



IDEX Biometrics ASA

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

Organization number: 976 846 923

This Prospectus (the “**Prospectus**”) relates to and has been prepared in connection with the listing on Oslo Stock Exchange of 64,574,593 new shares (“**Tranche Two Shares**”), each with a par value of NOK 0.15, in IDEX.

The Private Placement included and was divided into;

- i. a first tranche consisting of 55,425,407 new Shares (“**Tranche One Shares**”), representing approximately 9% of the outstanding capital (“**Tranche One**”); and
- ii. a second tranche consisting of 64,574,593 **Tranche Two Shares** (together with the Tranche One Shares, the “**New Shares**”), representing approximately 11% of the outstanding capital (“**Tranche Two**”).

The Tranche One Shares were issued by a resolution by the Company’s Board of Directors (the “**Board**”) on 17 November 2019, pursuant to an authorization from the Annual General Meeting dated 9 May 2019, and was completed on 2 December 2019. The Tranche One Shares were thus tradeable immediately upon registration of the associated share capital increase in the Company Registry.

The Tranche Two Shares are issued by a resolution of the Extraordinary General Meeting on 12 December 2019. The Tranche Two Shares will be delivered to the subscribers following registration of the associated share capital increase in the Company Registry. The Tranche Two Shares will be transferred to IDEX’s ordinary ISIN and be tradable on the Oslo Stock Exchange under the ticker code “IDEX” upon approval and publication of this Prospectus.

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

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

DATE: 19 December 2019

IMPORTANT INFORMATION

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

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

This Prospectus has been approved by the Financial Supervisory Authority of Norway (Nw. *Finanstilsynet*) (the “**Financial Supervisory Authority**”), as a competent authority under the EU Prospectus Regulation. Such approval was granted on 19 December 2019. The Financial Supervisory Authority only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the EU Prospectus Regulation. Such approval shall not be considered as an endorsement of the issuer that is the subject of this Prospectus. Any investor should make their own assessment as to the suitability of investing in the securities.

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

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

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

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

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

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

Prospectus, you should consult your stockbroker, bank manager, lawyer, accountant, or other professional adviser.

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

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

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

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1 EXECUTIVE SUMMARY

1.1 SECTION A – INTRODUCTION AND WARNINGS

| | |
|----------------------------|---|
| Warnings | <p>This summary contains all sections required to be included in a summary for this type of securities and issuer. This summary should be read as an introduction to the Prospectus.</p> <p>Any decision to invest should be based on consideration of the Prospectus as a whole by the investor.</p> <p>Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the applicable national legislation in its Member State, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.</p> <p>Civil liability attaches only to those persons who have tabled the Summary including any transactions thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.</p> |
| The securities | <p>The Company's shares are subject to trading on the Oslo Stock Exchange under ticker code "IDEX".</p> <p>International securities identification number (ISIN): NO 000 307 0609</p> |
| The issuer | <p>Name of the issuer: IDEX Biometrics ASA Business registration number: 976 846 923 Legal entity identifier (LEI): 5967007LIEEXZXHECW11 Address: Dronning Eufemias gate 16, 0191 Oslo, Norway Tel: +47 6783 9119 Website: www.idexbiometrics.com</p> |
| Approval of the Prospectus | <p>The Prospectus was approved by the Financial Supervisory Authority of Norway on 19 December 2019.</p> <p>Contact information: Financial Supervisory Authority of Norway Address: Revierstredet 3, Postboks 1187 Sentrum, 0107 Oslo, Norway Tel: +47 22 93 98 00 E-mail: post@finanstilsynet.no</p> |

1.2 SECTION B – KEY INFORMATION ON THE ISSUER

| Who is the issuer of the securities? | | | | | | | | | | | | | | | | | |
|--------------------------------------|--|-------|--------------------------------|------------------|-----------------|-------------------------|-----------------|-------------------------|--------------------|--------------------------|---------------|------------------------------------|------------|-------|-----------------------------|------------|-------|
| Corporate information | IDEX Biometrics ASA (“ IDEX ” or the “ Company ”). IDEX is a Norwegian public limited liability company incorporated under the laws of Norway and subject to the Norwegian Public Limited Liability Companies Act of 13 June 1997 no. 45 (Nw.: “ <i>allmennaksjeloven</i> ”) (the “ Norwegian Public Limited Companies Act ”). The Company was incorporated on 24 July 1996. | | | | | | | | | | | | | | | | |
| Principal activities | IDEX develops fingerprint sensors and related system solutions for a range of biometrically-enabled applications, providing both hardware and software fingerprint solutions suitable to being embedded into products in order to improve security, user interface and convenience. IDEX’s product portfolio includes full-featured, biometric authentication solutions, which enable on-device fingerprint enrolment, template storage and verification. IDEX is growing and broadening its product portfolio of fingerprint sensors by developing next-generation products for its target markets. | | | | | | | | | | | | | | | | |
| Major shareholders | <p>As of the date of the Prospectus, the following registered shareholders have holdings in excess of the statutory thresholds for disclosure requirements¹. Note: The list may include nominee shareholders, which holding may belong to one or several beneficial owners. In case of nominee shareholders, the disclosure requirement applies to the beneficial owner of the Shares.</p> <table><thead><tr><th>Name of registered shareholder</th><th>Number of Shares</th><th>%</th></tr></thead><tbody><tr><td>Sundvall Holding AS</td><td>57,661,021</td><td>8.82%</td></tr><tr><td>UBS Switzerland AG</td><td>55,799,466</td><td>8.54%</td></tr><tr><td>The Northern Trust Comp, London Br</td><td>50,030,909</td><td>7.66%</td></tr><tr><td>Goldman Sachs International</td><td>45,351,611</td><td>6.94%</td></tr></tbody></table> <p>UBS Switzerland AG, the Northern Trust Comp., London Br. and Goldman Sachs International are nominee shareholders. The Company is not aware of the number or identity of any beneficial owners of shares held by said nominees. To the best of the Company’s knowledge and belief, no shareholder, or group of shareholders, controls the Company, directly or indirectly.</p> | | Name of registered shareholder | Number of Shares | % | Sundvall Holding AS | 57,661,021 | 8.82% | UBS Switzerland AG | 55,799,466 | 8.54% | The Northern Trust Comp, London Br | 50,030,909 | 7.66% | Goldman Sachs International | 45,351,611 | 6.94% |
| Name of registered shareholder | Number of Shares | % | | | | | | | | | | | | | | | |
| Sundvall Holding AS | 57,661,021 | 8.82% | | | | | | | | | | | | | | | |
| UBS Switzerland AG | 55,799,466 | 8.54% | | | | | | | | | | | | | | | |
| The Northern Trust Comp, London Br | 50,030,909 | 7.66% | | | | | | | | | | | | | | | |
| Goldman Sachs International | 45,351,611 | 6.94% | | | | | | | | | | | | | | | |
| Key management | <p>The Company’s key management comprise of the following members:</p> <table><thead><tr><th>Name</th><th>Position</th></tr></thead><tbody><tr><td>Stan Swearingen</td><td>Chief Executive Officer</td></tr><tr><td>Derek D’Antilio</td><td>Chief Financial Officer</td></tr><tr><td>Fred Benkley</td><td>Chief Innovation Officer</td></tr><tr><td>Anthony Eaton</td><td>Chief Technology Officer</td></tr></tbody></table> | | Name | Position | Stan Swearingen | Chief Executive Officer | Derek D’Antilio | Chief Financial Officer | Fred Benkley | Chief Innovation Officer | Anthony Eaton | Chief Technology Officer | | | | | |
| Name | Position | | | | | | | | | | | | | | | | |
| Stan Swearingen | Chief Executive Officer | | | | | | | | | | | | | | | | |
| Derek D’Antilio | Chief Financial Officer | | | | | | | | | | | | | | | | |
| Fred Benkley | Chief Innovation Officer | | | | | | | | | | | | | | | | |
| Anthony Eaton | Chief Technology Officer | | | | | | | | | | | | | | | | |

¹ The overview does not include the Tranche Two Shares. The overview is based on data from the VPS as of 18 December 2019.

| | |
|-------------------|---|
| Statutory auditor | The Company's statutory auditor is Ernst & Young AS with registered address at Dronning Eufemias gate 6, 0191 Oslo, Norway. |
|-------------------|---|

What key financial information regarding the issuer?

Selected historical key financial information

Financial statements

The tables below set out selected historical information for the Group derived from the Group's audited consolidated financial statements as of and for the year ended 31 December 2018, and the unaudited consolidated interim financial statements as of and for the nine months' period ended 30 September 2019 and 30 September 2018 and the six months' periods ended 30 June 2019 and 30 June 2018.

| Profit and Loss | First nine months | | First six months | | Full year |
|---|-------------------|----------|------------------|-----------|-----------|
| Amounts in NOK 1,000 | 2019 | 2018 | 2019 | 2018 | 2018 |
| Total revenue | 1 324 | 1 082 | 1 740 | 1 130 | 3 585 |
| Gross margin | 1 134 | 252 | 1 523 | 592 | 2 082 |
| Loss before interest, tax, depreciation and amortization (EBITDA) | (61 060) | (57 882) | (123 186) | (117 482) | (236 658) |
| Net loss for the period | (66 673) | (60 744) | (132 887) | (122 003) | (246 097) |
| Loss per share, basic and diluted (NOK) | (0.11) | (0.11) | (0.23) | (0.22) | (0.45) |

| Financial position | At 30 September 2019 | At 30 June 2019 | At 31 December 2018 |
|--------------------|----------------------|-----------------|---------------------|
| Total assets | 180 522 | 239 366 | 156 312 |
| Total equity | 149 223 | 208 679 | 123 239 |
| Net financial debt | (65 640) | (124 400) | (50 641) |

| Cash flow | First nine months | First six months | Full year |
|---|-------------------|------------------|-----------|
| Amounts in NOK 1,000 | 2019 | 2019 | 2018 |
| Net cash flows from operating activities | (186 196) | (130 504) | (214 735) |
| Net cash flows used in investing activities | (3 568) | (1 769) | (7 899) |
| Net cash flows from financing activities | 202 466 | 203 923 | 3 886 |

Investments

There are no significant fixed assets ordered at the date of this Prospectus. The Group does not have any firm plans or obligations to make significant future investments in tangible or intangible assets, or financial assets.

| | |
|--|--|
| Selected key pro forma financial information | Not applicable. There is no pro forma financial information. |
| Qualifications in audit report | Not applicable. The audit reports do not include any qualifications. |
| What are the key risks that are specific to the issuer? | |
| Key risks specific to the issuer | <p>Risks related to the Group and the industry it operates in:</p> <ul style="list-style-type: none"> • IDEX has a history of losses and expects additional losses in the future • IDEX may need additional capital, which, if obtainable, could dilute the ownership interest of investors • IDEX's business depends heavily on revenues from new technology, the commercial success of which is unproven • IDEX may not be able to effectively manage growth • IDEX is highly dependent on IP and the Company's methods of protecting its IP, or IP shared with third parties, may not be adequate • IDEX faces risks of claims for IP infringement • IDEX's markets are immature |

1.3 SECTION C – KEY INFORMATION ON THE SECURITIES

| | |
|--|--|
| What are the main features of the securities? | |
| Type of class of securities being offered | <p>The Company has one class of Shares, and all Shares carry equal rights as set out in Section 4-1 (1), first sentence, of the Norwegian Public Limited Companies Act. The Shares are registered in the VPS and carry the securities identification code ISIN NO 000 307 0609.</p> <p>The New Shares are in all respects equal to the existing Shares of the Company.</p> |
| Currency | The Shares are issued in NOK and are quoted and traded in NOK at Oslo Stock Exchange. |
| Number of shares and par value | <p>For the avoidance of doubt, the Tranche One Shares have been subscribed for, paid, registered and delivered and admitted to trading at the Oslo Stock Exchange at the date of this Prospectus.</p> <p>Following the Private Placement of the Tranche Two Shares, IDEX's share capital will be NOK 107,698,309.80, divided into 717,988,732 ordinary Shares, each Share fully paid and having a par value of NOK 0.15.</p> <p>The Company's Extraordinary General Meeting resolved on 12 December 2019 to issue 64,574,593 Tranche Two Shares in the Company in connection with the Private Placement of New Shares. Upon expiry of the subscription period, all such New Shares had been subscribed for. The associated share capital increase has not been registered in the Company Registry as of the date of this Prospectus.</p> |

| | |
|--|--|
| Rights attached | The New Shares are ordinary Shares in the Company, i.e., the same class as the Shares already in issue and listed on Oslo Stock Exchange. The New Shares will obtain rights to receive dividends from the time of registration of the share capital increase in the Company Registry. The Company's shares have equal rights to the Company's profits, in the event of liquidation and to receive dividends unless all the shareholders approve otherwise. Each Share in the Company gives the holder the right to cast one vote at the general meetings of shareholders of the Company. |
| Restrictions on free transferability | The Company's Shares are freely transferable according to Norwegian law and the Company's Articles of Association. |
| Dividend policy | IDEX does not have any established dividend policy in place except to say that the Company's aim and focus is to enhance shareholder value and provide an active market in its Shares. IDEX has historically never declared or paid any dividends on its Shares and does not anticipate paying any cash dividends for 2019 or the next few years. IDEX intends to retain future earnings, if any, to finance operations and the expansion of its business. Any future determination to pay dividends will depend on the Company's financial condition, results of operation and capital requirements. |
| Where will the securities be traded? | |
| Listing and admission to trading | <p>The Company's Shares have been listed on Oslo Stock Exchange since 11 May 2015 under the ticker symbol "IDEX".</p> <p>The listing on Oslo Stock Exchange of the Tranche Two Shares is subject to the approval of the Prospectus by the Financial Supervisory Authority under the rules of the Norwegian Securities Trading Act. Such approval was granted on 19 December 2019.</p> <p>The first day of trading of the Tranche One Shares was on 3 December 2019. The first day of trading of the Tranche Two Shares is expected to be on or about 30 December 2019. IDEX's shares are not listed on any other regulated market place and IDEX does not intend to seek such listing.</p> <p>As of 11 November 2019, IDEX shares are traded on the OTCQB Venture Market exchange under the ticker symbol IDXAF.</p> |
| What are the key risks that are specific to the securities? | |
| Key risks specific to securities | Future issuances of Shares or other securities could dilute the holdings of shareholder and could materially affect the price of the Shares. |

1.4 SECTION D – KEY INFORMATION ON THE PRIVATE PLACEMENT

| Under which conditions and timetable can I invest in this security? | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|--------------------------------------|------------|--|----------|----------------------|------------------------------|--|------------------------------|--|------------------------------|---|--|---|--|--|--|--|--|---|---|------------------|---|
| Terms and conditions of the offer | <p>On 17 November 2019, IDEX raised approximately NOK 41.57 million in gross proceeds through the issuance of 55,425,407 Tranche One Shares, each with a par value of NOK 0.15 and a Subscription Price of NOK 0.75 per Tranche One Share.</p> <p>Further, on 12 December 2019, the Company raised approximately NOK 48.43 million in gross proceeds through the issuance of 64,574,593 Tranche Two Shares, each with a par value of NOK 0.15 and a Subscription Price of NOK 0.75 per Tranche Two Share.</p> <p>Below is an overview of the terms and timetable for Tranche Two:</p> <table border="1"> <tr> <td>Number of Tranche Two Shares:</td><td>64,574,593</td></tr> <tr> <td>Subscription Price per Tranche Two Share:</td><td>NOK 0.75</td></tr> <tr> <td>Payment date:</td><td>On or about 20 December 2019</td></tr> <tr> <td>Registration of share capital increase:</td><td>On or about 23 December 2019</td></tr> <tr> <td>Delivery of Tranche Two Shares:</td><td>On or about 27 December 2019</td></tr> <tr> <td>Trading of the Tranche Two Shares:</td><td>Expected first day of trading of the Tranche Two Shares on Oslo Stock Exchange is on or about 30 December 2020</td></tr> <tr> <td>Number of Shares pre Private Placement</td><td>597,988,732 Shares, each with a par value of NOK 0.15.</td></tr> <tr> <td>Number of Shares post Tranche One</td><td>653,414,139 Shares, each with a par value of NOK 0.15.</td></tr> <tr> <td>Number of Shares post Tranche Two</td><td>717,988,732 Shares, each with a par value of NOK 0.15.</td></tr> <tr> <td>Rights of the Tranche Two Shares</td><td>The Tranche Two shares are in all respects equal to the ordinary Shares of the Company.</td></tr> <tr> <td>Dilution:</td><td>The percentage of immediate dilution resulting from the Private Placement for the Company's existing shareholders who did not participate in the Private Placement, is approximately 17%.</td></tr> </table> | Number of Tranche Two Shares: | 64,574,593 | Subscription Price per Tranche Two Share: | NOK 0.75 | Payment date: | On or about 20 December 2019 | Registration of share capital increase: | On or about 23 December 2019 | Delivery of Tranche Two Shares: | On or about 27 December 2019 | Trading of the Tranche Two Shares: | Expected first day of trading of the Tranche Two Shares on Oslo Stock Exchange is on or about 30 December 2020 | Number of Shares pre Private Placement | 597,988,732 Shares, each with a par value of NOK 0.15. | Number of Shares post Tranche One | 653,414,139 Shares, each with a par value of NOK 0.15. | Number of Shares post Tranche Two | 717,988,732 Shares, each with a par value of NOK 0.15. | Rights of the Tranche Two Shares | The Tranche Two shares are in all respects equal to the ordinary Shares of the Company. | Dilution: | The percentage of immediate dilution resulting from the Private Placement for the Company's existing shareholders who did not participate in the Private Placement, is approximately 17%. |
| Number of Tranche Two Shares: | 64,574,593 | | | | | | | | | | | | | | | | | | | | | | |
| Subscription Price per Tranche Two Share: | NOK 0.75 | | | | | | | | | | | | | | | | | | | | | | |
| Payment date: | On or about 20 December 2019 | | | | | | | | | | | | | | | | | | | | | | |
| Registration of share capital increase: | On or about 23 December 2019 | | | | | | | | | | | | | | | | | | | | | | |
| Delivery of Tranche Two Shares: | On or about 27 December 2019 | | | | | | | | | | | | | | | | | | | | | | |
| Trading of the Tranche Two Shares: | Expected first day of trading of the Tranche Two Shares on Oslo Stock Exchange is on or about 30 December 2020 | | | | | | | | | | | | | | | | | | | | | | |
| Number of Shares pre Private Placement | 597,988,732 Shares, each with a par value of NOK 0.15. | | | | | | | | | | | | | | | | | | | | | | |
| Number of Shares post Tranche One | 653,414,139 Shares, each with a par value of NOK 0.15. | | | | | | | | | | | | | | | | | | | | | | |
| Number of Shares post Tranche Two | 717,988,732 Shares, each with a par value of NOK 0.15. | | | | | | | | | | | | | | | | | | | | | | |
| Rights of the Tranche Two Shares | The Tranche Two shares are in all respects equal to the ordinary Shares of the Company. | | | | | | | | | | | | | | | | | | | | | | |
| Dilution: | The percentage of immediate dilution resulting from the Private Placement for the Company's existing shareholders who did not participate in the Private Placement, is approximately 17%. | | | | | | | | | | | | | | | | | | | | | | |

| | |
|---|---|
| Estimated expenses | The total estimated expenses relating to the Private Placement will be NOK 0.6 million including Prospectus costs. No expenses will be charged to the investors by the Company. |
| Why is this prospectus being produced? | |
| Reasons for the offer/Use of proceeds | <p>The capital raised through the Private Placement will be used to strengthen the Company's equity and financial position. The proceeds are expected to be used for the following principal purposes:</p> <ul style="list-style-type: none"> • 60% of the net proceeds will be used for securing working capital for the expected increase in customer shipments • 40% of the net proceeds will be used for supporting development of the Company's technology roadmap |
| Estimated net proceeds | The subscription price per New Share was NOK 0.75, amounting to an aggregate subscription price and gross proceeds in the Private Placement of NOK 90 million. Taking into account the transaction costs related to the New Shares and all other directly attributable costs in connection with the Private Placement, the net proceeds are expected to be approximately NOK 89.4 million. |
| Underwriting agreements | No underwriting agreements have been concluded in connection with issuance of the New Shares. |
| Material conflicts | There is no interest of any natural and legal persons involved in the Private Placement, including any conflict of interest, that is material to the Private Placement. |

2 RISK FACTORS

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

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

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

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

2.1 RISKS RELATED TO THE COMPANY’S FINANCIAL CONDITION

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

To date, IDEX has not achieved significant revenues or profitability. IDEX will need to increase its revenues significantly in order to achieve profitability. If IDEX does achieve profitability, the Company cannot assure that it can sustain or increase profitability on a quarterly or annual basis in the future. Revenues from the Company’s business depend among other things on market factors, which are beyond IDEX’s control, see Section 2.3 below.

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

The Company has raised approximately NOK 90,000,000 in gross proceeds from the Private Placement. Since IDEX was founded in 1996, the Company has experienced negative cash flow from operations and investments and expects to experience significant negative cash flow from operations in the future. To the extent that cash from operations and the cash proceeds from the Private Placement are insufficient to fund the Company’s operations, IDEX may need to raise additional funds through the issuance of equity, equity-related or convertible debt securities. IDEX cannot be certain that additional financing will be available to the Company on acceptable terms when required, or at all.

2.2 RISKS RELATED TO THE COMPANY'S BUSINESS

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

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

2.2.2 IDEX may not be able to effectively manage growth

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

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

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

2.2.4 IDEX faces risks of claims for IP infringement

Substantial litigation exists in the industry. If IDEX is sued for IPR infringement, the Company may be forced to incur substantial costs in defending itself. If litigation were to result in a judgment that IDEX infringed a valid and enforceable patent, a court may order the Company to pay substantial damages to the owner of the patent and to stop selling any infringing technology or products. This could cause a significant disruption in IDEX's business and force the Company to incur substantial costs to develop and implement alternative, non-infringing technology or products, or to obtain a license from the patent owner. This could also lead IDEX's licensees and customers to bring warranty claims against the Company.

2.3 RISKS RELATED TO THE COMPANY'S MARKET

2.3.1 IDEX's markets are immature

IDEX's largest potential market is the biometric payment card market. IDEX also offers its products and solutions in other vertical markets including, Identification, Access control, Healthcare, and the

Internet of Things (“IOT”), all of which are expected to be competitive. The Company expects to experience increased competition from current and potential competitors, some of which may be better established and have significantly greater resources. The Company’s international competitors include, among others, companies such as Fingerprint Cards AB and NEXT Biometrics ASA. In the future, IDEX may encounter competition from other larger, well-established and well-financed entities that may continue to acquire, invest in or form joint ventures with providers of fingerprint recognition technology, and existing providers may elect to consolidate. IDEX’s competitors may be able to respond more quickly to new or emerging technologies and changes in customer requirements than the Company is able to. IDEX’s position in the existing markets could be eroded rapidly by product or technology enhancements or the development of new, superior products and technology by competitors. Also, current and potential competitors may have greater name recognition and more extensive customer bases. Increased competition could result in price reductions, fewer customer orders, reduced gross margins and lower market prices of IDEX’s Shares.

2.4 RISKS RELATED TO THE COMPANY’S SHARES

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

Any issuance of new Shares upon the conversion of Subscription Rights will result in the dilution of the ownership interests of the Company’s existing shareholders. As of the date of this Prospectus, a total of 52,923,268 Subscription Rights are outstanding under the Company incentive subscription rights plans. In addition, the Company may in the future decide to offer additional Shares or other securities in order to finance new capital-intensive projects, in connection with unanticipated liabilities or expenses or for any other purposes. There is no assurance that the Company will not decide to conduct further offerings of securities in the future. Depending on the structure of any future offering, certain existing shareholders may not have the ability to purchase additional equity securities. If the Company raises additional funds by issuing additional equity securities, the holdings and voting interests of existing shareholders could be diluted.

3 STATEMENTS

3.1 Statement of Responsibility for the Prospectus

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

The Board of Directors accepts responsibility for the information contained in this Prospectus. The Board of Directors hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

The Board of Directors of IDEX Biometrics ASA

19 December 2019


 Morten Opstad,
Chair

 Lawrence John Ciaccia,
Deputy chair

 Deborah Lee Davis,
Board member

 Hanne Hovding,
Board member

 Stephen Andrew Skaggs,
Board member

3.2 Statement regarding third party information

The information in this Prospectus that has been sourced from third parties has been accurately reproduced and as far as the Company is aware and able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

The Board of Directors of IDEX Biometrics ASA

19 December 2019


 Morten Opstad,
Chair

 Lawrence John Ciaccia,
Deputy chair

 Deborah Lee Davis,
Board member

 Hanne Hovding,
Board member

 Stephen Andrew Skaggs,
Board member

4 GENERAL INFORMATION

4.1 Approval of the Prospectus

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

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

4.2 Cautionary note regarding Forward-looking Statements

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

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

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

In particular, Sections 2, 5.1 and 6 of this Prospectus contain statements regarding the Group’s strategy going forward.

5 INFORMATION CONCERNING THE SECURITIES BEING ADMITTED TO TRADING

The Tranche One Shares in the Private Placement have been issued and have been admitted to trading on Oslo Stock Exchange. The listing of the Tranche Two Shares in the Private Placement is subject to the approval and publication of this Prospectus. Notwithstanding the foregoing, for the sake of completeness, this Section 5 provides information on the Private Placement as a whole.

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

The net proceeds raised through the Private Placement of approximately NOK 89.4 million will be used to strengthen the Company's equity and financial position. The proceeds will be used for the following principal purposes, presented in order of priority:

- 60% of the net proceeds will be used for securing working capital for the expected increase in customer shipments
- 40% of the net proceeds will be used for supporting development of the Company's technology roadmap

5.2 The Private Placement

5.2.1 Overview

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

| | |
|--|---|
| Number of Tranche Two Shares: | 64,574,593 |
| Subscription Price per Tranche Two Share: | NOK 0.75 |
| Payment date: | On or about 20 December 2019 |
| Registration of share capital increase: | On or about 23 December 2019 |
| Delivery of Tranche Two Shares: | On or about 27 December 2019 |
| Trading of the Tranche Two Shares: | Expected first day of trading of the Tranche Two Shares on Oslo Stock Exchange is on or about 30 December 2019 |
| Number of Shares pre Private Placement | 597,988,732 Shares, each with a par value of NOK 0.15. |
| Number of Shares post Tranche One | 653,414,139 Shares, each with a par value of NOK 0.15. |
| Number of Shares post Tranche Two | 717,988,732 Shares, each with a par value of NOK 0.15. |
| Rights of the Tranche Two Shares | The Tranche Two shares are in all respects equal to the ordinary Shares of the Company. |
| Dilution: | The percentage of immediate dilution resulting from the Private Placement for the Company's existing shareholders who did not participate in the Private Placement, is approximately 17%. |

The Company received offers pursuant to which investors were willing to subscribe for a total of 120,000,000 Shares in the Company at a subscription price of NOK 0.75 per Share.

The Private Placement, which represented approximately 20% of the Company's outstanding share capital, was directed towards certain existing registered shareholders and certain new investors. The Private Placement structure of the transaction inherently requires a waiver of existing shareholders' preferential rights to subscribe for New Shares. The Board considered such structure and waiver necessary and appropriate in the interest of time and successful completion. Moreover, the Subscription Price in the Private Placement was set at NOK 0.75 per New Share, being substantially at market price. It was possible for interested investors, including existing shareholders, to acquire a substantial volume of Shares at or around this trading price both before and after the Private Placement. By reason of the foregoing, the Board has concluded that there was a sound and just basis for the deviation from shareholders' preferential rights to subscribe for New Shares.

The Board had in place an authorization from the 9 May 2019 Annual General Meeting to issue shares in connection with private placements. Under this authorization, the Board could issue a maximum of 59,775,203 new Shares. The Board authorization had not been used until the Private Placement.

The Private Placement would involve a number of new Shares exceeding the limitation of the Board authorization. Listing on the Oslo Stock Exchange of new shares representing 20% or more of the share capital, calculated over a period of 12 months, requires the issuance of a listing prospectus. Moreover, the Company issued 53,437,500 shares in connection with a private placement in February 2019. For the foregoing reasons, the Board resolved that the Private Placement would be divided into two tranches, Tranche One and Tranche Two. Tranche One was resolved on 17 November 2019 through use of the existing Board authorization. Tranche One Shares are within the 20% threshold for a listing prospectus. Tranche Two was made subject to approval at an Extraordinary General Meeting. The admission of the Tranche Two Shares to trading on Oslo Stock Exchange would also be subject to approval and publication of a listing prospectus in accordance with Article 3 of the EU Prospectus Regulation.

The Board therefore resolved to structure the Private Placement as follows:

1. The Board uses its authorisation from the 2019 Annual General Meeting to issue 55,425,407 Tranche One Shares to the investors at a Subscription Price of NOK 0.75 per Tranche One Share.
2. The Board convened an Extraordinary General Meeting on 12 December 2019 to approve the issuance of 64,574,593 Tranche Two Shares at a Subscription Price of NOK 0.75 per Tranche Two Share.

The Tranche One Shares have been issued and were admitted to trading on Oslo Stock Exchange on 3 December 2019.

At the Extraordinary General Meeting of the Company held on 12 December 2019 it was resolved to increase the share capital of the Company with NOK 9,686,188.95 through the issue of 64,574,593 Tranche Two Shares, at a Subscription Price of NOK 0.75 per Tranche Two Share.

The total gross proceeds from the Private Placement amounted to NOK 90 000 000.

