



IDEX

IDEX BIOMETRICS ASA
FIRST QUARTER REPORT 2020

HIGHLIGHTS

- » IDEX continues to see significant progress in the biometric payment card market and the global Covid-19 pandemic has accelerated the need for a completely contactless solution.
- » Vince Graziani joined IDEX as CEO on February 27, 2020. The company expects to benefit from his considerable experience driving sales, strategic partnerships, and growth in technology companies.
- » IDEX's technology has been certified by two major global payment networks; China UnionPay and a large US based network. These two networks combined have issued 70% of branded payment cards. IDEX is the only fingerprint company to have achieved certification for its system solution with two global payment networks.
- » IDEX launched TrustedBio™, a family of dual-interface products designed to dramatically reduce biometric card cost while improving performance, security, and manufacturability.
- » IDEX's TrustedBio™ technology was selected by IDEMIA, the global leader in Augmented Identity and a leading global payment card manufacturer, for their next generation biometric payment cards.
- » IDEX's sensor was selected by Zwipe, a pioneer in the biometric payment card market to be combined with Zwipe Pay ONE to enable a complete system solution for biometric payment cards.
- » IDEX has received its first production orders for its fingerprint biometric sensors and software with shipments expected to begin to ramp in the second quarter of 2020.
- » On 11 May 2020, the company completed a \$10.3 million private placement of shares to fund expected growth.

Since joining IDEX, I have been thoroughly impressed with the team, technology, and the significant market opportunity. In my first two months with IDEX, the team has continued to work productively under Covid-19 constraints and met our commitments. The IDEX team has achieved significant milestones in the first quarter and into the second. Our technology was included in certified biometric cards by two major global payment networks representing 70% of global branded payment cards. We launched a new product family, TrustedBio™, which we believe is a real game changer in terms of cost and performance. IDEX was selected by IDEMIA, one of the world's largest card manufacturers and Zwipe, a pioneer in biometric payment cards for their next generation of biometric payment cards.

I want to thank our existing and new shareholders for their recent investment which will support our growth.

I am excited to lead IDEX to the next phase of growth as I believe we have the strongest team in the industry and the best technology.

Vince Graziani, CEO of IDEX Biometrics ASA

CEO'S COMMENT



BUSINESS REVIEW

LEADERSHIP IN BIOMETRIC FINGERPRINT SENSING TECHNOLOGY

IDEX provides fingerprint authentication technologies for contactless biometric smartcard applications

IDEX is a leader in the design, development, and sale of fingerprint identification and authentication solutions. IDEX's 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. Manufacturing is outsourced to large and established semiconductor fabrication companies as well as other providers of components and manufacturing services.

IDEX is the only biometric solution optimized for biometric payment cards, a market projected to exceed *\$2 billion by 2024*.

IDEX's unique full system for biometric smartcards 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 that also improves manufacturability of biometric payment cards.

The company's recently launched TrustedBio™ family of products delivers an unprecedented level of integration and dramatically reduces biometric payment card costs while improving performance, security and manufacturability.

Technology roadmap

IDEX's technology roadmap is focused on:

- » Enabling significant reductions in system costs through optimized architecture and integration
- » Enhancements to security through secure end-to-end architecture, and advanced match-on-secure element algorithms.
- » Developing solutions for in-display sensor integration

Market opportunities

IDEX's largest potential 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 healthcare, identification, and IOT.

Payment cards

The demand for biometric payment cards is being driven by the consumer's desire for a fully contactless payment transaction, a frictionless transaction process all 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 and projected to grow to 29¹ billion by 2023¹. Most of these cards are smartcards, i.e. cards with a chip. The company's total addressable market includes all smart cards.

IDEX expects payment cards and specifically contactless payment cards to grow rapidly. The global Covid-19 pandemic has stimulated the demand for a fully contactless yet fully secure payment solution that a contactless biometric payment card offers. Global contactless payment transaction value is expected to increase by 300% between 2020 and 2024²².

