEX Biometrics ASA	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Amounts in NOK 1,000				
Payable taxes on this year's result	1 412	332		
Total payable taxes	1 412	332		

Reconciliation theoretical vs. actual tax expense	IDEX group		IDEX Biometrics ASA	
	2019	2018	2019	2018
Amounts in NOK 1,000				
Result (loss) before tax	(283 923)	(245 766)	(296 517)	(252 346)
Theoretical tax expense (income), 22 % (2018: 22%) Norway	(65 234)	(58 040)	(65 234)	(58 040)
Calculated tax expense (income), UK and USA	1 412	332		
Tax on permanent differences	5 633	4 653	5 633	4 653
Effect on deferred tax from change in future tax rate from 23 % in 2017 to 22 % in 2018		14 355		14 362
Change in deferred tax asset not recognised on 31 December	59 599	39 025	59 599	39 025
Actual tax expense (income)	1 412	332		

The accumulated unrecognised deferred tax asset amounting to NOK 375.6 million is related to tax losses carry forward in Norway (2018: NOK 316.0 million). IDEX Biometrics ASA has not generated taxable profits in prior years. At 31 December 2019 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 recognised. There are no restrictions as to how long tax losses may be carried forward in Norway.

## 9. Profit (loss) per share

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

	IDEX group	
	2019	2018
Net profit (loss) for the year (NOK 1,000)	(285 335)	(246 097)
Number of ordinary shares in issue at 31 December	717 988 732	544 314 537
Weighted average basic number of ordinary shares	595 023 182	542 795 969
Weighted average diluted number of shares	596 783 173	543 117 924
<b>Basic and diluted profit (loss) per share in the year (NOK per share)</b>	<b>(0,48)</b>	<b>(0,45)</b>

The diluted number of shares has been calculated by the treasury stock method. If the exercise price of subscription rights exceeds the average share price in the period, the subscription rights or warrants are not counted as being dilutive.

## 10. Intangible assets

Total intangible assets	IDEX group		IDEX Biometrics ASA	
	2019	2018	2019	2018
Amounts in NOK 1,000				
<i>Amortisation period (straight line, years)</i>	<i>3, 10 and 17</i>	<i>3, 10 and 17</i>	<i>3, 10 and 17</i>	<i>3, 10 and 17</i>
Cost at 1 January	51 004	51 004	51 004	51 004
Additions				
Disposals at cost	(294)		(294)	
<b>Cost at 31 December</b>	<b>50 710</b>	<b>51 004</b>	<b>50 710</b>	<b>51 004</b>
Accumulated amortisation at 1 January	15 981	12 280	15 981	12 280
Amortisation and impairment	3 650	3 701	3 650	3 701
Accumulated amortisation of disposed items	(51)		(51)	
<b>Accumulated amort. and impairmt. at 31 December</b>	<b>19 579</b>	<b>15 981</b>	<b>19 579</b>	<b>15 981</b>
<b>Book value at 31 December</b>	<b>31 130</b>	<b>35 023</b>	<b>31 130</b>	<b>35 023</b>

*Goodwill*

<b>Goodwill</b> Amounts in NOK 1,000	<b>IDEX group</b>		<b>IDEX Biometrics ASA</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
<i>Amortisation period (straight line, years)</i>	<i>not applicable</i>	<i>not applicable</i>	<i>not applicable</i>	<i>not applicable</i>
Cost at 1 January	8 260	8 260	8 260	8 260
Additions				
Disposals at cost				
<b>Cost at 31 December</b>	<b>8 260</b>	8 260	<b>8 260</b>	8 260
Accumulated impairment at 1 January				
Impairment				
Accumulated impairment of disposed items				
<b>Accumulated impairment at 31 December</b>	<b>0</b>	0	<b>0</b>	0
<b>Book value at 31 December</b>	<b>8 260</b>	8 260	<b>8 260</b>	8 260

IDEX acquired assets and intellectual property rights from PicoField Technologies, Inc. in 2013. The purchase amount, USD 4.0 million, corresponding to NOK 23.6 million, was allocated to identifiable assets and goodwill. The goodwill was primarily attributed to the expected benefit from the IP and know-how arriving with the identifiable assets and the employees. Under IFRS goodwill is not depreciated but impairment tested at each year end. For tax purposes, the goodwill will depreciate by 20 percent annually on declining balance.

Goodwill has not been allocated because there is only one cash generating unit in the group. IDEX performed the annual impairment test on 31 December 2019. The recoverable amount has been determined based on the fair value of the equity of IDEX, based on the share price at 31 December 2019. The fair value of the equity at 31 December 2019 was NOK 919 million, while the book value of the group's equity was NOK 156 million. No impairment charge has been made. IDEX is not aware of any circumstances that indicate that the goodwill may be impaired at the date of these financial statements.

*Other intangible assets*

<b>Acquired patents</b> Amounts in NOK 1,000	<b>IDEX group</b>		<b>IDEX Biometrics ASA</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
<i>Amortisation period (straight line, years)</i>	<b>10, 17</b>	10, 17	<b>10, 17</b>	10, 17
Cost at 1 January	42 744	42 744	42 744	42 744
Additions				
Disposals at cost	(294)		(294)	
<b>Cost at 31 December</b>	<b>42 450</b>	42 744	<b>42 450</b>	42 744
Accumulated amortisation at 1 January	15 981	12 280	15 981	12 280
Amortisation and impairment	3 650	3 701	3 650	3 701
Accumulated amortisation of disposed items	(51)		(51)	
<b>Accumulated amort. and impairmt. at 31 December</b>	<b>19 579</b>	15 981	<b>19 579</b>	15 981
<b>Book value at 31 December</b>	<b>22 870</b>	26 763	<b>22 870</b>	26 763

The assets and intellectual property rights acquired in earlier years have been capitalised in accordance with IFRS and is depreciated over the estimated useful life, viz. the lifetime of the respective patent(s).

IDEX's patents and other intellectual property rights created by IDEX are not held in the balance sheet because they do not satisfy the criteria for capitalisation. IDEX has not capitalised any development costs in 2019 (2018: nil).

## 11. Tangible fixed assets

Total tangible fixed assets Amounts in NOK 1,000	IDEX group		IDEX Biometrics ASA	
	2019	2018	2019	2018
<i>Depreciation period (straight line), years</i>	<b>3-5</b>	3-5	<b>3-5</b>	3-5
Cost at 1 January	24 661	14 675	2 013	2 235
Additions	14 621	9 017	5 796	
Disposals at cost	(8 123)	(222)	(981)	(222)
Currency adjustment	353	1 191		
<b>Cost at 31 December</b>	<b>31 512</b>	24 661	<b>6 828</b>	2 013
Accumulated depreciation at 1 January	10 071	6 672	1 653	1 547
Depreciation	4 578	3 153	439	302
Accumulated depreciation of disposed items	(957)	(197)	(957)	(197)
Currency adjustment	142	442		
<b>Accumulated depreciation at 31 December</b>	<b>13 834</b>	10 070	<b>1 134</b>	1 653
<b>Book value at 31 December</b>	<b>17 678</b>	14 590	<b>5 693</b>	361

There were no investments in progress at the end of 2019 (2018: investments in progress amounting to 7,051 thousand).

Plant and machinery, fixtures and fittings Amounts in NOK 1,000	IDEX group		IDEX Biometrics ASA	
	2019	2018	2019	2018
<i>Depreciation period (straight line), years</i>	<b>3-5</b>	3-5	<b>3-5</b>	3-5
Cost at 1 January	1 388	1 220	115	115
Additions	5 833	114	5 796	
Disposals at cost	(115)		(115)	
Currency adjustment	24	54		
<b>Cost at 31 December</b>	<b>7 130</b>	1 388	<b>5 796</b>	115
Accumulated depreciation at 1 January	532	204	114	111
Depreciation	490	309	207	3
Accumulated depreciation of disposed items	(115)		(115)	
Currency adjustment	10	19		
<b>Accumulated depreciation at 31 December</b>	<b>917</b>	532	<b>207</b>	114
<b>Book value at 31 December</b>	<b>6 212</b>	856	<b>5 589</b>	0

Office furniture and office equipment Amounts in NOK 1,000	IDEX group		IDEX Biometrics ASA	
	2019	2018	2019	2018
<i>Depreciation period (straight line), years</i>	<b>3-5</b>	3-5	<b>3-5</b>	3-5
Cost at 1 January	5 960	5 040	661	661
Additions	756	640		
Disposals at cost	(641)		(641)	
Currency adjustment	81	281		
<b>Cost at 31 December</b>	<b>6 155</b>	5 961	<b>20</b>	661
Accumulated depreciation at 1 January	3 242	1 865	632	572
Depreciation	1 341	1 228	26	60
Accumulated depreciation of disposed items	(641)		(641)	
Currency adjustment	33	149		
<b>Accumulated depreciation at 31 December</b>	<b>3 975</b>	3 242	<b>17</b>	632
<b>Book value at 31 December</b>	<b>2 180</b>	2 719	<b>3</b>	29



Instruments and lab equipment, software tools Amounts in NOK 1,000	IDEX group		IDEX Biometrics ASA	
	2019	2018	2019	2018
<i>Depreciation period (straight line), years</i>	<b>3-5</b>	3-5	<b>3-5</b>	3-5
Cost at 1 January	10 262	8 415	1 237	1 459
Additions	8 032	1 656		
Disposals at cost	(225)	(222)	(225)	(222)
Currency adjustment	158	413		
<b>Cost at 31 December</b>	<b>18 227</b>	10 262	<b>1 012</b>	1 237
Accumulated depreciation at 1 January	6 297	4 603	907	864
Depreciation	2 747	1 616	205	239
Accumulated depreciation of disposed items	(201)	(197)	(201)	(197)
Currency adjustment	99	274		
<b>Accumulated depreciation at 31 December</b>	<b>8 942</b>	6 296	<b>911</b>	907
<b>Book value at 31 December</b>	<b>9 286</b>	3 966	<b>101</b>	331

## 12. Leases

Right-of-use assets Amounts in NOK 1,000	IDEX group		IDEX Biometrics ASA	
	2019	2018	2019	2018
<i>Depreciation period (straight line), years</i>	<b>3-5</b>		<b>3-5</b>	
Cost at 1 January				
Additions	18 003		566	
Disposals at cost				
Currency adjustment	263			
<b>Cost at 31 December</b>	<b>18 266</b>		<b>566</b>	
Accumulated depreciation at 1 January				
Depreciation	6 144		27	
Accumulated depreciation of disposed items				
Currency adjustment	52			
<b>Accumulated depreciation at 31 December</b>	<b>6 196</b>		<b>27</b>	
<b>Book value at 31 December</b>	<b>12 070</b>		<b>539</b>	

Leases in the statements of income Amounts in NOK 1,000	IDEX group		IDEX Biometrics ASA	
	2019	2018	2019	2018
Other operating expense	(6 348)		(28)	
<b>EBITDA</b>	<b>6 348</b>		<b>28</b>	
Depreciation of right-of-use assets	6 144		27	
<b>EBITA</b>	<b>204</b>		<b>1</b>	
Interest expense on lease liabilities	438		3	
<b>EBIT</b>	<b>(233)</b>		<b>(1)</b>	

Leases in the statements of financial position Amounts in NOK 1,000	IDEX group		IDEX Biometrics ASA	
	2019	2018	2019	2018
<b>Assets</b>				
Right-of-use-assets - office buildings	12 070		539	
<b>Total lease assets</b>	<b>12 070</b>		<b>539</b>	
<b>Liabilities</b>				
Long-term liabilities	5 355		334	
Short-term liabilities	6 921		207	
<b>Total lease liabilities</b>	<b>12 276</b>		<b>540</b>	

At the implementation date 1 January 2019, the right-of-use assets and lease liabilities were at the same amount and equity was not impacted.

Reconciliation of lease commitments to lease liabilities	IDEX group	IDEX Biometrics ASA
Amounts in NOK 1,000		
Operating lease obligation at 31 December 2018	12 101	891
Relief option for short-term leases	(1 753)	(891)
<b>Gross lease liabilities at 1 January 2019</b>	<b>10 348</b>	
Effect of discounting using incremental borrowing rate	(439)	
<b>Lease liability and right-of-use assets recognized at initial application</b>	<b>9 909</b>	

The lease liabilities were discounted at the incremental borrowing rate as at 1 January 2019. The weighted average discount rate for the IDEX group was 4.89%

#### *Leases in the statements of cash flows*

In the statements of cash flows the cash payments for the principal are classified within cash flows from financing activities. The interest portion of the lease liability is classified as net financial items within cash flows from operating activities.

### 13. Subsidiaries

The subsidiaries provide various services to the parent company, mainly within technical development, supply-chain administration and customer interface, and marketing services to IDEX Biometrics ASA. The accounting year in all subsidiaries is the calendar year, same as in the parent company and the group.

Subsidiaries	Ownership	Share of votes	Net profit or	Equity
Amounts in NOK 1,000	31 Dec. 2019	31 Dec. 2019	(loss) 2019	31 Dec. 2019
IDEX Holding Company Inc., Delaware, USA	100 %	100 %	(2)	(39)
IDEX America Inc., Delaware, USA	100 %	100 %	9 187	16 038
IDEX Biometrics UK Ltd., England	100 %	100 %	1 370	2 760
IDEX Electronics (Shanghai) Co., Ltd, China	100 %	100 %	626	1 116
	31 Dec. 2018	31 Dec. 2018	2018	31 Dec. 2018
IDEX Holding Company Inc., Delaware, USA	100 %	100 %	(2)	(39)
IDEX America Inc., Delaware, USA	100 %	100 %	4 852	10 692
IDEX Biometrics UK Ltd., England	100 %	100 %	1 048	1 574
IDEX Electronics (Shanghai) Co., Ltd, China	100 %	100 %	354	754

IDEX Holding Company Inc. (IDEX Holding) is a holding company for the activities in the USA. The operating company, IDEX America Inc. (IDEX America), is held by IDEX Holding. IDEX Holding and IDEX America were established in 2013 when operations commenced. IDEX America's main facilities are in Wilmington, Massachusetts and Rochester, New York.

IDEX Biometrics UK Ltd. (IDEX UK) was incorporated and commenced operations in 2014. The registered office is in Manchester, England. IDEX UK has taken advantage of section 479a of the UK Companies Act 2006 to be exempt from audit of its financial statements for the calendar year 2019 and 2018.

IDEX Electronics (Shanghai) Co., Ltd. (IDEX China) was established and commenced activities in 2015. The company is located in Shanghai.

### 14. Cash and bank deposits

Cash and bank deposits by currency	IDEX group		IDEX ASA	
Amounts in NOK 1,000	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Denominated in NOK	103 600	72 201	103 600	72 201
Denominated in USD	16 003	7 122	3	3
Denominated in GBP	3 092	3 001	573	
Denominated in CNY	1 337	1 390		
<b>Total</b>	<b>124 031</b>	<b>83 714</b>	<b>104 177</b>	<b>72 205</b>

Of the amounts above, NOK 386 thousand was employees' withheld payroll tax deposits (2018: NOK 278 thousand). Only the withheld payroll tax deposits were restricted. Deposits for rent of facilities or utilities have not been included in bank deposits.

## 15. Restricted assets

IDEX Biometrics ASA has placed an amount corresponding to about 3 months rent and allocations of its leasehold facilities in escrow accounts for the benefit of the respective landlords. At the end of 2019, the escrow accounts amounted to NOK 602 thousand (2018: NOK 531 thousand). Other companies in the group have paid deposits amounting to NOK 734 thousand to suppliers (2018: NOK 738 thousand).

No other assets have been pledged as security or are otherwise restricted. See note 14.

## 16. Share capital, shareholder information and incentive subscription rights

There is one class of shares, and all shares have equal rights and are freely negotiable. The share capital is fully paid in. The par value of the shares is NOK 0.15 (15 Norwegian øre) per share. At the end of 2019 there were 4,732 shareholder accounts compared to 3,449 at the end of 2018. IDEX does not hold any of its own shares.

### Number of shares

	2019	Shares
<b>Balance at 1 January</b>		<b>544 314 537</b>
Private placement of shares (in lieu of cash payment) on 27 February		53 437 500
Share issue (in lieu of cash board remuneration)		236 695
Private placement of shares (in lieu of cash payment) on 2 December		55 425 407
Private placement of shares (in lieu of cash payment) on 24 December		64 574 593
<b>Balance at 31 December</b>		<b>717 988 732</b>
	<b>2018</b>	<b>Shares</b>
<b>Balance at 1 January</b>		<b>542 383 105</b>
Share issue (in lieu of cash board remuneration)		300 185
Exercises of incentive subscription rights on several dates		1 631 250
<b>Balance at 31 December</b>		<b>544 314 537</b>

#### 2019:

Three board members took board remuneration partly or fully in shares in lieu of cash, total 236,695 shares were issued against a payment of par value NOK 0.15 per share.

Costs related to share issues have been charged against equity and amounted to NOK 7.9 million in 2019.

#### 2018:

Four board members took board remuneration partly or fully in shares in lieu of cash, total 300,182 shares were issued against a payment of par value NOK 0.15 per share. Two employees exercised vested incentive subscription rights on 8 November 2018, in a combined total of 1,631,250 shares at average price NOK 4.38 per share.

Costs related to share issues have been charged against equity and amounted to NOK 35 thousand in 2018.

<b>Shareholders registered at 31 December 2019</b>	<b>Number of shares</b>	<b>Percent of shares</b>
Keith, Robert	60 000 000	8.4%
Sundvall Holding As	57 661 021	8.0%
Ubs Switzerland Ag	55 764 466	7.8%
The Northern Trust Comp, London Br	50 030 909	7.0%
Goldman Sachs International	47 720 360	6.6%
Sundt As	30 840 365	4.3%
Middelborg Invest As	30 426 604	4.2%
Barclays Capital Sec. Ltd Firm	18 063 785	2.5%
Colargol Invest As	15 550 318	2.2%
Alden As	15 490 519	2.2%
Charles Street International Ltd	14 952 713	2.1%
F2 Funds As	12 052 300	1.7%
Smart Riches Limited	11 968 240	1.7%
Societe Generale	11 442 660	1.6%
Tigerstaden As	10 000 000	1.4%
Max Invest As	8 000 000	1.1%
Nordnet Bank Ab	6 391 068	0.9%
Equinor Pensjon	5 772 191	0.8%
Klp Aksjenorge Indeks	5 615 052	0.8%
Nordnet Livsforsikring As	5 094 130	0.7%
Others	245 152 031	34.1%
<b>Total</b>	<b>717 988 732</b>	<b>100.0%</b>

For practical reasons, IDEX reports shareholders as registered in the VPS and does not combine accounts or prepare a list of beneficial owners of holdings in nominee accounts.

<b>Shares and subscription rights held or controlled by board members, officers and their close relations</b>	<b>31 December 2019</b>		<b>31 December 2018</b>	
	<b>Shares</b>	<b>Incentive subscr. rights</b>	<b>Shares</b>	<b>Incentive subscr. rights</b>
Morten Opstad, chairman	<b>7 298 916</b>		7 198 916	
Lawrence John Ciaccia, board member (*)	<b>121 563</b>	<b>600 000</b>	121 563	600 000
Deborah Davis, board member	<b>287 406</b>		199 115	
Hanne Høvdning, board member	<b>462 778</b>		402 665	
Andrew James MacLeod, board member (*)	<b>na</b>	<b>na</b>	553 475	500 000
Stephen Andrew Skaggs, board member	<b>450 000</b>		na	na
Stan Swearingen, former CEO	<b>400 000</b>	<b>8 015 900</b>	150 000	6 815 000
Derek D'Antilio, CFO	<b>100 000</b>	<b>2 000 000</b>	na	na
Fred Benkley, CIO	<b>50 000</b>	<b>2 495 400</b>	50 000	2 600 000
Anthony, Eaton, CTO		<b>1 452 800</b>	na	na
Henrik Knudtzon, former CFO	<b>na</b>	<b>na</b>	50 000	2 290 000
<b>Total</b>	<b>9 170 663</b>	<b>14 564 100</b>	8 725 734	12 805 000

Note: na indicates that the person did not hold a reportable position at the end of the respective years.

\* The incentive subscription rights granted to Lawrence John Ciaccia and Andrew James MacLod were granted in connection with their ongoing consultancy/advisory roles and not as remuneration for board tenure.

IDEX has the practice of revolving its incentive subscription rights programme at each annual general meeting, when the preceding programme is closed for further grants and a new programme opened. In 2019 the board granted incentive subscription rights to employees and individual contractors under the 2018 programme in the period 1 January-8 May 2019, and made grants under the 2019 programme in the period 9 May-31 December 2019.

Under the 2019 subscription rights-based incentive programme resolved by the annual general meeting on 9 May 2019, the board may grant up to 59,775,203 incentive subscription rights, but limited in such a way that the total number of subscription rights outstanding under all programmes may not exceed 10 percent of the number of shares. The subscription rights may be granted to employees and individual contractors performing similar work in IDEX. The exercise price shall be minimum the higher of the average closing price of the IDEX share on ten trading days preceding the date of the grant, or the closing price of the IDEX share on the trading day preceding the date of the grant. Unless resolved otherwise by the board, 25 percent of each grant of subscription rights vest per year. The annual vesting dates are the latest of the following dates before the date of grant of the subscription rights; (i) 15 January, (ii) 15 April, (iii) 15 July or (iv) 15 October. The subscription rights lapse on the fifth anniversary after the annual general meeting that resolved the programme. Grants under programmes for prior years have similar pricing rule, vesting schedule and duration. 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. There are no cash settlement alternatives.

Incentive subscription rights movements	2019		2018	
	Number of subscr. rights	W. average exercise price	Number of subscr. rights	W. average exercise price
Outstanding at 1 January	37 471 050	5.52	25 260 000	6.64
Granted	20 414 143	1.38	23 400 600	4.55
Exercise		0.00	(1 631 250)	4.38
Forfeited	(3 236 375)	4.34	(2 543 300)	6.99
Expired	(1 773 775)	5.27	(7 015 000)	6.02
Outstanding at 31 December	52 875 043	4.01	37 471 050	5.52
Number which were exercisable at 31 December	13 783 275	6.13	6 037 500	6.88
	Number of subscr. rights	W. avg. share price at exercise	Number of subscr. rights	W. avg. share price at exercise
Subscription rights exercised in the year			1 631 250	4.77
	Number of subscr. rights	W. average fair value of SR	Number of subscr. rights	W. average fair value of SR
Subscription rights granted in the year	20 414 143	1.38	23 400 600	4.55

The fair value of the subscription rights granted in the year has been calculated using the Black & Scholes option pricing model applying the following assumptions in 2019:

- Exercise price NOK 1.65-3.88 per share, weighted average NOK 1.38 per share
- Weighted average actual share price at date of grant NOK 1.49 per share
- Expected duration up to 4.93 years, weighted average 3.21 years
- Volatility of share price based on share price history 63-80 percent
- Weighted average risk-free interest rate of 1.16 percent
- No expected dividend payment
- Actual population of subscription rights holders, no attrition

#### Outstanding and vested incentive subscription rights at 31 December 2019

Exercise price NOK	Outstanding subscription rights			Vested subscription rights			
	Number of outstanding subscr. rights	Weight. aver. exercise price NOK	Weight. aver. remaining duration Years	Weight. aver. remain. time to vesting Years	Number of vested subscr. rights	Weight. aver. exercise price NOK	Weight. aver. remaining duration Years
0.00 - 0.50	4 938 543	0.15	4.36	1.54			
0.50 - 1.00	1 253 700	0.71	4.36	2.29			
1.50 - 2.00	12 138 200	1.65	4.36	2.04			
3.50 - 4.00	896 500	3.82	3.71	1.63			
4.00 - 4.50	11 022 200	4.28	3.14	0.91	2 987 300	4.28	2.96
4.50 - 5.00	5 160 000	4.67	2.37	0.78	1 290 000	4.67	2.36
5.00 - 5.50	6 265 900	5.09	3.16	0.93	2 338 475	5.09	3.03
6.50 - 7.00	3 975 000	6.59	1.33	0.28	2 406 250	6.59	1.30
7.50 - 8.00	5 075 000	7.77	1.84	0.35	3 135 000	7.78	1.73
8.00 - 8.50	1 970 000	8.24	1.11	0.16	1 446 250	8.21	0.86
9.00 - 9.50	105 000	9.23	0.27		105 000	9.23	0.27
9.50 - 10.00	75 000	9.85	0.37		75 000	9.85	0.36
Total	52 875 043	4.01	3.15	1.13	13 783 275	6.13	2.09

## 17. Board authorisations to issue shares or acquire own shares

The board has been authorised by the respective annual general meetings to issue shares upon exercise of incentive subscription rights granted under the various incentive subscription rights programmes. See note 16.

Only authorisations other than those related to subscription rights, and that are valid on 31 December 2019 have been included below. The annual general meeting 2019 resolved authorisations for private placement(s) and/or rights issues to raise additional capital. This was used for the private placement of shares on and 17 November 2019. Renewed authorizations for private placement(s) and/or rights issues to raise additional capital were resolved by the extraordinary general meeting on 12 December 2019. The new authorisations are valid until the annual general meeting 2020 but no longer than 30 June 2020.

The extraordinary general meeting on 12 December 2019 also resolved an authorization to the board to issue shares under the 2020 employee share purchase plan (2020 ESPP). Under the 2020 ESPP, employees may convert a portion of the cash remuneration into shares.

<b>Date and purpose of the authorisation</b>	Authorised number of shares	Issued number of shares
Annual general meeting 9 May 2019:		
Private placement of shares to raise additional capital *	59 775 203	55 425 407
Issue of shares in a rights issue to raise additional capital *	59 775 203	0
Extraordinary general meeting 12 December 2019:		
Private placement of shares to raise additional capital **	65 341 413	0
Issue of shares in a rights issue to raise additional capital **	65 341 413	0
Extraordinary general meeting 12 December 2019:		
Issue of shares to employees in connection with the 2020 ESPP	32 370 706	0

\* The combined issue under these two authorisations may not exceed 59,775,203 shares.

\*\* The combined issue under these two authorisations may not exceed 65,341,413 shares.

There were no authorisations to acquire own shares in effect at the end of 2019.

## 18. Receivables; Contingent assets

Long-term receivables Amounts in NOK 1,000	IDEX group		IDEX Biometrics ASA	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Denominated in NOK	602	531	602	531
Denominated in CNY	252	249		
Denominated in GBP	261	267		
Denominated in USD	222	222		
<b>Total</b>	<b>1 336</b>	<b>1 269</b>	<b>602</b>	<b>531</b>

The receivables are deposits for leasehold payments and are held at nominal value.