Prior to the Private Placement, the Company's share capital was NOK 89,698,309.80 divided into 597,988,732 Shares, each with a par value of NOK 0.15. Following registration of the share capital increase in connection with the Tranche One Shares with the Company Registry, the Company has

an issued share capital of NOK 98,012,120.85 divided into 653,414,139 Shares, each with a par value of NOK 0.15. Upon registration of the share capital increase in connection with the Tranche Two Shares with the Company Registry, the Company's share capital will be NOK 107,698,309.80 divided into 717,988,732 Shares, each with a par value of NOK 0.15.

5.2.2 Subscription Price

The Subscription Price per New Share in the Private Placement was NOK 0.75. The Subscription Price was announced on 18 November 2019 through Oslo Stock Exchange's electronic information system.

The Subscription Price was equivalent to a 1.3% discount to the closing price on the Company's Shares on the Oslo Stock Exchange on 15 November 2019 (being the trading date immediately preceding the Board's resolution to carry out the Private Placement). The Subscription Price is wholly settled in cash.

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

5.2.3 Subscription

The Tranche One Shares were timely subscribed for on a separate subscription form within the deadline for subscription on 18 November 2019. The Tranche Two Shares shall be subscribed for by the subscribers on a separate subscription form by 20 December 2019.

5.2.4 Allocation, payment for and delivery of the New Shares

The Private Placement and the allocation were approved by the Board on 17 November 2019; provided, however, that the issuance and allocation of the Tranche Two Shares remained subject to approval by the Extraordinary General Meeting, which was granted on 12 December 2019.

Notifications of allotment and payment instructions for Tranche One and conditional allotment in Tranche Two were sent to the applicants on 17 November 2019.

The total subscription amount for the Tranche One Shares was timely paid in full to the designated share issue account within the payment deadline. The share capital increase associated with the Tranche One Shares was registered in the Company Registry on 2 December 2019, with a subsequent announcement on the same day regarding the registration of the share capital increase in the Company Registry. The Tranche One Shares were delivered to the subscribers in the form of newly issued ordinary Shares.

The total subscription amount associated with the Tranche Two Shares shall be paid in full to the designated share issue account within 20 December 2019 (or such later date as approved by the Board, but not later than 31 January 2020). The share capital increase associated with the Tranche Two Shares is expected to be registered in the Company Registry on or about 23 December 2019 with a subsequent announcement on the same day regarding the registration of the share capital increase in the Company Registry. The Tranche Two Shares will be registered on the Company's ordinary ISIN NO 000 307 0609.

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

| Name of investor | Number of allocated New Shares | % of the Private Placement |
|----------------------|--------------------------------|----------------------------|
| Robert N. Keith | 60,000,000 | 50% |
| Sundt AS | 15,000,000 | 12.5% |
| Alden AS | 10,000,000 | 8.33% |
| Middelborg Invest AS | 10,000,000 | 8.33% |
| Tigerstaden AS | 10,000,000 | 8.33% |
| F2 Funds AS | 8,750,000 | 7.29% |

Sundt AS, Alden AS, Middelborg Invest AS and Tigerstaden AS are existing registered shareholders in the Company prior to the Private Placement. Robert N. Keith and close associates (spouse) were registered shareholders through nominee accounts prior to the Private Placement.

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

5.2.5 Admission to trading and dealing arrangements

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

The listing on Oslo Stock Exchange of the Tranche Two Shares is subject to the approval of the Prospectus by the Financial Supervisory Authority under the rules of the Norwegian Securities Trading Act. Such approval was granted on 19 December 2019.

The first day of trading of the Tranche One Shares was 3 December 2019. The first day of trading of the Tranche Two Shares on Oslo Stock Exchange, under Oslo Stock Exchange's ticker symbol "IDEX", will be on or about 30 December 2019. None of the Company's Shares (including the New Shares) are offered or admitted to trading at any other regulated market than Oslo Stock Exchange.

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

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

5.2.6 Resolutions to issue the New Shares

The issuance of the Tranche One Shares was approved by the Company's Board on 17 November 2019 through the following resolution:

"The Board resolved that the Company's share capital is increased with NOK 8,313,811.05 from NOK 89,698,309.80 to NOK 98,012,120.85 by issuance of 55,425,407 new shares, each having a par value of NOK 0.15, for a subscription price per share of NOK 0.75. The total par value of NOK 8,313,811.05 shall be added to the share capital of the Company, while the remaining NOK 33,255,244.20 is share premium. The new shares may be subscribed for by the subscribers set out in Attachment 1. The existing shareholders' preferential right is deviated from. Subscription for the new shares shall be made on a separate subscription form. The subscription shall be made no later than 18 November 2019 (or such later date as determined by the Board, but no later than 25 November 2019). The subscription price shall be

paid within 25 November 2019 to the bank account specified by the Company in writing. The new shares shall carry shareholder rights, including right to dividends or other distributions that are declared, from registration of the share capital increase in the Norwegian Register of Business Enterprises. The estimated costs related to the private placement, both Tranche One and Tranche Two, are approximately NOK 0.3 million, which includes fees to the legal advisors assisting on the placement."

By reason of the above share capital increase, Section 5 of the Company's Articles of Association was amended to read:

"The Company's share capital is 98,012,120.85 NOK divided into 653,414,139 shares, each with a nominal value of 0.15 NOK per share and issued in name."

The issuance of the Tranche Two Shares was approved by the Company's Extraordinary General Meeting on 12 December 2019 through the following resolution:

"It is resolved that the Company's share capital is increased with NOK 9,686,188.95 from NOK 98,012,120.85 to NOK 107,698,309.80 by issuance of 64,574,593 new shares, each having a par value of NOK 0.15, for a subscription price per share of NOK 0.75. The total par value of NOK 9,686,188.95 shall be added to the share capital of the Company, while the remaining NOK 38,744,755.80 is share premium. The new shares may be subscribed for by the investors who subscribe for Tranche 1 Shares. The existing shareholders' preferential right is deviated from. Subscription for the new shares shall be made on a separate subscription form. The subscription shall be made no later than 20 December 2019 (or such later date as determined by the Board, but no later than 31 January 2020). The subscription price shall be paid within 20 December 2019 to a bank account specified by the Company in writing (or such later date as agreed by the Board of Directors, but no later than 31 January 2020). The new shares shall carry shareholder rights, including right to dividends or other distributions that are declared, from registration of the share capital increase in the Norwegian Register of Business Enterprises. The estimated costs related to the private placement, both Tranche One and Tranche Two, are approximately NOK 0.3 million, which includes fees to the legal advisors assisting on the placement."

By reason of the above share capital increase, Section 5 of the Company's Articles of Association was amended to read:

"The Company's share capital is 107,698,309.80 NOK divided into 717,988,732 shares, each with a nominal value of 0.15 NOK per share and issued in name."

5.3 Shareholders' rights relating to the New Shares

The Company has one class of Shares, and all Shares carry equal rights as set out in Section 4-1 (1), first sentence, of the Norwegian Public Limited Companies Act. The Shares are registered in the VPS and carry the securities identification code ISIN NO 000 307 0609.

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

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

The rights attached to the New Shares, will be the same as those attached to the Company's existing Shares. The New Shares will be issued electronically and will rank pari passu with existing Shares in all respects from such time as the share capital increase in connection with the issuances of the New

Shares are registered in the Company Registry. The holders of the New Shares will be entitled to dividend from the date of registration of the respective share capital increases in the Company Registry. There are no particular restrictions or procedures in relation to the distribution of dividends to shareholders who are resident outside Norway, other than an obligation on part of the Company to deduct withholding tax as further described in Section 13.

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

The New Shares will have the same VPS registrar and the same ISIN number as the Company's other Shares.

5.4 Dilution

The dilutive effect following the issuance of the New Shares represents an immediate dilution of approximately 17% for existing shareholders who did not participate in the Private Placement.

The net asset value in the Financial Statements on 30 September 2019 was NOK 149,223,000, which translates to NOK 0.25 per basic share outstanding. The Subscription Price in the Private Placement was NOK 0.75.

5.5 Lock-up

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

5.6 Expenses

Costs attributable to the Private Placement will be borne by the Company. The costs related to the Private Placement will amount to approximately NOK 0.6 million including Prospectus costs. Thus, the net proceeds to the Company from the Private Placement will be approximately NOK 89.4 million.

5.7 Advisors

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

5.8 Jurisdiction and choice of law

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

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

5.9 Restrictions on sale and transfer

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

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

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

6 THE COMPANY AND ITS BUSINESS

6.1 Principal Activities

6.1.1 Fingerprint sensor technology

IDEX Biometrics specializes in fingerprint imaging and recognition technology. The Company develops fingerprint sensors and system solutions for a range of biometrically-enabled applications. IDEX provides both hardware and software components suitable to being embedded into host products, typically smart cards, mobile phones and electronic keyfobs², in order to improve security, user interface and convenience. The Company's strategy to deliver fingerprint solutions to mass markets is based on, in IDEX's opinion, a unique flexible and cost efficient off-chip technology and overall full system approach. A fingerprint sensor is mounted in a host device, and communicates with the device in order to confirm or reject the user's access. The interaction between the sensor and the host device is complex, particularly when there are limitations on power, processing capacity, and physical space, while having to satisfy stringent requirements for response time and biometric reliability. The full system approach therefore includes the system-level reference design³ and the software in addition to the sensors.

IDEX's key products are fingerprint sensors and fingerprint modules with software and algorithms and a remote enrollment device for cards that are equipped with a fingerprint sensor. A fingerprint module consists of a fingerprint sensor and ancillary components mounted on a substrate. The software and algorithms are required to make the sensor or module to operate and communicate with its host device. The remote enrollment device is what the card holder will use to enroll his/her fingerprints on the card.

IDEX uses capacitive sensing to capture the fingerprint image, which means measuring the electrical conductivity of the fingertip skin. The key physical components of the fingerprint sensor are the substrate (sensor array) where the finger will touch, and a silicon chip. The silicon chip is the application specific integrated circuit (the "ASIC"), which processes the electrical signals and constructs an image of the fingerprint. The image is compared against a stored template image in order to authenticate the user. The electrical power to operate the sensor can be supplied by the host device – like smartcards being powered when inserted into a payment terminal - or the power can be harvested from a magnetic field – like smart cards being powered when tapped on a payment terminal.

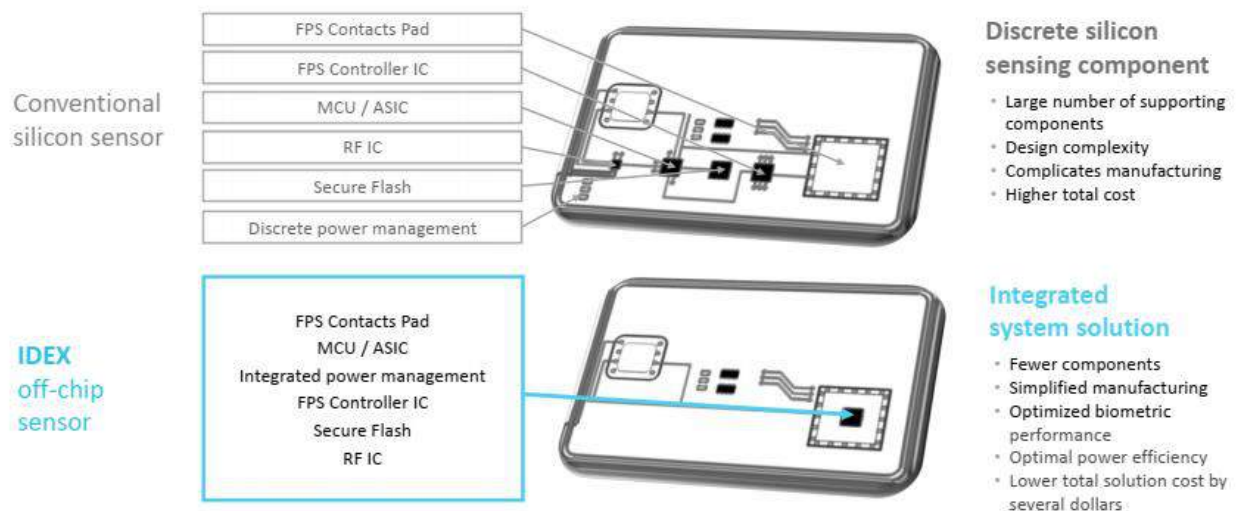
6.1.1.1 Off-chip design

IDEX uses a polymer (plastic) substrate which is connected to the ASIC. This separation is called off-chip design. The off-chip design is patented and differs from conventional silicon sensors where both the sensor array and the signal processing are implemented in a single ASIC. By separating the ASIC, which has to be made of silicon, from the sensor array, which can be made of polymer, the total silicon content is reduced. Since polymer is less expensive than silicon, the sensor cost is reduced compared to all-silicon sensors of the same size. This offers the possibility of enlarging the sensing area, whereby the sensor captures a larger portion of the fingerprint during imaging, thus improving matching reliability – at, in IDEX's view, a competitive price.

² A small security hardware device with built-in authentication used to control and secure access to devices, systems, network services and data.

³ A reference design is a technical blueprint of a system that customers can copy and use as is or in modified form. This serves firstly as proof of concept and secondly enables the device manufacturers a faster path to implement the fingerprint sensor in their products. The IDEX reference design comprises power supply, antenna, microcontroller, communications software and the biometric matching software.

Since the sensor array is made of bendable polymer rather than stiff, brittle silicon, the sensor is inherently flexible yet robust. IDEX believes that its fingerprint sensors are particularly suited to smart cards which have to satisfy stringent bending and twisting requirements in order to achieve ISO-compliance. Furthermore, the off-chip architecture enables the Company to incorporate additional elements of the biometric card into the sensor, such as the biometric MCU, power management and the Secure Element. This facilitates reducing costs and complexity of the total biometric card, as illustrated below.



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

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

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

6.1.1.2 Matching and enrollment

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

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

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

6.1.2 Current Product Overview

The Company offers a portfolio of capacitive fingerprint sensors and solutions.

6.1.2.1 *Fingerprint sensors*

IDEX's patented fingerprint sensors are the SmartFinger® fingerprint sensors.

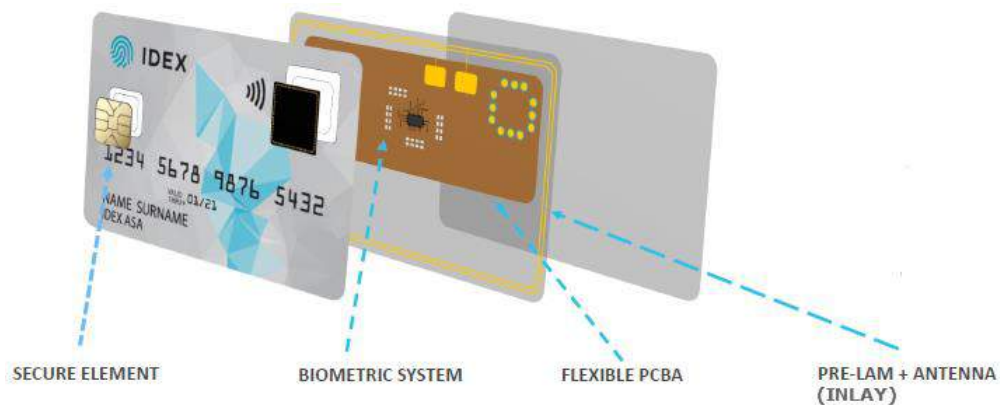
IDEX's fingerprint sensors can be used in dual-interface, contactless-only and contact-only smart cards. IDEX believes it is one of only two suppliers to offer off-chip capacitive fingerprint sensors, and the only supplier using this technology with the ridge-matching biometric algorithm, which IDEX considers is the preferred algorithm type.

In 2017, IDEX launched its new ASIC platform for off-chip sensors. The new platform delivers both enhanced performance and reduced power consumption at a lower price compared to the previous IDEX ASIC. The ASIC was designed to be used across multiple product applications in IDEX's target markets. The chip's low power consumption makes it, in the Company's opinion, ideally suited for contactless card applications. Additionally, the ASIC features an on-board microcontroller with the purpose to achieve increased processing power and enhanced security features, such as encryption.

In 2018 and 2019 IDEX launched a fingerprint sensors for contactless cards built on the new ASIC platform. The sensor supports both contact and contactless biometric card operation without an internal power source. Trials with this technology began in 2018 and continued into 2019. The trials were technically satisfactory, and the sensor as such (including algorithm and software) has been approved for use in cards. The card manufacturers are currently certifying the cards for use in the payment industry.

6.1.2.2 *Fingerprint Modules*

IDEX's fingerprint modules are a complete biometric solution, for use in smart cards. In addition to the SmartFinger® fingerprint sensor which comes with the image-capturing ASIC, it includes power harvesting from the card terminal and power management circuitry, microcontroller with software for image processing and matching, and communications software to the card's secure element.



Smart card exploded view, showing inlay with components.

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

6.1.2.3 *Software and algorithms*

IDEX's software components range from elements such as on-sensor firmware to enrollment software as well as extracting and matching algorithms.

In 2017, IDEX developed its third generation of software optimized for dual-interface biometric cards. The system software is designed to be power and memory efficient.

IDEX's proprietary matcher algorithm for biometric cards was introduced in 2017. The patented algorithm is suited for biometric cards and designed for use also in both card and IoT applications. The algorithm is rotation insensitive and accepts partial touches.

In 2018 and 2019 IDEX released security-enhanced versions of its matcher. This matcher architecture was, to IDEX's knowledge, the first to pass a preliminary CAST⁴ security review with Mastercard.

6.1.2.4 *On-card enrollment solutions*

A low-cost, simple, convenient and secure end-user registration process is key to accelerate adoption of biometric cards by issuers and consumers alike.

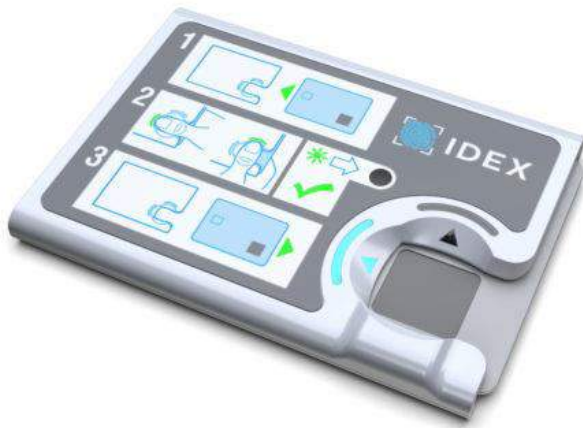
IDEX's on-card enrollment solution enables remote in-person enrollment. The seamless end-to-end solution allows card users to securely enroll themselves without visiting a bank branch.

Enrollment takes place entirely inside the smart card using its standard secure EMV chip. There is no need to connect the enrollment device or smart card to a computer, smartphone or any other connected device. Thus, there is no possibility of any tampering or external interference during the enrollment process. Card suppliers/issuers need not provide and support mobile phone or desktop apps to enroll card users.

IDEX's enrollment device is mailed to the user. Enrollment takes less than a minute. Once enrollment is complete the device can be discarded or recycled.

⁴ Card Application Security Test

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



Enrollment device for smart cards.

6.2 Principal Markets

The payment card market represents the largest addressable market for IDEX with 5 billion smart cards shipped annually, and industry analysts project that biometrics on cards could grow to more than 500 million units.⁵ In addition, IDEX offers its products and solutions to a number of other adjacent markets, including, Identification, Access Control, Healthcare, and the Internet of Things (IoT).

The Company's main markets and customer base are in Europe, USA, and Asia. The potential is world-wide.

There have not been any material changes to the Company's regulatory environment since 31 December 2018.

6.2.1 Business progress and outlook

IDEX has in prior years sold about 3.7 million sensors for use in mobile phones and various other electronic devices. These sensors have been sold on commercial terms and normal gross margins. In 2018 and through September 2019 the Company has sold about 60 thousand sensors for use in smart card pilots and trials. The sensors have been sold at normal or higher-than-normal prices, but due to small volumes, the manufacturing costs have been higher than projected in high-volume stage. Potential customers have also been offered a development kit with a small quantity of sensors, at a favorable price compared to cost.

Quarterly sales and inventory in 2019

| Amounts in NOK 1,000 | First quarter | Second quarter | Third quarter |
|----------------------|---------------|----------------|---------------|
|----------------------|---------------|----------------|---------------|

⁵ Good Intelligence 2018, *Biometrics for Banking; Market & Technology Analysis, Adoption Strategies & Forecasts 2018-2023*, viewed on 12 December 2019: <https://www.goodeintelligence.com/report/biometrics-for-banking-market-technology-analysis-adoption-strategies-forecasts-2018-2023/>

| | | | |
|-------------------------------------|--------|--------|--------|
| Product sales in the quarter | 85 | 363 | 473 |
| Inventory at the end of the quarter | 11 795 | 14 490 | 14 623 |

Product sales in the table above is mainly to the smart card market. The market for fingerprint sensors in smart cards is still in its pre-growth phase, therefore sales price and production cost trends are not meaningful at this stage.

In addition to the product revenue, IDEX has earned NOK 2,145,000 engineering revenue in the first nine months of 2019.

The inventory consists mainly of components and fingerprint sensors for cards. Because of significant lead times for certain components, IDEX holds inventory to be able to satisfy expected demand for deliveries with short notice.

IDEX does not expect significant product revenue in the remainder of 2019. IDEX expects to begin volume shipments to the access control market in the first quarter of 2020 and achieve additional design-in wins. The Company believes 2020 will be the year where the biometric smart card market moves from one defined by pilots, towards mass commercial deployments. IDEX considers it has a strong product offering at a competitive price, and expects to achieve a meaningful market share in the smart card market. However, since the market is in its pre-growth phase, it is inherently uncertain how large that market will be. Furthermore, the industry practice is dual-sourcing of components, so it is uncertain how successful the card manufacturers that IDEX serves will be with the card issuers, and how successful IDEX will be with those card manufacturers.

6.2.1.1 Any significant new products and services that have been introduced

IDEX continues to innovate on its biometric sensors, biometric algorithms, on card enrollment sleeves, and full system on card reference designs. In 2019, IDEX completed the development of its second-generation smart card platform comprising a range of dual-interface sensors, biometric algorithms and turnkey reference designs. The Company continued to innovate on its SmartFinger® IDX3200 sensor. This is a fingerprint sensor that can be used in dual interface, contactless only and contact only smart cards for payments. The Company also updated its SmartFinger® IDX3400, a complete biometric solution which includes the SmartFinger® fingerprint sensors, which already come with an image capture ASIC, and combines them with an MCU⁶ for post-processing and power management circuitry.

6.2.1.2 Status on development of new products or services to the extent that they have been publicly disclosed

The Company's technology and development roadmap is focused on:

- **Enabling significant reductions in system cost** through optimized packaging and integration architectures
- **Driving improvements in usability, convenience and performance** through next generation silicon, sensor and algorithm design

⁶ Microcontroller unit, a processing chip

- **Enhancing security** through secure end-to-end architectures, and advanced match-on-secure element algorithms

6.2.1.3 *Further information on the Company's business progress*

IDEX has hired a sales team with many years of experience in biometric technology applications as well as from the payment markets.

IDEX's sensor and solution were selected by a customer, who, in IDEX's opinion, is a leading global provider of financial news and IT services and early adopters in deploying fingerprint authentication for over a decade. IDEX has received its first purchase order from this customer and following the qualification of the manufacturing process, the Company expects a regular flow of further purchase orders.

Throughout 2019, the Company shipped thousands of sensors amounting to NOK 920 000 in revenue through the first nine months of 2019 into the payment card market to support pilots, testing, and certification. In addition, the Company entered into two license agreements to license its patented remote enroll technology.

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

6.2.2 Biometric Payment Card Market

The payment card market represents the largest addressable market for IDEX with 5 billion smart cards shipped annually, and industry analysts project that biometrics on cards could grow to more than 500 million units.⁷

The market for biometric payment cards has had tangible progress in 2019, as several companies across the payment card ecosystem, such as card integrators, payment providers and secure element vendors, have expanded development efforts, customer engagements and commercial deployments. Also, IDEX experiences that consumer awareness and card issuer interest are consistently becoming stronger, resulting in adoption of biometrics as a preferred method of identification on payment cards.

6.2.2.1 *Mass production of biometric payment cards*

Payment card manufacturers have in 2019 worked to overcome the complexities associated with the introduction of a biometric sensor into the payment card. Several of IDEX's customers are now ready and capable of mass production using both hot and cold lamination process for embedding the sensor and electronics within the card.⁸ In July 2019 one of IDEX's Asian customers achieved mass production standards for biometric payment cards. This card integrator successfully made a cost-effective biometric card on a production line that has the capacity to increase production to millions of units while maintaining high yields.

IDEX is also working with other companies within the card ecosystem to accelerate the high-volume manufacture of biometric cards. IDEX has established partnerships with Sian and Silone Cardtech,

⁷ *Ibid.*

⁸ A smart card consists of a central layer, the inlay, which holds the secure element, the antenna and the biometric module, which is laminated between protective plastic layers on both sides. The lamination or bonding of the three layers entails using cold or hot glue and applying pressure.

Chinese smart card manufacturers, specializing in the development, design, manufacturing and sale of dual-interface cards. The strategic rationale is to ensure that crucial components within the biometric payment card are compatible and ready for mass production.

A key development in the third quarter was the multi-year partnership agreement between IDEX and Feitian. Feitian is a manufacturer of smart card pre-lam,⁹ a major component within the smart card that contains the sensor and the other critical components within the card that can then be fully integrated into the card itself. By partnering with Feitian, IDEX has sought to differentiate itself from its competitors by including its sensors as part of a mass-produced, low-cost, end-to-end solution for card manufacturers.

6.2.2.2 Dual-interface biometric smart card certification

Payment cards are certified by the major global payment schemes such as Mastercard, Visa, and China UnionPay. Such certifications are administered by third party testing houses and includes testing of the critical biometric components as well as the card's structural integrity and robustness. The certification process of dual-interface biometric payment card is well underway, and the Company expects to see certifications for multiple card integrators during the first quarter of 2020.

In July 2019, IDEX's dual-interface sensor technology met the key requirements for compliance, security and biometric performance by multiple global payment schemes.

6.2.2.3 Enabling biometric smart card mass adoption with on-card remote enrollment solution

The Company believes that secure remote enrollment of the fingerprint on the card will be a key enabler of the mass adoption of biometric payment cards. With remote enrollment, the user's fingerprint image goes directly into and never leaves the card and the enrollment can take place anywhere.

In IDEX 2019, was granted patents for remote enrollment into biometric smart cards. These patents cover devices and methods to enable a user to enroll his/her fingerprint on a biometric card without being connected to an external power supply.

In August 2019, IDEX's remote enroll solution was used by an independent third-party testing house to gather real-world fingerprint images as part of its certification process for a global payment scheme. The results of the image-capture data from the tests exceeded the False Rejection Rate ("FRR") and False Acceptance Rate ("FAR") benchmarks required for certification. This is a validation that IDEX's remote enroll solution delivers the industry required performance.

In October 2019, IDEX entered into a worldwide license agreement with IDEMIA, allowing them the use of IDEX's on-card biometric enrollment intellectual property, and a second license agreement for the on-card enrollment IP was announced days later, with Chutian Dragon Co., Ltd, an Asian smart card manufacturer.

6.2.3 Access Control Market

The Access Control Market includes both logical or information access and physical access control. Access control contains multiple form factors, such as smart cards, keyboards and tokens. The adoption of biometrics in access control is being driven by the need for additional security and data privacy, in part driven by global regulation such as GDPR, being enacted to ensure security and

⁹ Illustration in Section 6.1.2.2.

personal data privacy. IDEX's technology is, in the Company's view, particularly well-suited to this market due to the high importance of security, costs and ease of use. The access control market is a large and growing market; industry participants and analysts estimate that the size of the access control market is 250 million units and growing at more than 5% annually.¹⁰

In April 2019, IDEX entered into a supply agreement with a customer, who, IDEX views as a leading global provider of financial news and IT services. IDEX has received its first purchase order and begun the production ramp preparations by supplying sensors to the provider's electronics manufacturing partner. Following the qualification of the manufacturing process, IDEX expects a regular flow of further purchase orders.

IDEX was recently chosen by two customers in Asia for inclusion into a secure access control smart card. Both card integrators have customers looking to incorporate a biometric smart card as part of an access control solution. Furthermore, these card integrators have multiple financial institutions as customers and IDEX is actively pursuing opportunities to leverage its knowledge and solutions in access control, into their payment cards given the systems synergy between the access control and biometric card markets both using a similar form factor.

6.2.4 IOT market

The IoT market consists of a growing number of connected devices¹¹ including wearables, many of them with applications that the Company believes can benefit from integrated identification and security features. The market opportunity for biometric sensors in IoT devices is broad, however the associated customer base and supply chains are typically highly fragmented. IDEX's strategy in this market is to offer its off-chip technology and existing sensor solutions for biometric cards in select IoT vertical markets.

6.2.5 Sales, Operations and Administrative Support Organizations

IDEX continues to develop its organization to drive commercial progress and to deliver on its strategy and target to be a leading fingerprint biometric solutions company.

The Company strengthened its sales and marketing team in recent years and has built a sales team with many years of experience in biometric technology applications, as well as experience from the payment market. The Company now has sales teams in all regions where its major customers are located: Europe, Asia, and the Americas.

The Company believes it has an adequate internal infrastructure and supply-chain staff to support commercial growth.