IDEX's and industry analysts project significant and rapid growth in fingerprint biometrics on payment cards.

IDEX is engaged with each of the leading payment card manufacturers and has design wins and supply agreements with several of the leaders.

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 houses and the card networks. Card certification includes testing of biometric performance; the sensor, the ASIC and the software, security testing and card physical aspect testing (for example flexibility and quality). Payment card certification represents a high barrier to entry for new competitors.

IDEX's technology has recently been certified by two major global payment networks; China UnionPay and a large US based network that combined have issued 70% of

global branded payment cards. IDEX is the only fingerprint company to have achieved certification for its system solution with two global payment networks. These certifications enable the transition from the pilot phase to commercialization and broader market adoption of biometric payment cards.



FEITIAN card certified by China UnionPay with IDEX technology

IDEX's sensor was recently selected by IDEMIA, the global leader in augmented identity and a leading global payment card manufacturer. In addition, IDEX' sensor was also recently selected by Zwipe, a pioneer in the biometric payment card market to be combined with Zwipe's Pay ONE solution to enable a complete system for biometric payment cards.

IDEX is well positioned to be the leader in biometrics for payment cards as this 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, government, healthcare and transportation.

The access control market opportunity includes both information security access and

¹ Nilson Report, October 2019

² Juniper Research

physical access control. The access control market is estimated to be 250 million units annually and projected to grow at 5%.

Access control devices have multiple form factors, including smartcards, keyboards and tokens. The adoption of biometrics in access control is driven the requirement for additional security and data privacy, in part mandated by regulations being enacted in various countries. IDEX also expects to see a significant interest in contactless solutions for access control.

In 2019 IDEX secured a design win and supply agreement for a \$6 million minimum purchase commitment. IDEX will supply sensors and software to a major global financial news and IT services company for information security access control. In addition, IDEX has secured design wins in Asia for access control applications. Production shipments to these customers are expected to begin in the second quarter of 2020.

Financial

Revenue during the first quarter was \$100 thousand. Revenue during the first quarter included engineering services fees and shipments of sensors to payment card manufacturers. Gross margin during the quarter was 81% largely driven by 100% gross margin on engineering services.

Operating expenses were \$5.9 million in the first quarter compared to \$9.2 million in the fourth quarter of 2019. Excluding share-based compensation, operating expenses were \$5.4 million in the first quarter compared to \$8.7 million in the fourth quarter. Payroll expenses, which comprise the largest component of the company's operating expenses were \$4.7 million in the first quarter of 2020 compared to \$6.1

million in the fourth quarter. IDEX's staff, including both employees and individual contractors, averaged 110 during the first quarter of 2020 compared to 118 during the fourth quarter of 2019.

Also, during the first quarter, IDEX successfully claimed research and development tax relief in the United Kingdom and received a cash refund of \$850 thousand dollars. The company has claimed additional research and development tax relief when it filed its 2019 UK and US tax returns.

As of March 31, 2020, the company had \$7 million in cash and no financial debt.

Subsequent Event

On 11 May 2020 IDEX completed a private placement raising \$10.3 million before expenses. New shares will be issued at NOK 1.60 per share. The placement was conducted by a book building with professional investors after market close. shares will be issued under the board's existing authorization to issue shares.

Impact of Covid-19

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, who are responsible for on-going contingency planning. All travel and face-to-face meetings have been stopped. New working practices, enabling most staff to work from home, came into effect on 16 March 2020. Staff, with specific roles that need to work at an IDEX facilities, 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.

Early 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.

The pandemic could cause delays in customer contact or deferred certain customer activities. IDEX has observed that the pandemic has increased end-user awareness of the benefits of contactless payments without PIN and the company believes 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.

Changes to IDEX Leadership

On February 27, 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 strategic partnerships and M&A activities for the Americas region.