Long-term loans to group companies Amounts in NOK 1,000	IDEX Biometrics ASA	
	31 Dec. 2019	31 Dec. 2018
Denominated in NOK		
Denominated in CNY		
Denominated in GBP	7 457	6 920
Denominated in USD	19 578	20 692
<b>Total</b>	<b>27 035</b>	<b>27 611</b>

<b>Customer receivables</b>		<b>IDEX group and IDEX Biometrics ASA</b>			
Amounts in NOK 1,000		NOK equivalent of amounts denominated in foreign currency			
<b>31 December 2019</b>	<b>Total in NOK</b>	CNY	EUR	GBP	USD
Due in less than 3 months	271				271
Due in 3-6 months					
Due in 6-12 months					
<b>Total</b>	<b>271</b>				<b>271</b>
<b>31 December 2018</b>	<b>Total in NOK</b>	CNY	EUR	GBP	USD
Due in less than 3 months	339				339
Due in 3-6 months					
Due in 6-12 months					
<b>Total</b>	<b>339</b>				<b>339</b>

Customer receivables amounting to the equivalent of NOK 46 thousand were overdue and the potential loss had been accrued for at the end of 2018.

<b>Short-term receivables from group companies</b>		<b>IDEX Biometrics ASA</b>			
Amounts in NOK 1,000		NOK equivalent of amounts denominated in foreign currency			
<b>31 December 2019</b>	<b>Total in NOK</b>	CNY	EUR	GBP	USD
Total	1 831	1 135		696	
<b>31 December 2018</b>	<b>Total in NOK</b>	CNY	EUR	GBP	USD
Total	1 192	505		687	

<b>Other short-term receivables</b>		<b>IDEX group</b>			
Amounts in NOK 1,000		NOK equivalent of amounts denominated in foreign currency			
<b>31 December 2019</b>	<b>Total in NOK</b>	CNY	EUR	GBP	USD
Due in less than 3 months	1 780	(71)		576	
Due in 3-6 months	-				
Due in 6-12 months	5 000				
<b>Total</b>	<b>6 780</b>	<b>(71)</b>		<b>576</b>	
<b>31 December 2018</b>	<b>Total in NOK</b>	CNY	EUR	GBP	USD
Due in less than 3 months	684	(49)		487	
Due in 3-6 months	0				
Due in 6-12 months	5 000				
<b>Total</b>	<b>5 684</b>	<b>(49)</b>		<b>487</b>	

<b>Other short-term receivables</b>		<b>IDEX Biometrics ASA</b>			
Amounts in NOK 1,000		NOK equivalent of amounts denominated in foreign currency			
<b>31 December 2019</b>	<b>Total in NOK</b>	CNY	EUR	GBP	USD
Due in less than 3 months	1 275				
Due in 3-6 months	-				
Due in 6-12 months	5 000				
<b>Total</b>	<b>6 275</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>31 December 2018</b>	<b>Total in NOK</b>	CNY	EUR	GBP	USD
Due in less than 3 months	246				
Due in 3-6 months	0				
Due in 6-12 months	5 000				
<b>Total</b>	<b>5 246</b>				

No group or other receivables were overdue at the end of 2019 or 2018.

Prepayments		IDEX group			
Amounts in NOK 1,000		NOK equivalent of amounts denominated in foreign currency			
31 December 2019	Total in NOK	CNY	EUR	GBP	USD
Due in less than 3 months	2 551	226	-	1 022	1 200
Due in 3-6 months	2 632	83	-	599	1 897
Due in 6-12 months	1 569	6	-	737	781
<b>Total</b>	<b>6 752</b>	<b>316</b>	<b>-</b>	<b>2 357</b>	<b>3 879</b>
<b>31 December 2018</b>					
Due in less than 3 months	2 444	237		847	677
Due in 3-6 months	2 378	16		536	1 785
Due in 6-12 months	706	6		546	140
<b>Total</b>	<b>5 529</b>	<b>259</b>	<b>0</b>	<b>1 929</b>	<b>2 602</b>

Prepayments		IDEX Biometrics ASA			
Amounts in NOK 1,000		NOK equivalent of amounts denominated in foreign currency			
31 December 2019	Total in NOK	CNY	EUR	GBP	USD
Due in less than 3 months	395			213	79
Due in 3-6 months	323			213	58
Due in 6-12 months	431			370	15
<b>Total</b>	<b>1 149</b>			<b>796</b>	<b>152</b>
<b>31 December 2018</b>					
Due in less than 3 months	1 252			272	296
Due in 3-6 months	232			149	42
Due in 6-12 months	271			243	14
<b>Total</b>	<b>1 755</b>			<b>663</b>	<b>353</b>

IDEX had no contingent assets at the end of 2019 or 2018.

## 19. Payables; Financial obligations; Contingent liabilities

The group or IDEX Biometrics ASA did not have any liabilities at 31 December 2019 which represented a funding or financing instrument (2018: nil). All liabilities are payables and operational of nature. Interest expenses in 2019 and 2018 related only to penalty interest for payments where IDEX has accepted such charges. No payables were overdue without reason at the end of 2019 or 2018.

Long-term lease liabilities		IDEX group			
Amounts in NOK 1,000		NOK equivalent of amounts denominated in foreign currency			
31 December 2019	Total in NOK	CNY	EUR	GBP	USD
Later than one year and not later than five years	5 355			4 673	347
Later than five years					
<b>Total</b>	<b>5 355</b>			<b>4 673</b>	<b>347</b>
<b>31 December 2018</b>					
Later than one year and not later than five years					
Later than five years					
<b>Total</b>					
<b>Long-term lease liabilities</b>					
Amounts in NOK 1,000		IDEX Biometrics ASA			
		NOK equivalent of amounts denominated in foreign currency			
31 December 2019	Total in NOK	CNY	EUR	GBP	USD
Later than one year and not later than five years	334				
Later than five years					
<b>Total</b>	<b>334</b>				
<b>31 December 2018</b>					
Later than one year and not later than five years					
Later than five years					
<b>Total</b>					



<b>Accounts payable</b>		<b>IDEX group</b>			
Amounts in NOK 1,000		NOK equivalent of amounts denominated in foreign currency			
<b>31 December 2019</b>	<b>Total in NOK</b>	CNY	EUR	GBP	USD
Due in less than 3 months	4 062	-491	293	1 464	2 254
Due in 3-6 months	0				
Due in 6-12 months	0				
<b>Total</b>	<b>4 062</b>	<b>-491</b>	<b>293</b>	<b>1 464</b>	<b>2 254</b>

<b>31 December 2018</b>	<b>Total in NOK</b>	CNY	EUR	GBP	USD
Due in less than 3 months	5 126		303	1 015	3 454
Due in 3-6 months	0				
Due in 6-12 months	0				
<b>Total</b>	<b>5 126</b>	<b>0</b>	<b>303</b>	<b>1 015</b>	<b>3 454</b>

<b>Accounts payable</b>		<b>IDEX Biometrics ASA</b>			
Amounts in NOK 1,000		NOK equivalent of amounts denominated in foreign currency			
<b>31 December 2019</b>	<b>Total in NOK</b>	CNY	EUR	GBP	USD
Due in less than 3 months	2 840	-491	293	1 448	1 048
Due in 3-6 months	0				
Due in 6-12 months	0				
<b>Total</b>	<b>2 840</b>	<b>-491</b>	<b>293</b>	<b>1 448</b>	<b>1 048</b>

<b>31 December 2018</b>	<b>Total in NOK</b>	CNY	EUR	GBP	USD
Due in less than 3 months	4 080		303	771	2 653
Due in 3-6 months	0				
Due in 6-12 months	0				
<b>Total</b>	<b>4 080</b>	<b>0</b>	<b>303</b>	<b>771</b>	<b>2 653</b>

<b>Short-term payables to group companies</b>		<b>IDEX Biometrics ASA</b>			
Amounts in NOK 1,000		NOK equivalent of amounts denominated in foreign currency			
<b>31 December 2019</b>	<b>Total in NOK</b>	CNY	EUR	GBP	USD
Due in less than 3 months	36 600	1 647		9 829	25 124
Due in 3-6 months	0				
Due in 6-12 months	0				
<b>Total</b>	<b>36 600</b>	<b>1 647</b>	<b>0</b>	<b>9 829</b>	<b>25 124</b>

<b>31 December 2018</b>	<b>Total in NOK</b>	CNY	EUR	GBP	USD
Due in less than 3 months	Com	1 963		7 266	23 581
Due in 3-6 months	0				
Due in 6-12 months	0				
<b>Total</b>	<b>32 810</b>	<b>1 963</b>	<b>0</b>	<b>7 266</b>	<b>23 581</b>

<b>Short-term lease liabilities</b>		<b>IDEX group</b>			
Amounts in NOK 1,000		NOK equivalent of amounts denominated in foreign currency			
<b>31 December 2019</b>	<b>Total in NOK</b>	CNY	EUR	GBP	USD
Due in less than 3 months	1 730			635	1 044
Due in 3-6 months	1 730			635	1 044
Due in 6-12 months	3 461			1 269	2 088
<b>Total</b>	<b>6 921</b>	<b>0</b>	<b>0</b>	<b>2 538</b>	<b>4 176</b>

<b>31 December 2018</b>	<b>Total in NOK</b>	CNY	EUR	GBP	USD
Due in less than 3 months					
Due in 3-6 months					
Due in 6-12 months					
<b>Total</b>					

<b>Short-term lease liabilities</b>		<b>IDEX Biometrics ASA</b>				
Amounts in NOK 1,000		NOK equivalent of amounts denominated in foreign currency				
<b>31 December 2019</b>	<b>Total in NOK</b>	CNY	EUR	GBP	USD	
Due in less than 3 months	52					
Due in 3-6 months	52					
Due in 6-12 months	103					
<b>Total</b>	<b>207</b>	0	0	0	0	

<b>31 December 2018</b>	<b>Total in NOK</b>	CNY	EUR	GBP	USD
Due in less than 3 months					
Due in 3-6 months					
Due in 6-12 months					
<b>Total</b>					

#### Notional employer's tax on share-based remuneration

The estimated employer's tax liability related to share-based remuneration which on 31 December 2019 amounted to NOK 22 thousand for the IDEX group as well as IDEX Biometrics ASA (2018: nil), will be due only if and when the incentive subscription rights are exercised. The exercise will in all likely circumstances normally fund the payable employer's tax.

<b>Other short-term liabilities</b>		<b>IDEX group</b>				
Amounts in NOK 1,000		NOK equivalent of amounts denominated in foreign currency				
<b>31 December 2019</b>	<b>Total in NOK</b>	CNY	EUR	GBP	USD	
Due in less than 3 months	11 059	11	847	747	8 325	
Due in 3-6 months	14 262	462	0	2 203	3 788	
Due in 6-12 months	3 455	0	0	0	3 455	
<b>Total</b>	<b>28 775</b>	473	847	2 949	15 568	

<b>31 December 2018</b>	<b>Total in NOK</b>	CNY	EUR	GBP	USD
Due in less than 3 months	14 971	299	338	1 717	11 373
Due in 3-6 months	1 185	13	0	0	0
Due in 6-12 months	7 573	0	0	263	6 492
<b>Total</b>	<b>23 729</b>	311	338	1 980	17 864

<b>Other short-term liabilities</b>		<b>IDEX Biometrics ASA</b>				
Amounts in NOK 1,000		NOK equivalent of amounts denominated in foreign currency				
<b>31 December 2019</b>	<b>Total in NOK</b>	CNY	EUR	GBP	USD	
Due in less than 3 months	10 755	0	847	747	8 033	
Due in 3-6 months	7 809	0	0	0	0	
Due in 6-12 months	0	0	0	0	0	
<b>Total</b>	<b>18 565</b>	0	847	747	8 033	

<b>31 December 2018</b>	<b>Total in NOK</b>	CNY	EUR	GBP	USD
Due in less than 3 months	7 455	0	338	56	5 817
Due in 3-6 months	1 172	0	0	0	0
Due in 6-12 months	4 403	0	0	0	3 584
<b>Total</b>	<b>13 030</b>	0	338	56	9 401

Other short-term liabilities are accruals for earned compensation, vacation days not taken and accruals for goods and services received but not yet invoiced by the supplier.

IDEX had no other significant short-term or long-term financial obligations at the end of 2019 or 2018.

IDEX had no contingent liabilities at the end of 2019 or 2018.

## 20. Inventory

Inventory Amounts in NOK 1,000	IDEX group		IDEX Biometrics ASA	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Inventory at cost	16 159	19 117	16 159	19 117
Inventory reserve	(10 133)	(8 954)	(10 133)	(8 954)
<b>Total</b>	<b>6 026</b>	<b>10 164</b>	<b>6 026</b>	<b>10 164</b>

Inventory, consisting mainly of 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. In 2019 NOK 9.5 million of materials used in new product development was charged to development expense (2018: NOK 2.9 million).

## 21. Events after 31 December 2019

The board resolved on 26 February 2020 to issue 5,542,500 incentive subscription rights to employees and individual contractors in the IDEX group. The grant was made under the company's 2019 incentive subscription rights plan. The exercise price of the subscription rights is NOK 1.11 per share. The subscription rights vest by 25% per year and expire on 9 May 2024. Following the grant there are 58,417,543 subscription rights outstanding.

Effective 27 February 2020, IDEX appointed Vince Graziani as CEO, to replace Stan Swearingen, who continues with IDEX as executive vice president of advanced technology and strategy.

Between 31 December 2019 and the resolution of these annual financial statements, there have not been any events that have had any noticeable impact on IDEX's result in 2019 or the value of the groups's assets and liabilities at 31 December 2019.

The World Health Organization has recently declared Covid-19 a global pandemic. This pandemic has led to an abrupt decrease in global commerce and a rapid deterioration of global financial markets.

IDEX has adopted the guidelines outlined by the relevant governments where the company operates, to ensure the health of its employees and their families. The company has established an internal virus response team, who are responsible for on-going contingency planning. All travel and face-to-face meetings have been stopped. New working practices, enabling the majority of staff to work from home, came into effect on 16 March 2020. Staff, with specific roles that need to work at an IDEX facility, are supported in-line with local government guidelines.

Through the date of this report, there have not been significant delays in development projects and IDEX has not incurred significant additional costs due to the preventive actions taken.

Earlier in the first quarter, many of IDEX's business partners in Asia were impacted but the IDEX team were in regular contact and today the vast majority, if not all, of these partners have returned to their offices and factories.

IDEX acknowledges that there could be a negative business impact of reduced customer contact, deferred activity at customers, and/or lower manufacturing capacity at the company's production partners. The company is not in a position to quantify the possible effects.

On the other hand, IDEX has observed that the pandemic has increased end-user awareness of the benefits of contactless payments without PIN.

While the financial impact to IDEX is difficult to predict at this time, IDEX has taken actions to delay or reduce costs to the extent possible while protecting the company's business prospects and development projects. Management and the board will continue to monitor closely and take further actions as appropriate.

## RESPONSIBILITY STATEMENT

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The board and the managing director have today reviewed and approved this report from the board of directors as well as the annual financial statements for the IDEX group and the parent company IDEX Biometrics ASA as at 31 December 2019.

The consolidated annual financial statements and the annual financial statements for IDEX Biometrics ASA have been prepared in accordance with IFRS as adopted by the EU and the additional requirements in the Norwegian accounting act. The notes are an integral part of the respective financial statements. The report from the board of directors have been prepared in accordance with the Norwegian accounting act and generally accepted accounting practice in Norway.

We confirm, to the best of our knowledge, that the information presented in the financial statements gives a true and fair view of the group's and the parent company's assets, liabilities, financial position and result for the period viewed in their entirety, and that the report from the board of directors gives a true and fair view of the development, performance and financial position of the group and the parent company, and includes a description of the principal risks and uncertainties which the group and the parent company are facing.

21 April 2020

*The board of directors of IDEX Biometrics ASA*



Morten Opstad  
Chair



Lawrence John Ciaccia  
Deputy chair



Deborah Davis  
Board member



Hanne Høvdig  
Board member



Stephen Andrew Skaggs,  
Board member



Vincent Graziani  
CEO



Statsautoriserte revisorer  
Ernst & Young AS

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## INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of IDEX Biometrics ASA

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of IDEX Biometrics ASA, which comprise the financial statements for the parent company and the Group. The financial statements for the parent company and the Group comprise the statement of financial position as at 31 December 2019, the statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2019 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

#### Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material uncertainty related to going concern

According to the going concern section of the Board of Director's Report and note 1 in the financial statements, the Company will need to increase sales, raise more equity or issue debt instruments to fund operating commitments for the next twelve months. This indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter. In a situation where going concern no longer can be assumed, there is a risk of significant write-downs of the Group's assets as well as the Company's book value of receivables from subsidiaries and shares in subsidiaries.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2019. In addition to the matter(s) described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.



### *Assessment of impairment of intangible assets*

Intangible assets amount to NOK 31.1 million as of 31 December 2019, whereof goodwill amounts to NOK 8.3 million and acquired patents NOK 22.8 million. The recoverable amount of the intangible assets has been determined based on value in use. Estimating the value in use requires management judgement, including estimates of future revenues, gross margins, operating costs and capital expenditures. Management's assessment of the valuation of intangible assets was a key audit matter because the assessment requires significant judgement and implies significant estimation uncertainties.

We evaluated management's assessment of impairment indicators for the intangible assets. We tested management's assumptions used in the value in use calculations and assessed the historical accuracy of management's estimates. This included comparing projected revenues, gross margin, operating costs and capital expenditures to budgets approved by the Board. We also evaluated the level of consistency applied in the valuation methodology from previous years. Our audit procedures also included testing of the mathematical accuracy of the valuation model and an evaluation of the sensitivity analyses disclosed by management.

We refer to note 10 of the financial statements regarding intangible assets.

### **Other information**

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of management for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

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



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

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- ▶ obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

## Report on other legal and regulatory requirements

### Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.



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**Opinion on registration and documentation**

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

Oslo, 21 April 2020  
ERNST & YOUNG AS

A handwritten signature in blue ink, which appears to read 'Leiv Aschehoug'. The signature is written in a cursive style and is positioned above the printed name and title.

Leiv Aschehoug  
State Authorised Public Accountant (Norway)



# ARTICLES OF ASSOCIATION

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## ARTICLES OF ASSOCIATION OF IDEX BIOMETRICS ASA

Corp. ID no. NO 976 846 923 VAT

(last amended on 12 December 2019)

- § 1 The name of the company is IDEX Biometrics ASA and it is a public limited company.
- § 2 The objective of the Company is to deliver identification systems and other activities related to this.
- § 3 The business offices are in the Oslo municipality, Norway.
- § 4 The company's shares shall be registered in the Norwegian Registry of Securities.
- § 5 The share capital is NOK 107,698,309.80 divided into 717,988,732 shares each with a nominal value of NOK 0.15 per share and issued in name.
- § 6 The board of the Company consists of from three to seven members in accordance with the annual general meeting's instruction.
- § 7 The annual general meeting shall convene in or near Oslo at the board's decision, and shall consider:
- Determination of the annual financial statements
  - Appropriation of (net) profit or covering of losses
  - Election of chair of the board and board members
  - Election of chair and members of the nomination committee
  - Election of auditor
  - Determination of remuneration to the board of directors, members of the nomination committee and the auditor
  - Other matters which are governed by law
  - Other matters which are mentioned in the notice of the annual general meeting.
- § 8 a. The company shall have a nomination committee. The nomination committee shall have three members, including a chairman. Members of the nomination committee shall be elected by the annual general meeting for a term of two years.
- b. The nomination committee shall:
- Propose candidates for election to the board of directors
  - Propose the remuneration to be paid to the board members
  - Propose candidates for election to the nomination committee
  - Propose the remuneration to be paid to the nomination committee members
- c. The guidelines for the nomination committee shall be resolved by the annual general meeting.
- § 9 Documents which timely have been made available on the Internet site of the company and which deal with matters that are to be considered at the general meeting need not be sent to the company's shareholders.
- § 10 As a general rule, the company's general meetings shall be conducted in Norwegian. The general meeting may however resolve by a simple majority vote that English shall be used. Shareholders may present their points of view in the Norwegian or English language.
- § 11 A shareholder who wishes to attend the general meeting, in person or by proxy, shall notify his/her attendance to the company no later than 2 days prior to the general meeting. If the shareholder does not notify the company of his/her attendance in a timely manner, the company may deny him/her access to the general meeting.

# CORPORATE GOVERNANCE

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*Resolved by the board of directors of IDEX Biometrics ASA on 21 April 2020*

## 1. IMPLEMENTING AND REPORTING

This statement outlines the position of IDEX Biometrics ASA (the Company) in relation to the recommendations contained in the Norwegian Code of Practice for Corporate Governance dated 17 October 2018 (the Code). The Code is publicly available at [www.nues.no](http://www.nues.no). In the following, the Board of Directors

(the Board) will address each recommendation of the Code and identify any areas where the Company does not fully comply with the recommendations and explain the underlying reasons for the deviations and any compensating measures where applicable.

## 2. IDEX'S BUSINESS

In the articles of association, the Company's business is defined as "The objective of the Company is to deliver identification systems and other activities related to this."

The Company's business goals and key strategies are stated in a business plan adopted by the Board. The plan is reviewed and revised annually by the Board. The business goals and key strategies are presented in the annual report.

IDEX seeks to create sustained shareholder value. The Company makes every effort to comply with the wording and intent of the laws, rules and regulations in the countries and markets where it operates. IDEX is not aware of being or having been in breach of any such statutory laws, rules or regulations. The Company pays due respect to the norms of the various stakeholders in the business. In addition to the

shareholders, the Company considers its employees, the Company's business partners, the society in general and the authorities as stakeholders. IDEX is committed to maintain a high standard of corporate governance, be a good corporate citizen and demonstrate integrity and high ethical standards in all its business dealings.

The Board considers that the Board and the management have adequate monitoring and control systems in place to ensure insight in and control over the activities. The Board has resolved ethical guidelines which apply to all employees, consultants and contractors as well as the elected board members. The ethical guidelines also incorporate the Company's guidelines on corporate social responsibility. The guidelines are available on the Company's website, [www.idexbiometrics.com](http://www.idexbiometrics.com).

## 3. CAPITAL STRUCTURE, EQUITY AND DIVIDENDS

IDEX has until now been a development company and consequently funded on equity. The Board is aware of and acknowledges the equity requirements and duty of action in connection with loss of equity, as set out in the Norwegian Public Limited Companies Act (PLCA). The capital structure will change in the commercial growth stage. IDEX's working capital and fixed assets will need to be funded by a combination of supplier credit and borrowing from financial

lenders. The Board will target an optimal capital structure that leverages the equity while maintaining a moderate risk.

At various points in time, as well as presently, the Company has been in need of raising equity to fund its activities. Share issues, hereunder private placements, have been resolved by the shareholders at general meetings or by the Board pursuant to authorizations from the general meeting. The Board has annually

proposed to the general meeting reasonable authorizations for share issues. Such board authorizations have explicitly stated the type and purposes of transactions in which the authorizations may be applied.

Proposed authorizations to issue shares have been considered and voted separately by each type and purpose. The Board authorizations to issue shares have been valid until the next annual general meeting, as recommended by the Code. The proposals have been approved by the shareholders.

Further, the Company has in place a moderate incentive scheme in the form of a subscription rights program, as resolved by the general meeting. The subscription rights program is limited to a number of subscription rights representing 10% of the Company's share capital. The Company is also in the process of implementing an employee share purchase plan (ESPP), whereby employees may convert a portion of cash remuneration to shares in the

company. The ESPP serves to encourage employee ownership and represents a cash saving for the company.

The Company has not had in place any authorization to the Board to acquire own shares. As and when such authorization should be adopted, the Board will propose that the length of the authorization be limited to a period ending at the next annual general meeting of shareholders.

IDEX has not as yet declared or paid any dividends on its shares. The Company does not anticipate paying any cash dividends on its shares in the next few years. IDEX intends to retain future earnings, to finance operations and the growth of its business. Any future decision to pay dividends would be based on an amended dividend policy that may be instituted in due course, which policy would reflect the Company's financial condition, results of operation and capital requirements.

## 4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

The Company places great emphasis on ensuring equal treatment of its shareholders. There are no trading restrictions or limitations relating only to non-residents of Norway under the articles of association.

In the authorizations to issue new shares where the shareholders resolve to waive the pre-emptive rights of existing shareholders, the rationale for doing so shall be included as part of the decision material presented to the general meeting. If and when such transactions are conducted, the justification will also be included in the announcements to the market.

All related-party transactions, whether completed, in effect or future, have been and will be carried out on an arm's length basis. Any not immaterial future related-party transactions shall be subject to an independent third-party valuation unless the transaction by law requires shareholder approval. The Company takes legal and financial advice on these matters when relevant.

There are no clauses in the articles of association about trading in the Company's own shares, nor has the general meeting issued any such authorizations.

## 5. FREELY NEGOTIABLE SHARES

The Company has one class of shares. Each share carries one vote. There are no restrictions on voting rights of the shares. All shares are freely assignable.

The articles of association do not contain any restrictions on the shares.

## 6. GENERAL MEETINGS

The general meeting of shareholders provides a forum for shareholders to discuss any matters with the Board. To the maximum degree possible, all members of the Board and the chair of the nomination committee shall be present at the general meeting. The Company's CEO and the auditor shall also be present at the general meeting. The shareholders elect a person to chair the general meeting. The Board will arrange for an independent candidate if so requested by shareholders. Notice of a meeting of the shareholders shall be sent in a timely manner, and the Company shall issue the notice and documents for a general meeting, including the proxy form, no later than 21 days before the date of the general meeting. Foreign residents will receive the notice and any documents in English. The documents shall be precise and comprehensive to provide shareholders a basis for voting on the various matters. The articles of association state that documents which deal with matters that are to be handled at the general meeting need not be sent to the shareholders if the documents have been made available on the Company's web site timely.

The Board endeavours to provide comprehensive information in relation to each agenda item in order

## 7. NOMINATION COMMITTEE

The nomination committee is implemented in the Company's articles of association, and the mandate for the nomination committee has been resolved by the annual general meeting. The mandate is compliant with the current version of the Code. The annual general meeting elects the chair and two committee members. No current board member or IDEX executive is a member of the nomination committee. The current chair of the nomination committee was formerly a board member of the Company.

The mandate states that the nomination committee shall comply with the relevant sections in the Code. The nomination committee shall prepare and present proposals to the annual general meeting in respect of the following matters:

to facilitate constructive discussions and informed resolutions at the meeting.