¹⁰ ABI Research 2018, *Biometric payment cards, the next step in the evolution of the payment card*, viewed on 12 December 2019: https://www.idexbiometrics.com/wp-content/uploads/2019/01/IDEX_Biometrics_Evolution-of-Payment-Cards_012019.pdf

¹¹ Fortune Business Insights 2019, *Internet of Things (IoT) Market Size, Share and Industry Analysis By Platform (Device Management, Application Management, Network Management), By Software & Services (Software Solution, Services), By End-Use Industry (BFSI, Retail, Governments, Healthcare, Others) And Regional Forecast, 2019 – 2026*, viewed on 12 December 2019: <https://www.fortunebusinessinsights.com/industry-reports/internet-of-things-iot-market-100307> (payment required)

6.3 Industrialization and development

The IDEX Group performs technical development activities primarily in the United States and in the United Kingdom.

The development activities involve (i) ASIC design and development work, (ii) system engineering to create a full biometric system, (iii) activities to extend the existing products and create new IP and know-how related to fingerprint sensors, (iv) productization and industrialization activities, and (v) enhancing IDEX's biometric algorithms for improved matching and enrollment, particularly in power-constrained environments.

The main components of IDEX's SmartFinger polymer sensors include a multi-layer polymer sensor substrate (the sensor array), and an ASIC.

Techniques developed by IDEX include anti-spoof measures, dealing with a wide range of angles and speeds, dealing with interference from external noise sources, and also providing robust coatings with matching aesthetics and color while ensuring biometric performance. These demands for customization while achieving low cost and mass manufacturing ability provide, in the Company's view, a high barrier to entry for potential new competitors.

All vital hardware components and processes have at present been realized in industrial production, and a complete supply chain has been established, using suppliers in several countries.

The Group does not own or operate industrial manufacturing facilities. IDEX's philosophy is to design its products based on proven standard manufacturing techniques. The different components and processing work are sourced from established industry vendors in various countries.

Examples include Amkor Technology and SPIL, who are semiconductor packaging companies. TSCM, one of the largest foundries in the world, manufactures ASICs for IDEX. The manufacturing partners source standard components and materials. IDEX endeavors to have a multi-source supply chain to the extent possible. The suppliers have been evaluated and selected through a systematic approach that considers capability, capacity, delivery precision, quality system and cost.

6.4 Material contracts outside the ordinary course of business

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

6.5 Regulatory disclosures

In addition to annual and interim reports, and associated announcements, the Company has made the following public disclosures pursuant to the requirements of the Norwegian Securities Trading Act.

Announcements on behalf of primary insiders and shareholders of the Company:

- In the period from 30 January 2019 to the date of the Prospectus, IDEX has issued 16 announcements on behalf of primary insiders of the Company, and 10 disclosures on behalf

of shareholders of large shareholdings in respect of acquisitions, disposals or other circumstances causing a statutory disclosure threshold to be reached or passed by such shareholders. The large shareholders include Sundvall Holding AS, Charles Street International Holdings Limited, Woodford Investment management Ltd., Link Solutions Limited and Robert N. Keith.

Announcements on capitalization issues and other corporate actions:

- During the last 12 months, the Company has made announcements upon grants of Subscription Rights under the Company’s incentive Subscription Rights plans, as described in Section 10.4.1.
- 30 January 2019: Completion of a private placement of shares amounting to NOK 214 million. The Company subsequently announced the associated share capital increase on 27 February 2019 having been registered in the Company Registry.
- 9 May 2019, following the Annual General Meeting: Stephen Skaggs had been elected to the Board of Directors, and that the Company had changed its name from “IDEX ASA” to “IDEX Biometrics ASA”.
- 31 May 2019: Appointment of a new CFO, Derek D’Antilio, with effect from 8 July 2019.
- 13 June 2019, following an announcement that three Board members elected to receive their board remuneration in full or in part in shares on 10 May 2019: The associated share capital increase had been registered in the Company Registry.
- 18 November 2019: Private Placement of shares amounting to NOK 90 million.
- 21 November 2019: An Extraordinary General Meeting will be held in the Company on 12 December 2019 to, inter alia, approve the issuance of the Tranche Two Shares.
- 2 December 2019: The share capital increase associated with the issuance of the Tranche One Shares had been registered in the Company Registry.

Announcements under Section 5-2 of the Norwegian Securities Trading Act (inside information):

- 31 January 2019: Partnership with Goldpac Group Ltd., a secure payment solution provider, with the objective to launch dual-interface biometric smart cards to customers in China and possibly other geographies.
- 29 April 2019: Collaboration with Chutian Dragon Co., Ltd. and PAX Technology Limited to accelerate the adoption of biometric payment cards in Asia.
- 30 April 2019: Agreement with a customer, who, in IDEX’s opinion, is a leading provider of global financial news and IT services, to upgrade such customer’s existing biometric security solutions.

- 7 May 2019: The Company had been granted two patents for unconnected on-card enrollment on biometric smart cards by the United States Patent and Trademark Office.
- 22 May 2019: Partnership with Sian Intelligent Technology Co., Ltd., a smart card manufacturer, on integration of biometric components into smart cards.
- 5 June 2019: Collaboration with Tongxin Microelectronics Co., Ltd. (“TMC”), a Chinese secure element vendor, regarding integration of TMC’s secure element with IDEX’s sensor for dual-interface solutions.
- 3 July 2019: IDEX had been granted a foundational patent for unconnected on-card enrollment on biometric smart cards by IP Australia, the Australian patent and trademark office.
- 1 August 2019: Partnership with Silone Cardteck, a smart card integrator, to deliver mass volume, dual-interface, biometric payment cards in Asia.
- 7 August 2019: Agreement with Feitan Technologies Co. Ltd. (“Feitan”), a Chinese smart card integrator, to supply smart card manufacturers with a complete pre-lam inlay solution based on IDEX’s interface technology and Feitan’s fingerprint card pre-lam technology.
- 3 October 2019: Patent license agreement with Idemia, for Idemia’s use of certain IDEX patents in order to develop, manufacture and sell on-card enrollment devices.
- 8 October 2019: Patent license agreement with Chutian Dragon Co., Ltd., to use certain IDEX patents in order to develop, manufacture and sell on-card enrollment devices.
- 9 October 2019: IDEX had been granted a patent for on-card remote enrollment on biometric smart cards by the UK Intellectual Property Office.
- 6 November 2019: IDEX had commenced a restructuring program to right-size its organization for the current operational environment.
- 11 November 2019: IDEX had been approved to trade on the OTCQB Venture Market.
- 13 November 2019: Collaboration with DongWoon Anatech, to supply IDEX SmartFinger IDX3200 sensor for use in secure access biometric ID cards.
- 14 November 2019: Agreement with Quest Payment Systems to supply IDEX’s inlay design and dual-interface biometric sensor.

7 BOARD OF DIRECTORS AND MANAGEMENT

7.1 Board of Directors, management, and other corporate committees

7.1.1 Board of Directors

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

At the general meeting of shareholders, the Board members are elected to serve for a term of two years from the time of election. There are presently five Board members including the Chair. Morten Opstad (Chair), Lawrence John Ciaccia (Deputy chair), Deborah Lee Davis and Hanne Høvding were re-elected for a term of two years at the Annual General Meeting on 9 May 2019, at which time Stephen Andrew Skaggs was elected for a term of two years.

Morten Opstad, Chair

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

Lawrence John Ciaccia, Deputy chair

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

Deborah Lee Davis, Board member

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

Hanne Høvdning, Board member

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

Stephen Andrew Skaggs, Board member

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

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

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

7.1.2 Management

Stanley Alvin Swearingen Jr., Managing Director/CEO

Mr. Swearingen has served as the Managing Director/CEO of IDEX since 1 April 2018. He joined the Strategy Advisory Council of IDEX in May 2016 and was appointed Chief Products Officer in October 2016. He also serves as Chair of the board of directors of Rohinni LLC, a privately held technology company. Before joining IDEX, Mr. Swearingen served as Senior Vice President & General Manager MaxTouch Business Unit and Chief Technology Officer of Atmel Corporation. Previously, Mr. Swearingen served as CTO and Senior Vice President of Advanced Development for Synaptics Inc. Prior to Synaptics, he held senior positions at semiconductor companies, such as MiniCircuits, Skyworks Solutions, Agere Systems and Quantex Microsystems. Mr. Swearingen holds a Certificate of Proficiency with honors in Computer Service Technology from the Benjamin Franklin Institute of Technology in Boston. Mr. Swearingen was born in 1959, is a United States citizen and maintains a business address at 187 Ballardvale Street, Suite B211, Wilmington, Massachusetts, 01887, USA.

Derek D'Antilio, Chief Financial Officer

Mr. D'Antilio joined IDEX as Chief Financial Officer (CFO) in July 2019. He has over twenty years of financial experience with some of the most recognizable companies, including PwC and Hewlett-Packard. He has held senior finance positions at high-growth US-listed technology companies with responsibility for global accounting and reporting, financial planning, treasury, tax, operations and investor relations. Prior to joining IDEX, Mr. D'Antilio served for 8 years as VP of Finance and

Corporate Controller of MKS Instruments, Inc., a global, US publically traded semiconductor equipment supplier. Mr. D’Antilio has an MBA from Babson College with Honors and is a Certified Public Accountant and Certified Management Accountant. Mr. D’Antilio was born in 1972, is a United States citizen and maintains a business address at 187 Ballardvale Street, Wilmington, Massachusetts 01887, USA.

Fred Benkley, Chief Innovation Officer

Mr. Benkley has served as Chief Innovation Officer in IDEX since 1 April 2019. Prior to this, he served as Chief Technology Officer (CTO) in the Company since September 2013. He has over thirty years of experience in the semiconductor technology and biometrics industries. Mr. Benkley founded PicoField Technologies in 2010 where he developed a touch fingerprint sensor technology, which company’s technology was acquired by IDEX in 2013. Mr. Benkley founded Validity Sensors in 2002 where he developed and patented the world’s first off-chip flex fingerprint sensor. Prior to Validity, Mr. Benkley founded Metro Engineering, which developed a variety of industrial and consumer products under OEM contract. From 1978 to 1991, Mr. Benkley worked for Analog Devices developing products for the semiconductor industry. Mr. Benkley has filed more than 25 patents, 14 of which have been granted. He currently serves on the Board of Directors of Covenant Christian Academy Peabody, Massachusetts, North Shore United Pentecostal Church Danvers, Massachusetts and PicoField Technologies, Inc. He holds a B.S. in Electrical Engineering from Northeastern University. Mr. Benkley was born in 1957, is a United States citizen and maintains a business address at 187 Ballardvale Street, Suite B211, Wilmington, Massachusetts, 01887, USA.

Guido Bertocci, VP, Software Engineering

Mr. Bertocci joined IDEX as Vice President, Software Engineering, in September 2016. His previous role was as Vice President Software Engineering in the Smart Display Division, the largest division in Synaptics Inc. Prior to Synaptics, he worked for LSI, Agere Systems, Lucent Technologies, and Bell Labs. Mr. Bertocci holds a Master’s in Electrical Engineering and Computer Science from the University of California, Berkeley and a Bachelor’s with University Honors in Electrical Engineering from Carnegie Mellon University. Mr. Bertocci was born in 1957, is a United States citizen and maintains a business address at 187 Ballardvale Street, Suite B211, Wilmington, Massachusetts, 01887, USA.

Anthony Eaton, Chief Technology Officer

Mr. Eaton joined IDEX in August 2016 and has served as Vice President, Systems Engineering, since February 2017. Prior to joining IDEX, Mr. Eaton served as Director of System Engineering at Atmel, where he was responsible for building and running the System Engineering function for the MaxTouch Business Unit. Prior to Atmel, Mr. Eaton held senior engineering roles at NVIDIA, Mirics Semiconductor and Sony Semiconductor. He holds a First Class Bachelors and Master’s degree in Engineering from Cambridge University, England. Mr. Eaton was born in 1972, is a British citizen and maintains a business address at Abbey House, 282 Farnborough Road, Farnborough GU14 7NA, United Kingdom.

Hunter Hu, VP, Sales, Asia Pacific

Mr. Hu joined IDEX in April 2018 as Director of Sales, China. He has held key sales, account management, and new market development positions with prior companies. His experience in biometrics spans many years, firstly with AuthenTec and then NEXT Biometrics, where he was leading the sales activities for China, India, Japan and Korea. Hunter graduated from Hohai University in Telecommunications Engineering and also holds an MBA degree from The University of Hong Kong. Mr. Hu was born in 1981, is a Chinese citizen and maintains a business address at 399 Shengxia Road, Zhangjiang, Pudong, Shanghai 201210, China.

Chris Ludden, SVP, Silicon and Sensor Technologies

Mr. Ludden joined IDEX in June 2016 as Vice President, Silicon Engineering and was promoted to his current position in March 2019. Mr. Ludden has over 25 years' experience in active-matrix display and capacitive sensing technologies. Prior to joining IDEX, Mr. Ludden worked as Senior Director, Touch-Display Integration for Atmel Corporation's CTO organization supporting capacitive touch and display integration projects. Prior to Atmel, he worked for Synaptics, Inc. as Senior Director, Display Integration Architecture where he was responsible for developing Synaptics' Touch-Display Driver Integration (TDDI) architecture and advance in-cell capacitive sensing schemes. Previously, Mr. Ludden held various mixed-signal management and technical positions with National Semiconductor, Vivid Semiconductor, Crystal Semiconductor and Eastman Kodak. Mr. Ludden holds a MSEE from the Rochester Institute of Technology. Mr. Ludden was born in 1960, is a United States citizen and maintains a business address 100 Meridian Centre Blvd., Suite 230, Rochester, New York 14618, USA.

Sarah Mathews, VP, HR

Ms. Mathews joined IDEX as Director of Group HR in 2016. She has over 20 years of experience of HR within the technology sector. Prior to joining IDEX, Ms. Mathews held various HR roles at Hitachi Europe Ltd, Renesas Technology Europe Ltd, and most latterly, McAfee Inc. and Intel Security. Ms. Mathews is a Member of the Chartered Institute of Personnel & Development in the United Kingdom. She holds a BA Honours in Business Studies, and a Master degree in Employee Relations & Law. Ms. Mathews was born in 1972, is a British citizen and maintains a business address at Abbey House, 282 Farnborough Road, Farnborough GU14 7NA, United Kingdom.

David Orme, SVP, Sales & Marketing

Mr. Orme joined IDEX as Senior Vice President of Sales and Marketing in June 2018. He has a strong track record in supporting key sales, marketing and business development activity, in particular from Bell ID, where he was the CEO for nine years. He has also been the COO of Quadnetics Group plc and Bell Group plc, both major electronic security companies. Mr. Orme is a Fellow at the United Kingdom Institute of Directors, and holds a BA Honours in Management Studies from Leeds University. Mr. Orme was born in 1963, is a British citizen and maintains a business address at Abbey House, 282 Farnborough Road, Farnborough GU14 7NA, United Kingdom.

Brian Roberts, VP, Product Management & Business Development

Mr. Roberts joined IDEX as Vice President of Business Development and Product Management in 2017. He has over 20 years of experience in the semiconductor technology, human interface and biometric industries. Prior to joining IDEX, Mr. Roberts held various senior level roles at Synaptics Inc., the most recent of which was Senior Director of Strategic Marketing in the Biometrics Products Division. At Synaptics, he also held the role of Senior Director for the Large Touchscreen and Display Product Line. Prior to Synaptics, Brian was Vice President of Marketing and Business Development at Amalfi Semiconductor (acquired by QORVO). Mr. Roberts holds a Master's Degree in Electrical Engineering from the University of Massachusetts and a Master of Business Administration from Henley Business School. Mr. Roberts was born in 1968, is a United States citizen and maintains a business address at 187 Ballardvale Street, Wilmington, Massachusetts 01887, USA.

Erling Svela, VP, Finance

Mr. Svela joined IDEX in 2008. He served as CFO until 2014, when he transferred to VP of Finance. Mr. Svela has been CFO of Thin Film Electronics ASA, CFO and corporate vice president in Kitron ASA. Previously, he has held various senior finance management positions. Mr. Svela holds an MSc. in Forest Economy and Management from the Norwegian University of Life Sciences, an MBA from

Henley Business School and he is a certified European financial analyst from the Norwegian School of Economics and Business Administration. Mr. Svela was born in 1958, is a Norwegian citizen and maintains a business address at Dronning Eufemias gate 16, NO-0191 Oslo, Norway.

Paul Taylor, VP, Operations & Program Management

Mr. Taylor joined IDEX in July 2017 to establish and lead the program management organization, and in January 2018 he also assumed responsibility for Operations. Prior to joining IDEX, he served as SVP, Mobile Transaction Solutions with Mastercard where he was responsible for development and delivery of custom digital mobile wallet applications for Mastercard issuers. Mr. Taylor joined Mastercard in 2014 as part of the acquisition of the C-SAM business where he held position of Chief Operating Officer. Previously, Mr. Taylor had a long career at Nokia working on both technology and handset development programs. Mr. Taylor holds a BEng (Hons) in Electronics Engineering from Southampton University. Mr. Taylor was born in 1967, is a British citizen and maintains a business address at Abbey House, 282 Farnborough Road, Farnborough GU14 7NA, United Kingdom.

7.2 Conflict of interest

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

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

Stephen A Skaggs provides consulting services beyond his board duties to IDEX.

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

| Name | Title | Shares | Subscription Rights |
|-----------------|--------------------------|---------------|----------------------------|
| Morten Opstad | Chair | 7,298,916 | 0 |
| Larry Ciaccia | Deputy Chair | 121,563 | 600,000 |
| Deborah Davis | Board Member | 287,406 | 0 |
| Hanne Høvding | Board Member | 462,778 | 0 |
| Steve Skaggs | Board Member | 450,000 | 0 |
| Stan Swearingen | CEO | 400,000 | 8,015,900 |
| Derek D'Antilio | CFO | 50,000 | 2,000,000 |
| Fred Benkley | Chief Innovation Officer | 50,000 | 2,495,400 |
| Guido Bertocci | VP Software | 1,225,000 | 944,900 |

| | | | |
|------------------|----------------------|-------------------|-------------------|
| Anthony M. Eaton | CTO | 0 | 1,452,800 |
| | SVP Silicon & Sensor | | |
| Chris Ludden | Tech. | 0 | 1,458,100 |
| Sarah Mathews | VP Human Resources | 0 | 817,400 |
| David Orme | SVP Sales & Mktg. | 0 | 2,208,600 |
| | VP Prod. Mgt & | | |
| Brian Roberts | Bus.Dev | 0 | 1,212,300 |
| Erling Svela | VP Finance | 230,167 | 1,061,200 |
| Paul A. Taylor | VP Ops and Pgm. Mgt. | 0 | 699,200 |
| TOTAL | | 10,575,830 | 22,965,800 |

At the 2019 Annual General Meeting, Board members received the option to receive all or part of the Board remuneration in the form of shares in the Company. Ms. Davis, Ms. Høvding and Andy MacLeod (board member in IDEX until 9 May 2019) elected to subscribe for 88 291, 60 113 and 88 291 shares respectively as Board remuneration. These Board members (former Board member in the case of Mr. MacLeod) have pledged to not sell said shares before the earliest of the 2020 Annual General Meeting and 30 June 2020.

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

7.3 Convictions for fraudulent offences, bankruptcy, etc.

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

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

8 FINANCIAL INFORMATION

8.1 Overview and basis of presentation

The financial information in the summary has been extracted from the Group's audited consolidated financial statements as of and for the year ended 31 December 2018 (the "**Financial Statements**"), and the unaudited consolidated interim financial statements as of and for the nine months' periods ended 30 September 2019 and 30 September 2018 and the six months' periods ended 30 June 2019 and 30 June 2018 (the "**Interim Financial Statements**", together referred to as the "**Financial Information**"). The Financial Information is incorporated herein by reference (see Section 14.5 "*Incorporation by reference*").

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

The amounts extracted from the Financial Information are presented in NOK, rounded to the nearest thousand unless otherwise stated. NOK is the reporting as well as the functional currency for the Group and for IDEX. The accounting policies applied in the preparation of the Financial Information are presented in note 1 to the Financial Statements.

8.2 Auditor and information subject to audit

The Group's auditor, Ernst & Young AS, as stated in Section 14.2, has audited the Financial Statements for the financial year 2018. The auditor's opinion for 2018 was unqualified. The auditor's reports are included in the Financial Statements. Ernst & Young AS has not audited, reviewed or produced any report on the Interim Financial Statements, or any other information provided in this Prospectus.

8.3 Significant changes since 30 September 2019

On 6 November 2019 the Group implemented certain expense reductions. There have been reductions in staff, and reductions in other cash compensation expenses. Other operating expenses not related to near-term revenue generation or critical development activities have also been reduced. The actions have taken effect in the fourth quarter of 2019 and the full impact is expected as of the first quarter of 2020. These expense reductions are expected to result in a 30% reduction in annualized operating expenses and are expected to lower IDEX's break-even point by more than 50%. There will be no material charges related to the expense reductions.

The Company has carried out a Private Placement resolved by the Board on 17 November 2019, divided into Tranche One of NOK 41,569,055.25 and Tranche Two of NOK 48,430,944.75, the latter being approved and issued by the Extraordinary General Meeting on 12 December 2019.

With exception of these expense reductions and share issues, there have not been any significant changes in the financial or trading position of the Group since 30 September 2019 and until the date of this Prospectus but for the effect of the ongoing business, cf. Section 9.1. During this period, there

has not been any substantial events that have had any material impact on the result or the value of the Group's assets and liabilities.

Further, in the opinion of the management, to the best of its knowledge, there has been no material changes in recent trends as regards the operations of the Group since 30 September 2019 and until the date of this Prospectus.

8.4 Investments

At 30 September 2019, NOK 3.4 million of the NOK 4.6 million invested in the first nine months of 2019 was related to ordered manufacturing equipment classified as investment in progress. In October 2019, after an additional investment of NOK 2.4 million, the equipment was ready for use making the total investment NOK 5.8 million. The equipment started to depreciate at the end of October 2019. No other significant investments have been made in between 30 September 2019 and the date of this Prospectus. There are no significant fixed assets ordered at the date of this Prospectus. The Group does not have any firm plans or obligations to make significant future investments in tangible or intangible assets, or financial assets.

The future development activities to progress the technology and product roadmap will be conducted by the Group, its production partners and various technical and academic laboratories and institutions. The future programs are committed only insofar as the staff has been employed and hired. External assignments are normally for shorter periods than 12 months and included in the Group's budget. Such activities will be expensed unless the results satisfy the criteria for capitalization. There is little or no basis for estimating whether the results of future development projects will satisfy the criteria for capitalization. The Group has therefore taken for its basis that all development expenses in 2019 and 2020 will be expensed.

IDEX intends to fund the future development activities from its own sources, supplemented by, but not dependent on, government grants if and when obtained. IDEX takes for its basis that it will be able to fund the activities in the periods after the planning period, i.e. after the first half of 2021 and onwards, by profits, debt or equity as appropriate at that time.

8.5 Dividend policy

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

IDEX has not to date declared or paid any dividends on its Shares and does not anticipate paying any cash dividends for 2019 or the next few years. IDEX intends to retain future earnings to finance operations and the expansion of its business. Any future determination to pay dividends will depend on the Company's financial condition, results of operations and capital requirements.

9 CAPITAL RESOURCES AND INDEBTEDNESS

9.1 Capitalization and indebtedness of the Group prior to Tranche Two of the Private Placement

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

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

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

The following tables have been derived from the consolidated Interim Financial Statements of the Group as of 30 September 2019 published on 13 November 2019 and subsequent events. The tables set forth the Group's capitalization and indebtedness per 30 September 2019 and adjusted as of 2 December 2019.

Since 30 September 2019, new equity and liquidity from the Tranche One of the Private Placement in a net amount of NOK 41.3 million has been injected into the Company. In addition, the Group has extended and entered into two office leases. The normal operations have consumed cash by payment of expenses, and increased cash by collection of receivables and increase in accounts payable.

There are no other material changes to the capitalization and indebtedness of the Group.

9.1.1 Capitalization and indebtedness

| Capitalization and indebtedness | | | |
|---|----------------|----------------------------------|----------------|
| Amounts in NOK 1,000 | 30 Sep 2019 | Adjustments after 30 Sep 2019 | As adjusted |
| Total current debt and liabilities | 30 084 | 5 433 | 35 517 |
| Guaranteed | | | |
| Secured | | | |
| Unguaranteed/Unsecured | 30 084 | 5 433 | 35 517 |
| Total non-current debt and liabilities (excluding current portion of long-term debt) | 1 214 | 5 133 | 6 348 |
| Guaranteed | | | |
| Secured | | | |
| Unguaranteed/Unsecured | 1 214 | 5 133 | 6 348 |
| Shareholders' equity | 149 223 | -14 702 | 134 521 |
| a. Share capital | 89 698 | 8 314 | 98 012 |
| b. Legal reserve | 1 390 926 | 32 955 | 1 423 882 |
| c. Other reserves (*) | -1 331 402 | -55 917 | -1 387 372 |
| Total debt and shareholders' equity | 180 522 | -4 136 | 176 386 |

* Other reserves include retained earnings as accounted for.

The adjustments since 30 September 2019 consist of the following:

Current debt and liabilities in the form of unguaranteed/unsecured debt and liabilities have increased by NOK 5.4 million, of which NOK 1.0 million relates to the two new office lease agreements, and NOK 4.4 million is increase in accounts payable and accruals for cost.

Total non-current debt in the form of unguaranteed/unsecured debt has increased by NOK 5.1 million, which is the long-term part of the two new office lease obligations.

Shareholders' equity has decreased by NOK 14.7 million. This is because of a loss in the period amounting to NOK 55.9 million, partly offset by NOK 41.3 million net injected equity from Tranche One Shares.

The net of the foregoing amounts to a decrease in total debt and shareholders' equity amounting to NOK 4.1 million.

9.1.2 Net financial indebtedness

| Net financial indebtedness | | | |
|--|----------------|----------------------------------|----------------|
| Amounts in NOK 1,000 | 30 Sep 2019 | Adjustments after 30 Sep 2019 | As adjusted |
| A. Cash in banks | 96 939 | -471 | 96 468 |
| B. Cash equivalents | | | |
| C. Trading securities | | | |
| D. Liquidity (A+B+C) | 96 939 | -471 | 96 468 |
| E. Current financial receivable | 12 076 | -2 504 | 9 573 |
| F. Current bank debt | | | |
| G. Current portion of non-current debt | 6 126 | 1 053 | 7 179 |
| H. Other current financial debt | 23 958 | 4 380 | 28 338 |
| I. Current financial debt (F+G+H) | 30 084 | 5 433 | 35 517 |
| J. Net current financial indebtedness (I-E-D) | -78 931 | 8 407 | -70 524 |
| K. Non-current bank loans | | | |
| L. Bonds issued | | | |
| M. Other non-current debt | 1 214 | 5 133 | 6 348 |
| N. Non-current financial indebtedness (K+L+M) | 1 214 | 5 133 | 6 348 |
| = Net financial indebtedness (J+N) | -77 717 | 13 541 | -64 176 |

The adjustments since 30 September 2019 consist of the following:

Liquidity consist of cash in bank only, and is nearly unchanged, because the operational cash outflow in the period was on par with the injected liquidity in the form of payment for Tranche One Shares.

Receivables have decreased by NOK 2.5 million because of collections in the period.

Current financial debt have increased by NOK 5.4 million, of which NOK 1.0 million relates to the current portion of the two new office lease agreements, and NOK 4.4 million is increase in current accounts payable and accruals for cost.

The foregoing three items amount to a combined net increase in net current financial indebtedness of NOK 8.4 million.

Non-current debt in the form of other non-current debt has increased by NOK 5.1 million, which is the long-term part of the two new office lease obligations.

In total, the net indebtedness of the Group has increased by NOK 13.5 million.

9.2 Working capital statement

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

10 CORPORATE INFORMATION AND DESCRIPTION OF SHARE CAPITAL

10.1 Company corporate registration

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

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

The Company's website can be found at www.idexbiometrics.com. Other than the documents incorporated by reference as set out in Section 14.5 "Cross reference table", the information on the Company's website does not form part of the Prospectus.

10.2 The Shares and the share capital

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

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

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

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

10.3 Board authorization to issue shares

On 12 December 2019, the Extraordinary General Meeting approved a board authorization to issue new shares for purposes of private placements and/or rights issues with a maximum total nominal value of NOK 9,801,212.08 (representing 10% of the share capital of the Company at the time of the authorization), i.e. a maximum of 65,341,413 new shares at NOK 0.15 (the "Ordinary Authorization"). The authorization is valid until the 2020 Annual General Meeting, however no longer than 30 June 2020.

The Extraordinary General Meeting on 12 December 2019 also approved a board authorization to issue new shares for purposes of an Employee Share Purchase Plan with a maximum total nominal value of NOK 4,900,606.04 (representing 5% of the share capital of the Company at the time of the authorization), i.e. a maximum of 32,670,706 new shares at NOK 0.15 (the "ESPP Authorization").

The authorization is valid until the 2021 Annual General Meeting, however no longer than 30 June 2021.

All previous authorizations were withdrawn by the shareholders with effect from the date the two foregoing board authorization are registered in the Company Registry.