The previous CEO, Stan Swearingen, remains in a key senior executive role at IDEX as executive vice president of advanced technology and strategy.

Summary and Outlook

IDEX made substantial progress during the first quarter of 2020 while managing through

the global Covid-19 pandemic. The board was pleased to see the company's technology certified by two major global payment networks. IDEX is the only sensor company to have achieved certification with two global payment networks.

The company also launched a major product line, TrustedBio™, which offers significant cost and performance advantages over competitors. IDEX believes the cost, performance and embedding of this product within a biometric payment card will result in IDEX obtaining significant market share.

IDEX and other industry participants believe 2020 will be the year where the biometric payment card market moves from one defined by pilots, towards commercial deployments. In addition, we believe that the global Covid-19 pandemic will drive an acceleration of a fully contactless payment solution.

Going forward in 2020, IDEX expects additional payment card certifications and orders on existing platforms and sensors. TrustedBio™ technology is expected to be released to 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 delighted that existing and new shareholders have invested in the significant growth opportunity at IDEX. The board is excited about the company's prospects as IDEX moves forward with a new and experienced CEO, a strong team, a family of products with technology and cost leadership and a well-capitalized balance sheet.

FINANCIAL REVIEW

Statements of profit and loss

IDEX recorded revenues of USD 100 thousand in the first quarter of 2020 compared to USD 160 thousand in the first quarter of 2019 and USD 72 thousand in the fourth quarter 2019. Product revenues are primarily related to biometric sensors for payment cards. Other operating income is primarily related to engineering services or development activities.

Gross margin during the quarter was 81% compared to 96% in the same quarter of 2019. The gross margin in both periods includes engineering services at 100% gross margin. Gross margin at small volumes is not necessarily representative of the gross margin achievable at mass volumes.

Total operating expenses in the first quarter of 2020 were USD 5.9 million compared to USD 7.5 million in the same quarter of 2019, and USD 9.2 million in the fourth quarter of 2019. In the fourth quarter IDEX incurred severance and staff reduction costs as well as incentive compensation for 2019 achievements. The ongoing cost level is now lower than the average quarterly operating expenses in 2019 at USD 7.7 million. This is mainly due to cost reduction measures taken in the fourth quarter of 2019.

Payroll expenses amounted to USD 4.7 million in the first quarter compared to USD 5.3 million in the same period of 2019. The underlying payroll cost excluding share-based remuneration was USD 4.2 million in the first quarter, down from USD 4.5 million in the corresponding quarter of 2019. The reduction reflects that the average number

of IDEX employees was 100 full-time equivalents (FTE) in the first quarter of 2020, compared to 106 FTE and 110 FTE in the first and fourth quarter of 2019 respectively. The net accounting cost of share-based remuneration may vary substantially between quarters because of share price fluctuations as well as grants and exercises. Cash cost upon exercises are funded by the capital injected at exercise.

IDEX's staff, including both employees and individual contractors, was 109 FTE at 31 March 2019, down from 113 one year earlier. The staff is comprised of 97 FTE employees and 12 FTE individual contractors. The decrease in staff is primarily due to cost reduction measures implemented in the fourth quarter of 2019.

Development expenses amounted to only USD 40 thousand in the first quarter of 2020, compared to USD 1.1 million in the corresponding quarter of 2019, which was also the average quarterly development cost in 2019. The low development cost in the first quarter of 2020 is mainly because USD 0.8 million UK government R&D support was credited upon receipt in March 2020.

Other operating expenses, mainly expenses related to sales, marketing and administration, amounted to USD 1.2 million in the first quarter of 2020, on par with the corresponding quarter of 2019.

Amortization and depreciation amounted to USD 429 thousand in the first quarter of 2020, on par with the average in 2019. No investments were made in the first quarter of 2020.

