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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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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	<u>\$(30,184)</u>	<u>\$(32,263)</u>
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	<u>4,793</u>	<u>6,772</u>
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	<u>(164,537)</u>	<u>(193,497)</u>
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 *	<u>36,391</u>	<u>42,803</u>
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>	<i>10, 17</i>	<i>10, 17</i>
<b>Cost at the beginning of the year</b>	<b>\$ 5,210</b>	<b>4,919</b>
Additions		
Disposals at cost		(33)
Impact of currency translation	(291)	(51)
<b>Cost at the end of the year</b>	<b>4,919</b>	<b>4,835</b>
<b>Accumulated amortization at the beginning of the year</b>	<b>1,497</b>	<b>1,839</b>
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>	<b>1,839</b>	<b>2,230</b>
<b>Carrying amount at the end of the year</b>	<b>\$ 3,080</b>	<b>\$ 2,605</b>

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>	<i>3-5</i>	<i>3-5</i>
<b>Cost at the beginning of the year</b>	<b>\$ 1,789</b>	<b>\$ 2,838</b>
Additions	1,104	850
Disposals at cost	(26)	(122)
Impact of currency translation	(29)	23
<b>Cost at the end of the year</b>	<b>2,838</b>	<b>3,589</b>
<b>Accumulated depreciation at the beginning of the year</b>	<b>813</b>	<b>1,159</b>
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>	<b>1,159</b>	<b>1,576</b>
<b>Carrying amount at the end of the year</b>	<b>\$ 1,679</b>	<b>\$ 2,013</b>

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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	<u>8</u>
<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

Outstanding subscription rights					Vested subscription rights		
Exercise price (in NOK)	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.