The board authorizations have the following purposes and limitations:

- i) The Ordinary Authorization may be used in connection with private placements and share issues to suitable investors (which may include existing and/or new shareholders, hereunder employees in the Company) to raise additional capital for the Company, in an amount limited to a nominal value of NOK 9,801,212.08 (representing 10% of the registered share capital at the time of the authorization). The authorization does not comprise share capital increases in connection with mergers, cf. Section 13-5 of the Norwegian Public Limited Companies Act. The Company's shareholders' pre-emptive rights may be set aside;
- ii) The Ordinary Authorization may also be used in connection with rights issues to existing shareholders to raise additional capital for the Company, in an amount limited to a nominal value of 9,801,212.08 (representing 10% of the registered share capital at the time of the authorization); provided, however, that the authorizations for private placements and rights issues shall collectively be limited to NOK 9,801,212.08. The authorization does not comprise share capital increases in connection with mergers, cf. Section 13-5 of the Norwegian Public Limited Companies Act.
- iii) The ESPP Authorization may be used in connection with award of shares in the Company to employees in the Company or any of its Subsidiaries under the terms and conditions of the 2020 Employee Share Purchase Plan, whereby such employees may convert a certain portion of the employee's cash remuneration from the Company or its Subsidiaries to shares in IDEX. The number of shares that may be awarded to the employee shall be calculated based on the volume-weighted average price of the share over the 10 trading days immediately preceding the purchase date, with, at the Board's discretion, a discount of, at a maximum, 15% from such average price. The authorization does not comprise share capital increases in connection with mergers, cf. Section 13-5 of the Norwegian Public Limited Companies Act.

In the board authorizations, the Board was authorized to determine the subscription price in regard to share issues in accordance with said board authorization. The subscription price may be paid by way of non-cash consideration pursuant to Section 10-2 of the Norwegian Public Limited Companies Act. The Board was also authorized to decide upon the other subscription terms. The new shares which may be subscribed for according to the authorization shall have rights to dividends declared subsequent to the subscriber having paid the subscription price and the associated share capital increase having been registered in the Company Registry. In other respects, the shares shall have shareholder rights from the time of issuance, unless the Board otherwise determines.

The board authorizations to issue new shares will be registered in the Company Registry on or about 23 December 2019.

As of the date of this Prospectus, the said board authorizations have not been used.

There are no other board authorizations to issue shares in effect as of the date of this Prospectus.

10.4 Subscription Rights and other Financial Instruments

10.4.1 Subscription Rights

At the 9 May 2019 Annual General Meeting, the shareholders adopted an incentive subscription rights plan available for employees in the Company and its Subsidiaries, and to individual contractors performing similar work (the “**2019 Plan**”). The Company has had annual corresponding subscription right plans for the years 2015 (the “**2015 Plan**”), 2016 (the “**2016 Plan**”), 2017 (the “**2017 Plan**”) and 2018 (the “**2018 Plan**”). Upon adoption of a new plan, the former plan has been closed for further grants.

To enable four years vesting period, IDEX renews its subscription right plans each year at the Annual General Meetings, whereby the preceding plan is closed for new grants when the new plan takes effect. The maximum number of Subscription Rights, which may be issued under the 2019 Plan, may not exceed 59,775,203 Subscription Rights; provided, however, that the maximum number of Subscription Rights that may be outstanding under all the plans may not exceed 10 % of the total number of shares in the Company at any given time.

Upon vesting, each Subscription Right entitles the holder to demand the issuance of one share in IDEX. As consideration for the shares to be issued in the Company upon exercise of the Subscription Rights issued under the 2019 Plan, the holder of the Subscription Rights shall pay to the Company a price per share, which at least shall equal the greater of (i) the average closing price on the Company’s share, as reported on Oslo Stock Exchange, over a period of 10 (ten) trading days immediately preceding the date of grant of the Subscription Right, and (ii) the closing price of the Company’s share, as reported by Oslo Stock Exchange, on the trading day immediately preceding the date of grant of the Subscription Rights. In particular circumstances, the Subscription Right price per Share may be lower than stated above; provided that the price per Share shall not be less than the par value per Share at any given time. The maximum number of Shares that may be issued with a lower price per share, shall not exceed 5,977,520 Shares. The Subscription Rights under the 2019 Plan will expire five years after the resolution by the 2019 Annual General Meeting implementing the 2019 Plan.

The Subscription Rights shall become exercisable in installments during the individual’s period of employment or service and will be subject to earlier termination if the individual is no longer employed or retained by IDEX or any of its Subsidiaries. The Subscription Rights vest 25% each year, beginning one year after the vesting commencement date, being the latest of the following dates preceding a grant: i) 15 January, ii) 15 April, iii) 15 July or iv) 15 October. In case the subscription right holder resigns or is terminated, without cause, he or she will be entitled to exercise, within 90 days after end of employment or service, the subscription rights that were vested at the end of the employment or service notice period. The Board may determine an accelerated vesting schedule, if deemed appropriate. The 25% per year vesting is chosen as it balances the short-term incentives and the long-term attractiveness. In case the subscription right holder is terminated for cause, all non-exercised Subscription Rights will be cancelled. The Subscription Rights are non-assignable other than by will or by the laws of descent and distribution. The terms and conditions for vesting and exercise of subscription rights under the 2015 Plan, 2016 Plan, 2017 Plan, and 2018 Plan are substantially the same as the terms and conditions under the 2019 Plan.

As of 18 December 2019, there are 52,923,268 outstanding Subscription Rights in the Company. If all the issued and outstanding Subscription Rights are exercised, IDEX's share capital will increase by NOK 7,938,490.20.

10.4.2 Other Financial Instruments

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

10.5 Programs for employee share purchases

The Board intends to resolve a new employee share purchase plan, in which the employees of the Company or any of its Subsidiaries, for such period as determined by the Board, may convert a certain portion of the employee's cash remuneration from the Company or its Subsidiaries to shares in IDEX. The number of shares that may be awarded to the employee shall be calculated based the volume-weighted average price of the share over the 10 trading days immediately preceding the purchase date, with, at the Board's discretion, a discount of, at a maximum, 15% from such average price. The same terms would apply for all employees in the group. The ESPP Authorization to issue shares, as outlined in Section 10.3 above, has been put in place in order to facilitate such program for employee share purchases.

The Employee Share Purchase Plan has yet to be implemented by the Board and, as a result, as of the date of this Prospectus, there is currently no other program for employee share purchases except the Subscription Rights plans outlined in Section 10.4.1 above.

10.6 Major shareholders

Pursuant to the Norwegian Securities Trading Act, shareholders that obtain holdings of shares, or rights to shares, that exceeds 5% of the Company's share capital or a corresponding portion of the votes, have an interest in the issuer's capital or voting rights which is notifiable. As of the date of this Prospectus¹², the following registered shareholders in IDEX have holdings in excess of the statutory thresholds for disclosure requirements. In case of nominee shareholders, the disclosure requirement applies to the beneficial owner of the Shares. The overview below does not include the Tranche Two Shares.

| Name of registered shareholder | Number of Shares | % |
|------------------------------------|------------------|-------|
| Sundvall Holding AS | 57,661,021 | 8.82% |
| UBS Switzerland AG | 55,799,466 | 8.54% |
| The Northern Trust Comp, London Br | 50,030,909 | 7.66% |
| Goldman Sachs International | 45,351,611 | 6.94% |

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

¹² The overview is based on data from the VPS as of 18 December 2019.

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

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

11 SHAREHOLDER MATTERS AND COMPANY AND SECURITIES LAW

11.1 Introduction

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

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

11.2 Voting rights

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

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

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

In general, only shareholders registered in the VPS are entitled to vote for the Shares. Beneficial owners of Shares that are registered in the name of a nominee are generally not entitled to vote for Shares under Norwegian law, nor are persons who are designated in the VPS register as the holder of such Shares as nominees. Readers should note that there are varying opinions as to the interpretation of Norwegian law in respect of the right to vote nominee-registered Shares. For example, Oslo Stock Exchange has held that in its opinion "nominee-shareholders" may vote in general meetings if they actually prove their shareholding prior to the general meeting.

11.3 Additional issuances and preferential rights

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

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

11.4 Dividends

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

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

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

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

Under Norwegian foreign exchange controls currently in effect, transfers of capital to and from Norway are not subject to prior government approval except for the physical transfer of payments in currency, which is restricted to licensed banks. Consequently, a non-Norwegian resident may receive

dividend payments without Norwegian exchange control consent if such payment is made only through a licensed bank.

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

11.5 Rights on liquidation

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

11.6 Disclosure obligations

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

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

11.7 The VPS and transfer of Shares

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

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

As a matter of Norwegian law, the entry of a transaction in the VPS is *prima facie* evidence in determining the legal rights of parties as against the issuing company or any third party claiming an interest in the given security. A transferee or assignee of shares may not exercise the rights of a

shareholder with respect to such shares unless such transferee or assignee has registered such shareholding or has reported and shown evidence of such share acquisition, and the acquisition is not prevented by law, the relevant company's by-laws or otherwise.

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

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

11.8 Shareholder register

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

11.9 Foreign investment in shares listed in Norway

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

11.10 Insider trading

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

11.11 Mandatory offer requirement

The Norwegian Securities Trading Act requires any person, entity or consolidated group that becomes the owner of shares representing more than one-third of the voting rights of a company listed on a Norwegian regulated market (with the exception of certain foreign companies) to, within four (4) weeks, make an unconditional general offer for the purchase of the remaining shares in that company. A mandatory offer obligation may also be triggered where a party acquires the right to become the owner of shares that, together with the party's own shareholding, represent more than one-third of

the voting rights in the company and Oslo Stock Exchange decides that this is regarded as an effective acquisition of the shares in question. The mandatory offer obligation ceases to apply if the person, entity or consolidated group sells the portion of the shares that exceeds the relevant threshold within four weeks of the date on which the mandatory offer obligation was triggered.

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

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

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

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

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

11.12 Compulsory acquisition

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

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

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

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

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

11.13 Foreign exchange controls

There are currently no foreign exchange control restrictions in Norway that would potentially restrict the payment of dividends to a shareholder outside Norway, and there are currently no restrictions that would affect the right of shareholders of a company that has its shares registered with the VPS who are not residents in Norway to dispose of their shares and receive the proceeds from a disposal outside Norway. There is no maximum transferable amount either to or from Norway, although transferring banks are required to submit reports on foreign currency exchange transactions into and out of Norway into a central data register maintained by the Norwegian customs and excise authorities. The Norwegian police, tax authorities, customs and excise authorities, the Directorate of Labour and Welfare and the Financial Supervisory Authority have electronic access to the data in this register.

12 LEGAL MATTERS

12.1 Legal and arbitration proceedings

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

12.2 Related party transactions since 31 December 2018 and until the date of this Prospectus

Some members of the Board and the management participated in a private placement carried out by the Company on 25 January 2019 and acquired shares at a subscription price of NOK 4.00 per share, the same price as the other investors. Mr. Opstad, Chairman, acquired 100,000 shares, Mr. Swearingen, Managing Director/CEO, acquired 250,000 shares, former board member Mr. MacLeod acquired 140,000 shares, and former CFO Henrik Knudtzon acquired 100,000 shares.

The Board resolved on 4 August 2019 the annual refresh grant of incentive Subscription Rights to IDEX employees under the Company's 2019 Plan, on terms and conditions as described in Section 10.4.1. The exercise price of such Subscription Rights is NOK 1.65 per share. The following grants were made to senior managers:

- Mr. Swearingen, Managing Director/CEO, 1,200,900 Subscription Rights;
- Mr. D'Antilio, Chief Financial Officer, 2,000,000 Subscription Rights;
- Mr. Benkley, Chief Innovation Officer, 245,400 Subscription Rights;
- Mr. Bertocci, VP of Software Engineering, 210,400 Subscription Rights;
- Mr. Eaton, Chief Technology Officer, 327,800 Subscription Rights;
- Mr. Ludden, SVP of Silicon and Sensor Technologies, 385,700 Subscription Rights;
- Ms. Mathews, VP of Human Resources, 596,100 Subscription Rights;
- Mr. Orme, SVP of Sales and Marketing, 208,600 Subscription Rights;
- Mr. Roberts, VP of Product Management and Business Development, 210,400 Subscription Rights;
- Mr. Svela, VP of Finance, 178,800 Subscription Rights; and
- Mr. Taylor, VP of Operations & Programme Management, 178,800 Subscription Rights.

Further, on 4 December 2019, Mr. Svela was granted an additional 443,100 Subscription Rights in connection with an additional grant of Subscription Rights to IDEX employees under the 2019 Plan, to an exercise price of NOK 0.15 per share.

Other than the above-mentioned transactions, and the share-based remuneration to the Board as described in Section 7.2, the Group has not, as of the date of this Prospectus, entered into related party transactions since 31 December 2018.

13 TAXATION

13.1 General

The statements herein regarding taxation are, unless otherwise stated, based on the laws in force in Norway as of the date of this Prospectus, and are subject to any changes in law occurring after such date. Such changes could be made on a retrospective basis. Tax rates indicated below are applicable for the income year 2019. The tax legislation of the investor's member state in the European Economic Area or country of residence/incorporation and of the issuer's country of incorporation may have an impact on the income received from the securities.

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

13.2 Norwegian shareholders

Taxation of dividends – Individual shareholders

Dividends distributed to Norwegian individual shareholders are taxable as general income. The taxable dividend, less a calculated tax-free allowance, is grossed up to 144%, which amount is taxed at the general income tax rate of 22% (resulting in an effective tax rate of 31.68%). The tax-free allowance shall be calculated on a share by share basis, and the allowance for each share will be equal to the cost price of the share, multiplied by a risk-free interest rate. Any part of the calculated allowance one year exceeding the dividend distributed on the share will the following years be deducted from taxable dividend income and also be included in the basis for calculating the allowance.

Taxation of dividends – Corporate shareholders (Limited liability companies)

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

Taxation on realization of shares – Individual shareholders

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

The capital gain is calculated on the consideration received less the cost price of the share and transactional expenses. The taxable gain, less a calculated tax-free allowance, is grossed up to 144%, which amount is taxed at the general income tax rate of 22% (resulting in an effective tax rate of 31.68%). The allowance for each share is equal to the total of allowance amounts calculated for this share for previous years (ref. “Taxation of dividends – Individual shareholders” above), which

exceeded dividends distributed on this share. The calculated allowance may only be deducted in order to reduce a taxable gain calculated upon the realization of the share, and may not be deducted in order to produce or increase a loss for tax purposes.

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

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

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

Net wealth tax

The value of shares is included in the basis for the computation of wealth tax imposed on Norwegian individual shareholders. The marginal wealth tax rate is 0.85% of the value assessed. The value for assessment purposes for shares on Oslo Stock Exchange is 75% of the listed value as of 1 January in the year of assessment. Norwegian corporate shareholders are not subject to net wealth tax.

13.3 Non-resident shareholders

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

Taxation of dividends

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

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

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

Nominee registered shares will be subject to withholding tax at a rate of 25% unless the nominee has obtained approval from the Tax Directorate for the dividend to be subject to a lower withholding tax rate. To obtain such approval the nominee is committed to file a summary to the tax authority including all beneficial owners that are subject to lower withholding tax. Non-resident shareholders that have suffered a higher withholding tax than set out by an applicable tax treaty or the Norwegian Tax Act may apply to the Norwegian tax authorities for a refund of the excess withholding tax deducted.

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

Taxation on realization of shares

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

Net wealth tax

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

13.4 Duties on the transfer of shares

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

14 ADDITIONAL INFORMATION

14.1 Advisors

Advokatfirmaet Ræder AS (Dronning Eufemias gate 11, P.O. Box 2944 Solli, NO-0230 Oslo, Norway) serves as the Norwegian legal counsel of IDEX.

14.2 Auditors

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

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

14.3 Expert Statements

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

14.4 Documents available

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

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

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

14.5 Incorporation by reference

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

The following documents have been incorporated hereto by reference:

| Section in the Prospectus | Disclosure Requirements of the Prospectus | Reference document and link |
|---------------------------|---|---|
| Section 8.1 | Audited historical financial information 2018 | https://www.idexbiometrics.com/investors/annual-reports/ |
| Section 8.1 | Interim information Q2 2018 | https://www.idexbiometrics.com/investors/interim-results/ |
| Section 8.1 | Interim information Q3 2018 | https://www.idexbiometrics.com/investors/interim-results/ |
| Section 8.1 | Interim financial information Q2 2019 | https://www.idexbiometrics.com/investors/interim-results/ |
| Section 8.1 | Interim Financial information Q3 2019 | https://www.idexbiometrics.com/investors/interim-results/ |

15 DEFINITIONS AND GLOSSARY OF TERMS

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

| | |
|-----------------------------------|---|
| “ASIC” | Application Specific Integrated Circuit |
| “Articles of Association” | The Articles of Association of IDEX |
| “Board” | Board of Directors of the Company |
| “CEO” | Chief Executive Officer |
| “CFO” | Chief Financial Officer |
| “Company” or “IDEX” | IDEX Biometrics ASA, the parent company of the IDEX Group |
| “Company Registry” | The Norwegian Register of Business Enterprises or “Foretaksregisteret” |
| “CTO” | Chief Technology Officer |
| “EMV” | Technical standard for smart payment cards and terminals |
| “ESPP Authorization” | The Board authorization to issue new shares in connection with an Employee Share Purchase Plan resolved by the Extraordinary General Meeting on 12 December 2019 |
| “EU Prospectus Regulation” | Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017, as incorporated in Norway by Section 7-1 of the Norwegian Securities Trading Act |
| “FAR” | False Acceptance Rate |
| “Financial Information” | The Financial Statements and Interim Financial Statements together |
| “Financial Statements” | The Group’s consolidated financial statements as of and for the year ended 31 December 2018 |
| “Financial Supervisory Authority” | Financial Supervisory Authority of Norway or “Finanstilsynet” |
| “Forward-looking Statements” | Statements, including, without limitation, projections and expectations regarding the Group’s future financial position, business strategy, plans and objectives |
| “FRR” | False Rejection Rate |
| “Group or IDEX Group” | IDEX Biometrics ASA and its Subsidiaries |
| “IAS 34” | The International Accounting Standard 34 - Interim Financial Reporting |
| “IFRS” | International Financial Reporting Standards |
| “Interim Financial Statements” | Unaudited consolidated interim financial statements of and for the nine months’ periods ended 30 September 2019 and 30 September 2018 and the six months’ periods ended 30 June 2019 and 30 June 2018 |
| “IoT” | Internet of Things |

| | |
|--|---|
| “IP” | Intellectual property |
| “IPR” | Intellectual property rights |
| “ISO” | International Organisation for Standardization |
| “MCU” | Mico Controller Unit, a complete and small computer on a singel integrated circuit |
| “New Shares” | The 120,000,000 new shares issued in the Private Placement |
| “Norwegian kroner” or “NOK” | Norwegian Kroner, the lawful currency of the Kingdom of Norway |
| “Non-resident shareholders” | Shareholders who are not resident in Norway for tax purposes |
| “Non-resident corporate shareholders” | Shareholders who are limited liability companies not resident in Norway for tax purposes |
| “Non-resident individual shareholds” | Shareholders who are individuals not resident in Norway for tax purposes |
| “Norwegian Accounting Act” | The Norwegian Accounting Act of 17 July 1998 |
| “Norwegian Public Limited Companies Act” or the “PLCA” | The Norwegian Public Limited Companies Act of 13 June 1997 no. 48 (as amended from time to time) |
| “Norwegian Securities Trading Act” | The Norwegian Securities Trading Act of 29 June 2007 No. 752 (as amended from time to time) |
| “OEM” | Original Equipment Manufacturer |
| “Ordinary Authorization” | The Board authorization to issue new shares in connection with private placements and rights issues resolved by the Extraordinary General Meeting on 12 December 2019 |
| “Oslo Stock Exchange” | Oslo Børs ASA |
| “PicoField” | PicoField Technologies, Inc. |
| “Private Placement” | The private placement of 120,000,000 New Shares in IDEX |
| “Prospectus” | This prospectus dated 19 December 2019 |
| “SAC” | IDEX’s Strategy Advisory Council |
| “Secure Element” | Industry-standard, certified chip for managing payment applications in smart cards. Designed to be tamper-proof. |
| “Shares” | The Shares in the Company |
| “Subscription Price” | NOK 0.75 per New Share |
| “Subscription Rights” | Independent subscription rights or “frittstående tegningsretter” issued in accordance with Section 11-12 of the Norwegian Limited Companies Act. |

| | |
|---------------------------------------|---|
| “Subsidiaries” | The wholly-owned (directly or indirectly) subsidiaries of IDEX: IDEX America, Inc., a Delaware corporation, IDEX Electronics Technology (Shanghai) Co., Ltd, a company incorporated and existing under the laws of the People’s Republic of China, IDEX Holding Company, Inc., a Delaware corporation, and IDEX Biometrics UK Ltd, a company incorporated and organized under the laws of England and Wales with organization number 9193617. |
| “Tranche One Shares” or “Tranche One” | 55,425,407 Shares issued by the Board of Directors of the Company on 17 November 2019 |
| “Tranche Two Shares” or “Tranche Two” | 64,574,593 Shares issued by the Extraordinary General Meeting in the Company on 12 December 2019 |
| “USD” | United States dollar, the official currency of the United States |
| “VPS” | The Norwegian Central Securities Depository or “Verdipapirsentralen”, which organizes the Norwegian paperless securities registration system. |



IDEX ASA
ANNUAL REPORT

2018

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REPORT FROM THE BOARD OF DIRECTORS 2018



2018 was a landmark year for IDEX. The Company made significant progress on commercialisation of its sensor solutions for biometric cards. IDEX received the world's first production order for sensors to be used in biometric payment cards and made further progress on development of its dual-interface solutions. As the market continues to gather momentum, IDEX has expanded its customer base with numerous partnerships across the globe and is confident of maintaining its leadership position in this fast-growing market.

IDEX ASA is a Norwegian public company, founded in 1996, specialising in fingerprint imaging and recognition technology. IDEX's ambition is to secure market leadership through innovation in fingerprint sensors. The parent company is located at Fornebu, near Oslo, in the Bærum municipality, Norway. IDEX has a subsidiary group in the USA that conducts technical development and marketing services for the parent company. The company also has subsidiaries in the UK and in China, which provide various technical, commercial and administrative services to the parent company. IDEX shares are listed on the Oslo Børs and as at 31 December 2018, it had over 3,000 shareholders.

IDEX's business model includes the design, development and sale or licensing of fingerprint sensor IP and products. Manufacturing is outsourced. The company is typically paid either a contracted price for its fingerprint sensors and solutions, a royalty on each device that incorporates its technology, or a combination of the two.

IDEX develops fingerprint sensors and system solutions to a range of biometrically-enabled applications,

providing both hardware and software fingerprint solutions suitable to being embedded into products in order to improve security, user interface and convenience. IDEX's broad product portfolio includes full-featured, biometric authentication solutions, which enable on-device fingerprint enrolment, template storage and verification. IDEX is growing and broadening its product portfolio of fingerprint sensors by developing next-generation products for its target markets.

The company's current activity primarily focuses on the commercialisation of fingerprint sensor solutions targeted at the biometric card market. In this market, IDEX's target customers are leading card integrators and card manufacturers. The development of this market is gaining momentum as major players with the smart card ecosystem increase their investments in biometric solutions. The interest in fingerprint sensors for other markets is also growing. IDEX's strategy in these markets remains highly selective. Where the company sees value potential, it will seek to leverage its unique off-chip technology and biometric sensor solutions to capitalize on that opportunity.

TECHNOLOGY

A SUPPLIER OF COMPLETE FINGERPRINT SOLUTIONS

IDEX's portfolio of fingerprint sensor products is based on capacitive sensor technologies, which is the most commonly used fingerprint technology today due to its superior performance, high level of security and cost.

IDEX has a range of fingerprint sensor products and solutions for use across many different device types, spanning a multitude of use cases, including Payments, Identification, Access Control, Healthcare, and the Internet of Things (IoT).

The mass adoption of fingerprint sensors was initiated by Apple in 2013 with its iPhone 5s, after which

fingerprint sensors become a mainstream feature in mobile handsets. In 2017, industry analysts estimated that OEMs deployed almost a billion fingerprint sensors.

IDEX is one of only a few vendors possessing core IP and patents for this technology, and today the company has a comprehensive portfolio of capacitive fingerprint sensors and solutions. Additionally, IDEX is the only supplier in the industry capable of offering both differentiated off-chip polymer sensors and conventional silicon-based sensors.

FINGERPRINT SENSORS

IDEX Biometrics' fingerprint sensors are highly durable and can be used in dual interface, contactless only and contact only smart cards.

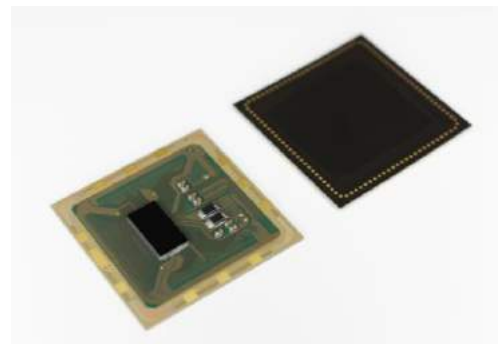
IDEX Biometrics is one of only two suppliers to offer off-chip capacitive fingerprint sensors and the only supplier using this technology with the preferred

ridge matching biometric algorithm. IDEX's off-chip capacitive sensors separate the fingerprint sensing elements from the chip that acquires the image and processes the biometric data. This ingenious design ensures excellent security, high image fidelity, superb noise immunity and market-leading usability under real-world conditions.

New ASIC platform and sensor for contactless cards

In 2017, IDEX launched its new ASIC platform for off-chip sensors. The new platform delivers both enhanced performance and reduced power consumption at a lower price, and the ASIC was designed to be utilised across multiple product applications in IDEX's target markets. The chip's low power consumption makes it ideally suited for contactless card applications. Additionally, the ASIC features an on-board microcontroller for increased processing power and enhanced security features, such as encryption.

The completion of the ASIC allowed the company in 2018 to launch a ground-breaking flexible, low power fingerprint sensor for contactless cards built on the new ASIC platform. The sensor has state-of-the-art



power management and supports dual-interface biometric card operation without an internal power source. Trials with this technology have begun in 2018 with very good feedback from customers.

FINGERPRINT MODULES

IDEX Biometrics' fingerprint modules are a complete biometric solution, for use in smart cards.

The modules offer a turn-key solution for customers to develop, prototype and manufacture their own product's biometric interface. We use our market leading SmartFinger® fingerprint sensors, which

already come with an image capture ASIC, and have combined them with an MCU for post-processing and power management circuitry. This end-to-end solution ensures your biometric innovations deliver superior image quality, extreme durability, and market-leading performance whilst ensuring integration is simple and secure.

ENROLLMENT SOLUTIONS

On-card enrollment

IDEX Biometrics' incredibly innovative yet simple on-card enrollment solution addresses what the industry previously viewed as the largest barrier to adoption for biometric smart cards for payments, remote in-person enrollment.

This low-cost and seamless end-to-end solution, for both issuers and users, allows card users to securely enroll themselves without visiting a bank branch. Enrollment takes place entirely inside the smart card using its standard secure EMV chip and, uniquely, without the need to connect the enrollment device or smart card to a computer, smartphone or any other connected device. With IDEX's On-Card Enrollment solution, there is no possibility of any tampering or external interference during the enrollment process.

Furthermore, there is no need for the card supplier to support a multitude of mobile phone or desktop apps to support a graphical user interface (GUI).

IDEX's enrollment device is lightweight and can be posted to the user. The device's physical shape guides

the user through the process. Enrollment takes less than a minute and the IDEX solution has been designed to be incredibly user friendly. User friendly enrollment is known to aid adoption as well as the on-going usability of biometric smart cards. Once enrollment is complete the device can be discarded.

IDEX was the first to launch On-Card Enrollment solutions, back in 2017. These solutions can be used for contactless only, contact-based and dual-interface smart card applications



Off-card solutions

IDEX Biometrics also offers white label software applications designed to enable financial institutions to enroll customers within a bank branch, for example

using a tablet device or a kiosk. These solutions are aimed primarily at financial institutions where customers would typically be expected to activate their cards in-person rather than remote.

SOFTWARE AND ALGORITHMS

Software is an essential integrated element of the biometric solutions that IDEX develops and sells. The software components range from elements such as on-sensor firmware to enrolment software as well as extracting and matching algorithms.

In 2017, IDEX developed its third generation of software optimised for dual-interface biometric cards. The company designs system software to be very power and memory efficient. Flexible and comprehensive software development kits and tools enable customers to rapidly design complete, secure and batteryless solutions leveraging a highly optimised proprietary matching algorithm. IDEX's proprietary matcher algorithm for biometric cards

was introduced in August 2017. The patented algorithm is ideal for biometric cards and designed for real-world usability in both card and IoT applications, being rotation insensitive and accepting of partial touches.

In 2018 we have released a security enhanced version of our matcher that moves the critical matcher function and template information onto the Secure Element (SE), while the less secure on card biometric processor performs feature extract functions that do not need to be secured. This matcher architecture was the first to pass a preliminary CAST security review with Mastercard.

INTELLECTUAL PROPERTY

IDEX's technology is founded on a strong portfolio of proprietary technology. As of 31 December 2018, IDEX ASA held 55 patent families with 137 granted patents and 107 pending patent applications. IDEX's IP rights cover complete biometric systems ranging from measurement principles, algorithms, sensor design and system solutions. The company holds

patents in a wide range of territories including the US, Europe, China, Korea, Japan, Taiwan and India. IDEX also holds a cross-license to certain fundamental fingerprint sensor patents held by Apple. IDEX intends to seek patent protection for aspects of its technology that provide significant competitive advantage.