The notice will also provide information on the procedures shareholders must observe in order to participate in and vote at the general meeting. Shareholders who are unable to attend in person will be provided the option to vote by proxy in favor or against each of the Board's proposals. The notice shall contain a proxy form as well as information of the procedure for proxy representation. Electronic voting or advance votes have not been introduced in the articles of association because there are as yet limited, if any, reliable systems or practices for such voting. At the meeting, votes shall be cast separately on each subject and for each office/candidate in the elections. Consequently, the proxy form shall to the extent possible, facilitate separate voting instructions on each subject and on each office/candidate in the elections. The notice, as well as the Company's website, will set out that the shareholders have the right to propose resolutions in respect of matters to be dealt with at the general meeting.

- Propose candidates for election to the Board.
- Propose the remuneration to be paid to the Board members.
- Propose candidates for election to the nomination committee.
- Propose the remuneration to be paid to the nomination committee members.

The nomination committee shall give a brief account of how it has carried out its work and shall substantiate its recommendations.

Information about the nomination committee, including deadlines and contact details, is available on the Company's web site.

## 8. BOARD OF DIRECTORS; COMPOSITION AND INDEPENDENCE

The Board acknowledges the Code's recommendation that the majority of the members of the Board shall be independent of the Company's executive management, material business contacts and the company's larger shareholders. This is intended to ensure that sufficient independent advice and judgment is brought to bear. All board members are required to make decisions objectively in the best interest of the Company. The majority of the current Board meets the independence criteria of the Code. The Board meets the statutory gender requirements. The board members' attendance statistics is included in the presentation of the board members in the annual report.

The articles of association state that there shall be from three to seven board members. The service period is not stated in the articles, hence the Board

members stand for election every two years pursuant to the provisions of the PLCA. It follows from the articles of association that the chair of the Board shall be elected separately.

The Board considers that it is beneficial for the Company and its shareholders at large that the Board members hold shares in the Company and encourages such share ownership.

The Board pays attention to ensure that ownership shall not in any way affect or interfere with proper performance of the fiduciary duties which the Board members and the management owe the Company and all shareholders. As and when appropriate, the Board takes independent advice in respect of its procedures, corporate governance and other compliance matters.

## 9. THE WORK OF THE BOARD OF DIRECTORS

The division of responsibility and duties between the Board and the managing director is based on applicable laws and well-established practices, which have been stated in board instructions in accordance with the PLCA. The Board instructions also set out the number of scheduled Board meetings per year and the procedures in connection with the Board's work and meetings.

The Board instructions state that the Board has the ultimate responsibility for the organization and planning of the Company, as well as a control and supervisory function, hereunder a duty to keep itself informed. The Board shall appoint the managing director and determine his or her remuneration and also possibly give notice or dismiss the managing director. The Board shall ensure that the organization of the accounting and funds management includes adequate control procedures. The Board shall monitor and follow-up the status and development of the Company's operational, financial and other results.

The Board will set out an annual plan for its work, focusing on business goals and key strategies, cf. Section 2 above. The Board instructions also list inter alia the following tasks:

- Issue interim and annual financial statements and other statutory reports;
- Issue notice of the annual general meeting;
- Resolve the annual plan and budget, including capital expenditure budget;
- Resolve investment in and disposals of subsidiaries and associated companies, and in real estate;
- Resolve and issue guarantees and other commitments and the pledging of assets;
- Resolve customer-related or revenue-generating agreements as well as other agreements and activities which are significant and would be expected to have a significant impact on the Company's results and financial position; and
- Determine whether legal proceedings should be commenced or settled.

The Board instructions state that in situations when the chair cannot or should not lead the work of the Board, the deputy chair shall chair the Board. If the deputy chair is also prevented from chairing the meeting, the longest-serving board member present shall chair the meeting until an interim chair has been elected by and among the board members present.

The Board conducts a self-evaluation of its performance and expertise annually.

IDEX is not obliged to have a separate audit committee and in view of the small number of Board members, the audit committee consists of all Board members who are not also executives or have similar roles in the Company. The Board instructions include instructions for the audit committee.

## 10. RISK MANAGEMENT AND INTERNAL CONTROL

The Board has adopted rules and guidelines regarding, amongst other matters, risk management and internal control. The rules and guidelines duly take into account the extent and nature of the Company's activities as well as the Company's corporate values and ethical guidelines, including corporate social responsibility. The Board conducts an annual review of the Company's most important areas of exposure to risk and its internal control arrangements, including the reporting procedures.

In view of the size of the Company and the number of Board members, the Board has chosen to elect the full Board to constitute the audit committee. The audit committee policies and activities are compliant with the PLCA.

IDEX issues interim financial reports each quarter and an annual financial report. The accounting policies applied when preparing the reports satisfy regulatory requirements. The Board reviews monthly financial reports for the group, comparing actual results to budget or plan. The size of the Company's operation and staff numbers necessarily leads to dependence on key individuals. However, the same factors also provide for transparency and inherent risk reduction. The subsidiaries are operationally integrated in the parent company, and the group works as one, unified company with staff on several sites. Legal and financial interaction between the group companies is conducted on arm's length terms.

IDEX's activities and financials are controlled by the parent company. The audit committee regularly

In 2019, the Board elected two of its members to serve as a compensation committee. The compensation committee is advisory to the Board, and also serves as an advisory forum to the managing director. The mandate for the compensation committee will be finalised in 2020.

Members of the Board and the management are obliged to notify the Board if they have any material direct or indirect interest in any transaction contemplated or entered into by the Company or any other matter that will be considered by the Board.

meets separately with the external auditor to review risk factors and measures, and any incidents and issues. The audit committee reviews all interim and annual financial reports before resolution by the Board. The Board has resolved a financial manual, which sets out policies and procedures for financial management and reporting in the group. This manual provides instructions for financial planning, treasury, accounting and reporting. It is reviewed annually by the audit committee, and updated as and when appropriate. The Board acknowledges that, having operations spread over four sites on three continents outside Norway, business control is a practical challenge. In addition to the financial framework and systems, IDEX has implemented comprehensive IT systems and quality management systems and standardised operating procedures which ensures adequate business controls.

IDEX does not operate a separate internal audit function. The CFO department conducts internal reviews of the group companies. Each review is conducted by a staff member not involved in transaction processing in the entity in question, and the findings are reported to the audit committee.

As regards share trading by IDEX's Board members, employees and individual contractors, as well as their close relations and controlled entities, the Board has adopted an insider manual with ancillary documents. The insider manual is intended to ensure that, among other things, trading in the Company's shares by insiders are conducted in accordance with applicable laws and regulations.

## 11. REMUNERATION OF THE BOARD OF DIRECTORS

A reasonable cash remuneration to the Board members for their services from the annual general meeting in 2018 until the annual general meeting in 2019 was proposed to and resolved at the annual general meeting 2019. To lessen the cash outflow and stimulate shareholding among the Board members, the annual general meeting granted an option for the Board members to receive the remuneration partly or fully in the form of shares. Three of the board members took up this option in 2019. Amount details are disclosed in the financial statements.

The nomination committee shall propose board remuneration for the period between the annual general meetings of 2019 and 2020. No share-based incentives have been granted as board remuneration. Any Board member performing work for the Company beyond the board duty shall ensure that such assignments do not in any way affect or interfere with proper performance of the fiduciary duties as a board member. Moreover, the Board, without the participation of the interested member, shall approve the terms and conditions of any such arrangements.

Adequate information about the remuneration shall be disclosed in the annual financial statements.

Advokatfirmaet Ræder AS, in which IDEX's chair, Morten Opstad, is a partner, renders legal services to the Company. Generally, such services are largely undertaken by lawyers at Ræder other than Mr Opstad. In the cases where legal services provided by Ræder are carried out by Mr Opstad, such services, which are outside Mr Opstad's duties as chair, are invoiced by Ræder. The legal fees to Ræder are disclosed in the financial statements.

Larry Ciaccia, who was last re-elected board member at the annual general meeting on 9 May 2019, has served on IDEX's Strategy Advisory Council (SAC) since January 2014 and continues his tenure on the SAC, for which he is remunerated separately. Mr Ciaccia also provides consulting services to IDEX for a fixed annual fee, and he has been granted incentive subscription rights in his capacity as adviser to IDEX. The fees and share-based remuneration to Mr Ciaccia are disclosed in the financial statements.

## 12. REMUNERATION TO THE MANAGEMENT

IDEX offers market-based compensation packages for the executives and employees in order to attract and retain the competence which the Company needs. The company has in place an incentive subscription rights plan for its employees, including management. Managers may also participate in the ESPP currently being implemented in the Company. The terms of these programmes are the same for managers as for other employees.

Senior managers have notice periods of 3 to 6 months. No so-called golden parachutes are in effect, and post-employment pay will only apply in case the Company invokes contractual non-competition clauses.

The Board shall determine the compensation of the CEO. The cash incentive remuneration per calendar

year is limited to an amount or a percentage of annual base pay. It follows from the nature of the incentive subscription rights programme resolved by the annual general meeting that the limit does not apply to the possible gain on subscription rights. The Board has adopted a policy for the CEO's remuneration of the employees.

At the annual general meeting, the Board will present to the shareholders a statement of remuneration to officers in a separate document attached to the notice of the annual general meeting. The statement shall clearly state which aspects of the guidelines are advisory and which are binding, and the general meeting will resolve the aspects separately. The resolution by the annual general meeting is binding to the extent it relates to share-based compensation, and advisory in other aspects.

## 13. INFORMATION AND COMMUNICATIONS

The Board places great emphasis on the relationship and communication with the shareholders. The primary channels for communication are the interim reports and presentations, the annual report and the associated financial statements. IDEX also issues other notices to shareholders when appropriate. The general meeting of shareholders and the presentations provide fora for shareholders to discuss any matters with the Board.

The Company publishes its annual financial calendar for the following year. All reports and other notices are issued and distributed according to the rules and practices at Oslo Børs. The notices to the market are published on the Oslo Børs newssite, [www.newsweb.no](http://www.newsweb.no). The reports and other pertinent information are also available on the Company's website, [www.idexbiometrics.com](http://www.idexbiometrics.com).

## 14. TAKE-OVERS

There are no takeover defence mechanisms in place. The Board will endeavor that shareholder value is maximised and that all shareholders are treated equally. The Board acknowledges its duty to not obstruct take-over bids and to not discourage or hinder competing bids. Any agreement with a bidder that acts to limit the Company's ability to arrange other bids should only be entered into where it is self-

## 15. AUDITOR

IDEX's auditor is fully independent of the Company. IDEX represents a minimal share of the auditor's business. IDEX does not obtain business or tax planning advice from its auditor. The auditor may provide certain technical and clerical services in connection with the preparation of the annual tax return and other secondary reports, for which IDEX assumes full responsibility. IDEX's auditor is Ernst & Young AS (EY). EY has been the auditor of the Company since 1996.

The Board reviews the auditor's annual plan, and the auditor presents to the board the findings and

The Board has adopted the following policies:

- Policy for reporting of financial and other information and investor relations;
- Policy for contact with shareholders outside general meetings; and
- Policy for information management in unusual situations attracting or likely to attract media or other external interest.

The financial reporting of IDEX is fully compliant with applicable laws and regulations. IDEX prepares and presents its annual financial reports in accordance with IFRS. The content of the interim reports is compliant with IFRS.

The current information practices are adequate under current rules. IDEX complies with the Oslo Børs code of practice for IR information.

evident that such an agreement is in the common best interest of the Company and its shareholders.

The Board will avoid compensation to a bidder whose bid does not complete, and limit any such compensation to the costs the bidder has incurred in making the bid. The Board shall otherwise ensure full compliance with section 14 of the Code.

recommendations after the audits. The auditor attends the board meetings when annual financial statements are considered and resolved, and the board regularly meets separately with the auditor to review risk factors and measures, and any incidents and issues. Accounting policies and any changes are subject to the statutory audit.

The Board has established written guidelines to the CEO in respect of assignments to the auditor other than the statutory audit. The Board shall otherwise ensure full compliance with section 15 of the Code.



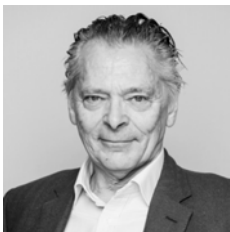
## BOARD OF DIRECTORS

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There are presently five board members including the chairman. At the annual general meeting 2019, it was resolved that chair Morten Opstad will continue as chair for an additional two-year term. It was also resolved that Lawrence Ciaccia be appointed deputy chair for a two-year term. Board members Deborah Davis and Hanne Høvdning were re-elected to continue for a two-year term and Steven Skaggs was elected to serve as a board member for a two-year term.

There are no family relationships among the board members or between board members and the management. There is no arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which members of the board or management was selected.

The board has held thirteen meetings in the period after the annual general meeting on 9 May 2019 until and including 21 April 2020.

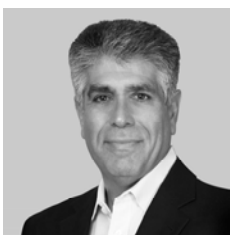


### MORTEN OPSTAD, CHAIR

Mr Opstad has served as chair of the board in IDEX since 1997. Mr Opstad is a partner in Advokatfirma Ræder DA in Oslo. He has rendered legal assistance with respect to establishing and organising several technology and innovation companies. He currently serves as chairman of the board of Thin Film Electronics ASA. Mr Opstad has a legal degree (Cand.Jur.) from the University of Oslo from 1979. He was admitted to the Norwegian Bar Association in 1986. Mr Opstad was born in 1953 and is a Norwegian citizen and resides in Oslo. Mr Opstad

attended all of the board meetings in the period.

As of 21 April 2020, Mr Opstad and close relations held or controlled 7,298,916 shares and 0 (nil) rights to shares in IDEX.



### LAWRENCE JOHN (LARRY) CIACCIA, DEPUTY CHAIR

Mr Ciaccia has served the board of IDEX since 2015 and deputy chairman of the board since 2019. He has broad expertise from the semiconductor industry. He is independent of the company's executive management, material business contacts and the company's larger shareholders. Mr Ciaccia played a pivotal role in transforming AuthenTec from a start-up into the world's leading fingerprint sensor supplier, serving as CEO from September 2010 and instrumental in the acquisition of AuthenTec by Apple in October 2012. He remained

with Apple through February 2013 to assist in the acquisition integration and transition. Mr Ciaccia was born in 1958, is a US citizen and resides in Florida. Mr Ciaccia attended all of the board meetings in the period.

As of 21 April 2020, Mr Ciaccia held 121,563 shares and 600,000 subscription rights to shares in IDEX.

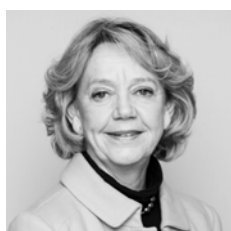


### DEBORAH DAVIS, BOARD MEMBER

Ms Davis has served the board of IDEX since 2015. She is independent of the company's executive management, material business contacts and the company's larger shareholders. Ms Davis holds non-executive director positions at Which?, The Institute of Directors UK (IoD) and International Personal Finance plc and is a trustee of Southern African Conservation Trust. Prior to this, she held senior executive leadership roles at PayPal, eBay, Verizon and Symantec. Ms Davis holds a Diploma in Company Direction with distinction from

IoD, a Sloan Masters in Science (Management) with Distinction from London Business School and a Bachelor of Applied Science (Electronics) Honours degree from the University of Melbourne. Ms Davis was born in 1963 and is a dual citizen of the UK and Australia and splits her time across UK, Africa and the Far East. Ms Davis attended twelve of the board meetings in the period.

As of 21 April 2020, Ms Davis held 287,406 shares and 0 (nil) rights to shares in IDEX.



### HANNE HØVDNING, BOARD MEMBER

Ms Høvdning has served on the board of IDEX since 2007. She is independent of the company's executive management, material business contacts and the company's larger shareholders. Ms Høvdning has a Bachelor's Degree in Economics and Business Administration from the Norwegian School of Economics and Business Administration. In her professional career Ms Høvdning has held several management positions within personnel administration, finance, credit card administration and debt collection. Ms Høvdning was born in 1954. She is a

Norwegian citizen and resides in Oslo. Ms. Høvdning attended all of the board meetings in the period.

As of 21 April 2020, Ms Høvdning held 462,778 shares and 0 (nil) rights to shares in IDEX.



### STEPHEN A. (STEVE) SKAGGS, BOARD MEMBER

Mr Skaggs has served on the Board of IDEX since May 2019. He is independent of the company's executive management, material business contacts and the company's larger shareholders. He currently also serves as a non-executive director of Coherent, Inc., a leading global manufacturer of lasers. Mr Skaggs has more than 25 years of experience in the semiconductor industry, including serving as President, CEO and CFO of Lattice Semiconductor, a supplier of programmable logic devices and related software. Mr Skaggs served as Senior Vice President and CFO of Atmel Corporation, a leading supplier of microcontrollers, prior to its acquisition by Microchip Technology Incorporated. Early in his career, he worked for Bain & Company, a global management consulting firm. Mr Skaggs holds an MBA degree from the Harvard Business School and a B.S. degree in Chemical Engineering from the University of California, Berkeley. Mr Skaggs was born in 1962, is a United States citizen and works and resides in Oregon. Mr Skaggs attended all of the board meetings in the period.

As of 21 April 2020, Mr Skaggs held 450,000 shares and 0 (nil) rights to shares in IDEX.

## MANAGEMENT

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### VINCENT (VINCE) GRAZIANI, CHIEF EXECUTIVE OFFICER

Mr Graziani became Chief Executive Officer (CEO) of IDEX on 27 February 2020. He joined IDEX from Infineon Technologies where he was most recently Vice President of Strategy Development and Implementation where he was responsible for leading new business development and strategic partnerships. Vince has also led technology companies from the pre-revenue stage to significant revenues and scale while serving as CEO of Sand 9 Inc., Vbrick Systems, and Sandburst Inc. These were all early-stage technology companies when he joined them. Earlier in his career, he held positions of increasing responsibility in engineering as well as sales and marketing at Intel, Broadcom, and Siemens Semiconductor. Mr Graziani works at IDEX America in Wilmington, Massachusetts.

As of 21 April 2020, Mr Graziani held 0 (nil) shares and 5,000,000 subscription rights to shares in IDEX.



### DEREK P D'ANTILIO, CHIEF FINANCIAL OFFICER

Mr. D'Antilio joined IDEX as Chief Financial Officer (CFO) in July 2019. He has over twenty years of financial experience with some of the most recognizable companies, including PwC and HewlettPackard. He has held senior finance positions at high-growth US-listed technology companies with responsibility for global accounting and reporting, financial planning, treasury, tax, operations and investor relations. Prior to joining IDEX, Mr D'Antilio served for 8 years as VP of Finance and Corporate Controller of MKS Instruments, Inc., a global, US publically traded semiconductor equipment supplier. Mr D'Antilio has an MBA from Babson College with Honors and is a Certified Public Accountant and Certified Management Accountant. Mr D'Antilio works at IDEX America in Wilmington, Massachusetts.

As of 21 April 2020, Mr D'Antilio held 350,000 shares and 2,000,000 subscription rights to shares in IDEX.



### STAN SWEARINGEN, EXECUTIVE VICE PRESIDENT OF ADVANCED TECHNOLOGY AND STRATEGY

Mr Swearingen took up his current position on 26 February 2020. He first joined IDEX's Strategy Advisory Council in May 2016 and was appointed Chief Products Officer of the company in October 2016. He was promoted to CEO in April 2018. Prior to joining IDEX, Mr Swearingen served as Senior Vice President & General Manager MaxTouch Business Unit and Chief Technology Officer of Atmel, where he drove the overall technology strategy and direction for the company. Mr Swearingen has also served as Senior Vice President and General Manager Biometric Products Division and Chief Technology Officer for Synaptics, where he was instrumental in the formulation of the biometric fingerprint strategy, including the acquisition of Validity. Prior to Synaptics, Mr Swearingen held senior positions at semiconductor companies, such as MiniCircuits, Skyworks Solutions, Agere Systems and National Semiconductor. Mr Swearingen has his office at IDEX America in Wilmington, Massachusetts.

As of 21 April 2020, Mr Swearingen held 400,000 shares and 8,015,900 subscription rights to shares in IDEX.



### ANTHONY EATON, CHIEF TECHNOLOGY OFFICER

Mr Eaton joined IDEX Biometrics in August 2016 and became Chief Technology Officer (CTO) in March 2019 having previously served as the company's VP of Systems Engineering. Before IDEX, he served as Director of System Engineering at Atmel, where he was responsible for building and running the System Engineering function for the MaxTouch Business Unit. Prior to this Mr Eaton held senior engineering roles at NVIDIA, Mirics Semiconductor and Sony Semiconductor. Mr Eaton holds a First Class Bachelors and Master's degree in Engineering from Cambridge University, England. Mr Eaton works at IDEX UK in Farnborough, UK.

As of 21 April 2020, Mr Eaton held 0 (nil) shares and 1,452,800 subscription rights to shares in IDEX.



### DAVID ORME, SVP SALES AND MARKETING

Mr Orme joined IDEX as Senior Vice President of Sales and Marketing in June 2018. He has a strong track record in supporting key sales, marketing and business development activity, in particular from Bell ID, where he was the CEO for nine years. He has also been the COO of Quadnetics Group plc and Bell Group plc, both major electronic security companies. Mr Orme is a Fellow at the United Kingdom Institute of Directors, and holds a BA Honours in Management Studies from Leeds University. Mr Orme has his office at IDEX UK in Farnborough, UK.

As of 21 April 2020, Mr Orme held 200,000 shares and 2,208,600 subscription rights to shares in IDEX.





# Get in touch



**IDEX**




Be part of the fingerprint authentication revolution

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General Enquiries  
E-mail: [mailbox@idexbiometrics.com](mailto:mailbox@idexbiometrics.com)

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-  [linkedin.com/company/idexbiometrics](https://linkedin.com/company/idexbiometrics)



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To the Shareholders and the Board of Directors of IDEX Biometrics ASA

**Opinion on the Financial Statements**

We have audited the accompanying consolidated statement of financial positions of IDEX Biometrics ASA (the Company) as of December 31, 2018 and 2019, the related consolidated statements of profit and loss, comprehensive income, changes in equity and cash flows for each of the two years in the period ended December 31, 2019, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018 and 2019, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2019, in conformity 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 Company’s Ability to Continue as a Going Concern**

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has limited revenue, a history of recurring losses from operations, and has stated that substantial doubt exists about the Company’s ability to continue as a going concern. Management’s evaluation of the events and conditions and management’s plans regarding these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**Basis for Opinion**

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young AS

We have served as the Company’s auditor since 2001.

Oslo, Norway

October 14, 2020

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**IDEX Biometrics ASA**  
**Consolidated Statements of Profit and Loss**  
(In thousands, except per share amounts)

	Note	Year Ended December 31,	
		2018	2019
Revenue:			
Product		\$ 268	\$ 159
Service		172	265
Total revenue	3	440	424
Operating expenses:			
Purchases, net of inventory variation		185	62
Payroll expenses	4	19,770	21,750
Research and development expenses	5, 6	5,631	4,385
Other operating expenses		3,919	4,641
Amortization and depreciation	10, 11, 12	842	1,633
Total operating expenses		30,347	32,471
Loss from operations		(29,907)	(32,047)
Finance income		134	135
Finance cost		(411)	(351)
Loss before tax		(30,184)	(32,263)
Income tax expense	8	(41)	(160)
Net loss for the year		<u>\$ (30,225)</u>	<u>\$ (32,423)</u>
Loss per share, basic and diluted	9	<u>\$ (0.06)</u>	<u>\$ (0.05)</u>

**Consolidated Statements of Comprehensive Income**

	Note	Year Ended December 31,	
		2018	2019
Net loss for the year		\$ (30,225)	\$ (32,423)
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods (net of tax):	8		
Foreign currency exchange differences		(455)	(662)
Total comprehensive income (loss) for the year, net of tax		<u>\$ (30,680)</u>	<u>\$ (33,085)</u>

The accompanying notes are an integral part of these consolidated financial statements.

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**IDEX Biometrics ASA**  
**Consolidated Statements of Financial Position**  
(In thousands, except share and per share amounts)

	<u>Note</u>	<u>December 31, 2018</u>	<u>December 31, 2019</u>
<b>Assets</b>			
Non-current assets:			
Goodwill		\$ 951	\$ 941
Intangible assets		3,080	2,605
Total intangible assets	10	4,031	3,546
Property, plant and equipment	11	1,679	2,013
Right-of-use assets	12	—	1,375
Total fixed assets		1,679	3,388
Non-current receivables		146	152
Total non-current assets		5,856	7,086
Current assets:			
Inventory	19	1,170	686
Receivables and prepaid expenses:			
Trade receivables	17	39	31
Prepaid expenses		636	769
Other current receivables	17	654	772
Total receivables and prepaid expenses		1,329	1,572
Cash and cash equivalents	13	9,635	14,126
Total current assets		12,134	16,384
Total assets		\$ 17,990	\$ 23,470
<b>Equity and liabilities</b>			
Paid-in capital:			
Share capital (NOK 0.15 par value, 544,314,537 and 717,988,732 shares issued and outstanding at December 31, 2018 and 2019 respectively)		\$ 12,501	\$ 15,445
Share premium		166,419	197,639
Other paid-in capital		13,353	15,903
Total paid-in capital	15, 16	192,273	228,987
Foreign currency translation effects		(12,330)	(12,992)
Accumulated loss		(165,760)	(198,183)
Total equity		14,183	17,812
Non-current liabilities			
Deferred tax liabilities	8	26	31
Non-current lease liabilities	12	—	610
Total non-current liabilities		26	641
Current liabilities			
Accounts payable	18	590	463
Income tax payable	8	198	129
Current lease liabilities	18	—	788
Public duties payable		262	357
Accrued employer's tax on share-based compensation	18	—	3
Other current liabilities	18	2,731	3,277
Total current liabilities		3,781	5,017
Total liabilities		3,807	5,658
Total equity and liabilities		\$ 17,990	\$ 23,470

The accompanying notes are an integral part of these consolidated financial statements.