Net financial items amounted to an expense of USD 164 thousand in the first quarter of 2020, compared to an expense of USD 17 thousand in the corresponding quarter of 2019. The variation in net financial items between periods is mainly caused by re-/devaluations of foreign currency, causing gains or losses on receivables and payables.

The group recorded a tax credit of USD 101 thousand in the first quarter of 2020, compared to a tax expense amounting to USD 94 thousand in the first quarter of 2019. The credit in the first quarter of 2020 was due to refund of taxes in the UK for prior years.

The group's net loss was USD 6.3 million in the first quarter of 2020, compared to a net loss of USD 7.9 million in the corresponding quarter of 2019. The improvement was primarily due to lower costs.

Financial position

The main assets held on the balance sheet are acquired intangible assets, fixed assets and cash in bank. Cash is the largest item, representing nearly half of the total assets.

The acquired intangible assets and intellectual property rights have been capitalized in accordance with IFRS, and included goodwill amounting to USD 0.8 million and depreciating IP assets at a net book value of USD 2.1 million at 31 March 2020. The assets depreciate over the economic life of the respective items. 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 in 2020 or 2019.

Tangible fixed assets amounted to USD 2.9 million at 31 March 2020. The fixed assets are right-of-use assets related to office leases, and acquired scientific and test equipment, engineering tools, leasehold outfitting, office equipment and furniture with useful lives of 3-7 years.

Inventory amounted to USD 0.6 million at 31 March 2020, down from USD 0.7 million at 31 December 2019. 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.

At 31 March 2020 IDEX had a cash balance of USD 7.0 million, down from USD 14.1 million at the end of 2019. See section on liquidity below for further discussion.

Equity amounted to USD 10.3 million at the end of the first quarter of 2020, down from USD 17.8 million at the end of 2019.

IDEX does not have any debt to financial institutions or lenders. Leased assets are recognized as right-of-use assets while the net present value of the lease obligations is recognized as debt.

Total short-term liabilities amounted to USD 4.1 million at 31 March 2020, down from USD 5.7 million at 31 December 2019. Variations between quarters are caused by activity level, specific pay terms and timing of deliveries.

The net working capital, inventory plus receivables less trade accounts payable, amounted to USD 1.4 million at 31 March 2020, down from USD 1.8 million at 31 December 2019. IDEX is expected to build

up its inventory and accumulate receivables as sales increase.

Liquidity

IDEX's operational cash outflow was USD 5.2 million in the first quarter of 2020, compared to an outflow of USD 7.9 million in the first quarter of 2019. The main operating cash items are the operating losses in each period, partly offset by the equity part of the share-based compensation, and depreciation. The working capital varies between quarters, mainly due to fluctuating payables to suppliers and accrued liabilities. Future growth in sales is expected to cause an increase in working capital in the form of inventory and receivables, partly funded by payables.

The cash flow to investments in the first quarter of 2020 was mainly the final payment on IP 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 4.3 million at 31 March 2020, down from USD 10.7 million at the beginning of the year. The reduction was mainly a result of the net loss in the period

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 company's significant growth opportunities.