SUPPLY CHAIN AND DISTRIBUTION CHANNELS

VOLUME PRODUCTION SUPPLY CHAIN ESTABLISHED

IDEX's operations strategy is to design its products utilising standard high-volume components and manufacturing processes to maximise cost competitiveness. The company's selected manufacturing partners for sensor production are Amkor Technology and SPIL, both companies leading the field in OSAT production capability. In support of the anticipated demand for both contact and dual-interface biometric smart card solutions, IDEX has established a robust, high-capacity supply chain to satisfy future commercial deployments.

IDEX has a fabless strategy for silicon IP and is partnered with TSMC, the leading semiconductor manufacturer in the world, as the foundry for volume manufacturing of its latest ASIC platform. This ASIC is

integrated into the latest IDX3200 sensor and will be incorporated in future generation sensors for both contact and contactless applications. The TSMC relationship provides IDEX with access to the newest and most competitive silicon manufacturing processes and gives customers with the capacity and cost structure to address high volume opportunities.

In addition, IDEX has invested in in-house high-volume test equipment at the company's facility in Rochester, New York. This investment accelerates development and deployment of mass production test, reducing both cycle time and external costs.

ENHANCED SALES, DISTRIBUTION AND MARKETING

Through 2018 IDEX has expanded its direct sales capabilities in order to increase interaction with and more closely manage customer relationships. As a result of this direct approach, the company has gained improved visibility into the sales channel as well as valuable real-time customer feedback in support of ongoing technology and solutions development. At the end of 2018, IDEX had sales resources and business

development capabilities in Asia, the United States and in Europe to cover the main target customers

Marketing activities have also helped IDEX to promote the benefits of its biometric solutions and enable the company to work more closely with partners. The biometric market evolves, IDEX is proud to be a leading voice in the development of this market.

END MARKETS

Global partnerships to unlock the market

End-user trials and proof of concepts conducted by payment scheme companies, such as Mastercard and VISA, have increased both consumer awareness and card issuer interest in biometric smart cards. Card issuers, such as financial institutions and retail loyalty card schemes, are in turn looking for new ways to attract and retain customers. Card manufacturers, such as IDEX's long-term partner IDEMIA, rely on companies like IDEX and other component makers to supply and integrate innovations, such as biometric sensors, microprocessors and secure elements into smart cards.

IDEX understands the importance of building deep partnerships throughout the supply chain with industry-leading semiconductor and card manufacturers, as well as security solutions and global payment providers. These strategic partners further enhance the company's ability to offer complete and optimized solutions to its customers through a virtuous cycle of privileged feedback.

As part of efforts to develop the ecosystem and enable mass market adoption of biometric smart

cards, IDEX has entered into partnership with several secure element vendors. In November, IDEX began a collaboration with CEC Huada Electronic Design Co., Ltd ("Huada") on a reference design for biometric smart cards. Huada is the largest secure element supplier in China, with a dominant position across several verticals, including national ID, social security and banking cards. By working closely together, IDEX can ensure that an optimal solution between the critical components of the biometric system and secure element are compatible. In the last quarter, IDEX established commercial relationships with the leading secure element provider, Infineon, to integrate IDEX sensors with enhanced card security solutions.

As a leader in biometric solutions, IDEX has also develop a long-standing partnership with Mastercard, the operator of the world's fastest payment processing network that connects consumers, financial institutions, merchants, governments and businesses in more than 210 countries and territories. This partnership has enabled both companies to drive the evolution of the biometric payment card market.

Display integration on the roadmap

One of the key benefits that biometrics brings to the world of smart cards is security. IDEX and its partners are always looking to develop new technology that will enhance both the security and user friendliness of the card. One area of progress is through the use of integrated displays for the next generation of fingerprint sensors in payment cards.

IDEX's display integration roadmap is enabled by its off-chip technology and internal expertise. Through collaborations with some of the world's leading display companies, IDEX is developing a range of features, including dynamic CVV/CVC to address card-not-present fraud, user-specific information such as account balance, or to provide feedback when enrolling the fingerprint

In December 2018, IDEX began collaborations with Visionox, to develop fingerprint sensors with state-of-the-art integrated displays.



Growing commercial momentum

Over the last twelve months the market for biometric cards has gained considerable momentum. Companies across the entire smart card ecosystem, such as card integrators, payment scheme providers and component vendors, have expanded development efforts, customer engagements and commercial deployments. Card issuer interest has also become stronger as consumers, who are familiar with the security and convenience of biometrics in mobile, increasingly recognize the benefits that biometrics can bring to payment cards.

This belief is supported by a significant increase in customer interest across EMEA, Americas and Asia for IDEX's biometric payment card solutions. IDEX has forged strong commercial partnerships in the fast-growing Asian markets where there is considerable demand for biometric solutions in smart cards. In late 2018, IDEX announced collaborations in the region with three major card integrators; Chutian Dragon, Exelsecu and XH Smart Tech. In early 2019, IDEX announced a partnership with Goldpac, China's largest card

manufacturer by volume and the world's fifth largest supplier of smart cards.

Chutian Dragon targets multiple verticals and is certified by China Union Pay, MasterCard, VISA, AMEX and JCB. Chutian Dragon is also the main supplier of China Social ID Cards and has been one of the largest suppliers of cards to China Union Pay for several years. Exelsecu is a leading Chinese supplier and solution provider of data security whose product portfolio includes smart cards. Exelsecu's customers include several of China's largest banks such as Commercial Bank of China and the Agricultural Bank of China. XH Smart Tech is ranked among the top five Chinese smart card vendors by international market share, having shipped more than 3 billion smart cards across a broad customer base that includes numerous institutions in China, Africa and the Middle East. IDEX's partnership with Goldpac to introduce dual-interface biometric smart cards is a significant commercial step. Goldpac are the only secure payment solution provider in China to hold simultaneous certifications by China Union Pay, VISA, MasterCard, American Express, JCB and Diners.

BIOMETRIC TECHNOLOGY IN OTHER END MARKETS

The rise of biometric solutions as a means of authentication has and continues to be used across many different device types spanning a variety of end market verticals. These can range from mobile, access, national ID and IoT (Internet of Things) markets.

The market opportunity for biometric sensors in many of these end markets is broad and often fragmented. IDEX's strategy in these markets remains highly selective. Where the company sees value potential, it will seek to leverage its unique off-chip technology

and biometric sensor solutions to capitalize on that opportunity.

In 2018, the company announced that Ohsung Electronics had integrated IDEX's contact-based sensor for biometric cards into a fingerprint enabled remote control product. The integration of these contact-based sensors validates the diverse opportunities for IDEX's biometric solutions in certain opportune verticals.

FINANCIAL REVIEW

The comments regarding the consolidated profit and loss statements, as well as the consolidated statements of financial position, largely apply to the parent company itself. IDEX America is the largest subsidiary. The subsidiaries provide development services, market facilitation services and/or supply-chain support services to IDEX ASA and do not trade with external customers. The parent company recognises these services as development expense and other expenses. The entities are funded through a combination of equity and loans, as required.

PROFIT AND LOSS STATEMENTS

Revenue

IDEX recorded revenue amounting to NOK 3.6 million in 2018. NOK 2.2 million of the revenues recorded relates to product sales, while NOK 1.4 million is defined as other operating income, mainly relating to sale of services generated from the company's innovation agreement with Mastercard. The

shipments in 2018 are chiefly related to cards and embedded products.

The revenue in 2017 amounted to NOK 17.5 million, mainly product sales. The parent company earns all external revenue.

Cost of goods sold

Gross margin was NOK 2.1 million in 2018, representing 41.9 per cent for the full year. The margin reflects the previously mentioned services income, which was effectively recognized as being at 100 per cent margin. The gross margin from product

sales was 31.1 per cent in 2018, compared with 14.6 per cent in 2017. The gross margin at small volumes are not necessarily representative of the gross margin at mass volumes.

Payroll expenses

The payroll expenses have increased due to IDEX's expanded operations. The average number of full-time equivalents (FTE) was 99 in 2018, down from 100 in 2017. At the end of 2018, IDEX had 104 FTE employees, same as at the end of 2017. The total payroll expenses amounted to NOK 161.0 million in 2018, up from NOK 149.3 million in 2017.

The underlying payroll expenses excluding share-based pay increased to NOK 137.0 million in 2018 from NOK 133.3 million in 2017. Most of this increase was in IDEX UK and IDEX America. IDEX did not capitalise payroll costs related to development work in 2018 or 2017.

Total payroll cost also includes the notional cost of subscription rights including accrued or reversed social security cost of same, as well as social security tax on exercised incentive subscription rights. In 2018, the cost of share-based remuneration amounted to NOK 24.0 million, representing 15 per cent of the total payroll expenses, compared to NOK 16.0 million or 11 per cent in 2017. The increase is caused by a larger outstanding stock of granted subscription rights in 2018 than 2017 and that the share price movement caused a larger reversal of social security accrual in 2017, partly offset by less subscription rights being exercised in 2018. The cost of the share-based remuneration is carried by the parent company.

Research and development (R&D) expenses

Gross development expenses for materials, processing and development services amounted to

NOK 50.8 million in 2018, a reduction of 17 per cent, from NOK 61.3 million in 2017. This reflects increased

internal development capacity, and due to the phasing of development projects.

IDEX did not capitalise any development expenses in 2018 nor 2017. Contribution from the government supported R&D grant scheme called SkatteFunn has been credited to development expenses. The contribution amounted to NOK 5.0 million in 2018, compared to NOK 5.0 million in 2017.

Net reported development expenses were considerably lower in 2018 than in 2017, down from NOK 56.3 million in 2017 to 45.8 million in 2018.

Other operating expenses

Other operating expenses comprise sales, marketing and general administrative expenses. These costs amounted to NOK 31.9 million in 2018, compared to

Payroll costs of development work conducted by IDEX employees are not included in the development expenses, but in the payroll expenses line. Such expenses were estimated to NOK 116.1 million in 2018 compared to NOK 122.4 million in 2017.

The parent company purchases development services from the subsidiaries, and thus reports a higher cost than the consolidated group.

NOK 39.8 million in 2017, chiefly because of a provision for a potential loss on a claim against a vendor in 2017 amounting to NOK 5.4 million.

Depreciation

Depreciation amounted to NOK 6.9 million in 2018, compared to NOK 7.5 million in 2017. Total investments amounted to NOK 9.0 million in 2018, up from

NOK 7.2 million in 2017. Most of the investments were in IDEX America and IDEX UK.

Net financial items

Net financial items amounted to a negative NOK 2.3 million in 2018 and 2017. The interest income is lower due to less cash deposits in 2018, partly offset by increased market rates. A weakening of the Norwegian krone in 2018, i.e. a strong increase in foreign currency rates, caused a net currency loss of NOK 2.0 million in 2018, mainly related to liabilities in USD. In 2017, the net loss was NOK 3.5 million.

There were only insignificant financial items in the subsidiaries in 2018 and 2017. IDEX ASA earned interest in an amount of NOK 908 thousand from the subsidiaries in 2018, up from NOK 482 thousand in 2017.

Taxes

The group operated at a loss in 2018 and 2017. However, IDEX America, IDEX UK and IDEX China made a profit on services to the parent company and

incurred an income tax amounting to NOK 0.3 million in 2018 and NOK 4.2 in 2017. IDEX ASA did not incur deferred or payable income taxes in 2018 or 2017.

Net result for the year

The group's net loss in 2018 was NOK 246.1 million, compared to NOK 255.5 million in 2017. The decreased loss reflects IDEX's strategy to increase internal development capacity rather than outsourcing development activities, partly offset by reduced revenues.

IDEX America, IDEX America and IDEX China made a profit amounting to a combined net profit in the subsidiaries of NOK 6.3 million in 2018, compared to a net profit of NOK 2.4 million in 2017.

STATEMENTS OF FINANCIAL POSITION

Fixed assets

Long-term assets amounted to NOK 50.9 million at the end of 2018, up from NOK 48.0 million at the end of 2017. Intangible assets were depreciated from NOK 30.5 million at the end of 2017 to NOK 26.8 million at the end of 2018 because there were minimal investments, while fixed assets increased from NOK 8.0 million to NOK 14.6 million in the same period due to investment in equipment in the subsidiaries.

All of the group's intangible assets, including intellectual property (IP) and patents are held by the

parent company. IDEX acquired in 2017 the full rights to formerly jointly held patents, while no IP investments were made in 2018. No development expenses were capitalised in 2018 nor 2017. In 2018, the Company made various investments in equipment amounting to NOK 9.0 million, compared to investments of NOK 6.9 million in 2017. Some old, unused assets were disposed of in 2018, causing a net loss of NOK 18 thousand. In 2017, disposals caused a net loss of NOK 0.4 million.

Inventory

Only the parent company holds inventory. This consists mainly of completed or in-progress fingerprint sensors being manufactured by IDEX's partners. The inventory at the end of 2018 consisted of card and IoT components and sensors, and amounted to NOK 10.2 million, slightly increased from NOK 9.3 million at the end of 2017.

In 2018, IDEX made an impairment charge of NOK 2.9 million, mainly on silicon sensors for mobile and related component because of the company's strategic shift to biometric cards. In 2017, IDEX made an inventory impairment charge of 0.5 million.

Cash

Total cash and bank deposits amounted to NOK 83.7 million at the end of 2018, representing 54 per cent of the total assets, compared to NOK 302.1 million at the end of 2016. The operations, including the effects of share-based remuneration and working capital changes, consumed cash in an amount of NOK 214.4 million in 2018, compared to NOK 235.2 million in 2017. Investments net after interest income amounted to NOK 7.9 million in 2017. Investments mainly related to tangible assets, such as lab

instruments and software tools, as well as office furniture and equipment for IDEX's offices in New York and Massachusetts, USA and Farnborough, UK. In 2016, the investments net after interest income amounted to NOK 4.8 million. A small patent acquisition was made in 2017; none in 2018.

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

Equity

At 31 December 2018, the equity in the group amounted to NOK 123.2 million and the equity in the parent company amounted to NOK 118.7 million, compared to NOK 337.1 million and 339.7 million respectively one year earlier. The equity amounted to more than 79 per cent of the total capital at the end of 2018 compared to 91 per cent at the end of 2017.

There were no share issues for funding purposes in 2018 or 2017. The share issues were due to exercise of incentive subscription rights and board remuneration in lieu of cash. Employees exercising subscription rights injected NOK 7.1 million in 2018, compared to NOK 13.5 million in 2017.

Liabilities

IDEX does not have any debt to financial institutions or lenders. The long-term liability at the end of 2017, amounting to NOK 3.5 million, was related to the acquisition of IP from Roger Bauchspies in 2014, which is payable until the end of 2019. In 2018, the remaining payable is classified as short-term liability.

Liquidity and capital resources

Balance sheet solvency, cash less net of short-term receivables and liabilities, amounted to NOK 62.4

Other liabilities are payables to suppliers and various cost accruals, in a total amount of NOK 32.8 million at the end of 2018, up from NOK 28.9 million at the end of 2017. The accrual for payroll tax on subscription rights varies with the fair value of the outstanding subscription rights.

million at 31 December 2018, compared to NOK 283.3 million at 31 December 2017.

EVENTS AFTER 31 DECEMBER 2018

On 30 January 2019 IDEX disclosed completion of a private placement raising NOK 214 million from existing shareholders. A total of 53,437,500 shares were issued at a price of 4.00 NOK per share. The capital issue was covered by the board's authorization to issue up to 10% new shares as resolved by the 2018 AGM on 9 May 2018.

The board of directors of IDEX resolved on 26 February 2019 to issue 873,800 incentive subscription rights to employees and individual contractors in the IDEX group. The grant was made under the company's 2018 incentive subscription rights plan as resolved at

the annual general meeting on 9 May 2018. The exercise price of the subscription rights is NOK 3.88 per share. The subscription rights vest by 25% per year and expire on 9 May 2023. Following the grant there will be 38,344,850 subscription rights outstanding.

Between 31 December 2018 and the resolution of these annual financial statements, there have not been any events that have had any noticeable impact on IDEX's result in 2018 or the value of the groups' assets and liabilities at 31 December 2018.

GOING CONCERN

The going concern assumption has been applied for the group as well as the parent company when preparing the financial statements. IDEX earns recurring revenue subject to customers' continued orders, but operates at a loss. The company expects to increase revenue generation through sales of sensors and monetization of Intellectual Property. The group does not have any debt to financial lenders. As

an ongoing activity the company monitors liquidity and will take appropriate measures if required. IDEX ASA has completed a private placement, raising NOK 214 million, in February 2019. The board therefore confirms that there is adequate basis for the going concern assumption and that this assumption has been applied when preparing the annual financial statements for 2018.

ALLOCATION OF NET LOSS FOR THE YEAR

The net loss for 2018 of the parent company IDEX ASA was NOK 252,345,704, compared to a net loss of NOK 253,122,176 in 2017. The board proposes that the

loss shall be carried forward as uncovered losses. The board does not propose any dividend payments for 2018.

FINANCIAL MARKET RISK

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

IDEX to date has had little revenue compared to costs. IDEX has reported accumulating losses and expects future losses in the short term.

- (i) IDEX's business plan assumes revenue from products which IDEX has traded commercially in volumes, but short of mass volumes.
- (ii) Revenue from IDEX's products depend among other things on market factors, which are not controlled by IDEX.
- (iii) Competing companies' products may outperform IDEX's product offering.

- (iv) Some of IDEX's intended markets remain immature and all are undergoing rapid technological changes.

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

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

SHARE CAPITAL AND SHAREHOLDERS

The issued and fully paid share capital of the Company at the end of 2018 amounted to NOK 81,647,180.55, consisting of 544,314,537 ordinary shares, each share having a par value of NOK 0.15. At the end of 2018 there were 3,449 registered shareholder accounts, compared to 2,684 one year earlier.

The closing share price on 28 December 2018, which was the last day of trading in 2018, was NOK 3.04, compared to NOK 5.16 on the last trading day of 2017, representing a decrease of 41 per cent.

Highest and lowest closing prices per share in 2018 were NOK 7.49 and NOK 2.31 respectively. There were 49,573 trades in the share, with a total turnover amounting to NOK 1,481.7 million, up from 49,573 trades and total turnover amounting to NOK 678.7 million in 2017.

There were no share issues or private placements for funding purposes in 2018. Following the annual general meeting of IDEX on 9 May 2018, four board members elected to receive part or full board remuneration in shares. Two employees exercised vested incentive subscription rights on 8 November

2018, in a combined total of 1,631,250 shares at average price NOK 4.38 per share, injecting a total of NOK 7.1 million.

The annual general meeting held on 9 May 2018 resolved the 2018 Subscription Rights Incentive Plan, replacing the 2017 plan. The company may issue independent subscription rights to employees of IDEX ASA and its subsidiaries and associated companies and to individual contractors performing similar work. The board may grant up to 54,238,310 subscription rights, but limited in such a way that the total number of subscription rights outstanding may not exceed 10 per cent of the number of shares outstanding. In 2018, the board granted a total of 23,400,600 subscription rights under the 2018 and 2017 incentive subscription programmes. At the end of 2018, there were a total of 37,471,050 subscription rights outstanding under all programmes. The weighted average exercise price was NOK 5.52 per share.

There are no authorisations to the board for IDEX to purchase its own shares.

ORGANISATION

IDEX continues to invest in people and capabilities that will enable the growth of the business and help the organization deliver on its strategy of achieving leadership in biometric technology solutions. The focus is to ensure commercial success and IDEX has materially strengthened its sales and marketing infrastructure over the last year, as well as a number of key hires to enhance the business development and support functions.

In addition to executive-level appointments in 2018, IDEX has strategically recruited expertise from the fingerprint sensor, smart card and payment industries in order to broaden marketing activities and target certain geographies, including Asia.

At the end of 2018, IDEX employed and contracted 115 full-time equivalents (FTE), down from 117 FTE at the end of the 2017.

Of the 115 FTE IDEX employees, 15.5 are female, representing 13.5 per cent, down from 18.8 per cent at the end of 2017. This is to a large degree caused by the talent pool available in the fields of electronics, material physics and embedded software. In addition to its employees and individual contractors on site, IDEX makes use of various service providers in its development projects, marketing and sales, and specialist functions like patenting. All product manufacturing activities are outsourced to partner companies.

Over the last several years, IDEX has attracted a significant number of key industry experts. IDEX believes its ability to attract the top talent in the fingerprint sensor industry is a strong validation of the company's leading technology and significant potential.

CHANGES TO IDEX LEADERSHIP

The Board of IDEX has approved a number of key changes to the senior leadership. This reflects the growing international opportunity for IDEX in the biometric market and the importance of having a technologically focused organisation.

On 21 February 2018 the board appointed Stan Swearingen as CEO of IDEX ASA, effective from 1 April 2018. The previous CEO, Dr Hemant Mardia continued until 31 March 2018.

Stan Swearingen joined IDEX in May 2016 as Chief Products Officer. Prior to joining IDEX, Mr Swearingen served as Senior Vice President & General Manager of MaxTouch Business Unit and Chief Technology Officer of Atmel, where he drove the overall technology strategy and direction for the company. He has also held senior management positions at a series of

semiconductor companies, including Synaptics (Validity), MiniCircuits, Skyworks Solutions, Agere Systems and National Semiconductor.

On 15 March 2019 VP of Systems Engineering, Anthony Eaton, became Chief Technology Officer in a move that demonstrates the competitive advantage of having a full systems approach. Anthony took over from Fred Benkley who transitioned to a newly created role of Chief Innovation Officer responsible for focus on strategic technology development to enable the next generation of best in class biometric products.

Chief Financial Officer, Henrik Knudtzon, will step down as CFO effective 1 June 2019 and transition into an advisory role. IDEX expects to hire a new CFO in the coming months.

HEALTH, SAFETY AND ENVIRONMENT

The board and the management seek to create a working environment that is pleasant, stimulating, safe and to the benefit of all employees. The working environment complies with the existing rules and regulations. IDEX also offers flexible working hours for all employees. The board has not found reason to implement special measures. No employee has suffered work-related injury resulting in sick leave. No accidents or incidents involving the assets of IDEX have occurred. The sick leave in the group was 0.7 per cent in 2018, up from 0.4 per cent in 2017. In the parent company the sick leave was 0.6 per cent in 2018, compared to 0.8 per cent in 2017.

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

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

THE BOARD OF DIRECTORS

There are presently five board members including the chairman. The chairman, Morten Opstad, and board members Lawrence John (Larry) Ciaccia, Deborah Davis and Hanne Høvdning continue as board members for the second year of their terms. Board member Andrew James (Andy) MacLeod was re-elected as

board member for a period of two years following the annual general meeting 2018. The Board has held six meetings in the period after the annual general meeting on 9 May 2018 and until and including 10 April 2019.

CORPORATE SOCIAL RESPONSIBILITY

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

The purpose of IDEX's business is to create value for shareholders, while also benefiting customers, employed and contracted staff, suppliers, other business relations and the society at large. IDEX is committed to maintaining a high standard of corporate governance, be a good corporate citizen

and demonstrate integrity and high ethical standards in all of its business dealings.

IDEX makes every reasonable effort to secure a healthy, safe and lawful work environment and that the Company complies with all applicable laws, rules and regulations concerning occupational health, safety and environmental protection. The Company promotes equality and non-discrimination, non-harassment, fairness and ethical behaviour. The Company offers a pleasant, well-equipped and risk-free work environment, maintains fair and balanced employment practices and equal employment opportunity policies and complies with all applicable labour laws. IDEX encourages and also expects similar commitment from its suppliers, partners and customers.

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

With a growing organisation, IDEX is also creating and implementing new policies, monitoring activities and control mechanisms in order to have adequate business controls. The electronics industry is not

perceived as a high-risk industry. China is the only country where IDEX itself operates that has high risk related to human rights, employment conditions, environment or corruption. All customers, partners and suppliers to IDEX are reputable companies. The key partners are one or more orders of magnitude larger than IDEX. Some of the partner companies operate in high-risk countries, such as China, the Philippines or Thailand. IDEX assumes that the companies it deals with are operating in compliance with the applicable regulatory framework and paying due respect to the norms of the various stakeholders in their businesses. None of the processes in use by the suppliers are known to be of particular hazard to staff or the environment. The board has not taken any special measures in these respects. As IDEX's operation continues to grow, the Company will implement appropriate additional programmes to ensure the integrity of its business.

CORPORATE GOVERNANCE

The objective of corporate governance is to regulate the division of roles between shareholders, the board and executive management more comprehensively than what is required by legislation. IDEX's corporate governance principles are based on maintaining open and reliable lines of communication, having a board that is autonomous and independent of the executive management, having a clear division of responsibility between the board and the executive management, and treating all shareholders equally.

The board considers that the attention to corporate governance is beneficial for companies and investors alike. IDEX seeks to comply with the Norwegian Code of Practice for corporate governance to the degree possible. The board provides a comprehensive annual statement on corporate governance as part of the annual report. See section Corporate Governance in this annual report. The information is also available on the company's website, at www.idexbiometrics.com.

STATEMENT ON MANAGEMENT REMUNERATION

The annual general meetings in 2018 and prior years have considered and resolved guiding and mandatory guidelines for management remuneration. The guidelines and the actual remuneration in 2018 have been included in a note to the financial statements

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

COMPANY OUTLOOK

2018 was a landmark year for IDEX and the growing operational momentum in the business has continued into 2019. The biometric payment card market is at the cusp of inception and the inherent advantages of biometric smart cards have the potential to create significant value for all stakeholders.

As a pioneer and thought leader in biometric technology solutions, IDEX is continuously driving the education and widespread adoption of its technologies amongst its customers and partners. This strategy is paying off as the market for biometric cards evolves. Major global corporations and financial institutions are increasingly investing in the smart card ecosystem.

IDEX expects further commercial progress in 2019 as customers seek a differentiated biometric solution. New customer collaborations and contract wins are forecast, leading to a material increase in sensor shipments. Also, having completed development of the sensor for dual-interface cards, multiple pilots and certifications are anticipated in the second half of 2019.

The outlook for IDEX and the biometric smart card market is bright. The Board is confident in the Company's strategy to be a leader in the biometric smart card market and looks forward to further success in the coming year.