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**IDEX Biometrics ASA**  
**Consolidated Statements of Changes in Equity**  
**(In thousands)**

	Share Capital	Share premium	Other Paid-in Capital	Foreign Currency Translation Effects	Accumulated Loss	Total Equity
<b>Balance at January 1, 2018</b>	<u>\$12,467</u>	<u>\$165,618</u>	<u>\$10,404</u>	<u>\$ (11,875)</u>	<u>\$ (135,535)</u>	<u>\$ 41,079</u>
Exercise of subscription rights	29	801	—	—	—	830
Share-based compensation	5	—	2,949	—	—	2,954
Loss for the year	—	—	—	—	(30,225)	(30,225)
Other comprehensive income	—	—	—	(455)	—	(455)
<b>Balance at December 31, 2018</b>	<u>12,501</u>	<u>166,419</u>	<u>13,353</u>	<u>(12,330)</u>	<u>(165,760)</u>	<u>14,183</u>
Share issuance	2,940	31,220	—	—	—	34,160
Share-based compensation	4	—	2,550	—	—	2,554
Loss for the year	—	—	—	—	(32,423)	(32,423)
Other comprehensive income	—	—	—	(662)	—	(662)
<b>Balance at December 31, 2019</b>	<u>\$15,445</u>	<u>\$197,639</u>	<u>\$15,903</u>	<u>\$ (12,992)</u>	<u>\$ (198,183)</u>	<u>\$ 17,812</u>

Refer also to Note 15 to the consolidated financial statements

The accompanying notes are an integral part of these consolidated financial statements.

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**IDEX Biometrics ASA**  
**Consolidated Statements of Cash Flow**  
(In thousands)

	Note	Year Ended December 31,	
		2018	2019
<b>Operating activities</b>			
Profit (loss) before tax		\$ (30,184)	\$ (32,263)
Amortization and depreciation expense	10, 11, 12	842	1,633
Share-based compensation expense	4	2,969	2,531
Change in inventories	19	(112)	470
Change in accounts receivables	17	26	8
Change in accounts payable	18	252	(124)
Change in other working capital items		(280)	895
Other operating activities		119	43
Interest expense		103	103
Other financial items		(314)	(238)
Income taxes		(196)	(226)
Net cash flow from operating activities		<u>(26,775)</u>	<u>(27,168)</u>
<b>Investing activities</b>			
Purchases of property, plant and equipment	11	(1,104)	(850)
Payments on non-current receivables		—	(6)
Interest received		134	135
Net cash flow from investing activities		<u>(970)</u>	<u>(721)</u>
<b>Financing activities</b>			
Net proceeds from issue of shares, including exercise of subscription rights	15, 16	835	34,164
Payments on lease liabilities		—	(675)
Payment related to a financed asset purchase	18	—	(500)
Net cash flow from financing activities		<u>835</u>	<u>32,989</u>
<b>Net change in cash and cash equivalents</b>		(26,910)	5,100
Effect of foreign exchange rate changes		(274)	(609)
Opening cash and cash equivalents balance at January 1		36,819	9,635
Cash and cash equivalents at December 31	13	<u>\$ 9,635</u>	<u>\$ 14,126</u>

The accompanying notes are an integral part of these consolidated financial statements.

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[Table of Contents](#)**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(Amounts in thousands, except per share amounts)****1. Nature of the Business and Basis of Presentation**

IDEX Biometrics ASA and subsidiaries (collectively “IDEX” or the “Company”) is a biometrics company specializing in the design, development and sale of fingerprint identification and authentication solutions. The Company’s fingerprint sensors and biometric solutions are used in touch-free smart cards, including payment cards, and electronic devices. IDEX Biometrics ASA (the “parent company”) is a public limited liability company incorporated in 1996 in Norway. The address of the head office is Dronning Eufemias gate 16, NO-0191 Oslo, Norway. IDEX Biometrics ASA’s shares are listed at Oslo Børs, the stock exchange in Oslo.

IDEX is comprised of the parent company and its subsidiaries in the United States of America (U.S.), IDEX Holding Company Inc. and IDEX America Inc (IDEX America), the United Kingdom (UK), IDEX Biometrics UK Ltd. (IDEX UK), and the People’s Republic of China (China), IDEX Electronics (Shanghai) Co., Ltd. (IDEX China) All subsidiaries are held 100%. The parent company holds all intellectual property of IDEX and is party to all customer and manufacturing partner agreements. The subsidiaries provide various services to the parent company, mainly within the technical development, supply-chain administration, and customer interfacing and marketing functions.

The consolidated financial statements of IDEX have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and IFRS as adopted by the European Union. The consolidated financial statements have been prepared on a historical cost basis.

The consolidated financial statements for 2019 were approved by the board on October 13, 2020.

**Going Concern**

The Company has evaluated whether there are conditions and events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern within one year after the date the consolidated financial statements are issued. From its inception through December 31, 2019, IDEX has incurred significant operating losses and has reported negative cash flows from operations. As of December 31, 2019, the Company has accumulated losses of \$198,183. The Company has no debt to financial institutions. Net equity amounted to \$17,812 and the consolidated statement of financial position solvency amounted to \$10,681 at the end of 2019. The Company does not expect that its existing cash would enable it to fund its operating expenses and capital expenditures requirements for the next twelve months. The future viability of the Company beyond that point is largely dependent on its ability to generate cash from operating activities and to raise additional capital to finance its operations.

The Company plans to undertake a best efforts private placement of shares in the fourth quarter of 2020 to provide additional funding to support research and development and fund working capital. While the Company has been successful in raising funds through private placements of shares, there can be no assurance that we will be successful again. The Company’s failure to raise capital as and when needed could have a negative impact on its financial condition and its ability to pursue its business strategies.

Based on its recurring losses from operations incurred since inception, expectation of continuing losses for the foreseeable future and need to raise additional capital to finance its future operations, the Company has concluded that there is substantial doubt about its ability to continue as a going concern.

The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Accordingly, the consolidated financial statements have been prepared on a basis that assumes the Company will continue as a going concern and which contemplates the realization of assets and satisfaction of liabilities and commitment in the ordinary course of business.

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[Table of Contents](#)**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 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 and future clinical trials and 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.

**2. Summary of Significant Accounting Policies****Changes in accounting policies*****Standards and interpretations effective on January 1, 2019:***

IFRS 16 *Leases* (effective January 1, 2019): IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions – leases of 'low-value' assets (e.g., personal computers) and short-term leases which have a total lease term of 12 months or less.

IDEX adopted IFRS 16 on January 1, 2019 using the modified retrospective approach. Accordingly, comparable information has not been restated. Upon implementation, the right-of-use asset and lease liability were the same amount, each \$1,140, and did not impact equity. The impacts are further summarized in Note 12.

At the commencement date of a lease, a lessee recognizes a liability using the present value of lease payments with a corresponding asset representing the right to use the underlying asset during the lease term (right-of-use asset). The right-of-use asset is amortized over the lease period. Lease liabilities are discounted using the company's incremental borrowing rate, and the interest expense on the lease liability is recognized as a financial expense.

IDEX has identified office and laboratory facilities to be the only in scope lease agreements. The Company elected to use the relief options for leases with a duration of 12 months or less, as of January 1, 2019, and leases with low value, and these leases are not recognized in the consolidated statement of financial position but recognized as an operating expense over the lease period.

Lessees are required to remeasure the lease liability upon the occurrence of certain events such as a change in the lease term or a change in future lease payments resulting from a change in an index or rate used to determine those payments.

Other standards or interpretations taking effect in 2019 did not have any impact on IDEX's consolidated financial statements.

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### ***Standards and interpretations issued but not yet effective:***

IDEX does not expect that any newly issued, but not yet effective standards, amendments and interpretations will have a significant impact on the consolidated financial statements or notes for IDEX's current activity and assets but may affect the accounting for future transactions or arrangements. IDEX will implement the new standards and interpretations as they become effective.

### **Significant accounting judgments and estimates**

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, expenses, and disclosures. The judgments, estimates and related assumptions have been based on management's best understanding of the situation, knowledge of past and recent events, experience and other factors which are considered reasonable under the circumstances. Actual results may deviate from such assumptions. Estimates and underlying assumptions are evaluated continuously.

#### *Significant accounting judgments for IDEX*

**Intangible assets:** Research costs are expensed as incurred. IDEX's patents and other intellectual property rights created by IDEX are capitalized and held in the consolidated statements of financial position only when they satisfy the criteria for capitalization. No development costs have been capitalized in 2018 or 2019, thus all development costs and internal costs related to the creation of intellectual property have been expensed as incurred. Acquired intangible assets are capitalized at the price allocated to the various assets based on estimated fair value. Intangible assets are amortized over their useful lives.

**Inventory:** Raw materials, which are part of the trade or manufacturing flow in the sense that the item is embedded in or otherwise becomes a part of the physical delivery to the customer (work in process and finished goods) are inventoried if IDEX is in the position to take orders on the related product. Materials and components for research or development are expensed at the time of purchase and not included as inventory. Inventory is held at the lower of cost and net realizable value, less impairment, if any. The determination of net realizable value is subject to judgment, as reselling components may not be easily achieved, and the Company's finished goods are part of a newer market with varying margins.

**Deferred tax assets:** Deferred tax assets related to net operating loss carryforwards are recognized when it is probable that the net operating loss carryforward may be utilized. Judgment of probability is based on historical earnings, expected future margins and the size of the order backlog.

#### *Significant accounting estimates for IDEX*

**Share based compensation:** IDEX estimates the fair value of incentive subscription rights (SRs) at the grant date by using the Black-Scholes option pricing model. The valuation is based on share price and exercise price, share price volatility, interest rates and duration of the SRs, and assumptions of staff attrition and the likelihood of early exercise. The share-based compensation is expensed as earned over the vesting period. The accrued cost of the employer's social security tax on the earned intrinsic value of the SRs is calculated at each consolidated statement of financial position date.

**Impairment evaluation of goodwill:** Goodwill amounts to the fair value of the consideration for the assets less the capitalized value of the identifiable assets and any impairment charges, if any. Impairment testing of goodwill is based on the estimated fair value or the value in use of the business. The Company considers the relationship between its market capitalization (recoverable amount) and its carrying amount, among other factors, when reviewing for indicators of impairment. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the forecast for the next five years. The recoverable amount is sensitive to the



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discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

**Financial risk, market risk and capital management**

The business risk may be summarized in five points: (i) IDEX has to date earned insufficient revenues compared to costs. IDEX has reported accumulating losses and expects future losses in the short term. (ii) IDEX's business plan assumes revenue from products which IDEX has traded commercially in large volumes but not in mass production volumes. (iii) Revenue from IDEX's products depends, among other things, on market factors, which are not controlled by IDEX. (iv) Competitive products may outperform IDEX's product offering. (v) Some of IDEX's intended markets remain immature and all are undergoing rapid technological changes.

IDEX's trade receivables and other receivables have moderate to low credit risk.

Refer to the comments regarding going concern and COVID-19 in Note 1.

IDEX manages its liquidity passively, which means that funds are placed in floating-interest rate bank accounts. Investments in property, plant and equipment are only made when mandatory for the needs of the core business. IDEX has been funded by equity since 2010. IDEX will prepare and implement comprehensive capital management and funding policies as and when needed.

Market risk arises from the Company's exposure to fluctuation in interest rates and currency exchange rates. These risks are managed by maintaining an appropriate mix of cash deposits in the currencies IDEX operates in, placed with a variety of financial institutions for varying periods according to expected liquidity requirements.

*Interest Rate Risk*

As of December 31, 2019, IDEX had cash and cash equivalents of \$14.1 million. The Company's exposure to interest rate sensitivity is impacted primarily by changes in the underlying bank interest rates in Norway. IDEX's surplus cash and cash equivalents are invested in interest-bearing savings accounts. The Company has not entered into investments for trading or speculative purposes. Due to the conservative nature of IDEX's investment portfolio, which is predicated on capital preservation of investments with short-term maturities, an immediate one percentage point change in interest rates would not have a material effect on the fair market value of its portfolio, and therefore the Company does not expect its operating results or cash flows to be significantly affected by changes in market interest rates.

*Currency Risk*

IDEX's transactions are commonly denominated in U.S. dollars. However, the Company incurs a portion of its expenses in other currencies, primarily British pounds, Norwegian krone, Euros and Chinese yuan and is exposed to the effects of these exchange rates. IDEX seeks to minimize this exposure by maintaining currency cash balances at levels appropriate to meet foreseeable short to mid-term expenses in these other currencies, with excess cash and cash equivalents being kept in Norwegian krone. The Company does not use forward exchange contracts to manage exchange rate exposure. A 10% increase in the value of the Norwegian krone relative to the U.S. dollar or other currencies would not have had a material effect on the carrying value of IDEX's net financial assets and liabilities in foreign currencies at December 31, 2019.

*Credit and Liquidity Risk*

IDEX has a relatively short commercial history and limited revenue in the periods presented. The Company does not believe it had significant credit risk relating to its trade receivables as of December 31, 2018 and 2019. IDEX's cash and bank deposits are on deposit with financial institutions with a credit rating equivalent to, or

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above, the main Norwegian clearing banks. IDEX invests its liquid resources based on the expected timing of expenditures to be made in the ordinary course of our activities. The Company has no debt to financial institutions and maintains adequate bank balances to meet liabilities as they fall due through the fourth quarter of 2020.

### **Significant accounting policies**

#### *Consolidation*

The Company's consolidated financial statements comprise IDEX Biometrics ASA and companies in which IDEX Biometrics ASA has a controlling interest. Controlling interest means that IDEX is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Intercompany transactions, balances, revenues and expenses and unrealized internal profit or losses are eliminated upon consolidation.

#### *Revenue*

Revenue from contracts with customers is recognized upon satisfaction of the performance obligations for the transfer of goods and services. The revenue amounts that are recognized reflect the consideration to which IDEX is entitled to.

When a contract contains multiple, distinct performance obligations, the transaction price is allocated to each performance obligation based on relative stand-alone selling prices. The Company has historically had directly observable stand-alone selling prices in such contracts. In contracts covering both services and sale of products, the Company has evaluated the development service and the sale of products as distinct performance obligations.

*Sale of products:* The Company sells completed biometric fingerprint sensors or modules to its customers. Each sensor or module contains embedded software. The hardware and the embedded software are interdependent – that is, each needs the other to provide the intended function to the customer. Revenue is recognized at the point in time in which the customer obtains control of the products, which normally is when title passes at point of delivery, based on the contractual terms of the agreements.

*Development and other engineering services:* The Company provides development and engineering services to its customers. Revenue from services is recognized over time, where progress and recognition of services performed is measured based on completion of multiple results-based substantive contractual milestones and acceptance clauses being met. The variable consideration related to these milestones and acceptance clauses meets the criteria to be constrained from the transaction price until the related uncertainty is resolved, when it is probable that a significant reversal of revenue will not occur.

*Trade receivables:* A receivable is recognized for the unconditional consideration that is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). The Company uses the simplified approach measuring expected credit losses.

*Purchases, net of inventory variation:* Purchases, net of inventory variation, primarily consist of the cost of raw materials, contract manufacturing, and transportation, net of inventory variation.

#### *Foreign currencies*

The Company's consolidated financial statements are presented in U.S. dollars. IDEX has elected to change its presentation currency from Norwegian krone (NOK) to U.S. dollars with effect from January 1, 2020. The change was made as the Company expands its global investor base, is listed on the U.S. OTC market and is seeking a listing on a U.S. national exchange. Figures have been re-presented to U.S. dollars retrospectively from January 1, 2018 to reflect the change in presentation currency. The change in presentation currency does not impact the valuation of assets, liabilities, equity or any ratios between these measures.

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The functional currency for our foreign subsidiaries is their local currency. Assets and liabilities in foreign operations, including goodwill and fair value adjustments, are translated into U.S. dollars, being the Company's presentation currency, using the exchange rates on the consolidated statement of financial position date. Equity transactions in the parent company, whose functional currency is NOK, is converted to the presentation currency using the historical exchange rates for each transaction date. Income and expenses relating to foreign operations are translated into U.S. dollars using the average exchange rates for the period presented, with certain significant transactions translated using the rate on the transaction date.

Foreign exchange differences arising on translation from functional currency to presentation currency are recognised separately in other comprehensive income (OCI). Translation differences previously recognized in comprehensive income are reversed and recognized in the net result of the year if and when the foreign operations are disposed of.

### *Research and development expenses*

Research costs are expensed as incurred. Development expenses that do not meet the criteria of capitalization are expensed as incurred. Development expenses are capitalized when it is probable that IDEX will realize future economic benefits from the asset, IDEX has committed itself to complete the asset, the technical feasibility of completing the asset has been demonstrated, and that the cost can be measured reliably. The assets are amortized over their expected useful life once the asset is available for use. Maintenance and training costs are expensed as incurred. Research and development expenses consist primarily of consumed materials costs and certain outsourced development costs. Payroll costs related to research and development employees are classified as payroll expenses as opposed to research and development expenses on the consolidated statements of profit and loss.

### *Property, plant and equipment*

Property, plant and equipment is held at cost less accumulated depreciation and impairment charges. When assets are sold or retired the assets are derecognized. Any gain or loss on the sale or retirement is recognized in the consolidated statements of profit and loss.

The capitalized amount of property, plant and equipment is the purchase price including freight, installation, duties, taxes and direct acquisition costs related to making the asset ready for use. Costs related to training and commissioning are expensed as incurred. Subsequent costs, such as repair and maintenance expenses, are recognized in the consolidated statements of profit and loss as incurred. Subsequent enhancements giving future economic benefits will be recognized in the consolidated statements of financial position as additions to property, plant and equipment.

The assets are depreciated using the straight-line method over each asset's useful life. The depreciation period and method are assessed each year to ensure that the method and period used is consistent with the status of the non-current asset. The same applies to the residual value.

### *Intangible assets*

Acquired identifiable intangible assets are held at cost less accumulated amortization and impairment charges. Goodwill recognized is the difference between the consideration paid and net value of identifiable assets acquired and held, less impairment charges.

### *Impairment of intangible assets, fixed assets and other non-current assets*

An assessment of impairment losses on non-current assets is made when there is an indication of a decrease in value. Goodwill is tested at minimum annually. If an asset's carrying amount is higher than the asset's recoverable amount, an impairment loss will be recognized in the consolidated statements of profit and loss. The recoverable amount is the higher of the fair value less costs to sell and the discounted cash flow from continued use. The fair value less costs to sell is the net amount that can be obtained from a sale to an independent third party. The recoverable amount is determined separately for each asset.

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Impairment losses recognized in the consolidated statements of profit and loss for previous periods are reversed when such is evidenced. Reversal is limited to the lower of the updated recoverable amount and the carrying amount that would have been recognized had no impairment losses been recognized for the asset in prior years. Impairment charges on goodwill are not reversed.

### *Inventory*

Inventory, consisting of raw materials, work in progress and finished goods, is held at the lower of average full acquisition cost and net realizable value.

### *Cash and cash equivalents*

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

### *Accounts payable*

Payables are carried at amortized cost. The interest element is disregarded if it is insignificant.

### *Finance cost*

Finance cost consist of interest expenses and net currency losses.

### *Finance income*

Finance income consist of interest income.

### *Provisions*

Provisions are recognized when and only when the Company has a valid liability (legal or constructive) as a result of events that have taken place and it is more probable than not that a financial settlement will take place as a result of the event(s), and that the amount can be measured reliably. Provisions are reviewed on each consolidated statement of financial position date and the amount adjusted to the best estimate of the liability. When the effect of time is significant, the provision is measured at the present value of future payments. Any increase in the provision due to time is recorded as interest expense.

### *Income taxes*

The income tax expense consists of the tax payable and changes in deferred tax. Deferred tax has been calculated at the applicable tax rate on the temporary differences between the recorded and tax values, as well as on any tax loss carryforward at the consolidated statement of financial position date. Any temporary differences increasing or decreasing tax that will or may reverse in the same period, have been netted.

A deferred tax asset will be recognized when it is probable that the Company will have a sufficient profit for tax purposes to apply the tax loss carryforward. At each consolidated statement of financial position date, IDEX reviews its deferred tax assets and the amount to be recognized or not. The Company recognizes an unrecognized deferred tax asset to the extent that it has become probable that the Company can utilize the deferred tax asset. Similarly, the Company will reduce its deferred tax asset to the extent that it can no longer utilize it. Deferred tax and deferred tax assets are calculated at the expected future tax rates. The effect of time is not taken into account.

### *Other taxes*

Any other taxes such as turnover taxes, and other taxes that are unrelated to taxable income or profit, are reported on the other operating expense line of the consolidated statements of profit and loss, and not on the income tax line.

### *Contingent liabilities and assets*

Contingent liabilities are possible liabilities resulting from past events whose existence depends on future events, liabilities that are not recognized because it is not probable that they will lead to an outflow of resources, and

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liabilities that cannot be measured with sufficient reliability. Contingent liabilities are not recognized in the consolidated financial statements but will be disclosed in the notes as appropriate.

Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes if there is a degree of probability that a benefit will accrue to IDEX.

### *Share-based compensation*

Subscription rights granted to employees and others are recognized as equity-settled share-based compensation, with the employer's tax cost recognized as a cash-settled element. The cost of equity-settled compensation is the fair value at grant, which is charged to the consolidated statements of profit and loss as earned over the vesting period(s). The fair value is determined using the Black-Scholes option pricing model. The accrued employer's tax liability is calculated on the earned intrinsic value of the subscription rights. The liability is remeasured at each consolidated statement of financial position date.

### *Leasing agreements, rentals*

IDEX adopted IFRS 16 on January 1, 2019 using the modified retrospective approach. Accordingly, comparable information has not been restated.

Where the Company is the lessee, management is required to make judgments about whether an arrangement contains a lease, the lease term and the appropriate discount rate to calculate the present value of lease payments. If the rate implicit in the lease cannot be readily determined, management uses the incremental borrowing rate, which represents the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Extension options (or periods after termination options) are only included in the lease term if it is reasonably certain that the lease will be extended (or not terminated) and, as such, included within lease liabilities.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and is within the lessee's control, for example, when significant investment in the store is made which has a useful life beyond the current lease term.

In the consolidated statements of cash flows, the cash payments for the principal are classified within cash flows from financing activities. The interest portion of the lease liability is classified within cash flows from operating activities.

2018 financial information is in accordance with IAS 17 *Leases*. Rental payments for the Company's operating leases are expensed on a straight-lined basis.

### *Loss per share*

Loss per share is calculated by dividing the loss for the period by the weighted average number of ordinary shares outstanding over the course of the period. Loss per share fully diluted is calculated based on the result for the year divided by the average number of shares fully diluted. Dilutive shares are not assumed to have been issued if their effect is anti-dilutive.

### *Cash flow*

The consolidated statements of cash flow have been prepared by the indirect method with cash flows classified in operating, investing and financing activities.

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### *Government grants*

Government grants are recognized when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, the grant is recognized as a reduction in expense.

### *Segment reporting*

IDEX manages its operations as a single segment for the purposes of assessing performance and making operating decisions. IDEX operates as one operating segment, fingerprint imaging and recognition technology. IDEX has determined that its chief operating decision maker is its Chief Executive Officer. The Company's chief operating decision maker reviews the Company's financial information on an aggregated basis for the purposes of allocating resources and assessing financial performance. The Company's revenue has historically come from a limited number of customers. In 2018 and 2019, IDEX's five largest customers in each period (which differed by period) collectively accounted for 96% and 91% of our revenue, respectively. During 2019, the top two customers accounted for approximately 69% and 10% of the Company's revenue, respectively, and in 2018, the top three customers accounted for 39%, 36% and 13% of revenue, respectively.

	<b>Year Ended December 31,</b>	
	<b>2018</b>	<b>2019</b>
	(in thousands)	
<b>Non-current operating assets:</b>		
Norway	\$ 4,072	\$ 4,256
United States	1,451	1,648
United Kingdom	180	1,025
China	7	5
Total:	<u>\$ 5,710</u>	<u>\$ 6,934</u>

Non-current operating assets for this purpose consist of property, plant and equipment, right-of-use assets, goodwill and other intangible assets.

### **3. Revenues from contracts with customers**

The Company has performance obligations relating to the delivery of products and development and other services. Product revenue is recognized at the point in time in which the customer obtains control of the products, which normally is when title passes at point of delivery, based on the contractual terms of the agreements. Service revenue from services is recognized over time pursuant to the terms and conditions in the agreements. Payment for delivery of products and services is generally due within 30-45 days from delivery or occasionally due in advance. The Company does not have any significant financing components or obligations for warranties, returns, or refunds.

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The balances of trade receivables at January 1, 2018, December 31, 2018 and 2019 were \$67, \$39 and \$31, respectively. There were no contract asset or contract liability balances at January 1, 2018, December 31, 2018 or 2019.

	Year Ended December 31,	
	2018	2019
	(in thousands)	
Product revenue:		
Europe, Middle East and Africa	\$ 159	\$ 47
Americas	3	5
Asia	106	107
Total product revenue	<u>268</u>	<u>159</u>
Service revenue:		
Americas	169	265
Asia	3	—
Total service revenue	<u>172</u>	<u>265</u>
Total revenue	<u>\$ 440</u>	<u>\$ 424</u>

#### 4. Payroll expenses and compensation

Payroll expenses consist of the following:

	Year Ended December 31,	
	2018	2019
	(in thousands)	
Salaries	\$ 13,958	\$ 16,079
Social security taxes	1,278	1,305
Pension contribution	335	422
Other personnel expenses	1,248	1,321
Payroll tax on exercised subscription rights	4	9
Share-based compensation	2,969	2,531
Net employer's tax on share-based compensation	(22)	83
Total	<u>\$ 19,770</u>	<u>\$ 21,750</u>

The parent company provides a contribution-based pension insurance plan for all its employees. The plan satisfies the Norwegian mandatory service pension rules (obligatorisk tjenestepensjon, OTP). The contribution is 2% and 10% of the employee's annual eligible salary. The pension plan is a fully insured, defined contribution plan.

Employees of IDEX America may participate in an insured health, dental and vision plan. IDEX America also offers employer-funded plans for life insurance, short-term disability and long-term disability. IDEX America does not offer or plan to offer any pension plans, except for a 401(k) defined contribution plan.

IDEX China contributes to the mandatory social security plans in China, including contribution of 21 percent of eligible salary to each employee's personal retirement fund. The pension contribution is included in the social security cost.

IDEX UK contributes between 4 and 6 percent of basic salary to employees enrolled in IDEX UK's pension plan, subject to the employee contributing the same percentage through a salary sacrifice arrangement. The contribution satisfies the UK automatic enrollment rules. The pension plan is a fully insured, defined contribution plan.

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The cost of share-based compensation is based on the fair value of incentive subscription rights (SRs) at grant. The cost is expensed over the vesting period per tranche of grant, which means the cost is front-loaded over the full duration. The expense is non-cash, and the same amount is added to equity. The potential employer's tax liability is calculated on the earned intrinsic value of the subscription rights at year end, and the net change from the year before is expensed or reversed. At the end of 2019, only a small number of the outstanding earned SRs had intrinsic value and the net potential employer's tax liability was \$3. The net potential employer's tax liability was \$0 in 2018. Refer to Note 16 for further discussion of incentive SRs.