14 May 2020

The board of directors of IDEX Biometrics ASA

INTERIM CONSOLIDATED FINANCIAL INFORMATION

STATEMENTS OF COMPREHENSIVE INCOME

Amounts in USD 1,000	Note	Quarters		Full year
		Q1 2020	Q1 2019	2019
Operating revenue				
Product sales		53	10	159
Other operating income		47	150	265
Total revenue		100	160	423
Cost of goods sold		19	6	62
Gross margin		81	154	361
Operating expenses				
Payroll expenses	4	4 677	5 259	21 749
Development expenses		40	1 141	4 385
Other operating expenses	5, 6	1 191	1 132	4 641
Total operating expenses		5 908	7 531	30 774
Profit (loss) before interest, tax, depreciation and amortization (EBITDA)		(5 827)	(7 377)	(30 413)
Amortization and depreciation	6, 7	429	401	1 633
Profit (loss) before interest and tax (EBIT)		(6 256)	(7 779)	(32 047)
Net financial items	6, 8	(164)	(17)	(216)
Net result before tax (EBT)		(6 420)	(7 796)	(32 263)
Income taxes	9	(101)	94	160
Net loss for the period		(6 319)	(7 890)	(32 423)
Profit (loss) per share, basic and diluted (USD)	10	(0.0088)	(0.0138)	(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		Full year
	Q1 2020	Q1 2019	2019
Net loss for the period	(6 319)	(7 890)	(32 423)
Exchange differences on foreign operations	717	(17)	34
Total comprehensive income (loss) for the period, net of tax	(5 602)	(7 907)	(32 389)

STATEMENTS OF FINANCIAL POSITION

Amounts in USD 1,000	Note	31 March 2020	31 March 2019	31 December 2019
Assets				
Long-term assets				
Goodwill		786	963	941
Other intangible assets		2 090	3 018	2 605
Total intangible assets		2 876	3 981	3 545
Fixed assets		1 782	1 586	2 013
Right-of-use assets	6	1 120	976	1 375
Total fixed assets		2 902	2 562	3 388
Long-term receivables		139	146	152
Total financial assets		139	146	152
Total long-term assets	7	5 917	6 690	7 086
Current assets				
Inventory		588	1 375	686
Customer receivables		79	130	31
Prepaid expenses		692	547	769
Other short-term receivables		618	746	772
Total receivables		1 389	1 423	1 572
Cash and bank deposits		7 001	26 221	14 126
Total current assets		8 978	29 018	16 385
Total assets		14 895	35 708	23 470
Equity and liabilities				
Equity				
Share capital	10	15 386	13 382	15 386
Share premium		197 638	189 731	197 639
Other paid-in capital		15 743	13 522	15 285
Total paid-in capital		228 766	216 635	228 309
Retained earnings (losses)		(218 474)	(184 773)	(210 497)
Total equity		10 292	31 862	17 813
Long-term liabilities				
Deferred tax liabilities		1	23	31
Long-term lease liabilities		483	296	610
Total long-term liabilities		484	320	641
Short-term liabilities				
Accounts payable		620	515	463
Income tax payable		95	300	129
Short-term lease liabilities		663	687	788
Public duties payable		289	288	357
Notional employer's tax on subscription rights	11	3	0	3
Other short-term liabilities		2 449	1 736	3 277
Total short-term liabilities		4 119	3 526	5 016
Total liabilities		4 603	3 846	5 657
Total equity and liabilities		14 895	35 708	23 470

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
Balance at 1 January 2020		15 386	197 639	15 285	(210 497)	17 813
Cost of prior share issue			(1)			(1)
Share-based remuneration	5			458		458
Profit (loss) for the period					(6 319)	(6 319)
Currency translation adj.					(2 376)	(2 376)
Other comprehensive income					717	717
Balance at 31 March 2020		15 386	197 637	15 743	(218 474)	10 292
Balance at 1 January 2019		12 442	166 420	12 735	(177 413)	14 184
Share issue 25 January	4	940	23 310			24 250
Share-based remuneration	5			788		788
Profit (loss) for the period					(7 890)	(7 890)
Currency translation adj.					547	547
Other comprehensive income					(17)	(17)
Balance at 31 March 2019		13 382	189 730	13 522	(184 773)	31 862
Balance at 1 January 2019		12 442	166 420	12 735	(177 413)	14 184
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
Balance at 31 December 2019		15 386	197 639	15 285	(210 497)	17 813