Farnborough, UK, 10 April 2019
The board of directors of IDEX ASA



Morten Opstad
Chairman



Lawrence John Ciaccia
Board member



Deborah Davis
Board member



Hanne Høvdig
Board member



Andrew James MacLeod
Board member



Stanley Swearingen
CEO

ANNUAL FINANCIAL STATEMENTS 2018

Statements of comprehensive income

| 1 January-31 December | | Amounts in NOK 1,000 | Note | IDEX group 2018 | 2017 | IDEX ASA 2018 | 2017 |
|---|---------|----------------------|------|--------------------|------------------|------------------|------------------|
| Operating revenue | | | | | | | |
| Product sales | 2 | | | 2 181 | 16 036 | 2 181 | 16 036 |
| Other operating income | | | | 1 404 | 1 434 | 1 393 | 1 569 |
| Total revenue | | | | 3 585 | 17 470 | 3 573 | 17 605 |
| Cost of goods sold | | | | 1 502 | 13 691 | 1 502 | 13 690 |
| Gross margin | | | | 2 082 | 3 779 | 2 071 | 3 915 |
| Operating expenses | | | | | | | |
| Payroll expenses | 3 | | | 160 983 | 149 285 | 35 598 | 38 070 |
| Development expenses | 4, 5, 7 | | | 45 850 | 56 256 | 159 212 | 182 371 |
| Other operating expenses | 6, 7 | | | 31 908 | 39 779 | 54 902 | 29 519 |
| Profit (loss) before interest, tax, depreciatio and amortisation (EBITDA) | | | | (238 740) | (241 541) | (247 641) | (246 045) |
| Amortisation and depreciation | 10, 11 | | | 6 854 | 7 501 | 4 003 | 5 160 |
| Profit (loss) before interest and tax (EBIT) | | | | (243 512) | (249 042) | (251 644) | (251 205) |
| Financial income and expenses | | | | | | | |
| Interest income | 13 | | | 1 095 | 2 285 | 1 082 | 2 283 |
| Interest income from group companies | 7 | | | | | 908 | 482 |
| Agio | | | | 13 201 | 2 429 | 12 940 | 2 560 |
| Interest expenses | | | | (14) | (64) | 0 | (26) |
| Disagio | | | | (15 173) | (5 970) | (14 804) | (6 028) |
| Net other financial items | | | | (1 363) | (973) | (828) | (1 189) |
| Net financial items | | | | (2 254) | (2 294) | (702) | (1 917) |
| Net result before tax (EBT) | | | | (245 766) | (251 336) | (252 346) | (253 122) |
| Income taxes | 8 | | | 332 | 4 150 | 0 | 0 |
| Net loss for the year | | | | (246 097) | (255 486) | (252 346) | (253 122) |
| <i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):</i> | | | | | | | |
| Exchange differences on foreign operations | | | | 946 | (386) | | |
| Total comprehensive income (loss) for the year, net of tax, attributable to the equity holders of IDEX ASA | | | | (245 151) | (255 872) | (252 346) | (253 122) |
| Profit (loss) per share, basic and diluted (NOK) | 9 | | | (0.45) | (0.47) | | |

Statements of financial position 31 December

Amounts in NOK 1,000

| Assets | Note | IDEX group 2018 | 2017 | IDEX ASA 2018 | 2017 |
|---|--------|--------------------|----------------|------------------|----------------|
| Long-term assets | | | | | |
| Goodwill | | 8 260 | 8 260 | 8 260 | 8 260 |
| Intangible assets | | 26 763 | 30 464 | 26 763 | 30 464 |
| Total intangible assets | 10 | 35 023 | 38 724 | 35 023 | 38 724 |
| Fixed assets | 11 | 14 590 | 8 002 | 361 | 688 |
| Total fixed assets | | 14 590 | 8 002 | 361 | 688 |
| Shares in subsidiaries | 1, 12 | 0 | 0 | 14 924 | 14 924 |
| Long-term receivables | 14, 17 | 1 269 | 1 251 | 531 | 528 |
| Long-term loans to group companies | 17 | 0 | 0 | 27 611 | 19 377 |
| Total financial assets | | 1 269 | 1 251 | 43 067 | 34 829 |
| Total long-term assets | | 50 882 | 47 977 | 78 451 | 74 241 |
| Current assets | | | | | |
| Inventory | 19 | 10 164 | 9 255 | 10 164 | 9 255 |
| Customer receivables | | 339 | 550 | 339 | 550 |
| Receivables from group companies | | 0 | 0 | 1 192 | 1 548 |
| Other short-term receivables | | 5 684 | 6 236 | 5 246 | 5 927 |
| Prepaid expenses | | 5 529 | 3 327 | 1 755 | 1 508 |
| Total receivables | 17 | 11 552 | 10 113 | 8 532 | 9 533 |
| Cash and bank deposits | 13 | 83 714 | 302 105 | 72 205 | 288 594 |
| Total current assets | | 105 430 | 321 473 | 90 900 | 307 382 |
| Total assets | | 156 312 | 369 450 | 169 351 | 381 623 |
| Equity and liabilities | | | | | |
| Equity | | | | | |
| Share capital | | 81 647 | 81 357 | 81 647 | 81 357 |
| Share premium | | 1 192 222 | 1 185 355 | 1 192 222 | 1 185 355 |
| Other paid-in capital | | 98 553 | 74 382 | 98 553 | 74 382 |
| Total paid-in capital | 15, 16 | 1 372 422 | 1 341 094 | 1 372 422 | 1 341 094 |
| Other equity | | (1 249 183) | (1 004 032) | (1 253 763) | (1 001 417) |
| Total equity | | 123 239 | 337 062 | 118 659 | 339 677 |
| Long-term liabilities | | | | | |
| Other long-term liabilities | 18 | 0 | 3 270 | 0 | 3 270 |
| Deferred tax liabilities | 8 | 226 | 226 | 0 | 0 |
| Total long-term liabilities | | 226 | 3 497 | 0 | 3 270 |
| Short-term liabilities | | | | | |
| Accounts payable | 18 | 5 126 | 3 052 | 4 080 | 1 494 |
| Payables to group companies | 18 | 0 | 0 | 32 810 | 20 309 |
| Public duties payable | | 2 276 | 2 452 | 772 | 1 532 |
| Accrued payable income tax | 8 | 1 716 | 2 902 | 0 | 0 |
| Notional employer's tax on share-based remuneration | 3, 15 | 0 | 179 | 0 | 179 |
| Other short-term liabilities | 18 | 23 729 | 20 306 | 13 030 | 15 162 |
| Total short-term liabilities | | 32 847 | 28 891 | 50 692 | 38 676 |
| Total liabilities | | 33 073 | 32 388 | 50 692 | 41 964 |
| Total equity and liabilities | | 156 312 | 369 450 | 169 351 | 381 623 |

Farnborough, UK, 10 April 2019

The board of directors of IDEX ASA



Morten Opstad, Chairman



Lawrence John Ciacca, Board member



Deborah Davis, Board member



Hanne Hovding, Board member



Andrew James MacLeod, Board member



Stanley Swearingen, CEO

Statements of changes in equity

IDEX group

| Amounts in NOK 1,000 | Share capital | Share premium | Other paid-in capital | Retained earnings (uncovered loss) | Total equity |
|------------------------------------|---------------|------------------|-----------------------|------------------------------------|----------------|
| Balance at 1 January 2018 | 81 357 | 1 185 355 | 74 382 | (1 004 032) | 337 062 |
| Exercise of subscript. rights | 245 | 6 868 | | | 7 112 |
| Share issue (board remun.) | 45 | | 1 030 | | 1 075 |
| Share-based remuneration | | | 23 141 | | 23 141 |
| Profit (loss) for the year | | | | (246 097) | (246 097) |
| Other comprehensive income | | | | 946 | 946 |
| Balance at 31 December 2018 | 81 647 | 1 192 223 | 98 553 | (1 249 183) | 123 239 |
| Balance at 1 January 2017 | 80 067 | 1 173 342 | 57 119 | (748 160) | 562 368 |
| Exercise of subscript. rights | 1 273 | 12 013 | | | 13 286 |
| Share issue (board remun.) | 17 | | | | 17 |
| Share-based remuneration | | | 17 263 | | 17 263 |
| Profit (loss) for the year | | | | (255 486) | (255 486) |
| Other comprehensive income | | | | (386) | (386) |
| Balance at 31 December 2017 | 81 357 | 1 185 355 | 74 382 | (1 004 032) | 337 062 |

IDEX ASA

| Amounts in NOK 1,000 | Share capital | Share premium | Other paid-in capital | Retained earnings (uncovered loss) | Total equity |
|------------------------------------|---------------|------------------|-----------------------|------------------------------------|----------------|
| Balance at 1 January 2018 | 81 357 | 1 185 355 | 74 382 | (1 001 417) | 339 677 |
| Exercise of subscript. rights | 245 | 6 868 | | | 7 112 |
| Share issue (board remun.) | 45 | | 1 030 | | 1 075 |
| Share-based remuneration | | | 23 141 | | 23 141 |
| Profit (loss) for the year | | | | (252 346) | (252 346) |
| Other comprehensive income | | | | | 0 |
| Balance at 31 December 2018 | 81 647 | 1 192 223 | 98 553 | (1 253 763) | 118 659 |
| Balance at 1 January 2017 | 80 067 | 1 173 342 | 57 119 | (748 295) | 562 233 |
| Exercise of subscript. rights | 1 273 | 12 013 | | | 13 286 |
| Share issue (board remun.) | 17 | | | | 17 |
| Share-based remuneration | | | 17 263 | | 17 263 |
| Profit (loss) for the year | | | | (253 122) | (253 122) |
| Other comprehensive income | | | | | 0 |
| Balance at 31 December 2017 | 81 357 | 1 185 355 | 74 382 | (1 001 417) | 339 677 |

Cash flow statements

| 1 January-31 December | | IDEX group | | IDEX ASA | |
|--|--------|------------------|------------------|------------------|------------------|
| Amounts in NOK 1,000 | Note | 2018 | 2017 | 2018 | 2017 |
| Cash flows from operating activities | | | | | |
| Profit (loss) before taxes | | (245 766) | (251 336) | (252 346) | (253 122) |
| Share-based remuneration (equity part) | 3 | 24 170 | 17 263 | 24 170 | 17 263 |
| Amortisation and depreciation | 10, 11 | 6 854 | 7 501 | 4 003 | 5 160 |
| Interest income | 13 | (1 095) | (2 285) | (1 991) | (2 765) |
| Change in receivables, inventory | 17, 19 | (2 202) | 9 070 | 95 | 8 814 |
| Change in payables, accruals | 18 | 5 549 | (9 916) | 12 017 | (5 302) |
| Income tax paid | | (1 593) | (2 453) | 0 | 0 |
| Net other items | | (295) | (3 018) | (3) | 1 052 |
| Net cash flow from operational activities | | (214 377) | (235 174) | (214 054) | (228 900) |
| Cash flows from investing activities | | | | | |
| Investments in tangible assets | 11 | (8 991) | (6 857) | 25 | (69) |
| Investments in acquired intangible assets and capitalised development cost | 4, 10 | | (294) | | (294) |
| Investment in subsidiaries (shares) | 1, 12 | | | | (5 489) |
| Loans to subsidiaries | 1, 12 | | | (8 235) | (10 295) |
| Changes in long-term receivables | 17 | (3) | 41 | (3) | 633 |
| Interest received | 13 | 1 095 | 2 285 | 1 991 | 2 765 |
| Net cash flow from investing activities | | (7 899) | (4 825) | (6 222) | (12 749) |
| Cash flows from financing activities | | | | | |
| Share issues, net of expenses | 15 | 7 157 | 13 303 | 7 157 | 13 303 |
| Paid-in, not registered share capital | 15 | | (811) | | (811) |
| Change in long-term payables | 18 | (3 271) | (3 007) | (3 270) | (3 234) |
| Net cash flow from financing activities | | 3 886 | 9 485 | 3 887 | 9 258 |
| Net change in cash and bank deposits | | (218 391) | (230 514) | (216 389) | (232 391) |
| Cash and bank deposits at 1 January | | 302 105 | 532 619 | 288 594 | 520 985 |
| Net change in cash and bank deposits | | (218 391) | (230 514) | (216 389) | (232 391) |
| Cash and bank deposits at 31 December | 13 | 83 714 | 302 105 | 72 205 | 288 594 |

NOTES TO ANNUAL FINANCIAL STATEMENTS

1. Group information, accounting principles

IDEX is a technology company specialised in the development of fingerprint recognition technology. The parent company of the group, IDEX ASA, is a public limited company with registered office in the Bærum municipality near Oslo, Norway. IDEX's shares have been listed at Oslo Børs, the stock exchange in Oslo, since 2010.

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

The going concern assumption has been applied for the group as well as the parent company when preparing the financial statements. IDEX earns recurring revenue subject to customers' continued orders, but operates at a loss. The company expects to increase revenue generation through sales of sensors and monetization of Intellectual Property. The group does not have any debt to financial lenders. As an ongoing activity the company monitors liquidity and will take appropriate measures if required. IDEX ASA has completed a private placement, raising NOK 214 million, in February 2019. See note 20. The board therefore confirms that there is adequate basis for the going concern assumption and that this assumption has been applied when preparing the annual financial statements for 2018.

The annual financial statements for 2018 were resolved by the board on 10 April 2018 and will be presented to the annual general meeting on 9 May 2019.

Accounting principles

Basis of preparation

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

Changes in accounting policies

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

Standards and interpretations with effect from 1 January 2018:

There were no new or amended standards or interpretations taking effect in 2018 that had any impact on the result or equity of IDEX in 2018. Below follows a summary of the standards relevant to IDEX taking effect in 2018.

Amendments to IFRS 2 Share-based Payments: The amendment clarifies classification and valuation of specific types of share-based payments. IDEX has adopted IFRS 2 from 1 January 2018. The implementation of IFRS 2 has not resulted in any significant impacts on the financial statements of IDEX ASA

IFRS 9 Financial Instrument: In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IDEX has adopted IFRS 9 from 1 January 2018. The implementation of IFRS 9 has not resulted in any significant impacts on the financial statements of IDEX ASA

IFRS 15 Revenue from Contracts with Customers: The standard replaces IAS 18 Revenue. The key principle of IFRS 15 is that revenue is recognised to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity is entitled. The standard applies to all revenue contracts. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue is recognized at an amount that reflects the

consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer, which includes the following steps:

1. Identifying the contract with the customer
2. Identifying the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to each performance obligation
5. Recognise revenue when a performance obligation is satisfied

The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures. The effect of the transition to IFRS 15 on the current period has not been specified as the impact on the groups financials is immaterial. The analysis of IFRS 15 potential impact on revenue recognition related to sale of finger print sensors, modules and biometric solutions has shown that revenues should be recognized based on volumes delivered at the contractually agreed and invoiced price. This is in line with the previous revenue recognition under IAS 18. IFRS 15 will therefore not impact revenue recognition related to the sale of sensors, modules and biometric solutions, compared to previous years.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements. IDEX has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Standards and interpretations issued or adopted but not yet effective:

IFRS 16 Leases (effective from 1 January 2019): IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 lessees and lessors to make more extensive disclosures than under IAS 17.

Transition to IFRS 16

IDEX plans to adopt IFRS 16 using the modified retrospective approach to leases previously classified as operating leases. Further, IDEX will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms end within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. IDEX has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

During 2018, IDEX has performed a detailed impact assessment of IFRS 16. In summary the impact of IFRS 16 adoption is expected to be as follows: Office leases in Norway and China are short-term leases with remaining commitments less than 12 months. While it is likely that IDEX will have facilities in both locations, extensions beyond minimum periods will not be included due to required size and location might change. In USA, the leases for offices in Rochester and Wilmington expires 20 April 2020 and 30 November 2020. The combined initial recognition of the right-to-use asset effective 1 January 2019 is NOK 7,216 thousand. In United Kingdom, the office lease in Farnborough expires 30 June 2020. The initial recognition of the right-to-use asset effective 1 January 2019 is NOK 2,693 thousand. The total right-to use asset for the group to be recognized effective 1 January 2019 is NOK 9,909 thousand. The combined liability will be classified as NOK 6,945 thousand long-term and NOK 2,964 thousand short-term liability. In line with the IFRS 16 standard, the implementation will lead to decreased rental costs offset by increased depreciation and financial costs. For January 2019, these are NOK 487 thousand in depreciation, NOK 504 thousand in rent offset and NOK 39 thousand in financial cost.

IDEX considers that – besides IFRS 16 - none of the new issued, but not yet effective standards, amendments and interpretations will have a significant impact on the financial statements or notes for IDEX's current activity and assets but may affect the accounting for future transactions or arrangements. IDEX will implement the new standards and interpretations in due course.

Significant accounting judgements and estimates

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

Significant accounting judgments for IDEX

Intangible assets: Under IFRS, research costs are expensed as incurred. IDEX's patents and other intellectual property rights created by IDEX are capitalised and held in the balance sheet only when they satisfy the criteria for capitalisation. The same applies to the development costs. No development costs have been capitalised in 2018 or 2017, thus all development costs and internal costs related to creation of intellectual property have been expensed when incurred. Acquired intangible assets are capitalised at the price allocated to the various assets based on estimated fair value. Intangible assets are depreciated over the useful life.

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

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

Significant accounting estimates for IDEX

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

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

Financial risk, capital management

IDEX is exposed to certain financial risks related to exchange rates and interest level. These are, however, insignificant compared to the business risk. There were no hedging transactions in 2018 or 2017.

The business risk may be summarised in five points: (i) IDEX has to date earned insufficient gross margin compared to costs. IDEX has reported accumulating losses and expects future losses in the short term. (ii) IDEX's business plan assumes revenue from products which IDEX has traded commercially in large volumes but short of mass volumes. (iii) Revenue from IDEX's products depend among other things on market factors, which are not controlled by IDEX. (iv) Competing companies' 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 has moderate to low credit risk.

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

The group does not have any debt to financial institutions or lenders, and has adequate liquidity and equity under current planning assumptions for a period longer than 12 months from the date of these financial statements.

Significant accounting policies

Consolidation

The group's consolidated financial statements comprise IDEX ASA and companies in which IDEX ASA has a controlling interest. Controlling interest means that the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Minority interests, if any, are included in the

group's equity. The financial statements of the subsidiaries are prepared for the same reporting periods as the parent company, using accounting policies consistent with the parent's.

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

Revenue

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

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

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

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

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

Cost of goods sold, cost of services sold

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

Currency

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

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

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

Research and development expenses

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

Fixed assets

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

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

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

Intangible assets

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

Shares in subsidiaries

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

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

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

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

Interest-bearing loans (receivables)

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

Inventory

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

Accounts receivable

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

Cash and bank deposits

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

Interest-bearing debt

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

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

Accounts payable

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

Provisions

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

Taxes on taxable income

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

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

Contingent liabilities and assets

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

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

Share-based remuneration

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

Leasing agreements, rentals

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

Earnings per share

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

Cash flow

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

Government grants

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

Segment reporting

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

2. Revenues

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

| Product sales | | IDEX group and IDEX ASA | | | |
|--------------------------------|---------------|-------------------------|-----|-----|--------|
| Amounts in NOK 1,000 | | Billing currency | | | |
| 2018 | Total | CNY | EUR | GBP | USD |
| Europe, Middle East and Africa | 1 289 | | | 1 | 1 288 |
| Americas | 27 | | | | 27 |
| Asia | 865 | | | | 865 |
| Total | 2 181 | 0 | 0 | 1 | 2 180 |
| 2017 | Total | CNY | EUR | GBP | USD |
| Europe, Middle East and Africa | 307 | | | | 307 |
| Americas | 0 | | | | |
| Asia | 15 729 | | | | 15 729 |
| Total | 16 036 | 0 | 0 | 0 | 16 036 |

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

3. Payroll expenses and remuneration

| Amounts in NOK 1,000 | IDEX group | | IDEX ASA | |
|--|------------|---------|----------|---------|
| Payroll expense | 2018 | 2017 | 2018 | 2017 |
| Salaries | 113 668 | 113 431 | 9 659 | 18 897 |
| Social security taxes | 10 402 | 10 707 | 1 431 | 2 364 |
| Pension contribution | 2 727 | 1 524 | 96 | 244 |
| Other personnel expenses | 10 163 | 7 627 | 389 | 570 |
| Capitalised cost of development work | 0 | | | |
| Payroll tax on exercised subscription rights | 31 | 4 306 | 31 | 4 306 |
| Share-based remuneration (notional salary) | 24 170 | 17 263 | 24 170 | 17 263 |
| Net employer's tax on share-based remuneration | (179) | (5 573) | (179) | (5 573) |
| Total | 160 986 | 149 285 | 35 598 | 38 071 |
| Average no. of employees (full-time equivalents) | 99 | 100 | 6 | 14 |

The parent company provides a contribution-based pension insurance scheme for all its employees. The scheme satisfies the Norwegian mandatory service pension rules (obligatorisk tjenestepensjon, OTP). The contribution is 2 per cent of the employee's annual salary between 1G and 12G. G is the basic amount in the Norwegian social security system and amounted to NOK 96 thousand in 2018 (2017: NOK 93 thousand). The pension scheme is a fully insured, defined contribution plan.

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

IDEX China contributes to the mandatory social security schemes in PRC, including contribution of 21 per cent 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 per cent of basic salary to employees enrolled in IDEX UK's pension plan, subject to the employee contributing the same percentage through a salary sacrifice arrangement. The contribution satisfies the UK automatic enrolment rules. The pension scheme is a fully insured, defined contribution plan.

The cost of share-based remuneration is based on the fair value of incentive subscription rights (SRs) at grant. The cost is expensed over the vesting period per tranche of grant, which means the cost is front-loaded over the full duration. Due to

significant more grants in 2018 than 2017, 23.4 million vs. 9.8 million SRs, and thus a higher average number outstanding during the year, the cost was much higher in 2018 than the year before. The cost is non-cash, and the same amount is added to equity. The potential employer's tax liability is calculated on the earned intrinsic value of the subscription rights at year end, and the net change from the year before is expensed or reversed. At the end of 2018, none of the outstanding earned SRs had any intrinsic value and the net potential employer's tax liability was nil, and thus the accrual at end of 2017, NOK 179 thousand, was reversed in 2018.

At year-end 2018, there were 15 female and 90 male persons employed in the group; of these, 1 female and 3 males in IDEX ASA. (2017: 23 and 83 in the group and 4 and 8 in IDEX ASA). Salary statistics per gender have not been prepared.

Remuneration to officers

2018

Remuneration to the CEO and officers reporting to the CEO.

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

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

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

Salary, bonus and other benefits, whether cash or in kind, are the amounts declared for tax purposes for the year 2018, while pension cost and share-based remuneration are expensed amounts in the year. When persons leave during the year, the reversal of forfeited share-based remuneration may cause a net credit. Gains on exercise of share-based incentives, if any, are reported separately. Employers' tax is not included. The bonuses paid in 2018 are for achievements in 2017.

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

2017

Remuneration to the CEO and officers reporting to the CEO.

| 2017 | | | | | | |
|-------------------------|--------|-----------------------|----------------|----------------------|--------------------------|--------------------|
| Amounts in NOK 1,000 | Salary | Incentive pay (bonus) | Other benefits | Pension contribution | Share-based remuneration | Total remuneration |
| Hemant Mardia, CEO | 3 575 | 1 425 | 4 | incl. in salary | 2 656 | 7 660 |
| Henrik Knudtzon, CFO | 1 817 | 525 | 9 | 21 | 1 189 | 3 561 |
| Fred Benkley, CTO | 1 768 | | 169 | | 1 110 | 3 047 |
| Stan Swearingen, CPO ** | 2 221 | 74 | 164 | | 2 944 | 5 403 |
| Total | 9 381 | 2 024 | 346 | 21 | 7 899 | 19 671 |

* Preeti Mardia continued as a contracted adviser to IDEX on part-time basis until the end of November 2017. The service fee has been included in the salary column.

** Stan Swearingen's employment is 80 per cent of full time.

*** Selvakumar Thiruchelvam was as an independent contractor, and the service fee has been included in the salary column.

Salary, bonus and other benefits, whether cash or in kind, are the amounts declared for tax purposes for the year 2017, while pension cost and share-based remuneration are expensed amounts in the year. When persons leave during the year, the reversal of forfeited share-based remuneration may cause a net credit. Gains on exercise of share-based incentives, if any, are reported separately. Employers' tax is not included. The bonuses paid in 2017 are for achievements in 2016. The CEO's bonus included NOK 893 thousand reward for special achievements in 2016.

| Officers' exercise of incentive subscription rights 2017 | Number of | | |
|--|----------------|-------------|--------------|
| Amounts in NOK 1,000 | subscr. rights | Amount paid | Taxable gain |
| Hemant Mardia, CEO, 23 February | 5 000 000 | 8 430 | 23 578 |

Guidelines for remuneration to officers

In order to attract and retain the leadership competence that IDEX needs, the remuneration of officers, and all other employees, shall be competitive and comprise a basic salary including standard benefits, which salary may be supplemented by performance-based cash bonus and incentive subscription rights. Cash bonus plans are limited to fixed amounts or fixed percentage of base pay. The highest bonus plan for any executive officer at the end of 2018 was limited to a maximum of 50 per cent of base pay, and the CEO's bonus plan is currently limited to a maximum of 70 per cent of base pay. All parts of the remuneration – fixed as well as variable – shall reflect the responsibility and performance over time of the respective officer and employee. The basic salary is evaluated annually. Officers are enrolled in the same pension scheme(s) that IDEX offers other employees of the same entity. The board determines the salary and other remuneration to the CEO. The CEO determines the salary and other remuneration of all other employees, within the framework set by the board. There is no post-employment remuneration beyond notice periods of 3-6 months, or shorter when applicable.

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

Share-based remuneration to officers

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

Implementation and effect of the policies on remuneration to officers

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

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

The share-based remuneration reported in the tables is the period's notional cost of the respective officers' subscription rights. The equity effect of this cost is nil because the contra item is a notional equity injection of equal amount. In addition the cost of employer's tax on the earned intrinsic value on the balance sheet date, is accrued. The value varies with the share price and may entail a net reversal of cost. For the reported officers in the respective years, the cost accrual (reversal) for employer's tax on subscription rights in 2018 amounted to NOK 147 thousand reversal and the accumulated accrual amounted to NOK 0 thousand at the end of the year (2017: reversal NOK 3,981 thousand and NOK 147 thousand).

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

For the shareholders, an actual or possible exercise will represent a dilution. At the end of 2018, the number of outstanding subscription rights to officers including their close associates was 11,705,000, corresponding to 2.2 per cent of the share capital (2017: 9,285,000 outstanding subscription rights corresponding to 1.7 per cent of the share capital at the time).

Board and election committee remuneration

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

The annual general meeting 2018 resolved a board remuneration amounting to NOK 300 thousand per board member for the period from the annual general meeting 2017 to the annual general meeting 2018. The chairman received an additional remuneration of NOK 25 thousand for the service as chairman. The remuneration was the same in the preceding period. The board members had the option to receive part or all of the remuneration in the form of shares. The number of shares corresponded to a gross value of 133 per cent of the board remuneration, for which the board member paid the par value and the shares were locked up for one year. See note 7.

The annual general meeting 2018 resolved a remuneration to the nomination committee for the period from the annual general meeting 2017 to the annual general meeting 2018 amounting to NOK 15 thousand per member and NOK 25 thousand to its chairman, same as in the preceding period.

Based on the resolutions of the annual general meeting 2018, IDEX has accrued corresponding amounts for board and nomination committee remuneration in the period June through December 2018. The accruals amounted to NOK 922 thousand at the end of 2017, same amount as 2016. The nomination committee shall propose the remunerations for the period June 2018 through May 2019 to the annual general meeting 2018.

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

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

4. Research and development expenses

Any research costs are expensed when incurred. IDEX's patents and other intellectual property rights created by IDEX are capitalised and held in the balance sheet only if they satisfy the criteria for capitalisation. The same applies to the development costs. IDEX has not capitalised any development costs in 2018 or 2017. Development costs and internal costs related to creation of IP have been expensed when incurred. Grants and contributions to research and development are credited against costs.

| Amounts in NOK 1,000 | | | |
|--|------------|---------|----------|
| Research and development expenses | IDEX group | | IDEX ASA |
| | 2018 | 2017 | 2018 |
| Gross development expenses | 50 850 | 61 256 | 164 212 |
| Capitalisation of development expense | 0 | 0 | 0 |
| Government grants credited to cost | (5 000) | (5 000) | (5 000) |
| Net development expenses | 45 850 | 56 256 | 159 212 |
| Estimated payroll cost related to R&D | 116 127 | 122 413 | 9 617 |
| Capitalisation of development work | 0 | 0 | 0 |
| Net estimated payroll exp. related to dev.ment | 116 127 | 122 413 | 9 617 |

5. Government grants

| Amounts in NOK 1,000 | | IDEX group and IDEX ASA | |
|---|--|-------------------------|-------|
| Grants during the year | | 2018 | 2017 |
| | | 2018 | 2017 |
| SkatteFunn (recognised as cost reduction of development expenses) | | 5 000 | 5 000 |

SkatteFunn grants for research and development projects are contingent on pre-approved project applications and approved completion reports to the Research Council of Norway, as well as auditor's confirmation of costs. The recognised amount in 2018 represents IDEX's claim based on the cost of the approved project applications. The 2018 reports have been submitted and approved. The cost basis will be audited in the tax return filing process. The support for 2018 will be paid out in the second half of 2019.

The latest version of the Norwegian tax guidelines (Skatte-ABC 2018/19) have made it uncertain whether IDEX fulfils the requirements for the 2018 SkatteFUNN grants. The Norwegian Tax Administration has stated it will review and clarify its position later in 2019. IDEX has accounted for the SkatteFUNN grant in accordance with rules applicable as at the date of resolution of the financial statements.

6. Audit and audit fees

| Amounts in NOK 1,000 | | | |
|---|------------|---------|----------|
| Audit fees during the year* | IDEX group | | IDEX ASA |
| | 2018 | 2017 | 2018 |
| Statutory audit of the group and parent company | 539 676 | 479 000 | 324 676 |
| Other attestation services | 0 | 0 | 0 |
| Tax assistance | 38 600 | 0 | 38 600 |
| Other services | 0 | 11 800 | 0 |
| Net development expenses | 578 276 | 490 800 | 363 276 |

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

Ernst & Young AS (EY) is the appointed auditor for the Group. EY issues an Independent Auditor's Report on the financial statements of IDEX ASA, which comprise the financial statements for the parent company and the Group. IDEX China's local financial statements for 2018 have been subject to local statutory audit by Shanghai Acumen CPA.

IDEX UK (IDEX Biometrics UK Ltd.), in which company IDEX ASA holds all the shares, has taken advantage of section 479a of the UK Companies Act 2006 to be exempt from audit of its financial statements for the period 1 January 2018 through 31 December 2018.

7. Transactions with related parties

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

Salary and board remuneration to related parties has been disclosed in note 3. See also note 15.

There were no overdue open items with any related parties at the end of 2018 or 2017. See also note 17.

Board

The chairman is a partner in Advokatfirma Ræder DA. The law firm provided services to the company amounting to NOK 2,709 thousand in 2018 (2017: NOK 3,928 thousand). The amount in 2018 included, among other assignments, ongoing assistance with various actual and contemplated business agreements and certain employment agreements. It also includes work recorded as prepayment related to the share issue announced 30 January 2019. (The amount in 2017 was chiefly related to ongoing assistance with various actual and contemplated business agreements.) The recognised amounts include accruals for services received but not yet billed.

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

Effective 1 February 2016, board member Andrew James MacLeod has provided consulting services beyond board duty to IDEX for a fixed fee of GBP 60 thousand per year. The service agreement has been terminated effective 27 March 2019.

The board resolved on 21 February 2018 to issue 4,500,000 incentive subscription rights to CEO Stan Swearingen. The grant was made under the company's 2017 incentive subscription rights plan. The exercise price of the subscription rights is NOK 4.67 per share. 25 per cent of the subscription rights vested at grant, and another 25 per cent vest each year. The subscription rights expire on 12 May 2022.

The board resolved on 15 August 2018 to issue 600,000 incentive subscription rights to Larry Ciacca. The grant was made under the company's 2018 incentive subscription rights plan. The exercise price of the subscription rights is NOK 5.10 per share. 34 per cent of the subscription rights vest on the grant date on the condition that Mr. Ciaccia has not terminated his service agreement with IDEX before 15 August 2019, and another 33 per cent vest on 15 July 2019 and 15 July 2020. The subscription rights expire on 9 May 2023.

The board resolved on 9 May 2018 to issue incentive subscription rights (SRs) under the company's 2018 incentive subscription rights plan to nearly all employees, including the following officers: Fred Benkley, CTO, 1,500,000 SRs and Henrik Knudtzon, CFO, 1,500,000 SRs. The exercise price of the subscription rights is NOK 4.28 per share. 25 per cent of the subscription rights vest per year from the date of the grant. The subscription rights expire on 9 May 2023.