### Compensation of Key Management

Key management consisted of the CEO, CFO, CIO and CTO in 2019, and CEO, CFO and CTO in 2018. The following amounts were recognized as an expense in the periods. Employers' tax is not included:

	Year Ended December 31,	
	2018	2019
	(in thousands)	
Short-term employee benefits	\$ 1,405	\$ 1,367
Post-employment pension and medical benefits	26	52
Share-based compensation	1,616	840
Total compensation of key management	<u>\$ 3,047</u>	<u>\$ 2,259</u>

Subscription rights to shares held by key management under the subscription rights incentive plans have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price (NOK per share)	Number outstanding as of December 31,	
			2018	2019
September 15, 2014	May 7, 2019	4.45	350,000	—
February 26, 2016	May 12, 2020	8.10	375,000	—
August 10, 2016	May 11, 2021	7.79	500,000	775,000
November 9, 2016	May 11, 2021	6.59	1,400,000	1,400,000
February 24, 2017	May 11, 2021	6.59	750,000	750,000
August 9, 2017	May 12, 2022	7.76	830,000	515,000
February 21, 2018	May 12, 2022	4.67	4,500,000	4,500,000
May 9, 2018	May 9, 2023	4.28	3,000,000	2,250,000
August 14, 2019	May 9, 2024	1.65	—	3,774,100
			<u>11,705,000</u>	<u>13,964,100</u>

Compensation paid to the board of directors is presented in Note 7.



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### 5. 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 capitalised and held in the balance sheet only if they satisfy the criteria for capitalisation. The same applies to the development costs. IDEX has not capitalised any development costs in 2019 or 2018. Development costs related to creation of intellectual property have been expensed when incurred. Grants to research and development are credited against costs.

	Year Ended December 31,	
	2018	2019
	(in thousands)	
Gross R&D expenses	\$ 6,245	\$ 4,953
Government grants credited to cost	(614)	(568)
Net R&D expenses	<u>5,631</u>	<u>4,385</u>

### 6. Government grants

	Year Ended December 31,	
	2018	2019
	(in thousands)	
SkatteFunn (recognized as cost reduction of R&D expenses)	\$ 614	\$ 568

SkatteFunn grants for research and development projects are contingent on pre-approved project applications and approved completion reports to the Research Council of Norway, as well as audited confirmation of costs. The recognised amount in 2019 represents IDEX's claim based on the cost of the approved project applications. The grant applied for 2019 will be paid out in the second half of 2020.

### 7. Related Party Transactions

The Company's significant shareholders, board members and management, as well as related parties of these are considered related parties.

Compensation of key management has been disclosed in Note 4.

There were no overdue balances with any related parties at the end of 2019 or 2018. See also Note 17.

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### Board

The following board compensation has been paid in 2018 and 2019:

	Year Ended December 31, 2018		
	Cash Compensation	Share-based Compensation (in thousands)	Total
Morten Opstad, chair	\$ 20	\$ 25	\$ 45
Lawrence John Ciaccia, deputy chair	2	45	47
Deborah Davis	—	47	47
Hanne Høvding	37	—	37
Andrew James MacLeod	10	35	45
	<u>\$ 69</u>	<u>\$ 152</u>	<u>\$221</u>

	Year Ended December 31, 2019		
	Cash Compensation	Share-based Compensation (in thousands)	Total
Morten Opstad, chair	\$ 43	\$ —	\$ 43
Lawrence John Ciaccia, deputy chair	34	0	34
Deborah Davis	7	34	41
Hanne Høvding	16	23	39
Andrew James MacLeod *	7	34	41
Stephen A. Skaggs **	—	—	—
	<u>\$ 107</u>	<u>\$ 91</u>	<u>\$198</u>

\* Mr. MacLeod left the board on May 9, 2019

\*\* Mr. Skaggs was elected to the board on May 9, 2019

The chair of the board is a partner in Advokatfirma Ræder DA. The law firm provided services to the Company amounting to \$333 in 2018 and \$470 in 2019. The recognized amounts include accruals for services received but not yet billed.

Lawrence John Ciaccia, who was elected board member at the annual general meeting on May 12, 2015, has served on IDEX's Strategy Advisory Committee (SAC) since January 2014 and continues his tenure on the SAC. Mr. Ciaccia also provides consulting services to IDEX. The combined fee for SAC service and consulting services amounted to \$65 in 2018 and \$65 in 2019.

Since 2016, former board member Andrew MacLeod had provided consulting services beyond board duty to IDEX. The fees amounted to \$73 in 2018 and \$26 in 2019. Mr. MacLeod's service agreement ended on March 27, 2019, and he left the board on May 9, 2019.

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Subscription rights to shares held by the board of directors under the subscription rights incentive plans have the following expiry dates and exercise prices. For further information refer to Note 16 for the plans. These grants have been made to the board members in their capacity of service providers beyond board duty and not as board compensation.

Grant date	Expiry date	Exercise price (NOK per share)	Number outstanding as of December 31,	
			2018	2019
August 15, 2018	May 9, 2023	5.10	600,000	600,000
February 26, 2016	May 12, 2020	8.10	500,000	—
			<u>1,100,000</u>	<u>600,000</u>

## 8. Income tax expense

The major components of income tax expense for the years ended are:

Specification of the tax expense for the year	Year Ended December 31,	
	2018	2019
	(in thousands)	
Payable taxes on the result of the year	\$ 41	\$ 160
Change in deferred tax asset/liability	—	—
Income tax expense	<u>\$ 41</u>	<u>\$ 160</u>
Reconciliation of tax expense	Year Ended December 31,	
	2018	2019
	(in thousands)	
Result (loss) before tax	\$(30,184)	\$(32,263)
Norway statutory tax rate of 22%	(7,127)	(7,412)
Calculated tax expense, UK and U.S.	41	160
Tax on permanent differences	571	640
Effect on deferred tax from change in future tax rate from 23% in 2017 to 22% in 2018	1,763	—
Change in deferred tax asset not recognized on December 31	4,793	6,772
Actual tax expense	<u>\$ 41</u>	<u>\$ 160</u>
Specification of deferred tax	Year Ended December 31,	
	2018	2019
	(in thousands)	
Employer's tax on share-based compensation	\$ —	\$ (3)
Fixed Assets	(52)	62
Inventory	(835)	(1,154)
Receivable	(6)	—
Total	<u>\$ (893)</u>	<u>\$ (1,095)</u>
Losses carried forward	(164,537)	(193,497)
Basis for deferred taxes	(165,430)	(194,592)
Calculated net deferred tax income, Norway 22%, UK 19 %	(36,365)	(42,772)
Unrecognized deferred tax asset *	36,391	42,803
Deferred tax liability in the balance sheet **	<u>\$ (26)</u>	<u>\$ (31)</u>

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- \* The deferred tax asset is in Norway  
 \*\* The deferred tax liability is in the UK

The accumulated unrecognized deferred tax assets amounting to \$36,365 and \$42,772 at December 31, 2018 and 2019, respectively, are related to tax losses carry forward in Norway. IDEX Biometrics ASA has not generated taxable profits in prior years. At December 31, 2019 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.

There are no deferred tax charges to OCI in 2018 and 2019.

### 9. Loss per share

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

	Year Ended December 31,	
	2018	2019
<b>Net loss for the year (in thousands)</b>	<b>\$ (30,225)</b>	<b>\$ (32,423)</b>
Number of ordinary shares issued at December 31	544,314,537	717,988,732
Weighted average basic number of ordinary shares	542,795,969	598,392,108
Weighted average diluted number of shares	543,117,924	600,152,099
<b>Basic and diluted loss per share in the year</b>	<b>\$ (0.06)</b>	<b>\$ (0.05)</b>

### 10. Intangible assets

Goodwill activity consisted of the following during 2018 and 2019:

	Year Ended December 31,	
	2018	2019
<i>Amortization period (straight line, in years)</i>	<i>not applicable</i>	<i>not applicable</i>
<b>Cost at the beginning of the year</b>	<b>\$ 1,007</b>	<b>\$ 951</b>
Additions		
Disposals at cost		
Impact of currency translation	(56)	(10)
<b>Cost at the end of the year</b>	<b>951</b>	<b>941</b>

There is only one cash generating unit in the Company and goodwill is allocated to this. IDEX performed the annual impairment test on December 31, 2019. The Company considers the relationship between its market capitalization (recoverable amount) and its carrying amount, among other factors, when reviewing for indicators of impairment. The recoverable amount has been determined based on the fair value of the equity of IDEX, based on the share price at December 31, 2019. The fair value of the equity at December 31, 2019 was \$104,669, while the carrying amount of the Company's equity was \$17,812. Other factors considered include whether the acquired business is still under operation and whether the Company still expects to earn a profit from the investment. Based on the 2019 assessment, no impairment charge has been made. IDEX is not aware of any

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circumstances that indicate that the goodwill may be impaired at the date of these consolidated financial statements.

Other intangible asset (patents) activity consisted of the following during 2018 and 2019:

	<b>Year Ended December 31,</b>	
	<b>2018</b>	<b>2019</b>
	(in thousands)	
<i>Amortization period (straight line, in years)</i>	10, 17	10, 17
<b>Cost at the beginning of the year</b>	\$ 5,210	4,919
Additions		
Disposals at cost		(33)
Impact of currency translation	(291)	(51)
<b>Cost at the end of the year</b>	4,919	4,835
<b>Accumulated amortization at the beginning of the year</b>	1,497	1,839
Amortization and impairment	455	415
Accumulated impairment of disposed items		(6)
Impact of currency translation	(113)	(18)
<b>Accumulated amortization and impairment at the end of the year</b>	1,839	2,230
<b>Carrying amount at the end of the year</b>	<u>\$ 3,080</u>	<u>\$ 2,605</u>

Patents acquired in earlier years have been capitalized and are amortized over the estimated useful life, which is the lifetime of the respective patent(s).

## 11. Property, plant and equipment

Property, plant and equipment activity consisted of the following during 2018 and 2019:

	<b>Year Ended December 31,</b>	
	<b>2018</b>	<b>2019</b>
	(in thousands)	
<i>Depreciation period (straight line, in years)</i>	3-5	3-5
<b>Cost at the beginning of the year</b>	\$ 1,789	\$ 2,838
Additions	1,104	850
Disposals at cost	(26)	(122)
Impact of currency translation	(29)	23
<b>Cost at the end of the year</b>	2,838	3,589
<b>Accumulated depreciation at the beginning of the year</b>	813	1,159
Depreciation	387	520
Accumulated depreciation of disposed items	(23)	(109)
Impact of currency translation	(18)	6
<b>Accumulated depreciation at the end of the year</b>	1,159	1,576
<b>Carrying amount at the end of the year</b>	<u>\$ 1,679</u>	<u>\$ 2,013</u>

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At the end of 2018, assets under construction amounted to \$812. There were no assets under construction at the end of 2019.

The significant subsets of property, plant and equipment had the following activity during 2018 and 2019:

**Plant and machinery, fixtures and fittings**

	<b>Year Ended December 31,</b>	
	<b>2018</b>	<b>2019</b>
	(in thousands)	
<i>Depreciation period (straight line, in years)</i>	3-5	3-5
<b>Cost at the beginning of the year</b>	\$ 149	\$ 160
Additions	13	664
Disposals at cost	—	(13)
Impact of currency translation	(2)	1
<b>Cost at the end of the year</b>	<u>160</u>	<u>812</u>
<b>Accumulated depreciation at the beginning of the year</b>	25	61
Depreciation	38	56
Accumulated depreciation of disposed items	—	(13)
Impact of currency translation	(2)	—
<b>Accumulated depreciation at the end of the year</b>	<u>61</u>	<u>104</u>
<b>Carrying amount at the end of the year</b>	<u>\$ 99</u>	<u>\$ 708</u>

**Office furniture and office equipment**

	<b>Year Ended December 31,</b>	
	<b>2018</b>	<b>2019</b>
	(in thousands)	
<i>Depreciation period (straight line, in years)</i>	3-5	3-5
<b>Cost at the beginning of the year</b>	\$ 614	\$ 686
Additions	74	86
Disposals at cost	—	(73)
Impact of currency translation	(2)	2
<b>Cost at the end of the year</b>	<u>686</u>	<u>701</u>
<b>Accumulated depreciation at the beginning of the year</b>	227	373
Depreciation	151	152
Accumulated depreciation of disposed items	—	(73)
Impact of currency translation	(5)	1
<b>Accumulated depreciation at the end of the year</b>	<u>373</u>	<u>453</u>
<b>Carrying amount at the end of the year</b>	<u>\$ 313</u>	<u>\$ 248</u>

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**Instruments and lab equipment**

	<b>Year Ended December 31,</b>	
	<b>2018</b>	<b>2019</b>
	(in thousands)	
<i>Depreciation period (straight line, in years)</i>	3-5	3-5
<b>Cost at the beginning of the year</b>	\$ 1,026	\$ 1,181
Additions	191	915
Disposals at cost	(26)	(26)
Impact of currency translation	(10)	6
<b>Cost at the end of the year</b>	<u>1,181</u>	<u>2,076</u>
<b>Accumulated depreciation at the beginning of the year</b>	561	725
Depreciation	198	312
Accumulated depreciation of disposed items	(23)	(23)
Impact of currency translation	(11)	4
<b>Accumulated depreciation at the end of the year</b>	<u>725</u>	<u>1,018</u>
<b>Carrying amount at the end of the year</b>	<u>\$ 456</u>	<u>\$ 1,058</u>

**12. Leases**

The Company's leases are comprised of office buildings. The Company adopted IFRS 16 with an effective date of January 1, 2019. Activity during 2019 related to right-of-use assets was as follows:

**Right-of-use assets**

	<b>Year Ended December 31, 2019</b>
<i>Depreciation period (straight line), years</i>	3-5
<b>Cost at the beginning of the year</b>	\$ 1,140
Additions	910
Disposals at cost	—
Impact of currency translation	<u>31</u>
<b>Cost at the end of the year</b>	<u>2,081</u>
<b>Accumulated depreciation at the beginning of the year</b>	—
Depreciation	698
Accumulated depreciation of disposed items	—
Impact of currency translation	8
<b>Accumulated depreciation at the end of the year</b>	<u>706</u>
<b>Book value at the end of the year</b>	<u>\$ 1,375</u>

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Leases included in the consolidated statements of profit and loss include the following:

**Leases in the statements of income**

	Year Ended December 31, 2019
Other operating expense	\$(721)
Amortization and depreciation	698
Finance cost	50

Leases included in the consolidated statements of financial position include the following:

**Leases in the statements of financial position**

	Year Ended December 31, 2019
<b>Assets</b>	
Right-of-use-assets - office buildings	\$ 1,375
<b>Total lease assets</b>	<u>1,375</u>
<b>Liabilities</b>	
Non-current liabilities	610
Current liabilities	788
<b>Total lease liabilities</b>	<u>\$ 1,398</u>

At the implementation date of January 1, 2019, the right-of-use assets and lease liabilities were at the same amount and equity was not impacted.

**Reconciliation of lease commitments to lease liabilities (in thousands)**

Operating lease obligation at December 31, 2018	\$1,393
Exception for short-term leases and low-value leases	(202)
<b>Gross lease liabilities at January 1, 2019</b>	1,191
Effect of discounting using incremental borrowing rate	(51)
<b>Lease liability and right-of-use assets recognized at initial application</b>	<u>\$1,140</u>

The lease liabilities were discounted at the estimated incremental borrowing rate as at January 1, 2019. The average incremental borrowing rate was 4.8%.

In 2018, the Company's lease expense under IAS 17 *Leases* was \$866.



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### 13. Cash and cash equivalents

Cash and cash equivalents by currency were as follows:

	December 31,	
	2018	2019
	(in thousands)	
Denominated in NOK	\$8,310	\$11,799
Denominated in USD	820	1,823
Denominated in GBP	345	352
Denominated in CNY	160	152
<b>Total</b>	<b><u>\$9,635</u></b>	<b><u>\$14,126</u></b>

Of the amounts above, employees' withheld payroll tax deposits amounted to \$32 and \$44 at the end of 2018 and 2019, respectively. Only the withheld payroll tax deposits were restricted. Deposits for facilities rent or utilities have not been included in cash equivalents.

### 14. Restricted assets

For certain facilities, the Company has placed an amount corresponding to about 3 months' rent and allocations of its leasehold facilities in escrow accounts in the landlord's name for the benefit of the respective landlords. Such escrow accounts and other deposits amounted to \$146 at the end of 2018 and \$152 at the end of 2019.

No other assets have been pledged as security or are otherwise restricted. See Note 13.

### 15. Share capital

There is one class of shares, and all shares have equal rights and are freely negotiable. The share capital is fully paid in. The par value of the shares is NOK 0.15 per share. IDEX does not hold any of its own shares.

	Shares
<b>Balance at January 1, 2018</b>	542,383,105
Share issue (in lieu of cash board compensation)	300,182
Exercises of incentive subscription rights on several dates	1,631,250
<b>Balance at December 31, 2018</b>	<b><u>544,314,537</u></b>
Private placement of shares on February 27th	53,437,500
Share issue (in lieu of cash board compensation)	236,695
Private placement of shares on December 2nd	55,425,407
Private placement of shares on December 24th	64,574,593
<b>Balance at December 31, 2019</b>	<b><u>717,988,732</u></b>

2018:

Costs related to share issuance have been charged against equity and amounted to \$4 in 2018.

2019:

Costs related to share issuance have been charged against equity and amounted to \$899 in 2019.

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**16. Share-based compensation**

IDEX has the practice of renewing its incentive subscription rights program at each annual general meeting, when the preceding program is closed for further grants and a new program opened. In 2019, the board granted incentive subscription rights to employees and individual contractors under the 2018 program in the period January 1 — May 8, 2019 and made grants under the 2019 program in the period May 9 — December 31, 2019.

Under the 2019 subscription rights-based incentive program approved at the annual general meeting on May 9, 2019, the board may grant up to 59,775,203 incentive subscription rights, but limited in such a way that the total number of subscription rights outstanding under all programs may not exceed 10 percent of the number of shares. The subscription rights may be granted to employees and individual contractors performing similar work in IDEX. The exercise price shall be, at minimum, the higher of the average closing price of the IDEX shares on ten trading days preceding the date of the grant, or the closing price of the IDEX shares on the trading day preceding the date of the grant. Unless resolved otherwise by the board, 25 percent of each grant of subscription rights vest per year. The annual vesting dates are the latest of the following dates before the date of grant of the subscription rights; (i) January 15, (ii) April 15, (iii) July 15 or (iv) October 15. The subscription rights lapse on the fifth anniversary after the annual general meeting that approved the program. Grants under programs for prior years have similar pricing rules, vesting schedules and durations. 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. There are no cash settlement alternatives.

	<b>Number of Subscription Rights</b>	<b>Weighted Average Exercise Price (in NOK)</b>
Outstanding as of January 1, 2018	25,260,000	6.64
Granted	23,400,600	4.55
Exercised	(1,631,250)	4.38
Forfeited	(2,543,300)	6.99
Expired	(7,015,000)	6.02
Outstanding as of December 31, 2018	37,471,050	5.52
Granted	20,414,143	1.38
Exercised	—	—
Forfeited	(3,236,375)	4.34
Expired	(1,773,775)	5.27
Outstanding as of December 31, 2019	<u>52,875,043</u>	<u>4.01</u>
Subscription rights exercisable as of December 31, 2018	6,037,500	6.88
Subscription rights exercisable as of December 31, 2019	13,783,275	6.13
	<b>Number of Subscription Rights</b>	<b>Weighted Average Share Price at Exercise (in NOK)</b>
Subscription rights exercised in 2018	1,631,250	4.77
	<b>Number of Subscription Rights</b>	<b>Weighted Average Fair Value (in NOK)</b>
Subscription rights granted in 2018	23,400,600	1.86
Subscription rights granted in 2019	20,414,143	0.79

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The fair value of the subscription rights granted in the year has been calculated using the Black-Scholes option pricing model applying the following assumptions in 2019:

- Exercise price NOK 0.15 to NOK 3.88 per share, weighted average NOK 1.38 per share
- Weighted average actual share price at date of grant NOK 1.49 per share
- Expected duration up to 4.93 years, weighted average 3.21 years
- Volatility of share price based on share price history 63-80 percent
- Weighted average risk-free interest rate of 1.16 percent
- No expected dividend payment
- Actual population of subscription rights holders, no attrition

In 2018, the following assumptions were applied:

- Exercise price NOK 4.28 to 5.12 per share, weighted average NOK 4.55 per share
- Weighted average actual share price at date of grant NOK 4.55 per share
- Expected duration up to 4.93 years, weighted average 3.32 years
- Volatility of share price based on share price history 48-66 percent
- Weighted average risk-free interest rate of 1.16 percent
- No expected dividend payment
- Actual population of subscription rights holders, no attrition

As of December 31, 2019

Exercise price (in NOK)	Outstanding subscription rights				Vested subscription rights			
	Number of Subscription Rights Outstanding	Weighted Average Exercise Price (in NOK)	Weighted Average Remaining Duration (in years)	Weighted Average Remaining Time to Vest (in years)	Number of Vested Subscription Rights	Weighted Average Exercise Price (in NOK)	Weighted Average Remaining Duration (in years)	
0.00 - 0.50	4,938,543	0.15	4.36	1.54	—	—	—	
0.50 - 1.00	1,253,700	0.71	4.36	2.29	—	—	—	
1.50 - 2.00	12,138,200	1.65	4.36	2.04	—	—	—	
3.50 - 4.00	896,500	3.82	3.71	1.63	—	—	—	
4.00 - 4.50	11,022,200	4.28	3.14	0.91	2,987,300	4.28	2.96	
4.50 - 5.00	5,160,000	4.67	2.37	0.78	1,290,000	4.67	2.36	
5.00 - 5.50	6,265,900	5.09	3.16	0.93	2,338,475	5.09	3.03	
6.50 - 7.00	3,975,000	6.59	1.33	0.28	2,406,250	6.59	1.3	
7.50 - 8.00	5,075,000	7.77	1.84	0.35	3,135,000	7.78	1.73	
8.00 - 8.50	1,970,000	8.24	1.11	0.16	1,446,250	8.21	0.86	
9.00 - 9.50	105,000	9.23	0.27	—	105,000	9.23	0.27	
9.50 - 10.00	75,000	9.85	0.37	—	75,000	9.85	0.36	
<b>Total</b>	<b>52,875,043</b>	<b>4.01</b>	<b>3.15</b>	<b>1.13</b>	<b>13,783,275</b>	<b>6.13</b>	<b>2.09</b>	

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As of December 31, 2018

Exercise price (in NOK)	Outstanding subscription rights				Vested subscription rights		
	Number of Subscription Rights Outstanding	Weighted Average Exercise Price (in NOK)	Weighted Average Remaining Duration (in years)	Weighted Average Remaining Time to Vest (in years)	Number of Vested Subscription Rights	Weighted Average Exercise Price (in NOK)	Weighted Average Remaining Duration (in years)
3.50 - 4.00	60,000	3.60	0.35	—	60,000	3.60	0.35
4.00 - 4.50	12,785,800	4.28	4.25	1.74	350,000	4.45	0.35
4.50 - 5.00	5,160,000	4.67	3.37	1.54	—	—	—
5.00 - 5.50	7,334,000	5.09	3.67	1.55	1,017,500	5.07	1.21
5.50 - 6.00	125,000	5.86	0.35	—	125,000	5.83	0.35
6.00 - 6.50	50,000	6.40	0.35	0.02	47,500	6.42	0.35
6.50 - 7.00	4,175,000	6.59	2.36	0.80	1,400,000	6.59	2.36
7.50 - 8.00	5,241,250	7.77	2.93	0.90	1,868,750	7.78	2.76
8.00 - 8.50	2,295,000	8.27	2.37	0.59	985,000	8.20	1.95
9.00 - 9.50	170,000	9.23	1.37	0.23	127,500	9.23	1.36
9.50 - 10.00	75,000	9.85	1.37	0.15	56,250	9.85	1.36
Total	<u>37,471,050</u>	<u>5.52</u>	<u>3.46</u>	<u>1.36</u>	<u>6,037,500</u>	<u>6.88</u>	<u>2.00</u>

**17. Receivables**

Aging in 2018 and 2019 is as follows:

Year ended December 31, 2018	Maturity			
	Less than 3 months	3-6 months	6-12 months	Total
Trade receivables	\$ 39	\$ —	\$ —	\$ 39
Other current receivables	79	—	575	654
	<u>\$ 118</u>	<u>\$ —</u>	<u>\$ 575</u>	<u>\$693</u>
Year ended December 31, 2019	Maturity			
	Less than 3 months	3-6 months	6-12 months	Total
Trade receivables	\$ 31	\$ —	\$ —	\$ 31
Other current receivables	203	—	569	772
	<u>\$ 234</u>	<u>\$ —</u>	<u>\$ 569</u>	<u>\$803</u>

Trade receivables amounting to \$5 were overdue and the loss had been accrued for at the end of 2018. The provision for expected credit losses was \$5 and \$0 in 2018 and 2019, respectively. No other receivables were overdue at the end of 2018 or 2019. IDEX had no contingent assets at the end of 2018 or 2019. The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables

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**18. Payables and Financial Liabilities**

The Company did not have any liabilities at December 31, 2018 or 2019 which represented debt to financial institutions.

Year ended December 31, 2018	Maturity					Total
	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	
Non-current lease liabilities	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Accounts payable	590	—	—	—	—	590
Current lease liabilities	—	—	—	—	—	—
Other current liabilities	1,723	136	872	—	—	2,731
	<u>\$ 2,313</u>	<u>\$ 136</u>	<u>\$ 872</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$3,321</u>

Year ended December 31, 2019	Maturity					Total
	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	
Non-current lease liabilities	\$ —	\$ —	\$ —	\$ 610	\$ —	\$ 610
Accounts payable	463	—	—	—	—	463
Current lease liabilities	197	197	394	—	—	788
Other current liabilities	1,260	1,624	393	—	—	3,277
	<u>\$ 1,920</u>	<u>\$ 1,821</u>	<u>\$ 787</u>	<u>\$ 610</u>	<u>\$ —</u>	<u>\$5,138</u>

Other current liabilities include accruals for earned compensation, vacation days not taken and accruals for goods and services received but not yet invoiced by the supplier. Other current liabilities also include a deferred payable to the seller for patents acquired in 2014, in an amount of \$946 in 2018 and \$500 in 2019.

Interest expense including interest on lease liabilities in statement of profit and loss in finance expense was \$103 in 2018 and \$103 in 2019. Remaining amount of finance expense is net currency losses.