STATEMENTS OF CASH FLOWS

Amounts in USD 1,000	Quarters		Full year
	Q1 2020	Q1 2019	2019
Operating activities			
Profit (loss) before tax	(6 420)	(7 797)	(32 263)
Amortization and depreciation	429	402	1 633
Share-based remuneration (equity part)	513	789	2 531
Change in inventories	(16)	(190)	470
Change in accounts receivables	(59)	(90)	8
Change in accounts payable	217	(84)	(124)
Change in other working capital items	12	(1 015)	395
Other operating activities	197	117	13
Net financial items	(20)	(32)	(135)
Change in income taxes	(16)	4	(226)
Net cash flows from operating activities	(5 164)	(7 897)	(27 698)
Investing activities			
Investments in assets	(522)	(30)	(850)
Proceeds from sale of assets		30	30
Change in long-term receivables		2	(6)
Interest income receipts	19	32	135
Net cash flows used in investing activities	(503)	35	(691)
Financing activities			
Net proceeds from issue of shares	(1)	24 612	33 627
Payments on lease liabilities	(192)	(164)	(675)
Net cash flows from financing activities	(194)	24 447	32 952
Net change in cash and bank deposits	(5 861)	16 586	4 563
Effect of foreign exchange rate changes	(1 265)		(72)
Opening cash and bank deposits balance	14 126	9 635	9 635
Closing cash and bank deposits balance	7 001	26 221	14 126

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1 General information

IDEX Biometrics is a leader in the design, development, and sale of fingerprint identification and authentication solutions for the payment card and other similar markets. 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. IDEX Biometrics ASA's shares are listed at Oslo Børs, the stock exchange in Oslo, under ticker IDEX, and are traded in the U.S. 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 quarter 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 May 2020.

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

As of the first quarter 2020, IDEX is presenting its consolidated results in USD. The change in presentation currency has no impact on the net income/loss or the equity. The net income or loss is the same, only converted to USD at average rate for the period instead of NOK. The assets are also the same, only converted to USD at the rate on the balance sheet date instead of NOK. The paid-in equity in NOK is converted USD at the historical rates, and the currency effect between NOKs at historical USD rate and the USD rate at the balance sheet date, is included in retained earnings and other 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 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. 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 10.3 million and the balance sheet solvency amounted to USD 4.3 million at 31 March 2020. As of 31 March 2020, the company had USD 7.0 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 company's significant growth opportunities.

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		Full year
	Q1 2020	Q1 2019	2019
Salary, payroll tax, benefits, other	4 163	4 469	19 115
Capitalized cost of development work			9
Share-based remun., notional cost	513	789	2 531
Accr. (rev.) payr. tax on share-based remun.	1		85
Payroll expenses	4 677	5 259	21 749

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. When subscription rights are exercised, the accrued payroll tax is reversed, and the actual payroll tax is expensed.

5 Related party transactions

The chair Morten Opstad is a partner in Advokatfirma Ræder AS. Ræder provided services to the company amounting to USD 68 thousand in the first quarter of 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. 25 per cent of the subscription rights vest per year. The subscription rights expire on 9 May 2024.

6 Leases

Effect of leases in the statements of income	Quarters		Full year
	Q1 2020	Q1 2019	2019
Amounts in USD 1,000			
Other operating expense increased (reduced)	(200)	(177)	(721)
EBITDA	200	177	721
Depreciation of right-of-use assets	195	171	698
EBITA	5	6	23
Interest expense on lease liabilities	13	13	50
EBIT	(9)	(7)	(27)

Effect in the statements of financial position

Amounts in USD 1,000	31 March 2020	31 March 2019	31 December 2019
Assets			
Right-of-use-assets - office buildings	1 120	976	1 375
Total lease assets	1 120	976	1 375
Liabilities			
Long-term liabilities	483	296	610
Short-term liabilities	663	687	788
Total lease liabilities	1 146	984	1 398