Following the annual general meeting of IDEX on 9 May 2018, chairman Morten Opstad and board members Larry Ciaccia, Deborah Davis and Andy MacLeod elected to receive part or full board remuneration in shares. Chairman Morten Opstad acquired 49,720 shares against payment of NOK 0.15 per share, instead of NOK 160,000 of the board remuneration, and took the remainder of the board remuneration in cash. Board member Larry Ciaccia acquired 88,563 shares against payment of NOK 0.15 per share, instead of NOK 285,000 of the board remuneration, and took the remainder of the board remuneration in cash. Board member Deborah Davis acquired 93,224 shares against payment of NOK 0.15 per share, instead of receiving a cash board remuneration of NOK 300,000. Board member Andy Macleod acquired 68,675 shares against payment of NOK 0.15 per share, instead of NOK 221,000 of the board remuneration, and took the remainder of the board remuneration in cash. The shares have been issued and delivered.

Officers

| Grants of incentive subscription rights to related parties 2018 | Grant date | Number of subscr. rights | Exercise price NOK per share |
|--|-------------------|-------------------------------------|---|
| Stan Swearingen, CEO as of 1 April | 21 Feb 2018 | 4 500 000 | 4.67 |
| Henrik Knudtzon, CFO | 9 May 2018 | 1 500 000 | 4.28 |
| Fred Benkley, CTO | 9 May 2018 | 1 500 000 | 4.28 |

The grants were made under the company's 2018 and 2017 incentive subscription rights plans as resolved at the annual general meetings on 9 May 2017 and 12 May 2017 respectively.

Subsidiaries

See note 1, 12 and 17. The parent company purchases various services from the subsidiaries at arm's length basis. The subsidiaries are funded by reasonable equity and interest-free advances as well as interest-bearing loans at arm's length interest rate.

| Amounts in NOK 1,000 | IDEX ASA's cost of services from subsidiaries | | Interest-income to IDEX ASA from subsidiaries | |
|---------------------------------------|--|----------------|--|------------|
| | 2018 | 2017 | 2018 | 2017 |
| Intra-group transactions | | | | |
| IDEX Holding Company Inc. | 0 | 0 | 0 | 0 |
| IDEX America Inc. | 121 559 | 125 695 | 625 | 366 |
| IDEX Biometrics UK Ltd. | 40 654 | 29 988 | 211 | 112 |
| IDEX Electronics (Shanghai) Co., Ltd. | 11 246 | 3 579 | 72 | 4 |
| Total | 173 459 | 159 262 | 908 | 482 |

IDEX ASA has sold lab equipment to IDEX Biometrics UK Ltd. amounting to NOK 19 thousand in 2018 (2017: NOK 144 thousand).

There were no overdue payables between any of the group companies at the end of 2018 or 2017.

8. Income tax expense

| Specification of the tax expense for the year | IDEX group | | IDEX ASA | |
|---|------------|-------|----------|------|
| | 2018 | 2017 | 2018 | 2017 |
| Amounts in NOK 1,000 | | | | |
| Payable taxes on the result of the year | 322 | 4 150 | 0 | 0 |
| Change in deferred tax asset/liability | 0 | 0 | 0 | 0 |
| Tax expense on net result | 322 | 4 150 | 0 | 0 |

| Computation of payable taxes for the year | IDEX group | | IDEX ASA | |
|---|------------|-----------|-----------|-----------|
| | 2018 | 2017 | 2018 | 2017 |
| Amounts in NOK 1,000 | | | | |
| Net result before taxes | (245 766) | (251 336) | (252 346) | (253 122) |
| Permanent differences | 20 232 | 13 494 | 20 232 | 13 494 |
| Changes in temporary differences | (573) | 2 386 | (384) | 557 |
| Basis for payable taxes | (226 107) | (235 456) | (232 498) | (239 071) |
| Calculated payable taxes on current year's result in the UK and the USA | 332 | 4 150 | 0 | 0 |
| 23 % tax, representing payable taxes on current year's result in Norway (2017: 24%) | 0 | 0 | 0 | 0 |
| Payable taxes on current year's result | 332 | 4 150 | 0 | 0 |

| Temporary differences | Temporary differences | | Change in temporary differences | |
|-----------------------|-----------------------|--------------|---------------------------------|---------|
| | 31 Dec. 2018 | 31 Dec. 2017 | 2018 | 2017 |
| Amounts in NOK 1,000 | | | | |
| IDEX group | | | | |
| Temporary differences | (7 763) | (8 336) | 573 | (2 386) |
| IDEX ASA | | | | |
| Temporary differences | (6 581) | (6 507) | (74) | (557) |

| Specification of temporary differences | IDEX group | | IDEX ASA | |
|---|----------------|----------------|----------------|----------------|
| | 31 Dec. 2018 | 31 Dec. 2017 | 31 Dec. 2018 | 31 Dec. 2017 |
| Amounts in NOK 1,000 | | | | |
| Employer's tax on share-based remuneration | 0 | (179) | 0 | (179) |
| Fixed Assets | (456) | (1 613) | 726 | 216 |
| Inventory | (7 258) | (6 498) | (7 258) | (6 498) |
| Receivable | (49) | (46) | (49) | (46) |
| Total | (7 763) | (8 336) | (6 581) | (6 507) |
| Losses carried forward | (1 429 583) | (1 198 163) | (1 429 583) | (1 197 542) |
| Temporary differences | (7 783) | (8 336) | (6 581) | (6 507) |
| Basis for deferred taxes | (1 437 346) | (1 206 499) | (1 436 164) | (1 204 049) |
| Calculated net deferred tax expense (income), Norway 22% (2017: 23 %), UK 19 % (2017: 19 %) | (315 956) | (276 701) | (315 956) | (276 931) |
| Unrecognised deferred tax asset (liability)* | 316 181 | 276 931 | 315 956 | 276 931 |
| Deferred tax asset (liability) in the balance sheet** | (226) | (226) | 0 | 0 |

* The deferred tax asset is in Norway,

** The deferred tax liability is in UK

**Specification of payable taxes
in the balance sheet**

| Amounts in NOK 1,000 | IDEX group | | IDEX ASA | |
|-------------------------------------|--------------|--------------|--------------|--------------|
| | 31 Dec. 2018 | 31 Dec. 2017 | 31 Dec. 2018 | 31 Dec. 2017 |
| Payable taxes on this year's result | 332 | 4 150 | 0 | 0 |
| Total payable taxes | 332 | 4 150 | 0 | 0 |

Reconciliation theoretical vs. actual tax expense

| Amounts in NOK 1,000 | IDEX group | | IDEX ASA | |
|---|------------|-----------|-----------|-----------|
| | 2018 | 2017 | 2018 | 2017 |
| Result (loss) before tax | (245 766) | (251 336) | (252 346) | (253 122) |
| Theoretical tax expense (income), 23 % (2017: 24%) Norway | (58 040) | (60 749) | (58 040) | (60 749) |
| Calculated tax expense (income), UK and USA | 332 | 4 150 | 0 | 0 |
| Tax on permanent differences | 4 653 | 3 239 | 4 653 | 3 239 |
| Effect on deferred tax from change in future tax rate from 23 % in 2018 to 22 % in 2019 (from 24% in 2017 to 23% in 2018) | 14 355 | 12 040 | 14 362 | 12 040 |
| Adjustment to losses carried forward | 0 | (198) | 0 | (198) |
| Change in deferred tax asset not recognised on 31 December | 39 025 | 45 669 | 39 025 | 45 668 |
| Actual tax expense (income) | 332 | 4 150 | 0 | 0 |

The accumulated unrecognised deferred tax asset amounting to NOK 315.9 million is related to tax losses carry forward in Norway (2017: NOK 276.9 million). IDEX ASA has not generated taxable profits in prior years. At 31 December 2018 there was not sufficiently convincing evidence that sufficient taxable profit will be generated, against which the unused tax losses could be applied. Consequently, no deferred tax asset has been recognised. There are no restrictions as to how long tax losses may be carried forward in Norway.

9. Profit (loss) per share

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

| | IDEX group 2018 | 2017 |
|--|--------------------|---------------|
| Net profit (loss) for the year (NOK 1,000) | (246 097) | (255 486) |
| Number of ordinary shares in issue at 31 December | 544 314 537 | 542 383 105 |
| Weighted average basic number of ordinary shares | 542 795 969 | 540 670 366 |
| Weighted average diluted number of shares | 543 117 924 | 544 068 814 |
| Basic and diluted profit (loss) per share in the year (NOK per share) | (0.45) | (0.47) |

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

10. Intangible assets

| Total intangible assets Amounts in NOK 1,000 | IDEX group | | IDEX ASA | |
|--|---------------------|---------------------|---------------------|---------------------|
| | 2018 | 2017 | 2018 | 2017 |
| <i>Amortisation period (straight line, years)</i> | <i>3, 10 and 17</i> | <i>3, 10 and 17</i> | <i>3, 10 and 17</i> | <i>3, 10 and 17</i> |
| Cost at 1 January | 51 004 | 53 762 | 51 004 | 53 762 |
| Additions | | 294 | | 294 |
| Disposals at cost | | (3 052) | | (3 052) |
| Cost at 31 December | 51 004 | 51 004 | 51 004 | 51 004 |
| Accumulated amortisation at 1 January | 12 280 | 10 659 | 12 280 | 10 659 |
| Amortisation and impairment | 3 701 | 4 673 | 3 701 | 4 673 |
| Accumulated amortisation of disposed items | | (3 052) | | (3 052) |
| Accumulated amort. and impairmt. at 31 December | 15 981 | 12 280 | 15 981 | 12 280 |
| Book value at 31 December | 35 023 | 38 724 | 35 023 | 38 724 |

Goodwill

| Goodwill | IDEX group | | IDEX ASA | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Amounts in NOK 1,000 | 2018 | 2017 | 2018 | 2017 |
| <i>Amortisation period (straight line, years)</i> | <i>not applicable</i> | <i>not applicable</i> | <i>not applicable</i> | <i>not applicable</i> |
| Cost at 1 January | 8 260 | 8 260 | 8 260 | 8 260 |
| Additions | | | | |
| Disposals at cost | | | | |
| Cost at 31 December | 8 260 | 8 260 | 8 260 | 8 260 |
| Accumulated impairment at 1 January | | | | |
| Impairment | | | | |
| Accumulated impairment of disposed items | | | | |
| Accumulated impairment at 31 December | 0 | 0 | 0 | 0 |
| Book value at 31 December | 8 260 | 8 260 | 8 260 | 8 260 |

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

Goodwill has not been allocated because there is only one cash generating unit in the group. IDEX performed the annual impairment test on 31 December 2018. The recoverable amount has been determined based on the fair value of the equity of IDEX, based on the share price at 31 December 2018. The fair value of the equity at 31 December 2018 was NOK 1,711 million, while the book value of the group's equity was NOK 123 million. No impairment charge has been made. IDEX is not aware of any circumstances that indicate that the goodwill may be impaired at the date of these financial statements.

Other intangible assets

| Capitalised development costs | IDEX group | | IDEX ASA | |
|--|-----------------------|----------|-----------------------|----------|
| Amounts in NOK 1,000 | 2018 | 2017 | 2018 | 2017 |
| <i>Amortisation period (straight line, years)</i> | <i>not applicable</i> | <i>3</i> | <i>not applicable</i> | <i>3</i> |
| Cost at 1 January | | 1 872 | | 1 872 |
| Additions | | | | |
| Disposals at cost | | (1 872) | | (1 872) |
| Cost at 31 December | 0 | 0 | 0 | 0 |
| Accumulated amortisation at 1 January | | 849 | | 849 |
| Amortisation and impairment | | 1 023 | | 601 |
| Accumulated amortisation of disposed items | | (1 872) | | (1 450) |
| Accumulated amort. and impairmt. at 31 December | 0 | 0 | 0 | 0 |
| Book value at 31 December | 0 | 0 | 0 | 0 |

IDEX's patents and other intellectual property rights created by IDEX are not held in the balance sheet because they do not satisfy the criteria for capitalisation. After commencement of commercial shipments of Cardinal sensors in 2014, IDEX capitalised the development expenses related to Cardinal through 2016. Because Cardinal order volumes declined in 2017, IDEX has not capitalised any development costs in 2018 (2017: nil). The remaining capitalised amount from prior years, NOK 442 thousand, was written off at the end of 2017.

| Acquired patents | IDEX group | | IDEX ASA | |
|--|-------------------|---------------|-----------------|---------------|
| Amounts in NOK 1,000 | 2018 | 2017 | 2018 | 2017 |
| <i>Amortisation period (straight line, years)</i> | <i>10, 17</i> | <i>10, 17</i> | <i>10, 17</i> | <i>10, 17</i> |
| Cost at 1 January | 42 744 | 42 450 | 42 744 | 42 450 |
| Additions | | 294 | | 294 |
| Disposals at cost | | | | |
| Cost at 31 December | 42 744 | 42 744 | 42 744 | 42 744 |
| Accumulated amortisation at 1 January | 12 280 | 8 630 | 12 280 | 8 630 |
| Amortisation and impairment | 3 701 | 3 650 | 3 701 | 3 650 |
| Accumulated amortisation of disposed items | | | | |
| Accumulated amort. and impairmt. at 31 December | 15 981 | 12 280 | 15 981 | 12 280 |
| Book value at 31 December | 26 763 | 30 464 | 26 763 | 30 464 |

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

| Customer and supplier files and relationships | IDEX group | | IDEX ASA | |
|--|-----------------------|----------|-----------------------|----------|
| Amounts in NOK 1,000 | 2018 | 2017 | 2018 | 2017 |
| <i>Amortisation period (straight line, years)</i> | <i>not applicable</i> | <i>3</i> | <i>not applicable</i> | <i>3</i> |
| Cost at 1 January | | 1 180 | | 1 180 |
| Additions | | | | |
| Disposals at cost | | (1 180) | | (1 180) |
| Cost at 31 December | 0 | 0 | 0 | 0 |
| Accumulated amortisation at 1 January | | 1 180 | | 1 180 |
| Amortisation and impairment | | | | |
| Accumulated amortisation of disposed items | | (1 180) | | (1 180) |
| Accumulated amort. and impairmt. at 31 December | 0 | 0 | 0 | 0 |
| Book value at 31 December | 0 | 0 | 0 | 0 |

Customer files and relationships were acquired in 2013 and depreciated over the estimated economic useful life of 3 years.

The capitalised acquired patents remain intact and in use. IDEX is not aware of any circumstances that indicate that these other intangible assets may be impaired at the date of these financial statements.

11. Tangible fixed assets

| Total tangible fixed assets | IDEX group | | IDEX ASA | |
|---|---------------|---------------|--------------|--------------|
| Amounts in NOK 1,000 | 2018 | 2017 | 2018 | 2017 |
| <i>Depreciation period (straight line), years</i> | <i>3-5</i> | <i>3-5</i> | <i>3-5</i> | <i>3-5</i> |
| Cost at 1 January | 14 675 | 11 227 | 2 236 | 3 077 |
| Additions | 9 016 | 6 857 | | 69 |
| Disposals at cost | (222) | (3 072) | (222) | (910) |
| Currency adjustment | 1 192 | (322) | | |
| Cost at 31 December | 24 661 | 14 675 | 2 014 | 2 236 |
| Accumulated depreciation at 1 January | 6 673 | 6 532 | 1 548 | 1 730 |
| Depreciation | 3 153 | 2 828 | 302 | 487 |
| Accumulated depreciation of disposed items | (197) | (2 470) | (197) | (669) |
| Currency adjustment | 442 | (217) | | |
| Accumulated depreciation at 31 December | 10 071 | 6 673 | 1 653 | 1 548 |
| Book value at 31 December | 14 590 | 8 002 | 361 | 688 |

There were investments in progress at the end of 2018 amounting to NOK 7,051 thousand (2017: nil).

| Plant and machinery, fixtures and fittings | IDEX group | | IDEX ASA | |
|---|--------------|--------------|------------|------------|
| Amounts in NOK 1,000 | 2018 | 2017 | 2018 | 2017 |
| <i>Depreciation period (straight line), years</i> | <i>3-5</i> | <i>3-5</i> | <i>3-5</i> | <i>3-5</i> |
| Cost at 1 January | 1 215 | 569 | 115 | 115 |
| Additions | 114 | 1 098 | | |
| Disposals at cost | | (436) | | |
| Currency adjustment | 59 | (16) | | |
| Cost at 31 December | 1 388 | 1 215 | 115 | 115 |
| Accumulated depreciation at 1 January | 202 | 325 | 111 | 108 |
| Depreciation | 309 | 174 | 3 | 3 |
| Accumulated depreciation of disposed items | | (289) | | |
| Currency adjustment | 21 | (8) | | |
| Accumulated depreciation at 31 December | 532 | 202 | 114 | 111 |
| Book value at 31 December | 856 | 1 013 | 0 | 4 |

| Office furniture and office equipment | IDEX group | | IDEX ASA | |
|---|--------------|-------|------------|-------|
| Amounts in NOK 1,000 | 2018 | 2017 | 2018 | 2017 |
| <i>Depreciation period (straight line), years</i> | 3-5 | 3-5 | 3-5 | 3-5 |
| Cost at 1 January | 5 040 | 2 662 | 662 | 900 |
| Additions | 640 | 2 996 | | 69 |
| Disposals at cost | | (524) | | (307) |
| Currency adjustment | 281 | (94) | | |
| Cost at 31 December | 5 960 | 5 040 | 662 | 662 |
| Accumulated depreciation at 1 January | 1 864 | 1 359 | 574 | 636 |
| Depreciation | 1 228 | 984 | 60 | 189 |
| Accumulated depreciation of disposed items | | (441) | | (251) |
| Currency adjustment | 150 | (38) | | |
| Accumulated depreciation at 31 December | 3 242 | 1 864 | 633 | 574 |
| Book value at 31 December | 2 718 | 3 176 | 29 | 88 |

| Instruments and lab equipment, software tools | IDEX group | | IDEX ASA | |
|---|---------------|---------|--------------|-------|
| Amounts in NOK 1,000 | 2018 | 2017 | 2018 | 2017 |
| <i>Depreciation period (straight line), years</i> | 3-5 | 3-5 | 3-5 | 3-5 |
| Cost at 1 January | 8 416 | 7 992 | 1 459 | 2 062 |
| Additions | 1 656 | 2 763 | | |
| Disposals at cost | (222) | (2 127) | (222) | (603) |
| Currency adjustment | 412 | (212) | | |
| Cost at 31 December | 10 262 | 8 416 | 1 237 | 1 459 |
| Accumulated depreciation at 1 January | 4 602 | 4 843 | 863 | 986 |
| Depreciation | 1 616 | 1 670 | 239 | 295 |
| Accumulated depreciation of disposed items | (197) | (1 740) | (197) | (418) |
| Currency adjustment | 275 | (171) | | |
| Accumulated depreciation at 31 December | 6 297 | 4 602 | 906 | 863 |
| Book value at 31 December | 3 965 | 3 814 | 331 | 596 |

12. Subsidiaries

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

| Subsidiaries | Ownership 31 Dec. 2018 | Share of votes 31 Dec. 2018 | Net profit or (loss) 2018 | Equity 31 Dec. 2018 |
|---|---------------------------|--------------------------------|------------------------------|------------------------|
| Amounts in NOK 1,000 | | | | |
| IDEX Holding Company Inc., Delaware, USA | 100 % | 100 % | (2) | (39) |
| IDEX America Inc., Delaware, USA | 100 % | 100 % | 4 852 | 10 692 |
| IDEX Biometrics UK Ltd., England | 100 % | 100 % | 1 048 | 1 574 |
| IDEX Electronics (Shanghai) Co., Ltd, China | 100 % | 100 % | 354 | 754 |
| | 31 Dec. 2017 | 31 Dec. 2017 | 2017 | 31 Dec. 2017 |
| IDEX Holding Company Inc., Delaware, USA | 100 % | 100 % | (2) | (37) |
| IDEX America Inc., Delaware, USA | 100 % | 100 % | 2 241 | 10 097 |
| IDEX Biometrics UK Ltd., England | 100 % | 100 % | 932 | 1 531 |
| IDEX Electronics (Shanghai) Co., Ltd, China | 100 % | 100 % | (5 534) | 752 |

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

IDEX Biometrics UK Ltd. (IDEX UK) was incorporated and commenced operations in 2014. The registered office is in Manchester, England. IDEX UK has taken advantage of section 479a of the UK Companies Act 2006 to be exempt from audit of its financial statements for the calendar year 2017 and 2016.

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

13. Cash and bank deposits

| Cash and bank deposits by currency Amounts in NOK 1,000 | IDEX group | | IDEX ASA | |
|--|---------------|----------------|---------------|----------------|
| | 31 Dec. 2018 | 31 Dec. 2017 | 31 Dec. 2018 | 31 Dec. 2017 |
| Denominated in NOK | 72 201 | 288 591 | 72 201 | 288 591 |
| Denominated in USD | 7 122 | 9 770 | 3 | 3 |
| Denominated in GBP | 3 001 | 2 256 | | |
| Denominated in CNY | 1 390 | 1 488 | | |
| Total | 83 714 | 302 105 | 72 205 | 288 594 |

Of the amounts above, NOK 278 thousand was employees' withheld payroll tax deposits (2017: NOK 642 thousand). Only the withheld payroll tax deposits were restricted. Deposits for rent of facilities or utilities have not been included in bank deposits.

14. Restricted assets

IDEX ASA has placed an amount corresponding to about 6 months' rent and allocations of its leasehold facilities in escrow accounts for the benefit of the respective landlords. At the end of 2018, the escrow accounts amounted to NOK 531 thousand (2017: NOK 528 thousand). Other companies in the group have paid deposits amounting to NOK 738 thousand to suppliers (2017: NOK 723 thousand).

No other assets have been pledged as security or are otherwise restricted. See note 13.

15. Share capital, shareholder information and incentive subscription rights

There is one class of shares, and all shares have equal rights and are freely negotiable. The share capital is fully paid in. The par value of the shares is NOK 0.15 (15 Norwegian øre) per share. At the end of 2018 there were 3,449 shareholder accounts compared to 2,684 at the end of 2017. IDEX does not hold any of its own shares.

Number of shares

| | 2018 | Shares |
|---|------|--------------------|
| Balance at 1 January | | 542 383 105 |
| Share issue (in lieu of cash board remuneration) | | 300 185 |
| Exercises of incentive subscription rights on 8 November | | 1 631 250 |
| Balance at 31 December | | 544 314 537 |
| | 2017 | Shares |
| Balance at 1 January | | 533 780 255 |
| Share issue (in lieu of cash board remuneration) | | 115 350 |
| Exercises of incentive subscription rights on several dates | | 8 487 500 |
| Balance at 31 December | | 542 383 105 |

2018:

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

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

2017:

Three board members took board remuneration partly or fully in shares in lieu of cash, total 115,350 shares were issued against a payment of par value NOK 0.15 per share. Several employees exercised vested incentive subscription rights on several occasions in 2017, in a combined total of 8,487,500 shares at average price NOK 1.59 per share.

Costs related to share issues have been charged against equity and amounted to NOK 190 thousand in 2017.

| Shareholders registered at 31 December 2018 | Number of shares | Percent of shares |
|---|------------------|-------------------|
| The Northern Trust Comp, London Br | 108 420 610 | 19.9% |
| Sundvall Holding As | 56 911 021 | 10.5% |
| Invesco Perpetual High Income Fund | 53 228 391 | 9.8% |
| Charles Street International Ltd | 38 157 236 | 7,0 % |
| Invesco Perpetual Income Fund | 36 771 609 | 6.8% |
| The Northern Trust Comp, London Br | 29 597 688 | 5.4% |
| Euroclear Bank S.A./N.V. | 18 322 210 | 3.4% |
| Colargol Invest As | 15 400 318 | 2.8% |
| Smart Riches Limited | 11 968 240 | 2.2% |
| Citibank, N.A. | 11 097 372 | 2,0 % |
| Bnp Paribas Securities Services | 10 185 704 | 1.9% |
| Six Sis Ag | 6 912 251 | 1.3% |
| Statoil Pensjon | 5 788 694 | 1.1% |
| Marc O Polo Norge As | 4 613 148 | 0.8% |
| Klp Aksjenorge Indeks | 3 493 659 | 0.6% |
| Blue Ocean Marine Invest As | 3 000 000 | 0.6% |
| Rønne,Sven Christian Florus | 2 862 016 | 0.5% |
| Mp Pensjon Pk | 2 593 345 | 0.5% |
| Nordnet Livsforsikring As | 2 419 899 | 0.4% |
| Verdipapirfondet Storebrand | 2 339 104 | 0.4% |
| Others | 120 232 022 | 22.1% |
| Total | 544 314 537 | 100.0 % |

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

| Shares and subscription rights held or controlled by board members, officers and their close relations | 31 December 2018 | | 31 December 2017 | |
|--|------------------|--------------------------|------------------|--------------------------|
| | Shares | Incentive subscr. rights | Shares | Incentive subscr. rights |
| Morten Opstad, chairman | 7 198 916 | | 7 049 196 | |
| Lawrence John Ciaccia, board member (*) | 121 563 | 600 000 | 33 000 | 500 000 |
| Deborah Davis | 199 115 | | 105 891 | |
| Hanne Høvding, board member | 402 665 | | 402 665 | |
| Andrew James MacLeod, board member (*) | 553 475 | 500 000 | 484 800 | 500 000 |
| Stan Swearingen, CPO | 150 000 | 6 815 000 | 50 000 | 2 315 000 |
| Henrik Knudtzon, CFO | 50 000 | 2 290 000 | 50 000 | 2 290 000 |
| Fred Benkley, CTO | 50 000 | 2 600 000 | 50 000 | 1 600 000 |
| Hemant Mardia, former CEO | na | na | 2 175 625 | 3 642 500 |
| Total | 8 725 734 | 12 805 000 | 10 401 177 | 10 847 500 |

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

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

IDEX has the practice of revolving its incentive subscription rights programme at each annual general meeting, when the preceding programme is closed for further grants and a new programme opened. In 2018 the board granted incentive subscription rights to employees and individual contractors under the 2017 programme in the period 1 January-8 May 2018, and made grants under the 2018 programme in the period 9 May-31 December 2018.

Under the 2018 subscription rights-based incentive programme resolved by the annual general meeting on 9 May 2018, the board may grant up to 54,238,310 incentive subscription rights, but limited in such a way that the total number of subscription rights outstanding under all programmes may not exceed 10 per cent of the number of shares. The subscription rights may be granted to employees and individual contractors performing similar work in IDEX. The exercise price shall be minimum the higher of the average closing price of the IDEX share on ten trading days preceding the date of the grant, or the closing price of the IDEX share on the trading day preceding the date of the grant. Unless resolved otherwise by the board, 25 per cent of each grant of subscription rights vest per year. The annual vesting dates are the latest of the following dates before the date of grant of the subscription rights; (i) 15 January, (ii) 15 April, (iii) 15 July or (iv) 15 October. The subscription rights lapse on the fifth anniversary after the annual general meeting that resolved the programme. Grants under programmes for prior years have similar pricing rule, vesting schedule and duration. Unvested subscription rights terminate on the holder's last day of employment. Vested subscription rights may be exercised up to 90 days after the holder's last day of employment. There are no cash settlement alternatives.

| | 2018 | | 2017 | |
|--|-----------------------------|------------------------------------|-----------------------------|------------------------------------|
| Incentive subscription rights movements | Number of subscr. rights | W. average exercise price | Number of subscr. rights | W. average exercise price |
| Outstanding at 1 January | 25 260 000 | 6.64 | 26 037 500 | 4.86 |
| Granted | 23 400 600 | 4.55 | 9 810 000 | 7.16 |
| Exercised* | (1 631 250) | 4.38 | (8 375 000) | 1.52 |
| Forfeited | (2 543 300) | 6.99 | (2 212 500) | 7.40 |
| Expired | (7 015 000) | 6.02 | | |
| Outstanding at 31 December | 37 471 050 | 5.52 | 25 260 000 | 6.64 |
| Number which were exercisable at 31 December | 6 037 500 | 6.88 | 9 716 250 | 5.81 |
| | Number of subscr. rights | W. avg. share price at exercise | Number of subscr. rights | W. avg. share price at exercise |
| Subscription rights exercised in the year | 1 631 250 | 4.77 | 8 375 000 | 7.64 |
| | Number of subscr. rights | W. average fair value of SR | Number of subscr. rights | W. average fair value of SR |
| Subscription rights granted in the year | 23 400 600 | 4.55 | 9 810 000 | 2.94 |

* 125,000 subscription rights exercised on 30 December 2016, and the shares were issued in 2017.

The fair value of the subscription rights granted in the year has been calculated by use of the Black & Scholes option pricing model applying the following assumptions applied in 2018:

- Exercise price NOK 4.28-5.12 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 per cent
- Weighted average risk-free interest rate of 1.16 per cent
- No expected dividend payment
- Actual population of subscription rights holders, no attrition

Outstanding and vested incentive subscription rights at 31 December 2018

| Outstanding subscription rights | | | | | Vested subscription rights | | |
|---------------------------------|--|--|---|--|---------------------------------------|--|---|
| Exercise price NOK | Number of outstanding subscr. rights | Weight. aver. exercise price NOK | Weight. aver. remaining duration Years | Weight. aver. remain. time to vesting Years | Number of vested subscr. rights | Weight. aver. exercise price NOK | Weight. aver. remaining duration Years |
| 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 |
| 7,00 - 7,50 | | | | - | | | |
| 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 |
| 8,50 - 9,00 | | | | - | | | |
| 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 | 37 471 050 | 5.52 | 3.46 | 1,36 | 6 037 500 | 6.88 | 2,00 |

16. Board authorisations to issue shares or acquire own shares

The board has been authorised by the respective annual general meetings to issue shares upon exercise of incentive subscription rights granted under the various incentive subscription rights programmes. See note 15.