**Accrued employer's tax on share-based compensation**

The estimated employer's tax liability related to share-based compensation amounted to \$0 on December 31, 2018 and \$3 on December 31, 2019. It will be due only if and when the incentive subscription rights are exercised. The exercise will, in all likely circumstances, fund the payable employer's tax.

IDEX had no other significant current or non-current financial obligations at the end of 2018 or 2019. IDEX had no contingent liabilities at the end of 2018 or 2019.

**19. Inventory**

	December 31,					
	2018			2019		
	Cost	Reserves	Net	Cost	Reserves	Net
	(in thousands)					
Raw materials	\$ 1,190	\$ (708)	\$ 482	\$ 796	\$ (513)	\$ 283
Work in progress	266	—	266	81	(70)	11
Finished goods	744	(322)	422	963	(571)	392
Total inventory	<u>\$ 2,200</u>	<u>\$ (1,030)</u>	<u>\$ 1,170</u>	<u>\$ 1,840</u>	<u>\$ (1,154)</u>	<u>\$ 686</u>

Inventory, consisting mainly of 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.

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In 2018 and 2019 \$358 and \$1,079, respectively, of materials used in new product development was charged to development expense.

### **20. Subsequent Events**

On February 26, 2020, the board approved the issuance of 5,542,500 incentive subscription rights to IDEX employees and individual contractors. The grant was made under the Company's 2019 incentive subscription rights plan. The exercise price of the subscription rights is NOK 1.11 per share. The subscription rights vest 25% per year and expire on May 9, 2024.

Effective February 27, 2020, IDEX appointed Vince Graziani as CEO, to replace Stan Swearingen, who continues with IDEX as executive vice president of advanced technology and strategy.

During the first quarter of 2020, the Company filed amended tax returns in the United States and United Kingdom for the tax years 2017 and 2018 to claim research and development tax credits. As a result, the Company has received \$1.5 million in refunds and has a tax loss carryforward in the United Kingdom of \$3.4 million, and the tax loss carryforward in Norway will be reduced by \$3.4 million.

The World Health Organization has declared COVID-19 a global pandemic. This pandemic has led to an abrupt decrease in global commerce and a rapid deterioration of global financial markets.

IDEX has adopted the guidelines outlined by the relevant governments where the Company operates, to ensure the health of its employees and their families. The Company has established an internal virus response team, who are responsible for ongoing contingency planning. All travel and face-to-face meetings have been stopped. New working practices, enabling the majority of staff to work from home, came into effect on March 16, 2020. Staff, with specific roles that need to work at an IDEX facility, are supported in line with local government guidelines.

Through the date of this report, there have not been significant delays in development projects and IDEX has not incurred significant additional costs due to the preventive actions taken.

Earlier in the first quarter of 2020, many of IDEX's business partners in Asia were impacted, but the IDEX team was in regular contact. The Company believes the vast majority, if not all, of these partners have returned to their offices and factories.

IDEX acknowledges that there could be a negative business impact of reduced customer contact, deferred activity at customers, and/or lower manufacturing capacity at the Company's production partners. The Company is not in a position to quantify the possible effects.

On the other hand, IDEX has observed that the pandemic has increased end-user awareness of the benefits of contactless payments without a PIN.

While the financial impact to IDEX is difficult to predict at this time, IDEX has taken actions to delay or reduce costs to the extent possible while protecting the Company's business prospects and development projects. Management and the board will continue to monitor closely and take further actions as appropriate.

On May 11, 2020, IDEX completed a private placement of shares raising \$10,209 before expenses, in which 65,341,413 new shares were issued at NOK 1.60 per share.

The annual general meeting on May 15, 2020 resolved that the Company could offer to employees to take a part of their salary in shares instead of cash. 59 employees elected to convert cash compensation of \$562 into 4,318,523 shares. When converting cash compensation to shares, a 15% discount on the share price was applied. The shares are subject to a 6-month lockup period. After the issue of the shares to the employees, the Company's

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share capital amounted to \$11,545 divided into 788,090,650 registered shares each with a nominal value of NOK 0.15. The board resolved on August 12, 2020 to issue 1,993,100 incentive subscription rights (SRs) to employees and individual contractors of IDEX. The grant was made under the Company's 2020 SR plan as approved at the annual general meeting on May 15, 2020. The exercise price of the SRs is NOK 1.71 per share. The SRs vest by 25% per year and expire on May 15, 2025. Following the grant there were 56,606,193 SRs outstanding.

The annual general meeting on May 15, 2020 also authorized that employees and individual contractors in IDEX who held incentive subscription rights under the Company's 2016, 2017 and/or 2018 incentive subscription rights programs (Existing SRs), could receive replacement subscription rights (Replacement SRs) against waivers of the Existing SRs. 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 with the same number of Replacement SRs under the Company's 2020 Subscription Rights Incentive Plan. The outstanding number of SRs will remain unchanged at 55,993,593. According to the resolution by the annual general meeting, the exercise price of the Replacement SRs is NOK 1.71 per share, and one-third of the Replacement SRs vest on each of April 15, 2021, 2022 and 2023. All replacement SRs expire on May 15, 2025.

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**IDEX Biometrics ASA**  
**Interim Unaudited Consolidated Statements of Profit and Loss**  
(In thousands, except per share amounts)

	Note	Three Months Ended September 30,		Nine Months Ended September 30,	
		2019	2020	2019	2020
<b>Revenue:</b>					
Product		\$ 53	\$ 246	\$ 106	\$ 420
Service		96	2	247	77
Total revenue	3	149	248	353	497
<b>Operating expenses:</b>					
Purchases, net of inventory variation		21	45	47	97
Payroll expenses	4	5,037	4,275	15,074	12,466
Research and development expenses	5	968	930	3,025	2,039
Other operating expenses		1,012	1,370	3,395	3,779
Amortization and depreciation	7	393	430	1,201	1,280
Total operating expenses		7,431	7,050	22,742	19,661
Loss from operations		(7,282)	(6,802)	(22,389)	(19,164)
Finance income		30	24	114	21
Finance cost		(141)	(17)	(296)	(508)
Loss before tax		(7,393)	(6,795)	(22,571)	(19,651)
Income tax benefit (expense)		(129)	3	(378)	144
Net loss for the period		<u>\$ (7,522)</u>	<u>\$ (6,792)</u>	<u>\$ (22,949)</u>	<u>\$ (19,507)</u>
Loss per share, basic and diluted	8	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.04)</u>	<u>\$ (0.03)</u>

**Interim Unaudited Consolidated Statements of Comprehensive Income**

	Three months ended September,		Nine Months Ended September 30,	
	2019	2020	2019	2020
Net loss for the period	\$ (7,522)	\$ (6,792)	\$ (22,949)	\$ (19,507)
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods (net of tax):				
Foreign currency exchange differences	117	(622)	(1,103)	(209)
Total comprehensive income (loss) for the period, net of tax	<u>\$ (7,405)</u>	<u>\$ (7,414)</u>	<u>\$ (24,052)</u>	<u>\$ (19,716)</u>

The accompanying notes are an integral part of these unaudited consolidated financial statements.



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**IDEX Biometrics ASA**  
**Interim Unaudited Consolidated Statements of Financial Position**  
(In thousands, except share and per share amounts)

	<u>Note</u>	<u>December 31, 2019</u>	<u>September 30, 2020</u>
<b>Assets</b>			
Non-current assets:			
Goodwill		\$ 941	\$ 871
Intangible assets		2,605	2,124
Total intangible assets	7	3,546	2,995
Property, plant and equipment		2,013	1,661
Right-of-use assets		1,375	1,017
Total fixed assets	7	3,388	2,678
Non-current receivables	7	152	72
Total non-current assets		7,086	5,745
Current assets:			
Inventory	10	686	834
Receivables and prepaid expenses:			
Trade receivables		31	223
Prepaid expenses		769	655
Other current receivables		772	686
Total receivables and prepaid expenses		1,572	1,564
Cash and cash equivalents		14,126	5,704
Total current assets		16,384	8,102
Total assets		<u>\$ 23,470</u>	<u>\$ 13,847</u>
<b>Equity and liabilities</b>			
Paid-in capital:			
Share capital (NOK 0.15 par value, 717,988,732 and 788,090,650 shares issued and outstanding at December 31, 2019 and September 30, 2020, respectively)		\$ 15,445	\$ 16,505
Share premium		197,639	206,624
Other paid-in capital		15,903	17,844
Total paid-in capital	9	228,987	240,973
Foreign currency translation effects		(12,992)	(13,201)
Accumulated loss		(198,183)	(217,690)
Total equity		17,812	10,082
Non-current liabilities			
Deferred tax liabilities		31	—
Non-current lease liabilities		610	392
Total non-current liabilities		641	392
Current liabilities			
Accounts payable		463	539
Income tax payable		129	97
Current lease liabilities		788	661
Public duties payable		357	209
Accrued employer's tax on share-based compensation		3	54
Other current liabilities		3,277	1,813
Total current liabilities		5,017	3,373
Total liabilities		5,658	3,765
Total equity and liabilities		<u>\$ 23,470</u>	<u>\$ 13,847</u>

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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**IDEX Biometrics ASA**  
**Interim Unaudited Consolidated Statements of Changes in Equity**  
**(In thousands)**

	Share Capital	Share premium	Other Paid-in Capital	Foreign Currency Translation Effects	Accumulated Loss	Total Equity
<b>Balance at January 1, 2019</b>	12,501	166,419	13,353	(12,330)	(165,760)	14,183
Share issuance	940	23,312				24,252
Share-based compensation	4		2,034			2,038
Loss for the period					(22,949)	(22,949)
Other comprehensive income				(1,103)		(1,103)
<b>Balance at September 30, 2019</b>	<u>\$13,445</u>	<u>\$189,731</u>	<u>\$15,387</u>	<u>\$ (13,433)</u>	<u>\$ (188,709)</u>	<u>\$ 16,421</u>
<b>Balance at January 1, 2020</b>	15,445	197,639	15,903	(12,992)	(198,183)	17,812
Share issuance	983	8,985				9,968
Share-based compensation	77		1,941			2,018
Loss for the period					(19,507)	(19,507)
Other comprehensive income				(209)		(209)
<b>Balance at September 30, 2020</b>	<u>\$16,505</u>	<u>\$206,624</u>	<u>\$17,844</u>	<u>\$ (13,201)</u>	<u>\$ (217,690)</u>	<u>\$ 10,082</u>

Refer also to Note 9 to the interim unaudited consolidated financial statements

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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**IDEX Biometrics ASA**  
**Interim Unaudited Consolidated Statements of Cash Flow**  
**(In thousands)**

	Note	Nine Months Ended September 30,	
		2019	2020
<b>Operating activities</b>			
Profit (loss) before tax		\$ (22,571)	\$ (19,651)
Amortization and depreciation expense	7	1,201	1,280
Share-based compensation expense	9	2,041	1,980
Change in inventories	10	(513)	(198)
Change in accounts receivables		30	(194)
Change in accounts payable		95	100
Change in other working capital items		(887)	(751)
Other operating activities		31	470
Interest expense		76	43
Other financial items		(190)	(65)
Income taxes		(226)	27
Net cash flow from operating activities		(20,913)	(16,959)
<b>Investing activities</b>			
Purchases of property, plant and equipment	7	(526)	(91)
Receipts from non-current receivables	7	2	74
Interest received		114	21
Net cash flow from investing activities		(410)	4
<b>Financing activities</b>			
Net proceeds from issue of shares	9	24,256	10,699
Payments on lease liabilities		(493)	(591)
Payment related to a financed asset purchase		(500)	(500)
Net cash flow from financing activities		23,263	9,608
<b>Net change in cash and cash equivalents</b>		1,940	(7,347)
Effect of foreign exchange rate changes		(908)	(1,075)
Opening cash and cash equivalents balance at January 1		9,635	14,126
Cash and cash equivalents at September 30		\$ 10,667	\$ 5,704

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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[Table of Contents](#)**NOTES TO INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS****(Amounts in thousands, except per share amounts)****1. Nature of the Business and Basis of Presentation**

IDEX Biometrics ASA and subsidiaries (collectively “IDEX” or the “Company”) is a biometrics company specializing in the design, development and sale of fingerprint identification and authentication solutions. The Company’s fingerprint sensors and biometric solutions are used in touch-free smart cards, including payment cards, and electronic devices. IDEX Biometrics ASA (the “parent company”) is a public limited liability company incorporated in 1996 in Norway. The address of the head office is Dronning Eufemias gate 16, NO-0191 Oslo, Norway. IDEX Biometrics ASA’s shares are listed at Oslo Børs, the stock exchange in Oslo.

IDEX is comprised of the parent company and its subsidiaries in the United States of America (U.S.), IDEX Holding Company Inc. and IDEX America Inc (IDEX America), the United Kingdom (UK), IDEX Biometrics UK Ltd. (IDEX UK), and the People’s Republic of China (China), IDEX Electronics (Shanghai) Co. , Ltd. (IDEX China) All subsidiaries are held 100%. The parent company holds all intellectual property of IDEX and is party to all customer and manufacturing partner agreements. The subsidiaries provide various services to the parent company, mainly within the technical development, supply-chain administration, and customer interfacing and marketing functions.

These interim consolidated financial statements 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 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and IFRS as adopted by the European Union. The consolidated financial statements have been prepared on a historical cost basis. This interim financial report has not been subject to audit.

The interim consolidated financial statements as of and for the nine months ended September 30, 2020 were approved by the board on November 17, 2020.

**Going Concern**

The Company has evaluated whether there are conditions and events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern within one year after the date the interim consolidated financial statements are issued. From its inception through September 30, 2020, IDEX has incurred significant operating losses and has reported negative cash flows from operations. As of September 30, 2020, the Company has accumulated losses of \$217,690. The Company has no debt to financial institutions. Net equity amounted to \$10,082 and the consolidated statement of financial position solvency amounted to \$3,895 at September 30, 2020. The Company does not expect that its existing cash would enable it to fund its operating expenses and capital expenditures requirements for the next twelve months. The future viability of the Company beyond that point is largely dependent on its ability to generate cash from operating activities and to raise additional capital to finance its operations.

In November 2020, the Company completed a private placement of shares, as a result of which the Company raised \$7,767 before expenses. The Company plans to do a best efforts capital raise based on review of all strategic options available to the Company to raise additional capital including private placements. These funds are not expected to provide funding for the next twelve months and accordingly, the company will need to supplement these funds with revenue and other strategic funding opportunities. While the Company has been successful in raising funds through private placements of shares, there can be no assurance that we will be successful in the future. The Company’s failure to raise capital as and when needed could have a negative impact on its financial condition and its ability to pursue its business strategies.

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Based on its recurring losses from operations incurred since inception, expectation of continuing losses for the foreseeable future and need to raise additional capital to finance its future operations, the Company has concluded that there is substantial doubt about its ability to continue as a going concern as of September 30, 2020. The Company reached the same going concern conclusion in its audited financial statements as of December 31, 2019. As a result, the Company's independent registered public accounting firm included an explanatory paragraph in their opinion for the year ended December 31, 2019 as to the substantial doubt about the Company's ability to continue as a going concern.

The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Accordingly, the interim consolidated financial statements have been prepared on a basis that assumes the Company will continue as a going concern and which contemplates the realization of assets and satisfaction of liabilities and commitment in the ordinary course of business.

### **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 nine months ended September 30, 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 nine months ended September 30, 2020 as compared to the same period 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.

## **2. Summary of Significant Accounting Policies**

The accounting policies adopted in the preparation of the interim consolidated financial statements are the same as those applied in the Company's consolidated financial statements as at and for the year ended December 31, 2019, except as noted below. Several new standards, amendments and interpretations apply for the first time in 2020 but do not have an impact on the interim consolidated financial statements of the Company.

### **Financial risk, market risk and capital management**

IDEX currently generates immaterial revenue and operates at a significant loss. Net equity amounted to \$10,082 and the balance sheet solvency amounted to \$3,895 at September 30, 2020. As of September 30, 2020, the Company had \$5,704 in cash and no debt to financial institutions. The Company expects to significantly increase revenue generation through sales of its products and monetization of intellectual property.

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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. The Company may not be successful in raising additional capital to finance its operations.

IDEX does not have any significant assets or liabilities with financial risk. IDEX's balance sheet comprises mainly cash and working capital and the company is fully funded on equity. IDEX does not hold financial instruments or significant financial assets or liabilities and has limited financial risks related to currency and interest rates. The U.S. dollar is the dominant currency of the Company's payables.

The business risk may be summarized in five points: (i) IDEX has to date earned insufficient revenues compared to costs. IDEX has reported accumulating losses and expects future losses in the short term. (ii) IDEX's business plan assumes revenue from products which IDEX has traded commercially in large volumes but not in mass production volumes. (iii) Revenue from IDEX's products depends, among other things, on market factors, which are not controlled by IDEX. (iv) Competitive products may outperform IDEX's product offering. (v) Some of IDEX's intended markets remain immature and all are undergoing rapid technological changes.

IDEX's trade receivables and other receivables have moderate to low credit risk.

Refer to the comments regarding going concern and COVID-19 in Note 1.

IDEX manages its liquidity passively, which means that funds are placed in floating-interest rate bank accounts. Investments in property, plant and equipment are only made when mandatory for the needs of the core business. IDEX has been funded by equity since 2010.

Market risk arises from the Company's exposure to fluctuation in interest rates and currency exchange rates. These risks are managed by maintaining an appropriate mix of cash deposits in the currencies IDEX operates in, placed with a variety of financial institutions for varying periods according to expected liquidity requirements.

### Segment reporting

IDEX manages its operations as a single segment for the purposes of assessing performance and making operating decisions. IDEX operates as one operating segment, fingerprint imaging and recognition technology. IDEX has determined that its chief operating decision maker is its Chief Executive Officer. The Company's chief operating decision maker reviews the Company's financial information on an aggregated basis for the purposes of allocating resources and assessing financial performance. The Company's revenue has historically come from a limited number of customers. During the nine months ended September 30, 2020, one customer accounted for approximately 84% of the Company's revenue. During the nine months ended September 30, 2019, one customer accounted for 68% of revenue.

	<u>December 31, 2019</u>	<u>September 30, 2020</u>
	(in thousands)	
<b>Non-current operating assets:</b>		
Norway	\$ 4,256	\$ 3,557
United States	1,648	1,285
United Kingdom	1,025	721
China	5	110
Total:	<u>\$ 6,934</u>	<u>\$ 5,673</u>

Non-current operating assets for this purpose consist of property, plant and equipment, right-of-use assets, goodwill and other intangible assets.

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### 3. Revenues 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.

The balances of trade receivables at December 31, 2019 and September 30, 2020 were \$31 and \$223, respectively. There were no contract asset or contract liability balances at either date.

	Three months ended September 30,		Nine months ended September 30,	
	2019	2020	2019	2020
	(in thousands)		(in thousands)	
<b>Product revenue:</b>				
Europe, Middle East and Africa	\$ 18	\$ 240	\$ 29	\$ 384
Americas	6	2	5	5
Asia	29	4	72	31
<b>Total product revenue</b>	<b>53</b>	<b>246</b>	<b>106</b>	<b>420</b>
<b>Service revenue:</b>				
Europe, Middle East and Africa	—	—	—	1
Americas	96	2	247	76
<b>Total service revenue</b>	<b>96</b>	<b>2</b>	<b>247</b>	<b>77</b>
<b>Total revenue</b>	<b>\$ 149</b>	<b>\$ 248</b>	<b>\$ 353</b>	<b>\$ 497</b>

### 4. Payroll expenses

Payroll expenses consist of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2020	2019	2020
	(in thousands)		(in thousands)	
Salary, payroll tax, benefits, other	\$ 4,386	\$ 3,177	\$ 13,024	\$ 10,404
Payable payroll tax on realized share-based benefits	9	—	9	—
Share-based compensation	642	1,064	2,041	1,980
Net employer's tax on share-based compensation	—	34	—	82
<b>Total</b>	<b>\$ 5,037</b>	<b>\$ 4,275</b>	<b>\$ 15,074</b>	<b>\$ 12,466</b>

### 5. 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

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capitalized any development costs in the nine months ended September 30, 2019 or September 30, 2020. Development costs related to the creation of intellectual property have been expensed when incurred. 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.

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>
	(in thousands)		(in thousands)	
Gross R&D expenses	\$ 968	\$ 941	\$ 3,025	\$ 3,404
Government grants credited to cost	—	(11)	—	(1,365)
Net R&D expenses	<u>968</u>	<u>930</u>	<u>3,025</u>	<u>2,039</u>

## 6. Related Party Transactions

The chair Morten Opstad is a partner in Advokatfirma Ræder DA. This law firm provided services to the Company amounting to \$358 in the first nine months of 2019 and \$276 for the nine months ended September 30, 2020. Mr Opstad's work beyond board duty has been invoiced by Ræder. The amount in 2020 includes work related to the private placement completed in May 2020 and the application for listing on Nasdaq.

Lawrence Ciaccia, who was elected board member at the annual general meeting on May 12, 2015, and later re-elected, and elected to deputy chair at the annual general meeting on May 9, 2019, has served on IDEX's Strategy Advisory Committee (SAC) since 2014 and continues his tenure on the SAC. The SAC service fee is \$15 per year. Mr Ciaccia also provides consulting services beyond board duty to IDEX for a fixed fee of \$50 per year. Fees expense as of the nine months ended September 30, 2019 and 2020 was \$49.

Since 2016, former board member and deputy chair Andrew MacLeod had provided consulting services beyond board duty to IDEX for a fixed fee of approximately \$46 per year. Mr Macleod's service agreement ended on March 27, 2019, and he left the board on May 9, 2019.



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## 7. Noncurrent assets

	<u>Goodwill</u>	<u>Intangible assets</u>	<u>Property, plant and equipment</u>	<u>Right-of-use assets</u>	<u>Non-current receivables</u>	<u>Total non-current assets</u>
			(in thousands)			
<b>Balance at January 1, 2019</b>	\$ 951	\$ 3,080	\$ 1,679	\$ —	\$ 146	\$ 5,856
Additions	—	—	504	1,282	—	1,786
Disposals and retirements at cost	—	—	(25)	—	(2)	(27)
Depreciation and impairment losses	—	(300)	(360)	(490)	—	(1,150)
Depreciation on disposed and retired assets	—	—	22	—	—	22
Effects of changes in foreign currency	(42)	(135)	(18)	(28)	(5)	(228)
<b>Balance at September 30, 2019</b>	<u>\$ 909</u>	<u>\$ 2,645</u>	<u>\$ 1,802</u>	<u>\$ 764</u>	<u>\$ 139</u>	<u>\$ 6,259</u>
<b>Balance at January 1, 2020</b>	\$ 941	\$ 2,605	\$ 2,013	\$ 1,375	\$ 152	\$ 7,086
Additions	—	—	92	267	—	359
Disposals and retirements at cost	—	—	(38)	—	(56)	(94)
Depreciation and impairment losses	—	(289)	(403)	(588)	—	(1,280)
Depreciation on disposed and retired assets	—	—	38	—	—	38
Effects of changes in foreign currency	(70)	(192)	(41)	(37)	(24)	(364)
<b>Balance at September 30, 2020</b>	<u>\$ 871</u>	<u>\$ 2,124</u>	<u>\$ 1,661</u>	<u>\$ 1,017</u>	<u>\$ 72</u>	<u>\$ 5,745</u>

Goodwill is not amortized but is tested for impairment at least annually. Patents acquired in earlier years have been capitalized and are amortized over the estimated useful life, which is the lifetime of the respective patent(s). 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 has not capitalized any development expenses in the nine months ended September 30, 2019 or 2020. There are no assets under construction at September 30, 2020.

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## 8. Loss per share

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2020	2019	2020
<b>Net loss for the period (in thousands)</b>	<b>\$ (7,522)</b>	<b>\$ (6,792)</b>	<b>\$ (22,949)</b>	<b>\$ (19,507)</b>
Weighted average basic number of ordinary shares	597,988,767	787,853,835	588,853,805	753,486,077
Weighted average diluted number of shares	612,865,469	791,700,561	593,867,199	759,169,172
<b>Basic and diluted loss per share in the period</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.04)</b>	<b>\$ (0.03)</b>

## 9. Shares and subscription rights

The following shows a rollforward of the Company's outstanding shares for the periods presented in these interim consolidated financial statements.

	<u>Number of Shares</u>
<b>Balance at January 1, 2019</b>	544,314,537
Share issue on January 25th	53,437,500
Share issue (in lieu of cash board compensation)	236,695
<b>Balance at September 30, 2019</b>	597,988,732
Private placement of shares on December 2nd	55,425,407
Private placement of shares on December 24th	64,574,593
<b>Balance at December 31, 2019</b>	717,988,732
Share issue on May 11th	65,341,413
Share issue (in lieu of cash board compensation)	441,982
Share issue on July 1st	4,318,523
<b>Balance at September 30, 2020</b>	788,090,650

IDEX conducted a private placement of new shares on May 11, 2020, raising \$10,209 before expenses through issue of 65,341,413 new shares at NOK 1.60 per share. The private placement took place through an accelerated book building process after close of Oslo Børs.

The annual general meeting (AGM) on May 15, 2020 authorized the board to offer to employees to take a part of their salary in shares instead of cash. 59 employees, among them four primary insiders, elected in July 2020 to take shares in lieu of a total of \$562 cash salary.

The AGM also approved an employee stock purchase plan (ESPP), whereby employees may elect to invest a portion of their compensation in IDEX shares. The ESPP was launched in August 2020, and the first purchase of shares will take place primo December 2020.

The AGM on May 15, 2020 also resolved that the board members could elect to receive all or part of the board compensation in the form of shares in IDEX. See Note 4.

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The following shows a rollforward of the Company's outstanding shares for the periods presented in these interim consolidated financial statements.

	<b>Number of Incentive Subscription Rights</b>
<b>Balance at January 1, 2019</b>	37,471,050
Granted incentive subscription rights	14,221,900
Expired/forfeited incentive subscription rights	<u>(2,973,550)</u>
<b>Balance at September 30, 2019</b>	48,719,400
Granted incentive subscription rights	6,192,243
Expired/forfeited incentive subscription rights	<u>(2,036,600)</u>
<b>Balance at December 31, 2019</b>	52,875,043
Granted incentive subscription rights	7,892,900
Expired/forfeited incentive subscription rights	<u>(5,930,800)</u>
<b>Balance at September 30, 2020</b>	<u>54,837,143</u>

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 September 30, 2020 was NOK 1.71 per share.

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 the Black-Scholes option pricing model.