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 4.68% in the first quarter of 2020 (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
Balance at 1 January 2020	941	2 605	2 013	1 375	152	7 085
Additions			2			2
Depreciation and impairment losses		(104)	(148)	(177)		(429)
Effects of changes in foreign currency	(155)	(411)	(85)	(78)	(13)	(741)
Balance at 31 March 2020	786	2 090	1 782	1 120	139	5 917
Balance at 1 January 2019	951	3 080	1 679		146	5 856
Additions			33	1 146		1 179
Disposals and retirements at cost			(26)			(26)
Depreciation and impairment losses		(102)	(128)	(171)	(2)	(403)
Depreciation on disposed and retired assets			23			23
Effects of changes in foreign currency	12	40	5	2	2	61
Balance at 31 March 2019	963	3 018	1 586	976	146	6 690
Balance at 1 January 2019	951	3 080	1 679		146	5 856
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)
Balance at 31 December 2019	941	2 605	2 013	1 375	152	7 085

Acquired intangible assets and intellectual property rights have been capitalized in accordance with IFRS, and included goodwill amounting to USD 1.4 million and depreciating assets in an original acquisition amount of USD 7.0 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		Full year
	Q1 2020	Q1 2019	2019
Interest income	19	33	135
Currency exchange gain	679	147	322
Total financial income	699	179	456
Interest expenses	0		0
Interest expenses on lease liabilities	13	13	50
Currency exchange loss	849		623
Other financial expenses		184	
Total financial expense	863	197	673
Net financial items	(164)	(17)	(216)

9 Income tax expense

The tax credit in the first quarter of 2020 was due to refund of taxes in the 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

	Quarters		Full year
	Q1 2020	Q1 2019	2019
Profit (loss) attributable to the shareholders (USD 1,000)	(6 319)	(7 890)	(32 411)
Weighted average basic number of shares	717 988 732	570 440 738	542 795 969
Weighted average diluted number of shares	722 358 604	570 441 050	543 117 924
Profit (loss) per share, basic and diluted	USD (0.0088)	USD (0.0138)	USD (0.0585)

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
Balance at 1 January 2020	52 875 043	717 988 732
Granted incentive subscription rights	5 542 500	
Expired/forfeited incentive subscription rights	(1 321 650)	
Balance at 31 March 2020	57 095 893	717 988 732
Balance at 1 January 2019	37 471 050	544 314 537
25 January: Share issue		53 437 500
Granted incentive subscription rights	873 800	
Expired/forfeited incentive subscription rights	(277 000)	
Balance at 31 March 2019	38 067 850	597 752 037

Number of financial instruments	Incentive subscription rights	Shares
Balance at 1 January 2019	37 471 050	544 314 537
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
Balance at 31 December 2019	52 875 043	717 988 732

The extraordinary general meeting on 4 December 2019 resolved to implement an employee stock purchase plan (ESPP), whereby employees may elect to invest a portion of their compensation in IDEX shares. The company intends to launch the ESPP in 2020. Half of the bonus earned in 2019, which is expected to be paid in 2020, will be settled in IDEX shares against payment of par value.

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 31 March 2020 was NOK 4.48 per share.

The annual general meeting of IDEX Biometrics ASA on 9 May 2019 resolved that the board members could elect to receive all or part of the board remuneration in the form of shares in IDEX. The chairman and three board members took board remuneration partly or fully in shares in lieu of cash against a payment of par value NOK 0.15 per share.

12 Inventory

Amounts in USD 1,000	31 March 2020	31 March 2019	31 December 2019
Inventory at cost	1 409	2 435	1 840
Obsolescence accrual	-820	-1 060	-1 154
Total	588	1 375	686

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.

13 Events after the balance sheet date

On 11 May 2020 IDEX completed a private placement of shares raising USD 10.3 million before expenses. 65.3 million new shares will be issued at NOK 1.60 per share. The placement was conducted by a book building with professional investors after market close. The shares will be issued as soon as practical, under the board's authorization to issue shares. Following the private placement, the company's share capital will amount to NOK 117,499,521.75 divided into 783,330,145 shares at NOK 0.15 nominal value per share.

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

Get in touch



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