The exercise price of the subscription rights was equal to the fair market value of the shares on the date of grant. The subscription rights generally vest annually over four years. The contractual life of each subscription right is a maximum of 5 years. There is no cash settlement alternative for the holders. The fair value of subscription rights granted during the nine months ended September 30, 2020 was estimated on the grant date using the following assumptions:

- Exercise price NOK 1.11 to NOK 1.71, weighted average was NOK 1.61
- Weighted average actual share price at date of grant was NOK 1.42
- Expected duration: Up to 5 years, weighted average 2.9 years
- Volatility of share price based on price history of IDEX, as reported by Oslo Børs, between 78% and 113%, weighted average 97%
- Weighted average risk-free interest rate based on the applicable Norwegian government bonds/treasury bills, between 0.019% and 1.321%, weighted average 0.357%
- No expected dividend payments
- Actual population of subscription rights holders, no attrition

Employer's social security tax related to share-based compensation 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.

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The annual general meeting on May 15, 2020 approved that the board could offer to employees to replace existing incentive subscription rights (SRs) under the 2016-2018 SR plans that were of no value, with subscription rights under the 2020 SR plan, with one third of the replacement SRs vesting on each of April 15, 2021, 2022 and 2023. On June 17, 2020 the board resolved and granted the replacement which was formally issued by the board on October 2, 2020, being a combined total of 25,962,800 incentive subscription rights at NOK 1.71 per share under the Company's 2020 SR plan, and cancelled the same number of SRs under the preceding plans. The accounting effect of the cancellation and replacement amounted to \$184 of increased share-based payment expense in the nine months ended September 30, 2020.

### 10. Inventory

	December 31, 2019			September 30, 2020		
	Cost	Reserves	Net	Cost	Reserves	Net
	(in thousands)					
Raw materials	\$ 796	\$ (513)	\$283	\$324	\$ —	\$324
Work in progress	81	(70)	11	110	—	110
Finished goods	963	(571)	392	444	(44)	400
Total inventory	<u>\$1,840</u>	<u>\$ (1,154)</u>	<u>\$686</u>	<u>\$878</u>	<u>\$ (44)</u>	<u>\$834</u>

Inventory, consisting mainly of 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.

### 11. Income tax

IDEX has in 2020 claimed research and development 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 September 30, 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.

### 12. Subsequent Events

On November 4, 2020, the Company issued 2,559,100 incentive subscription rights to IDEX employees and individual contractors. The grant was made under the Company's 2020 incentive subscription rights plan. The exercise price of the subscription rights is NOK 1.80 per share. The subscription rights vest 25% per year and expire on May 15, 2025.

On November 9, 2020, IDEX resolved a private placement of new shares, raising \$7,767 (NOK 70,000) before expenses, by issue of 42.5 million new shares at NOK 1.65 per share. The new shares were issued under the board's current authorization to issue shares as resolved by the Company's annual general meeting held on May 15, 2020. The shares were placed at 3.1% premium on the closing price of the Company's shares on November 9, 2020. The subscription amount must be paid by November 20, 2020. The new shares will be issued as soon as practicable after payment and registration of the capital increase with the Norwegian Register of Business Enterprises. Following the Private Placement, the Company will have a share capital amounting to NOK 124,593 divided into 830,618,831 shares at NOK 0.15 nominal value per share.



# IDEX

INTERIM REPORT FOURTH QUARTER  
AND PRELIMINARY RESULT 2020

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## RECENT HIGHLIGHTS

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### » 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 margins<sup>1</sup> were 70% and 75%, respectively
- 2020 Adjusted Operating Expenses<sup>2</sup> 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

<sup>1</sup> Gross Margin is Total Revenue less Purchases, net of inventory change

<sup>2</sup> 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

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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

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### 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.

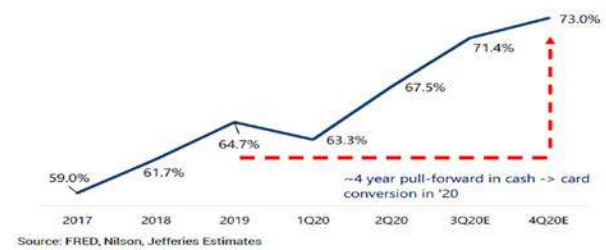
The access control market opportunity includes both information access and security, and physical access control. This market segment is estimated to be 250 million units annually and growing at 5%<sup>1</sup>.

### 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 2023<sup>2</sup>. 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 2019<sup>3</sup>



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

<sup>1</sup> ABI Research

<sup>2</sup> Nilson Report

<sup>3</sup> 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 margin<sup>4</sup> 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

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<sup>4</sup> 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

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### 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
<b>Operating revenue</b>					
Product revenue	4	593	53	1 013	159
Service revenue	4	5	18	82	265
<b>Total revenue</b>		<b>598</b>	<b>71</b>	<b>1 095</b>	<b>424</b>
<b>Operating expenses</b>					
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
<b>Total operating expenses</b>		<b>7 836</b>	<b>9 729</b>	<b>27 497</b>	<b>32 471</b>
<b>Loss from operations</b>		<b>(7 238)</b>	<b>(9 658)</b>	<b>(26 402)</b>	<b>(32 047)</b>
Finance income	9	5	21	26	135
Finance cost	9	31	(55)	(477)	(351)
<b>Loss before tax</b>		<b>(7 202)</b>	<b>(9 692)</b>	<b>(26 853)</b>	<b>(32 263)</b>
<b>Income tax expense</b>	<b>10</b>	<b>45</b>	<b>(218)</b>	<b>(99)</b>	<b>160</b>
<b>Net loss for the period</b>		<b>(7 247)</b>	<b>(9 474)</b>	<b>(26 754)</b>	<b>(32 423)</b>
<b>Loss per share, basic and diluted (USD)</b>	<b>11</b>	<b>(0.01)</b>	<b>(0.02)</b>	<b>(0.03)</b>	<b>(0.05)</b>

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

## STATEMENTS OF FINANCIAL POSITION

Amounts in USD 1,000	Note	December 31, 2020	December 31, 2019
<b>Assets</b>			
<b>Non-current assets</b>			
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
<b>Total non-current assets</b>	<b>8</b>	<b>6 168</b>	<b>7 086</b>
<b>Current assets</b>			
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
<b>Total current assets</b>		<b>10 838</b>	<b>16 384</b>
<b>Total assets</b>		<b>17 006</b>	<b>23 470</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
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)
<b>Total equity</b>		<b>12 514</b>	<b>17 812</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities			31
Non-current lease liabilities		327	610
<b>Total non-current liabilities</b>		<b>327</b>	<b>641</b>
<b>Current liabilities</b>			
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
<b>Total current liabilities</b>		<b>4 165</b>	<b>5 017</b>
<b>Total liabilities</b>		<b>4 492</b>	<b>5 658</b>
<b>Total equity and liabilities</b>		<b>17 006</b>	<b>23 470</b>



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

## STATEMENTS OF CASH FLOW

Amounts in USD 1,000	Note	Quarters		Full year	
		Q4 2020	Q4 2019	2020	2019
<b>Operating activities</b>					
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)
<b>Net cash flow from operating activities</b>		<b>(6 335)</b>	<b>(6 255)</b>	<b>(23 294)</b>	<b>(27 168)</b>
<b>Investing activities</b>					
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
<b>Net cash flow used in investing activities</b>		<b>(236)</b>	<b>(311)</b>	<b>(232)</b>	<b>(721)</b>
<b>Financing activities</b>					
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)
<b>Net cash flow from financing activities</b>		<b>7 833</b>	<b>9 726</b>	<b>17 438</b>	<b>32 989</b>
<b>Net change in cash and cash equivalents</b>		<b>1 262</b>	<b>3 160</b>	<b>(6 088)</b>	<b>5 100</b>
Effect of foreign exchange rate changes		332	299	(740)	(609)
Opening cash and cash equivalents balance		5 704	10 667	14 126	9 635
<b>Cash and cash equivalents at December 31</b>		<b>7 298</b>	<b>14 126</b>	<b>7 298</b>	<b>14 126</b>

# NOTES TO THE INTERIM FINANCIAL STATEMENTS

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## 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
<b>Product revenue</b>	<b>593</b>	<b>53</b>	<b>1,013</b>	<b>159</b>
EMEA	1		2	
Americas		18	77	265
Asia-Pacific	4		3	
<b>Service revenue</b>	<b>5</b>	<b>18</b>	<b>82</b>	<b>265</b>
<b>Total revenue</b>	<b>598</b>	<b>71</b>	<b>1,095</b>	<b>424</b>

## 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
<b>Payroll expenses</b>	<b>5 206</b>	<b>6 676</b>	<b>17 672</b>	<b>21 750</b>

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)
<b>Net R&amp;D expenses</b>	<b>(144)</b>	<b>1 360</b>	<b>1 895</b>	<b>4 385</b>

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
<b>Balance at 1 January 2020</b>	<b>941</b>	<b>2 605</b>	<b>2 013</b>	<b>1 375</b>	<b>152</b>	<b>7 086</b>
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
<b>Balance at 31 December 2020</b>	<b>968</b>	<b>2 442</b>	<b>1 667</b>	<b>1 016</b>	<b>75</b>	<b>6 168</b>
<b>Balance at 1 January 2019</b>	<b>951</b>	<b>3 080</b>	<b>1 679</b>	<b>1 140</b>	<b>146</b>	<b>6 996</b>
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)
<b>Balance at 31 December 2019</b>	<b>941</b>	<b>2 605</b>	<b>2 013</b>	<b>1 375</b>	<b>152</b>	<b>7 086</b>

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		
<b>Total financial income</b>	<b>5</b>	<b>21</b>	<b>26</b>	<b>135</b>
Interest expenses on lease liabilities	20	34	63	50
Interest expenses on deferred se		(10)		54
Currency exchange (gain) loss	(51)	30	414	248
<b>Total financial expense</b>	<b>(31)</b>	<b>55</b>	<b>477</b>	<b>351</b>
<b>Net financial items</b>	<b>36</b>	<b>(34)</b>	<b>(451)</b>	<b>(216)</b>

## 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
<b>Profit (loss) per share, basic and diluted</b>	<b>USD (0.01)</b>	<b>USD (0.02)</b>	<b>USD (0.03)</b>	<b>USD (0.05)</b>

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
<b>Balance at 1 January 2020</b>	<b>52 875 043</b>	<b>717 988 732</b>
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)	
<b>Balance at 31 December 2020</b>	<b>56 344 093</b>	<b>832 146 748</b>
<b>Balance at 1 January 2019</b>	<b>37 471 050</b>	<b>544 314 537</b>
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)	
<b>Balance at 31 December 2019</b>	<b>52 875 043</b>	<b>717 988 732</b>

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
<b>Total Inventory</b>	<b>1 073</b>	<b>(214)</b>	<b>859</b>	<b>1 840</b>	<b>(1 154)</b>	<b>686</b>

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



Be part of the fingerprint authentication revolution

## Investor relations contacts

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# IDEX

REPORT FIRST HALF 2020

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## RECENT HIGHLIGHTS

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- » Contactless payments have accelerated as a result of the global Covid-19 pandemic and IDEX Biometrics (IDEX) and others in the industry expect fingerprint biometrics to play a key role in a fully contactless solution
- » IDEX has received over USD 1 million in product orders to date in 2020 as the company begins its commercial ramp
- » IDEX's technology has been certified by two major global payment networks; China UnionPay and a large US based network. The networks combined have issued 70% of global branded payment cards. IDEX is the only fingerprint sensor company to have achieved certification for its system solution with two global payment networks
- » IDEX's TrustedBio™ technology was selected by IDEMIA, the global leader in Augmented Identity and a leading global payment card manufacturer, for its next generation biometric payment card
- » IDEX's sensor was selected by Zwipe, a pioneer in the biometric payment card market, to be combined with the Zwipe Pay ONE platform, to enable a complete system solution for biometric payment cards
- » IDEX has started shipping TrustedBio. The timing is consistent with IDEX's TrustedBio announcement in February 2020
- » IDEX received CARES Act or Coronavirus relief in the USA including payroll tax relief
- » IDEX raised USD 10.3 million to fund product development, meet customer production requirements and fund working capital

## CEO'S COMMENTS

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*"Following the coronavirus outbreak, consumers want to go cashless and many businesses are discouraging the use of cash because of hygiene concerns. This drives demand for a secure and touch-free payment experience.*

*IDEX is in position to meet this demand with the right products, partnerships, critical certifications, orders and the start of production unit shipments.*

*We have achieved a key development milestone: We now have engineering samples of our next generation TrustedBio sensor. TrustedBio is a truly disruptive technology that provides industry leading biometric performance while dramatically reducing the cost of biometric payment cards.*

*We would like to thank our existing and new shareholders for their recent investment in May which will allow us to accelerate development and support revenue growth.*

*In the second half of 2020, the company expects additional design wins and continued commercial order growth for biometric payment cards leading to a projected revenue ramp-up in 2021."*



Vince Graziani, CEO, IDEX Biometrics ASA

## BUSINESS REVIEW

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### LEADERSHIP IN BIOMETRIC FINGERPRINT SENSING TECHNOLOGY

#### Touch-free biometric smart card applications

IDEX designs, develops, and sells fingerprint identification and authentication solutions. Its largest potential market is the biometric payment card market. IDEX's business model includes the design, development and sale or licensing of fingerprint identification and authentication products and solutions. The company maintains in-house design, testing, and supply chain management functions.

The company is an emerging growth company that has developed leading-edge products with significant performance and cost advantages compared to its competition. During 2020, the company has continued its commercialization and sale of these products.

Manufacturing is outsourced to large and established semiconductor fabrication companies as well as other providers of components and manufacturing services. IDEX is the only fingerprint biometric solution optimized for biometric payment cards, projected to be a market opportunity exceeding USD 2 billion by 2024<sup>1</sup>.

IDEX's unique integrated solution for biometric smart cards includes the company's *off-chip* capacitive sensor technology, software matching algorithms

and energy harvesting technology that have been specifically designed and optimized for biometric payment cards. The company's *off-chip* sensor technology de-couples a low-cost polymer sensor from a leading edge and smaller ASIC. This solution has a fundamental and considerable cost and performance advantage over competitors. The IDEX solution also improves the manufacturability of biometric payment cards.

The recently launched TrustedBio™ family of products delivers an unprecedented level of integration and dramatically reduces biometric smart card costs while improving performance, security and manufacturability. IDEX is pleased that it has started shipping TrustedBio. As expected, following testing and integration of this new family of sensor solutions, IDEX is on track to roll-out multiple biometric smart card solutions for the mass market beginning this fall with the previously announced global tier 1 smart card manufacturer as well as several other global partners in both Europe and Asia.

#### Technology roadmap

IDEX's technology roadmap is focused on:

- » Enabling significant reductions in system costs through optimized architecture and integration
- » Improvements in convenience and performance through next-generation silicon, sensor and algorithm
- » Enhancements to security through secure end-to-end architecture, and advanced match-on-secure element algorithms

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<sup>1</sup> IDEX estimates

- » Developing solutions for in-display sensors for next generation biometric cards and mobile devices

### Market opportunities

IDEX's largest target market is the biometric payment card market. IDEX also offers its products and solutions for the access control market, as well as other adjacent verticals including access control, government and identification, healthcare, and IoT (Internet of Things).

### Payment cards

The need for biometric payment cards is driven by consumers' desire for a completely touch-free secure payment transaction. Consumers want a frictionless transaction process but with enhanced security. In addition, card issuers view innovation as important to remain relevant and top of wallet with their customers.

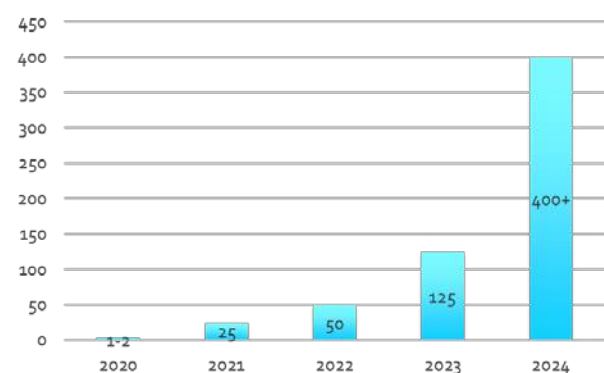
There are currently 22 billion payment cards in circulation globally, projected to grow to 29 billion by 2023<sup>2</sup>. Most of these cards are smart cards, i.e. cards with a chip. The company's total addressable market includes all cards with a chip.

Touch-free or contactless payment cards are expected to drive significant growth for the company's products. The global touch-free card transaction value will increase by 300% from USD 2 trillion to USD 6 trillion between 2020 and 2024<sup>3</sup>. Touch-free payments have accelerated significantly, and contactless limits have increased due to the global Covid-19 pandemic driven by concerns for safety.

However, these trends increases the risk of fraud and IDEX believes adding a biometric sensor meets the needs of a touch-free payment while providing a very high level of security.

IDEX and other industry participants expect demand for a contactless and secure payment solution that a biometric payment card offers, to grow in 2020. IDEX expects to see banks launching cards in 2020 and to see more pilots, launches and larger scale commercial launches in 2021. IDEX believes its TrustedBio solution offers compelling performance, security, manufacturability and cost benefits which IDEX believes will allow for large scale adoption of biometric payment cards beginning in 2021.

IDEX, industry analysts and observers all project significant and steep growth in fingerprint biometrics on payment cards. Estimates for biometric payment card shipments in 2020 are 1-2 million cards for pilots and smaller scale commercial launches. Estimates for 2021 to 2024 shows growth from 25 to 400 million units.



Projected number of biometric payment card shipments (millions of units)<sup>1</sup>

IDEX is engaged with leading payment card manufacturers and has design wins and supply agreements with many of the industry leaders. In addition, IDEX has formed

<sup>1</sup> IDEX Estimates

<sup>2</sup> Nilson Report, October 2019

<sup>3</sup> ABI Research

partnerships with key members of the biometric card ecosystem including secure element providers and expects to continue to establish new partnerships and customers.

Before a payment card can be actively offered to consumers, it must be certified by the card network. Certification involves a rigorous multi-step process carried out by third party testing institutions and the card networks. Card certification includes testing of biometric performance; the fingerprint sensor, the ASIC and the software and security testing. The card physical aspects are also tested, for flexibility and structural strength. The certification represents a high barrier to entry for new competitors.

During the second quarter IDEX's technology was certified by two major global payment networks; China UnionPay and a large US based network. The two networks combined have issued 70% of global branded payment cards. IDEX is the only fingerprint sensor company to have achieved certification, for its system solution, with two global payment networks. The certifications enable the transition from the pilot phase to commercialization and therefore broader market adoption of biometric payment cards.

IDEX's fingerprint sensor was selected by IDEMIA, the global leader in augmented identity and a leading global payment card manufacturer. In addition, an IDEX sensor was also selected by Zwipe, a pioneer in the biometric payment card market for integration with Zwipe's Pay ONE platform. IDEX expects products using this technology to be in the market in 2021.

IDEX continues to see card manufacturers and other suppliers in the ecosystem invest

significantly in biometric payments technology.

Adoption of biometric payments cards is expected to start ramping up in 2021. And IDEX is very well positioned to be a leader in biometric payment cards as the market accelerates.

### Other markets

IDEX has been able to leverage its unique payment card technology into other large and growing markets with similar requirements and form factors. 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 is estimated to be 250 million units annually and growing at 5%<sup>4</sup>.

Access control devices have various form factors, including smart cards, keyboards and tokens. The adoption of biometrics in access control is driven by a business need for additional security and data privacy. This is in part mandated by regulations being enacted in various countries. IDEX also expects to see a significant interest in touch-free solutions for access control.

In 2019 IDEX secured a design win and supply agreement for a USD 6 million minimum commitment. IDEX has now passed all specifications and began shipping production units to this customer in the second quarter of 2020.

In addition, IDEX had design wins in Asia for access control applications.

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<sup>4</sup> ABI Research

## Financial

Revenue in the second quarter was USD 149 thousand compared to USD 43 thousand in the first quarter of 2020. Gross margin in the quarter was 79% driven by high margin product sales and 100% gross margin on engineering services fees.

Operating expenses were USD 5.8 million compared to USD 7.0 million in the second quarter of 2019. Operating expenses are 27% below the fourth quarter of 2019 and approaching the targeted cost savings of 30%. Operating costs in the second quarter included USD 0.5 million of stock-based compensation.

Operating expenses in the second quarter included USD 1.0 million related to the tape-out and production of silicon for the TrustedBio product. This is a significant milestone in the product development and production process.

Also, during the second quarter, IDEX successfully claimed additional research and development (R&D) tax relief in the UK and received a cash refund of USD 550 thousand; this is in addition to USD 850 thousand received in the first quarter and the company expects additional research and development support in the U.S. in 2020.

The company completed a private placement of shares on 11 May 2020, raising USD 10.3 million to fund R&D activities, meet customer production requirements and fund working capital. As of 30 June 2020, the company had USD 11.4 million in cash and no debt.

## Impact of Covid-19

In the first quarter of 2020, the World Health Organization declared Covid-19 a global pandemic. IDEX quickly adopted the

guidelines, outlined by the relevant governments where the company operates, to ensure the health of its employees and their families.

The company established an internal virus response team. Effective 16 March 2020, all travel and face-to-face meetings have been stopped and most staff work from home. Staff with specific roles, that need to work at an IDEX facility, are being supported in line with local government guidelines.

There have not been any significant delays in development projects and IDEX has not incurred any significant additional costs due to the actions taken.

The pandemic could cause certain customer delays in the short-term including contact-related activities such as biometric card pilots. On the other hand, IDEX has observed that the pandemic has increased end-user awareness of the benefits of contactless payments without PIN. The company, and other industry participants believe this could have a positive impact on business going forward. Management and the board will continue to monitor the situation closely and take further actions as appropriate.

Following the coronavirus outbreak, consumers are motivated to go cashless more than ever before. With many businesses discouraging the use of cash because of hygiene questions that surround handling money, contactless payments are front of mind to avoid touching pin pads.

In an increasingly cashless ecosystem, there is a growing threat of card fraud from the lack of authentication. Contactless payments need to be made more secure in order to ensure transactions are hygienic, convenient and free from the risk of fraud.



## Summary and Outlook

IDEX made substantial progress during the first six months of 2020 including certifications by two major global payment networks despite the current Covid-19 pandemic. IDEX is the only fingerprint sensor company to have achieved certification with two global payment networks. Additional certifications are expected to follow, in different geographical regions, during the remainder of 2020. IDEX began production shipments to a major customer and ended the quarter with the highest open order reserve since 2015. The company has reduced its cost base by nearly 30%, also at the lowest level since 2015.

IDEX, other industry participants and analysts believe 2020 is the year that the biometric payment card market moves from one defined by pilots and towards commercial deployments. IDEX, analysts and other industry participants as well, also believe that Covid-19 has driven an acceleration of a fully touch-free payment solution which the company's biometric solution offers.

In the second half of 2020, IDEX expects additional design wins and continued commercial order growth for biometric payment cards leading to a projected revenue ramp-up in 2021.

12 August 2020

**The board of directors of IDEX Biometrics ASA**

## FINANCIAL REVIEW

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### Statements of profit and loss

IDEX recorded revenues of USD 149 thousand in the second quarter of 2020, up from USD 43 thousand in the corresponding period of 2019. In the first six months of 2020, revenue was USD 249 thousand, compared to USD 202 thousand in the same period of 2019. Revenues are primarily related to sales of sensors and services for the company's products.

The gross margin on product sales in the second quarter was 74%, compared to 55% in same quarter of 2019. In the first half of 2020, the gross margin on product sales was 71% compared to 52% in the corresponding period of 2019. The gross margin at small volumes is not necessarily representative of the gross margin at mass volumes.

Total operating expenses in the second quarter of 2020 were USD 5.8 million, compared to USD 7.0 million in the second quarter of 2019. In the first six months of the year, total operating expenses were USD 11.7 million in 2020 and USD 14.5 million in 2019. 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. The decrease in costs was largely in payroll, partially offset by costs in the second quarter of 2020 for the tape-out, a critical development milestone of our TrustedBio ASIC chip.

Payroll expenses were USD 3.5 million in the second quarter of 2020 and USD 8.2 million in the first six months of 2020, down from USD 4.8 million and USD 10.0 million in the corresponding periods of 2019. Payroll cost excluding share-based compensation was USD 3.1 million in the second quarter and USD 7.3 million in the first six months of this year, down from USD 4.2 million and USD 8.6 million in the corresponding periods of 2019. The decrease reflects that the average number of IDEX employees was 95 full-time equivalents (FTE) in the first six months of this year, down from 107 FTE in the first six months of last year.

IDEX's staff, including both employees and individual contractors, was 99 FTE at 30 June 2020, down from 110 FTE at 31 December 2019. The staff is comprised of 92 FTE employees and 7 FTE individual contractors.

Development expenses, net of received R&D tax reliefs, were USD 1.1 million in the second quarter of 2020, up from USD 0.9 million in the second quarter of 2019. The increase was due to the tape-out, a critical development milestone of our TrustedBio ASIC chip, partially offset by R&D relief in the UK of USD 550 thousand. In the first six months of 2020, development expenses were USD 1.1 million, down from USD 2.1 million in the same period of 2019. The reduction is mainly due to the R&D relief received in the first and second quarters of 2020.

Other operating expenses, mainly expenses related to sales, marketing and

administration, amounted to USD 1.2 million in the second quarter and USD 2.4 million in the first six months of 2020, compared to USD 1.3 million and USD 2.4 million in the corresponding periods last year.

As a result of cost reduction actions taken in the fourth quarter of 2019, operating expenses in the second quarter of 2020 are 36% lower than the fourth quarter of 2019 and IDEX's break-even revenue point is approximately 50% lower than in the fourth quarter of 2019. The company now projects its break even revenue to be between USD 10 and 12 million per quarter.

Amortization and depreciation charges were USD 422 thousand and USD 850 thousand in the second quarter and first six months of 2020 compared to USD 406 thousand and USD 808 thousand in the corresponding periods last year. The increase is chiefly 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 expense of USD 329 thousand in the second quarter of 2020 and USD 494 thousand in the first six months of 2020 compared to an expense of USD 52 thousand in the second quarter of 2019 and USD 69 thousand in the first six months of 2019. The variation in net financial items between periods is mainly caused by fluctuations of the USD to NOK.

The company recorded income tax credits of USD 41 thousand and USD 142 thousand in the second quarter and first six months of 2020, respectively due to tax credits in the U.S. and UK. The company recorded tax charges of USD 155 thousand and USD 259 thousand in the second quarter and first six months of 2019.

The company made a net loss of USD 6.4 million in the second quarter of 2020 and USD 12.7 million in the first six months of 2020 compared to a net loss of USD 7.5 million in the second quarter of 2019 and USD 15.4 million in the first six months of 2019.

Loss per weighted average number of basic shares was USD 0.009 in the second quarter, compared to USD 0.013 in the second quarter of 2019. In the first six months of 2020, the loss per share was USD 0.017 compared to USD 0.026 per share in the first six months of 2019.

### Financial position

The main assets held on the balance sheet are cash and acquired intangible assets representing 58% and 15% of total assets, respectively.

The acquired intangible assets and intellectual property rights have been capitalized in accordance with IFRS and included goodwill of USD 848 thousand and amortizing assets with a net book value of USD 2.2 million at 30 June 2020. The corresponding values at 31 December 2019 were USD 941 thousand and USD 2.6 million respectively. The assets amortize over the economic life of the respective assets. 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 IFRS criteria for capitalization. No development expenses were capitalized during 2020 or 2019.

Tangible fixed assets were USD 1.7 million at 30 June 2020, down from USD 2.0 million at 31 December 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 3-7 years.

Inventory was USD 676 thousand at 30 June 2020 compared to USD 686 thousand at 31 December 2019. Inventory consists mainly of components and fingerprint sensors for cards. 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 USD 150 thousand at 30 June 2020 compared to USD 31 thousand at 31 December 2019.

At 30 June 2020 the company had a cash balance of USD 11.4 million compared to USD 14.1 million at 31 December 2019. On 11 May 2020 IDEX completed a private placement of shares, raising USD 10.3 million before expenses.

Equity was USD 15.2 million at 30 June 2020 compared to USD 17.8 million at 31 December 2019. In the first six months of 2020, new equity in a net amount of USD 10.3 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 USD 4.1 million at 30 June 2020 compared to USD 5.7 million at 31 December 2019. Variations between quarters are caused by activity level, payment terms and timing of deliveries.

Net working capital, defined as short-term assets less short-term liabilities was USD 9.7 million at 30 June 2020 compared to USD

11.4 million at 31 December 2019. The company expects an increase in inventory, customer receivables and trade payables as revenues increase.

## Liquidity

The company's cash outflow from operating activities was USD 5.7 million and USD 10.9 million in the second quarter and first six months of 2020, compared to USD 6.9 million and USD 15.0 million in the corresponding periods of 2019. The main operating cash items are the operating losses in each period, less non-cash expenses like share-based compensation, depreciation and amortization. The 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 USD 18 thousand and USD 540 thousand in assets during the second quarter and first six months of 2020 compared to USD 261 thousand and USD 292 thousand in the corresponding periods of 2019. The cash flow to investments in the first half of 2020 was mainly the final payment on intellectual property acquired in 2015.

IDEX's balance sheet solvency, which is the cash position less the net of receivables and short-term liabilities, amounted to USD 9.0 million at 30 June 2020 compared to USD 10.7 million at 31 December 2019. The decrease was mainly caused by the net loss in the period, largely offset by the private placement in May.

## INTERIM CONSOLIDATED FINANCIAL INFORMATION

### STATEMENTS OF COMPREHENSIVE INCOME

Amounts in USD 1,000	Note	Quarters		First six months		Full year
		Q2 2020	Q2 2019	2020	2019	2019
<b>Operating revenue</b>						
Product sales		121	42	174	52	159
Other operating income		28	1	75	150	265
<b>Total revenue</b>		<b>149</b>	<b>43</b>	<b>249</b>	<b>202</b>	<b>423</b>
<b>Cost of goods sold</b>		<b>32</b>	<b>19</b>	<b>51</b>	<b>25</b>	<b>62</b>
<b>Gross margin</b>		<b>117</b>	<b>24</b>	<b>198</b>	<b>177</b>	<b>361</b>
<b>Operating expenses</b>						
Payroll expenses	4	3 515	4 780	8 192	10 036	21 749
Development expenses		1 069	919	1 110	2 059	4 385
Other operating expenses	5, 6	1 218	1 254	2 409	2 386	4 641
<b>Total operating expenses</b>		<b>5 802</b>	<b>6 952</b>	<b>11 710</b>	<b>14 481</b>	<b>30 774</b>
<b>Profit (loss) before interest, tax, depreciation and amortization (EBITDA)</b>		<b>(5 685)</b>	<b>(6 929)</b>	<b>(11 512)</b>	<b>(14 304)</b>	<b>(30 413)</b>
Amortization and depreciation	6, 7	422	406	850	808	1 633
<b>Profit (loss) before interest and tax (EBIT)</b>		<b>(6 107)</b>	<b>(7 335)</b>	<b>(12 363)</b>	<b>(15 112)</b>	<b>(32 047)</b>
<b>Net financial items</b>	6, 8	<b>(330)</b>	<b>(52)</b>	<b>(494)</b>	<b>(69)</b>	<b>(216)</b>
<b>Net result before tax (EBT)</b>		<b>(6 436)</b>	<b>(7 387)</b>	<b>(12 857)</b>	<b>(15 182)</b>	<b>(32 263)</b>
<b>Income taxes</b>	9	<b>(41)</b>	155	<b>(142)</b>	249	160
<b>Net loss for the period</b>		<b>(6 396)</b>	<b>(7 542)</b>	<b>(12 715)</b>	<b>(15 431)</b>	<b>(32 423)</b>
<b>Profit (loss) per share, basic and diluted (USD)</b>	10	<b>(0.0087)</b>	(0.0126)	<b>(0.0172)</b>	(0.0264)	(0.0585)

### STATEMENTS OF OTHER COMPREHENSIVE INCOME

Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):

Amounts in USD 1,000	Quarters		First six months		Full year
	Q2 2020	Q2 2019	2020	2019	2019
<b>Net loss for the period</b>	<b>(6 396)</b>	<b>(7 542)</b>	<b>(12 715)</b>	<b>(15 431)</b>	<b>(32 423)</b>
<b>Exchange differences on foreign operations</b>	<b>(305)</b>	(55)	<b>413</b>	(72)	34
<b>Total comprehensive income (loss) for the period, net of tax</b>	<b>(6 700)</b>	<b>(7 597)</b>	<b>(12 302)</b>	<b>(15 503)</b>	<b>(32 389)</b>

## STATEMENTS OF FINANCIAL POSITION

Amounts in USD 1,000	Note	30 June 2020	30 June 2019	31 December 2019
<b>Assets</b>				
<b>Long-term assets</b>				
Goodwill		848	970	941
Other intangible assets		2 160	2 931	2 605
<b>Total intangible assets</b>		<b>3 007</b>	<b>3 900</b>	<b>3 545</b>
Fixed assets		1 710	1 713	2 013
Right-of-use assets	6	1 022	940	1 375
<b>Total fixed assets</b>		<b>2 732</b>	<b>2 653</b>	<b>3 388</b>
Long-term receivables		124	145	152
<b>Total financial assets</b>		<b>124</b>	<b>145</b>	<b>152</b>
<b>Total long-term assets</b>	<b>7</b>	<b>5 863</b>	<b>6 698</b>	<b>7 086</b>
<b>Current assets</b>				
Inventory		676	1 701	686
Customer receivables		150		31
Prepaid expenses		688	647	769
Other short-term receivables		928	848	772
<b>Total receivables</b>		<b>1 767</b>	<b>1 495</b>	<b>1 572</b>
Cash and bank deposits		11 401	18 206	14 126
<b>Total current assets</b>		<b>13 845</b>	<b>21 402</b>	<b>16 385</b>
<b>Total assets</b>		<b>19 708</b>	<b>28 100</b>	<b>23 470</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital	10	16 376	13 386	15 386
Share premium		206 636	189 731	197 639
Other paid-in capital		16 160	14 142	15 285
<b>Total paid-in capital</b>		<b>239 172</b>	<b>217 258</b>	<b>228 310</b>
Retained earnings (losses)		(223 968)	(192 761)	(210 497)
<b>Total equity</b>		<b>15 204</b>	<b>24 498</b>	<b>17 813</b>
<b>Long-term liabilities</b>				
Deferred tax liabilities			25	31
Long-term lease liabilities		352	273	610
<b>Total long-term liabilities</b>		<b>352</b>	<b>298</b>	<b>641</b>
<b>Short-term liabilities</b>				
Accounts payable		975	756	463
Income tax payable		97	254	129
Short-term lease liabilities		698	681	788
Public duties payable		549	252	357
Notional employer's tax on subscription rights	11	20		3
Other short-term liabilities		1 813	1 362	3 277
<b>Total short-term liabilities</b>		<b>4 152</b>	<b>3 305</b>	<b>5 016</b>
<b>Total liabilities</b>		<b>4 504</b>	<b>3 603</b>	<b>5 657</b>
<b>Total equity and liabilities</b>		<b>19 708</b>	<b>28 100</b>	<b>23 470</b>

## STATEMENTS OF CHANGES IN EQUITY

Amounts in USD 1,000	Note	Share capital	Share premium	Other paid-in capital	Ret earnings (losses) and other equity	Total equity
<b>Balance at 1 January 2020</b>		<b>15 386</b>	<b>197 639</b>	<b>15 285</b>	<b>(210 497)</b>	<b>17 813</b>
Share issue 19 May		983	8 999			9 982
Share issue 12 June		7				7
Cost of prior share issue			(1)			(1)
Share issue (board remun.)				39		39
Share-based remuneration	5			836		836
Profit (loss) for the period					(12 715)	(12 715)
Currency translation adj.					(1 170)	(1 170)
Other comprehensive income					413	413
<b>Balance at 30 June 2020</b>		<b>16 376</b>	<b>206 636</b>	<b>16 160</b>	<b>(223 968)</b>	<b>15 204</b>
<b>Balance at 1 January 2019</b>		<b>12 442</b>	<b>166 420</b>	<b>12 735</b>	<b>(177 413)</b>	<b>14 184</b>
Share issue 25 January	4	940	23 310			24 250
Share issue (board remun.)		4				4
Share-based remuneration	5			1 407		1 407
Profit (loss) for the period					(15 431)	(15 431)
Currency translation adj.					156	156
Other comprehensive income					(72)	(72)
<b>Balance at 30 June 2019</b>		<b>13 386</b>	<b>189 730</b>	<b>14 142</b>	<b>(192 761)</b>	<b>24 497</b>
<b>Balance at 1 January 2019</b>		<b>12 442</b>	<b>166 420</b>	<b>12 735</b>	<b>(177 413)</b>	<b>14 184</b>
Share issue 25 January		940	23 310			24 250
Share issue 2 December		904	3 569			4 474
Share issue 24 December		1 096	4 339			5 435
Share issue (board remun.)		4		63		67
Share-based remuneration	5			2 488		2 488
Profit (loss) for the period					(32 423)	(32 423)
Currency translation adj.					(694)	(694)
Other comprehensive income					34	34
<b>Balance at 31 December 2019</b>		<b>15 386</b>	<b>197 639</b>	<b>15 285</b>	<b>(210 497)</b>	<b>17 813</b>

## STATEMENTS OF CASH FLOWS

Amounts in USD 1,000	Quarters		First six months		Full year
	Q2 2020	Q2 2019	2020	2019	2019
<b>Operating activities</b>					
Profit (loss) before tax	(6 436)	(7 387)	(12 857)	(15 182)	(32 263)
Amortization and depreciation	422	406	850	808	1 633
Share-based remuneration (equity part)	404	610	917	1 399	2 531
Change in inventories	(42)	(312)	(58)	(502)	470
Change in accounts receivables	(63)	159	(122)	69	8
Change in accounts payable	329	237	546	153	(124)
Change in other working capital items	(695)	(371)	(682)	(1 424)	395
Other operating activities	325	4	522	(2)	13
Net financial items	0	(51)	(20)	(84)	(135)
Change in income taxes	43	(195)	27	(192)	(226)
<b>Net cash flows from operating activities</b>	<b>(5 713)</b>	<b>(6 901)</b>	<b>(10 877)</b>	<b>(14 956)</b>	<b>(27 698)</b>
<b>Investing activities</b>					
Investments in assets	(18)	(261)	(540)	(292)	(850)
Change in long-term receivables	19	(0)	19	2	(6)
Interest income receipts	0	51	19	84	135
<b>Net cash flows used in investing activities</b>	<b>0</b>	<b>(209)</b>	<b>(502)</b>	<b>(205)</b>	<b>(691)</b>
<b>Financing activities</b>					
Net proceeds from issue of shares	10 251	(506)	10 249	24 008	33 627
Payments on lease liabilities	(200)	(165)	(392)	(329)	(675)
<b>Net cash flows from financing activities</b>	<b>10 051</b>	<b>(671)</b>	<b>9 858</b>	<b>23 679</b>	<b>32 952</b>
<b>Net change in cash and bank deposits</b>	<b>4 339</b>	<b>(7 781)</b>	<b>(1 522)</b>	<b>8 518</b>	<b>4 563</b>
Effect of foreign exchange rate changes	62	(29)	(1 203)	(32)	(72)
Opening cash and bank deposits balance	7 001	26 016	14 126	9 721	9 635
<b>Closing cash and bank deposits balance</b>	<b>11 401</b>	<b>18 206</b>	<b>11 401</b>	<b>18 206</b>	<b>14 126</b>



# NOTES TO THE INTERIM FINANCIAL STATEMENTS

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## 1 IDEX Biometrics 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 are traded in the United States on the OTCQB Venture Market under ticker IDXAF.

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 first half of 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 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the interpretations set out by the International Accounting Standards Board, as approved 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 13 August 2020.

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

As of the first quarter of 2020, IDEX changed to presenting its consolidated results in USD. The change in presentation currency has no impact on the net income/loss or the net equity. Comparison numbers for prior periods have been converted to USD consistently.

## 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 its ability to generate revenue and earn profit. The 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 considers that its fingerprint sensor technology has one of the best biometric performances, and that its fingerprint sensor products offer unique properties, particularly well-suited for the payment card and access control markets as well as other markets.

IDEX currently generates immaterial revenue and operates at a significant loss. Net equity amounted to USD 15.2 million and the balance sheet solvency amounted to USD 9.0 million at 30 June 2020. As of 30 June 2020, the company had USD 11.4 million in cash and no financial debt. The company expects to

significantly increase revenue generation through sales of its products and monetization of intellectual property. On 11 May 2020 IDEX completed a private placement of shares, raising USD 10.3 million before expenses. Proceeds from this capital raise will be used to fund the product development, meet customer commitments and working capital.

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 does not have any significant assets or liabilities with financial risk. IDEX's balance sheet comprises mainly cash and working capital and the company is fully funded on equity. IDEX does not hold financial instruments or significant financial assets or liabilities and has limited financial risks related to currency and interest rates. USD is the dominant currency of the company's payables.

#### 4 Payroll expenses

Amounts in USD 1,000	Quarters		First six months		Full year
	Q2 2020	Q2 2019	2020	2019	2019
Salary, payroll tax, benefits, other	4 163	4 161	8 544	8 628	19 124
Capitalised cost of development work			9		9
Share-based remun., notional cost	513	609	1 399	1 399	2 531
Accr. (rev.) payr. tax on share-based remun.	1		84		85
<b>Payroll expenses</b>	<b>3 515</b>	<b>4 780</b>	<b>10 036</b>	<b>10 036</b>	<b>21 749</b>

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 the 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.

#### 5 Related party transactions

The chair Morten Opstad is a partner in Advokatfirma Ræder AS. Ræder provided services to the company amounting to USD 231 thousand in the first half of 2020. The amount includes work related to the private placement completed in May 2020. 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 12 May 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 USD 15 thousand per year. Mr Ciaccia also provides consulting services beyond board duty to IDEX for a fixed fee of USD 50 thousand per year.

On 27 February 2020, the board granted 5,000,000 incentive subscription rights to the 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 9 May 2024.

Following the annual general meeting of IDEX on 15 May 2020, board members Deborah Davis and Steve Skaggs elected to receive part of the 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 the board remuneration. Ms Davis took the remainder of the 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 the board remuneration. Mr. Skaggs took the remainder of the board remuneration in cash.

## 6 Leases

Effect in the statements of income	Quarters		Full year
	Q2 2020	Q2 2019	2019
Amounts in USD 1,000			
Other operating expense increased (reduced)	(207)	(177)	(721)
<b>EBITDA</b>	<b>207</b>	<b>177</b>	<b>721</b>
Depreciation of right-of-use assets	201	171	698
<b>EBITA</b>	<b>5</b>	<b>6</b>	<b>23</b>
Interest expense on lease liabilities	13	12	50
<b>EBIT</b>	<b>(7)</b>	<b>(6)</b>	<b>(27)</b>

### Effect of leases in the statements of financial position

Amounts in USD 1,000	30 June 2020	30 June 2019	31 December 2019
<b>Assets</b>			
Right-of-use-assets - office buildings	1 022	940	1 375
<b>Total lease assets</b>	<b>1 022</b>	<b>940</b>	<b>1 375</b>
<b>Liabilities</b>			
Long-term liabilities	352	273	610
Short-term liabilities	698	681	788
<b>Total lease liabilities</b>	<b>1 050</b>	<b>953</b>	<b>1 398</b>

The lease liabilities have been discounted by the respective incremental borrowing rates as of the later of commencement of lease or 1 January 2018. The weighted average discount rate was 4.23% in the first half of 2020 (first half 2019: 4.89%).

### Leases in the statements of cash flows

In the statements of cash flows the cash payments for the principal are classified within cash flows from financing activities. The interest portion of the lease liability is classified as net financial items within cash flows from operating activities.

## 7 Long-term assets

Amounts in USD 1,000	Goodwill	Oth. intang assets	Tangible fixed assets	Right-of-use assets	Long-term receivables	Total long-term assets
<b>Balance at 1 January 2020</b>	<b>941</b>	<b>2 605</b>	<b>2 013</b>	<b>1 375</b>	<b>152</b>	<b>7 085</b>
Additions			40	104		144
Disposals and retirements at cost			37		(19)	19
Depreciation and impairment losses		(187)	(270)	(393)		(850)
Depreciation on disposed and retired as:			(37)			(37)
Effects of changes in foreign currency	(93)	(258)	(73)	(64)	(9)	(497)
<b>Balance at 30 June 2020</b>	<b>848</b>	<b>2 160</b>	<b>1 710</b>	<b>1 022</b>	<b>124</b>	<b>5 863</b>
<b>Balance at 1 January 2019</b>	<b>951</b>	<b>3 080</b>	<b>1 679</b>		<b>146</b>	<b>5 856</b>
Additions			295	1 300		1 595
Disposals and retirements at cost		0	(26)		(2)	(28)
Depreciation and impairment losses		(211)	(259)	(346)		(817)
Depreciation on disposed and retired as:			24			24
Effects of changes in foreign currency	19	62	1	(14)	1	68
<b>Balance at 30 June 2019</b>	<b>970</b>	<b>2 931</b>	<b>1 713</b>	<b>940</b>	<b>145</b>	<b>6 698</b>

<b>Balance at 1 January 2019</b>	<b>951</b>	<b>3 080</b>	<b>1 679</b>		<b>146</b>	<b>5 856</b>
Additions			852	2 050		2 902
Disposals and retirements at cost		(33)	(112)			(145)
Depreciation and impairment losses		(416)	(521)	(700)		(1 637)
Depreciation on disposed and retired assets		6	109			115
Effects of changes in foreign currency	(10)	(32)	6	24	6	(6)
<b>Balance at 31 December 2019</b>	<b>941</b>	<b>2 605</b>	<b>2 013</b>	<b>1 375</b>	<b>152</b>	<b>7 085</b>

Acquired intangible assets and intellectual property rights have been capitalized in accordance with IFRS, and included goodwill amounting to USD 848 thousand and depreciating assets in an original acquisition amount of USD 4.5 million. The assets depreciate over the economic life of the respective assets. The major items depreciate over 9.5 years and 17.3 years from acquisition, through July 2024 and to the end of 2030 respectively. Under IFRS, goodwill is not amortized but impairment tested at each year end. Intangible assets that are fully depreciated are retired. IDEX's self-developed patents and other intellectual property rights are not held in the balance sheet because they do not satisfy the IFRS criteria for capitalization. Development costs have largely been expensed for the same reason. IDEX has not capitalized any development expenses in 2020 or 2019.

## 8 Financial items

Amounts in USD 1,000	Quarters		First six months		Full year
	Q2 2020	Q2 2019	2020	2019	2019
Interest income	0	51	19	84	135
Currency exchange gain	(431)	61	249	208	322
Other financial income					
<b>Total financial income</b>	<b>(430)</b>	113	<b>268</b>	292	456
Interest expenses	0	0	0	0	0
Interest expenses on lease liabilities	13	12	26	25	50
Interest expenses on deferred settlement		13		27	
Currency exchange loss	(113)	139	736	309	623
Other financial expenses					
<b>Total financial expense</b>	<b>(101)</b>	165	<b>762</b>	361	673
<b>Net financial items</b>	<b>(330)</b>	<b>(52)</b>	<b>(494)</b>	<b>(69)</b>	<b>(216)</b>

## 9 Income tax expense

The tax credit in the first half of 2020 was due to refund of taxes in the U.S. and UK for prior years. Income tax expense in 2019 related to estimated income tax on profit in IDEX America and IDEX UK.

## 10 Profit (Loss) per share

	First six months		Full year
	2020	2019	2019
Profit (loss) attributable to the shareholders (USD 1,000)	(12 715)	(15 431)	(32 423)
Weighted average basic number of shares	736 017 382	597 830 174	542 795 969
Weighted average diluted number of shares	742 633 880	597 828 876	543 117 924
<b>Profit (loss) per share, basic and diluted</b>	<b>USD (0.0172)</b>	<b>USD (0.0258)</b>	<b>USD (0.0585)</b>

When the period result is a loss, the loss per diluted number of shares is not reduced by the higher number of shares but equals the result per basic number of shares. The diluted number of shares has been calculated by the treasury stock method. If the exercise price of subscription rights or warrants exceeds the average share price in the period, the subscription rights or warrants are not counted as being dilutive.

## 11 Shares and subscription rights

Number of financial instruments	Incentive subscription rights	Shares
<b>Balance at 1 January 2020</b>	<b>52 875 043</b>	<b>717 988 732</b>
11 May: Share issue		65 341 413
Granted incentive subscription rights	5 899 800	
Expired/forfeited incentive subscription rights	(4 161 750)	
28 May: Issued shares in lieu of board remuneration		441 982
<b>Balance at 30 June 2020</b>	<b>54 613 093</b>	<b>783 772 127</b>
<b>Balance at 1 January 2019</b>	<b>37 471 050</b>	<b>544 314 537</b>
25 January: Share issue		53 437 500
Granted incentive subscription rights	1 455 400	
Expired/forfeited incentive subscription rights	(2 806 025)	
28 May: Issued shares in lieu of board remuneration		236 695
<b>Balance at 30 June 2019</b>	<b>36 120 425</b>	<b>597 988 732</b>
<b>Balance at 1 January 2019</b>	<b>37 471 050</b>	<b>544 314 537</b>
25 January: Share issue		53 437 500
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)	
28 May: Issued shares in lieu of board remuneration		236 695
<b>Balance at 31 December 2019</b>	<b>52 875 043</b>	<b>717 988 732</b>

The annual general meeting on 15 May 2020 approved an employee stock purchase plan (ESPP), whereby employees may elect to invest a portion of their compensation in IDEX shares. The ESPP also authorized the board to offer to employees to take a part of their salary in shares instead of cash.

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 30 June 2020 was NOK 3.55 per share.

The annual general meeting of IDEX Biometrics ASA on 15 May 2020 resolved that the board members could elect to receive all or part of the board remuneration in the form of shares in IDEX. Two board members took board remuneration partly in shares in lieu of cash against a payment of par value NOK 0.15 per share. See note 5.

## 12 Inventory

Amounts in USD 1,000	30 June 2020	30 June 2019	31 December 2019
Inventory at cost	1 561	2 739	1 840
Inventory reserve	(884)	(1 038)	(1 154)
<b>Total</b>	<b>676</b>	<b>1 701</b>	<b>686</b>

Inventory, consisting mainly of components 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.

### 13 Events after the balance sheet date

The annual general meeting on 15 May 2020 resolved that the company could offer to employees to take a part of their salary in shares instead of cash. 59 employees elected to convert cash compensation of NOK 5.4 million or USD 0.6 million into 4,318,523 shares. When converting cash compensation to shares, a 15% discount on the share price was applied. The shares are subject to a 6-months lockup period. After the issue of the shares to the employees, the company's share capital amounted to NOK 118,213,597.50 divided into 788,090,650 registered shares each with a nominal value of NOK 0.15. The following primary insiders participated in the program: CFO Derek D'Antilio acquired 136,479 shares, CTO Anthony Eaton 181,041 shares, SVP Sales & Marketing David Orme 186,640 shares, and EVP Advanced Technology and Strategy Stan Swearingen 718,464 shares.

The board resolved on 12 August 2020 to issue 1,993,100 incentive subscription rights (SRs) to employees and individual contractors 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 1.71 per share. The SRs vest by 25% per year and expire on 15 May 2025. Following the grant there will be 56,606,193 SRs outstanding.

There have been no events between 30 June 2020 and the resolution of these interim financial statements that have had any material impact on IDEX's results in the first half of 2020 or the value of the company's assets and liabilities at 30 June 2020.

## RESPONSIBILITY STATEMENT

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The board of directors and the managing director have today reviewed and approved the IDEX Biometrics ASA group consolidated unaudited interim condensed financial statements as of 30 June 2020.

To the best of our knowledge, we confirm that:

- The interim condensed consolidated financial statements with notes for the first half of 2020 have been prepared in accordance with IAS 34 - Interim Financial Reporting and additional disclosure requirements as stated in the Norwegian Securities Trading Act section 5-6.
- The interim condensed consolidated financial statements for the first half year of 2020 give a true and fair view of IDEX's assets, liabilities, financial position and results for the period viewed in their entirety.
- The report from the board of directors issued in concert with these condensed financial statements gives a true and fair view of the development, performance and financial position of the group, and a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated financial statements.
- A description of the principal risks and uncertainties for the remaining six months of the financial year have been disclosed in note 3 to the financial statements.
- Major related party transactions have been disclosed in note 5 to the financial statements.
- The report from the board of directors have been prepared in accordance with the Norwegian accounting act and generally accepted accounting practice in Norway.

12 August 2020

**The board of directors of IDEX Biometrics ASA**

Morten Opstad  
Chair

Lawrence John Ciaccia  
Deputy chair

Deborah Davis  
Board member

Hanne Høvding  
Board member

Stephen Skaggs  
Board member

Vincent Graziani  
CEO

# Get in touch



Be part of the fingerprint authentication revolution

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