Only additional authorisations valid on 31 December 2018 have been included below. The authorisations were resolved at the annual general meeting 2018 and are valid until the annual general meeting 2019 but no longer than 30 June 2019.

| Purpose of the authorisation | Authorised number of shares | Issued number of shares |
|---|-----------------------------|-------------------------|
| Private placement of shares to raise additional capital * | 54 238 310 | 0 |
| Issue of shares in a rights issue to raise additional capital * | 54 238 310 | 0 |

* The combined issue under these two authorisations may not exceed 54,238,310 shares.

There were no authorisations to acquire own shares in effect at the end of 2018.

17. Receivables; Contingent assets

| Long-term receivables | IDEX group | | IDEX ASA | |
|-----------------------|--------------|--------------|--------------|--------------|
| Amounts in NOK 1,000 | 31 Dec. 2018 | 31 Dec. 2017 | 31 Dec. 2018 | 31 Dec. 2017 |
| Denominated in NOK | 531 | 528 | 531 | 528 |
| Denominated in CNY | 249 | 222 | | |
| Denominated in GBP | 267 | 266 | | |
| Denominated in USD | 222 | 235 | | |
| Total | 1 269 | 1 251 | 531 | 528 |

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

| Long-term loans to group companies | IDEX ASA | |
|------------------------------------|---------------|---------------|
| Amounts in NOK 1,000 | 31 Dec. 2018 | 31 Dec. 2017 |
| Denominated in NOK | | |
| Denominated in CNY | | |
| Denominated in GBP | 6 920 | 6 686 |
| Denominated in USD | 20 692 | 12 691 |
| Total | 27 611 | 19 377 |

| Customer receivables | IDEX group and IDEX ASA | | | | |
|---------------------------|---|----------|----------|----------|------------|
| Amounts in NOK 1,000 | NOK equivalent of amounts denominated in foreign currency | | | | |
| 31 December 2018 | Total in NOK | CNY | EUR | GBP | USD |
| Due in less than 3 months | 339 | | | | 339 |
| Due in 3-6 months | 0 | | | | |
| Due in 6-12 months | 0 | | | | |
| Total | 339 | 0 | 0 | 0 | 339 |
| 31 December 2017 | Total in NOK | CNY | EUR | GBP | USD |
| Due in less than 3 months | 550 | | | | 550 |
| Due in 3-6 months | 0 | | | | |
| Due in 6-12 months | 0 | | | | |
| Total | 550 | 0 | 0 | 0 | 550 |

Customer receivables amounting to the equivalent of NOK 46 thousand were overdue and the potential loss had been accrued for at the end of 2018 and 2017.

**Short-term receivables
from group companies**

Amounts in NOK 1,000

IDEX ASA

NOK equivalent of amounts denominated in foreign currency

| 31 December 2018 | Total in NOK | CNY | EUR | GBP | USD |
|-------------------------|---------------------|------------|------------|------------|------------|
| Total | 1 192 | 505 | 0 | 687 | 0 |

| 31 December 2017 | Total in NOK | CNY | EUR | GBP | USD |
|-------------------------|---------------------|------------|------------|------------|------------|
| Total | 1 548 | 883 | 0 | 665 | 0 |

Other short-term receivables

Amounts in NOK 1,000

IDEX group

NOK equivalent of amounts denominated in foreign currency

| 31 December 2018 | Total in NOK | CNY | EUR | GBP | USD |
|---------------------------|---------------------|------------|------------|------------|------------|
| Due in less than 3 months | 684 | (49) | | 487 | |
| Due in 3-6 months | 0 | | | | |
| Due in 6-12 months | 5 000 | | | | |
| Total | 5 684 | (49) | 0 | 487 | 0 |

| 31 December 2017 | Total in NOK | CNY | EUR | GBP | USD |
|---------------------------|---------------------|------------|------------|------------|------------|
| Due in less than 3 months | 1 239 | (81) | | | 604 |
| Due in 3-6 months | 0 | | | | |
| Due in 6-12 months | 5 000 | | | | |
| Total | 6 239 | (81) | 0 | 0 | 604 |

Other short-term receivables

Amounts in NOK 1,000

IDEX ASA

NOK equivalent of amounts denominated in foreign currency

| 31 December 2018 | Total in NOK | CNY | EUR | GBP | USD |
|---------------------------|---------------------|------------|------------|------------|------------|
| Due in less than 3 months | 246 | | | | |
| Due in 3-6 months | 0 | | | | |
| Due in 6-12 months | 5 000 | | | | |
| Total | 5 246 | 0 | 0 | 0 | 0 |

| 31 December 2017 | Total in NOK | CNY | EUR | GBP | USD |
|---------------------------|---------------------|------------|------------|------------|------------|
| Due in less than 3 months | 930 | | | | 604 |
| Due in 3-6 months | 0 | | | | |
| Due in 6-12 months | 5 000 | | | | |
| Total | 5 930 | 0 | 0 | 0 | 604 |

No group or other receivables were overdue at the end of 2018 or 2017. In 2017 IDEX ASA raised a claim against a vendor and recognised an accounting provision for a potential loss on the claim.

Prepayments

Amounts in NOK 1,000

IDEX group

NOK equivalent of amounts denominated in foreign currency

| 31 December 2018 | Total in NOK | CNY | EUR | GBP | USD |
|---------------------------|---------------------|------------|------------|------------|------------|
| Due in less than 3 months | 2 444 | 237 | | 847 | 677 |
| Due in 3-6 months | 2 378 | 16 | | 536 | 1 785 |
| Due in 6-12 months | 706 | 6 | | 546 | 140 |
| Total | 5 529 | 259 | 0 | 1 929 | 2 602 |

| 31 December 2017 | Total in NOK | CNY | EUR | GBP | USD |
|---------------------------|---------------------|------------|------------|------------|------------|
| Due in less than 3 months | 1 953 | 263 | | 655 | 598 |
| Due in 3-6 months | 461 | | | 265 | 35 |
| Due in 6-12 months | 914 | | 312 | 210 | 70 |
| Total | 3 327 | 263 | 312 | 1 130 | 703 |

| Prepayments | | IDEX ASA | | | |
|---------------------------|--------------|---|-----|-----|-----|
| Amounts in NOK 1,000 | | NOK equivalent of amounts denominated in foreign currency | | | |
| 31 December 2018 | Total in NOK | CNY | EUR | GBP | USD |
| Due in less than 3 months | 1 252 | | | 272 | 296 |
| Due in 3-6 months | 232 | | | 149 | 42 |
| Due in 6-12 months | 271 | | | 243 | 14 |
| Total | 1 755 | 0 | 0 | 663 | 353 |
| | | | | | |
| 31 December 2017 | Total in NOK | CNY | EUR | GBP | USD |
| Due in less than 3 months | 642 | | | 147 | 58 |
| Due in 3-6 months | 233 | | | 72 | |
| Due in 6-12 months | 634 | | 312 | | |
| Total | 1 508 | 0 | 312 | 219 | 58 |

IDEX had no contingent assets at the end of 2018 or 2017.

18. Payables; Financial obligations; Contingent liabilities

The group or IDEX ASA did not have any liabilities at 31 December 2018 which represented a funding or financing instrument (2017: nil). All liabilities are payables and operational of nature. Interest expenses in 2018 and 2017 related only to penalty interest for payments where IDEX has accepted such charges.

| Long-term payables | | IDEX group | | IDEX ASA | |
|---|--|--------------|--------------|--------------|--------------|
| Amounts in NOK 1,000 | | 31 Dec. 2018 | 31 Dec. 2017 | 31 Dec. 2018 | 31 Dec. 2017 |
| Later than one year and not later than five years | | 0 | 3 270 | 0 | 3 270 |
| Later than five years | | | | | |
| Total | | 0 | 3 270 | 0 | 3 270 |

In 2017, IDEX ASA's payable was denominated in USD and relates to an acquisition of IP in 2014. It was held at net present value (rate 12 per cent p.a.).

| Accounts payable | | IDEX group | | | |
|---------------------------|--------------|---|-----|-------|-------|
| Amounts in NOK 1,000 | | NOK equivalent of amounts denominated in foreign currency | | | |
| 31 December 2018 | Total in NOK | CNY | EUR | GBP | USD |
| Due in less than 3 months | 5 126 | | 303 | 1 015 | 3 454 |
| Due in 3-6 months | 0 | | | | |
| Due in 6-12 months | 0 | | | | |
| Total | 5 126 | 0 | 303 | 1 105 | 3 454 |
| | | | | | |
| 31 December 2017 | Total in NOK | CNY | EUR | GBP | USD |
| Due in less than 3 months | 3 052 | | 216 | 373 | 2 078 |
| Due in 3-6 months | | | | | |
| Due in 6-12 months | | | | | |
| Total | 3 052 | 0 | 216 | 373 | 2 078 |

| Accounts payable | | IDEX ASA | | | |
|---------------------------|--------------|---|-----|-----|-------|
| Amounts in NOK 1,000 | | NOK equivalent of amounts denominated in foreign currency | | | |
| 31 December 2018 | Total in NOK | CNY | EUR | GBP | USD |
| Due in less than 3 months | 4 080 | | 303 | 771 | 2 653 |
| Due in 3-6 months | 0 | | | | |
| Due in 6-12 months | 0 | | | | |
| Total | 4 080 | 0 | 303 | 771 | 2 653 |
| | | | | | |
| 31 December 2017 | Total in NOK | CNY | EUR | GBP | USD |
| Due in less than 3 months | 1 494 | | 216 | 221 | 672 |
| Due in 3-6 months | 0 | | | | |
| Due in 6-12 months | 0 | | | | |
| Total | 1 494 | 0 | 216 | 221 | 672 |

No payables were overdue without reason at the end of 2018 or 2017.

| Short-term payables to group companies | | IDEX ASA | | | |
|---|--------------|---|-----|-------|--------|
| Amounts in NOK 1,000 | | NOK equivalent of amounts denominated in foreign currency | | | |
| 31 December 2018 | Total in NOK | CNY | EUR | GBP | USD |
| Due in less than 3 months | 32 810 | 1 963 | | 7 266 | 23 581 |
| Due in 3-6 months | 0 | | | | |
| Due in 6-12 months | 0 | | | | |
| Total | 32 810 | 1 963 | 0 | 7 266 | 23 581 |
| 31 December 2017 | Total in NOK | CNY | EUR | GBP | USD |
| Due in less than 3 months | 20 309 | 722 | | 4 928 | 14 659 |
| Due in 3-6 months | 0 | | | | |
| Due in 6-12 months | 0 | | | | |
| Total | 20 309 | 722 | 0 | 4 928 | 14 659 |

The estimated employer's tax liability related to share-based remuneration which on 31 December 2018 amounted to NOK 0 thousand for the IDEX group as well as IDEX ASA (2017: NOK 179 thousand), will be due only if and when the incentive subscription rights are exercised. The exercise will in all likely circumstances normally fund the payable employer's tax.

| Other short-term liabilities | | IDEX group | | | |
|------------------------------|--------------|---|-----|-------|--------|
| Amounts in NOK 1,000 | | NOK equivalent of amounts denominated in foreign currency | | | |
| 31 December 2018 | Total in NOK | CNY | EUR | GBP | USD |
| Due in less than 3 months | 14 971 | 299 | 338 | 1 717 | 11 373 |
| Due in 3-6 months | 1 185 | 13 | | | |
| Due in 6-12 months | 7 573 | | | 236 | 6 492 |
| Total | 23 729 | 311 | 338 | 1 980 | 17 864 |
| 31 December 2017 | Total in NOK | CNY | EUR | GBP | USD |
| Due in less than 3 months | 9 947 | 83 | 253 | 417 | 5 235 |
| Due in 3-6 months | 6 697 | | | 167 | 2 722 |
| Due in 6-12 months | 3 663 | | | | 3 663 |
| Total | 20 307 | 83 | 253 | 584 | 11 620 |

| Other short-term liabilities | | IDEX ASA | | | |
|------------------------------|--------------|---|-----|-----|-------|
| Amounts in NOK 1,000 | | NOK equivalent of amounts denominated in foreign currency | | | |
| 31 December 2018 | Total in NOK | CNY | EUR | GBP | USD |
| Due in less than 3 months | 7 455 | | 338 | 56 | 5 817 |
| Due in 3-6 months | 1 172 | | | | |
| Due in 6-12 months | 4 403 | | | | 3 584 |
| Total | 13 030 | 0 | 338 | 56 | 9 401 |
| 31 December 2017 | Total in NOK | CNY | EUR | GBP | USD |
| Due in less than 3 months | 7 691 | | 253 | 1 | 3 478 |
| Due in 3-6 months | 3 808 | | | | |
| Due in 6-12 months | 3 663 | | | | 3 663 |
| Total | 15 162 | 0 | 253 | 1 | 7 141 |

Other short-term liabilities are accruals for earned compensation, vacation days not taken and accruals for goods and services received but not yet invoiced by the supplier.

IDEX had no other significant short-term or long-term financial obligations at the end of 2017 or 2016.

The parent company's leasehold agreement for about 300 sqm office at Fornebu ends in December 2019. IDEX America rents about 1,300 sqm office in Wilmington, Massachusetts under a leasehold agreement since August 2017 until November 2020. IDEX America also rents about 800 sqm office and laboratory in Rochester, New York under a leasehold agreement that commenced in April 2017 and ends in April 2020. IDEX China rents about 300 sqm office in Pudong, Shanghai. The current leasehold agreement commenced in September 2017. IDEX UK rents about 300 sqm office and lab space in Farnborough, Hampshire under an agreement with a minimum term until June 2020. All agreements are with the respective landlords and IDEX does not sublet to any other company. The rents are fixed in the sense that they are not variable with IDEX's turnover or similar. The total leasehold costs in 2018 amounted to NOK 7 048 thousand for the group including NOK 760 thousand for IDEX ASA (2017: NOK 5,562 thousand and NOK 746 thousand respectively).

Minimum future lease/rental payments

| Amounts in NOK 1,000 | IDEX group | IDEX ASA |
|---|------------|----------|
| Not later than one year | 8 027 | 891 |
| Later than one year and not later than five years | 4 074 | 0 |
| Later than five years | 0 | 0 |

IDEX had no contingent liabilities at the end of 2018 or 2017.

19. Inventory

| Inventory | IDEX group | | IDEX ASA | |
|----------------------|---------------|--------------|---------------|--------------|
| Amounts in NOK 1,000 | 31 Dec. 2018 | 31 Dec. 2017 | 31 Dec. 2018 | 31 Dec. 2017 |
| Inventory at cost | 19 117 | 15 753 | 19 117 | 15 753 |
| Inventory reserve | (8 954) | (6 498) | (8 954) | (6 498) |
| Total | 10 164 | 9 255 | 10 164 | 9 255 |

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.

20. Events after 31 December 2018

On 30 January 2019 IDEX disclosed completion of a private placement raising NOK 214 million from existing shareholders. A total of 53,437,500 shares was issued at a price of 4.00 NOK per share. The capital issue was covered by the board's authorization to issue up to 10% new shares as resolved by the 2018 AGM on 9 May 2018.

The board of directors of IDEX resolved on 26 February 2019 to issue 873,800 incentive subscription rights to employees and individual contractors in the IDEX group. The grant was made under the company's 2018 incentive subscription rights plan as resolved at the annual general meeting on 9 May 2018. The exercise price of the subscription rights is NOK 3.88 per share. The subscription rights vest by 25% per year and expire on 9 May 2023. Following the grant there will be 38,344,850 subscription rights outstanding.

Between 31 December 2018 and the resolution of these annual financial statements, there have not been any events that have had any noticeable impact on IDEX's result in 2018 or the value of the groups's assets and liabilities at 31 December 2018.

RESPONSIBILITY STATEMENT

The board and the managing director have today reviewed and approved this report from the board of directors as well as the annual financial statements for the IDEX group and the parent company IDEX ASA as at 31 December 2018.

The consolidated annual financial statements and the annual financial statements for IDEX ASA have been prepared in accordance with IFRS as adopted by the EU and the additional requirements in the Norwegian accounting act. The notes are an integral part of the respective financial statements. The report from the board of directors have been prepared in accordance with the Norwegian accounting act and generally accepted accounting practice in Norway.

We confirm, to the best of our knowledge, that the information presented in the financial statements gives a true and fair view of the group's and the parent company's assets, liabilities, financial position and result for the period viewed in their entirety, and that the report from the board of directors gives a true and fair view of the development, performance and financial position of the group and the parent company, and includes a description of the principal risks and uncertainties which the group and the parent company are facing.

Farnborough, UK 10 April 2019
The board of directors of IDEX ASA



Morten Opstad
Chairman



Lawrence John Ciaccia
Board member



Deborah Davis
Board member



Hanne Høvding
Board member



Andrew James MacLeod
Board member



Stanley Swearingen
CEO



Statsautoriserte revisorer
Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of IDEX ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of IDEX ASA, which comprise the financial statements for the parent company and the Group. The financial statements for the parent company and the Group comprise the statement of financial position as at 31 December 2018, the statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2018 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Assessment of impairment of intangible assets

Intangible assets amount to NOK 35 million as of 31 December 2018, whereof goodwill amounts to NOK 8.3 million and acquired patents NOK 26.7 million. The recoverable amount of the intangible assets has been determined based on value in use. Estimating the value in use requires management judgement, including estimates of future revenues, gross margins, operating costs and capital expenditures. Management's assessment of the valuation of intangible assets was a key audit matter because the assessment requires significant judgement and implies significant estimation uncertainties.



We evaluated management's assessment of impairment indicators for the intangible assets. We tested management's assumptions used in the value in use calculations and assessed the historical accuracy of management's estimates. This included comparing projected revenues, gross margin, operating costs and capital expenditures to budgets approved by the Board. We also evaluated the level of consistency applied in the valuation methodology from previous years. Our audit procedures also included testing of the mathematical accuracy of the valuation model and an evaluation of the sensitivity analyses disclosed by management.

We refer to note 10 of the financial statements regarding intangible assets.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;



- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- ▶ obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

**Opinion on registration and documentation**

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 10 April 2019
ERNST & YOUNG AS

Leiv Aschehoug
State Authorised Public Accountant (Norway)

ARTICLES OF ASSOCIATION

ARTICLES OF ASSOCIATION OF IDEX ASA, corp.ID. no. NO 976 846 923 VAT

(last amended on 25 January 2019)

- § 1 The name of the company is IDEX ASA and it is a public limited company.
- § 2 The objective of the Company is to deliver identification systems and other activities related to this.
- § 3 The business offices are in the Bærum municipality, Norway.
- § 4 The company's shares shall be registered in the Norwegian Registry of Securities.
- § 5 The share capital is NOK 89,662,805.55 divided into 597,752,037 shares each with a nominal value of NOK 0.15 per share and issued in name.
- § 6 The board of the Company consists of from three to seven members in accordance with the annual general meeting's instruction.
- § 7 The annual general meeting shall convene in or near Oslo at the board's decision, and shall consider:
- Determination of the annual financial statements
 - Appropriation of (net) profit or covering of losses
 - Election of chairman of the board and board members
 - Election of chairman and members of the nomination committee
 - Election of auditor
 - Determination of remuneration to the board of directors, members of the nomination committee and the auditor
 - Other matters which are governed by law
 - Other matters which are mentioned in the notice of the annual general meeting.
- § 8 a. The company shall have a nomination committee. The nomination committee shall have three members, including a chairman. Members of the nomination committee shall be elected by the annual general meeting for a term of two years.
- b. The nomination committee shall:
- Propose candidates for election to the board of directors
 - Propose the remuneration to be paid to the board members
 - Propose candidates for election to the nomination committee
 - Propose the remuneration to be paid to the nomination committee members
- c. The guidelines for the nomination committee shall be resolved by the annual general meeting.
- § 9 Documents which timely have been made available on the Internet site of the company and which deal with matters that are to be considered at the general meeting need not be sent to the company's shareholders.
- § 10 As a general rule, the company's general meetings shall be conducted in Norwegian. The general meeting may however resolve by a simple majority vote that English shall be used. Shareholders may present their points of view in the Norwegian or English language.
- § 11 A shareholder who wishes to attend the general meeting, in person or by proxy, shall notify his/her attendance to the company no later than 2 days prior to the general meeting. If the shareholder does not notify the company of his/her attendance in a timely manner, the company may deny him/her access to the general Meeting.

CORPORATE GOVERNANCE

Resolved by the board of directors of IDEX ASA on 10 April 2019

1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

This statement outlines the position of IDEX ASA ("the Company") in relation to the recommendations contained in the Norwegian Code of Practice for Corporate Governance dated 17 October 2018 ("the Code"). The Code is publicly available at www.nues.no. In the following, the Board of Directors (the "Board")

will address each recommendation of the Code and identify any areas where the Company does not fully comply with the recommendations and explain the underlying reasons for the deviations and any compensating measures where applicable.

2. IDEX'S BUSINESS

In the articles of association, the Company's business is defined as "The objective of the Company is to deliver identification systems and other activities related to this."

The Company's business goals and key strategies are stated in a business plan adopted by the Board. The plan is reviewed and revised annually by the Board. The business goals and key strategies are presented in the annual report.

IDEX seeks to create sustained shareholder value. The Company makes every effort to comply with the wording and intent of the laws, rules and regulations in the countries and markets where it operates. IDEX is not aware of being or having been in breach of any such statutory laws, rules or regulations. The Company pays due respect to the norms of the various stakeholders in

the business. In addition to the shareholders, the Company considers its employees, the Company's business partners, the society in general and the authorities as stakeholders. IDEX is committed to maintain a high standard of corporate governance, be a good corporate citizen and demonstrate integrity and high ethical standards in all its business dealings.

The Board considers that in the present organization the Board and the management have adequate monitoring and control systems in place to ensure insight in and control over the activities. The Board has resolved ethical guidelines which apply to all employees, consultants and contractors as well as the elected board members. The ethical guidelines also incorporate the Company's guidelines on corporate social responsibility. The guidelines are available on the Company's website, www.idexbiometrics.com.

3. CAPITAL STRUCTURE, EQUITY AND DIVIDENDS

IDEX has until now been a development company and consequently funded on equity. The Board is aware of and acknowledges the equity requirements and duty of action in connection with loss of equity, as set out in the Norwegian Public Limited Companies Act (the "PLCA"). The capital structure will change in the commercial growth stage. IDEX's working capital and fixed assets will need to be funded by a combination of supplier credit and borrowing from financial lenders.

The Board will target an optimal capital structure that leverages the equity while maintains a moderate risk.

In the past, the Company has on several occasions been in need of raising equity to fund its activities. Share issues, hereunder private placements, have been resolved by the shareholders at general meetings or by the Board pursuant to authorizations from the general meeting. The Board has annually proposed to the

general meeting reasonable authorizations for share issues. Such board authorizations have explicitly stated the type and purposes of transactions in which the authorizations may be applied.

Proposed authorizations to issue shares have been considered and voted separately by each type and purpose. The Board authorizations to issue shares have been valid until the next annual general meeting, as recommended by the Code. The proposals have been approved by the shareholders.

Further, the Company has in place a moderate incentive scheme in the form of a subscription right program, as resolved by the general meeting. The subscription right program is limited to a number of subscription rights representing 10% of the Company's share capital.

The Company has not had in place any authorization to the Board to acquire own shares. As and when such authorization should be adopted, the Board will propose that the length of the authorization be limited to a period ending at the next annual general meeting of shareholders.

IDEX has not as yet declared or paid any dividends on its shares. The Company does not anticipate paying any cash dividends on its shares in the next few years. IDEX intends to retain future earnings, if any, to finance operations and the growth of its business. Any future decision to pay dividends would be based on an amended dividend policy that may be instituted in due course, which policy would reflect the Company's financial condition, results of operation and capital requirements.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

The Company places great emphasis on ensuring equal treatment of its shareholders. There are no trading restrictions or limitations relating only to non-residents of Norway under the articles of association.

In the authorizations to issue new shares where the shareholders resolve to waive the pre-emptive rights of existing shareholders, the rationale for doing so shall be included as part of the decision material presented to the general meeting. If and when such transactions are conducted, the justification will also be included in the announcements to the market.

All related-party transactions, whether completed, in effect or future, have been and will be carried out on arm's length basis. Any not immaterial future related-party transactions shall be subject to an independent third-party valuation unless the transaction by law requires shareholder approval. The Company takes legal and financial advice on these matters when relevant.

There are no clauses in the articles of association about trading in the Company's own shares, nor has the general meeting issued any such authorizations.

5. FREELY NEGOTIABLE SHARES

The Company has one class of shares. Each share carries one vote. There are no restrictions on voting rights of the shares. All shares are freely assignable. The

articles of association do not contain any restrictions on the shares.

6. GENERAL MEETINGS

The general meeting of shareholders provides a forum for shareholders to raise issues with the Board. To the maximum degree possible, all members of the Board and the chairman of the nomination committee shall be present at the general meeting. The Company's CEO

and the auditor shall also be present at the general meeting. The shareholders elect a person to chair the general meeting. The Board will arrange for an independent candidate if so requested by shareholders. Notice of a meeting of the shareholders shall be sent in

a timely manner, and the Company shall issue the notice and documents for a general meeting, including the proxy form, no later than 21 days before the date of the general meeting. Foreign residents will receive the notice and any documents in English. The documents shall be precise and comprehensive to provide shareholders a basis for voting on the various matters. The articles of association states that documents which deal with matters that are to be handled at the general meeting need not be sent to the shareholders if the documents timely have been made available on the Company's web site.

The Board endeavours to provide comprehensive information in relation to each agenda item in order to facilitate constructive discussions and informed resolutions at the meeting.

The notice will also provide information on the procedures shareholders must observe in order to

participate in and vote at the general meeting. Shareholders who are unable to attend in person will be provided the option to vote by proxy in favor or against each of the Board's proposals. The notice shall contain a proxy form as well as information of the procedure for proxy representation. Electronic voting or advance votes have not been introduced in the articles of association because there are as yet limited, if any, reliable systems or practices for such voting. At the meeting, votes shall be cast separately on each subject and for each office/candidate in the elections. Consequently, the proxy form shall to the extent possible, facilitate separate voting instructions on each subject and on each office/candidate in the elections. The notice, as well as the Company's website, will set out that the shareholders have the right to propose resolutions in respect of matters to be dealt with at the general meeting.

7. NOMINATION COMMITTEE

The nomination committee is implemented in the Company's articles of association, and the mandate for the nomination committee has been resolved by the annual general meeting. The mandate is compliant with the current version of the Code. The annual general meeting elects the chairman and two committee members. No current board member or IDEX executive is a member of the nomination committee. The current chairman of the nomination committee was formerly a board member of the Company.

The mandate states that the nomination committee shall comply with the relevant sections in the Code. The nomination committee shall prepare and present proposals to the annual general meeting in respect of the following matters:

- Propose candidates for election to the Board.
- Propose the remuneration to be paid to the Board members.
- Propose candidates for election to the nomination committee.
- Propose the remuneration to be paid to the nomination committee members.

The nomination committee shall give a brief account of how it has carried out its work and shall substantiate its recommendations.

Information about the nomination committee, including deadlines and contact details, is available on the Company's web site.

8. BOARD OF DIRECTORS; COMPOSITION AND INDEPENDENCE

The Board acknowledges the Code's recommendation that the majority of the members of the Board shall be independent of the Company's executive management, material business contacts and the company's larger shareholders. This is intended to ensure that sufficient independent advice and judgment is brought to bear. All board members are required to make decisions

objectively in the best interest of the Company. The majority of the current Board meets the independence criteria of the Code. The Board meets the statutory gender requirements. The Board's attendance statistics is included in the presentation of the Board members in the annual report.

The articles of association state that there shall be from three to seven board members. The service period is not stated in the articles, hence the Board members stand for election every two years pursuant to the provisions of the PLCA. It follows from the articles of association that the chairman of the Board shall be elected separately.

The Board considers that it is beneficial for the Company and its shareholders at large that the Board

members hold shares in the Company and encourages such share ownership.

The Board pays attention to ensure that ownership shall not in any way affect or interfere with proper performance of the fiduciary duties which the Board members and the management owe the Company and all shareholders. As and when appropriate, the Board takes independent advice in respect of its procedures, corporate governance and other compliance matters.

9. THE WORK OF THE BOARD OF DIRECTORS

The division of responsibility and duties between the Board and the managing director is based on applicable laws and well-established practices, which have been stated in board instructions in accordance with the PLCA. The Board instructions also set out the number of scheduled Board meetings per year and the procedures in connection with the Board's work and meetings.

The Board instructions state that the Board has the ultimate responsibility for the organization and planning of the Company, as well as a control and supervisory function, hereunder a duty to keep itself informed. The Board shall appoint the managing director and determine his or her remuneration and also possibly give notice or dismiss the managing director. The Board shall ensure that the organization of the accounting and funds management includes adequate control procedures. The Board shall monitor and follow-up the status and development of the Company's operational, financial and other results.

The Board will set out an annual plan for its work, focusing on business goals and key strategies, cf. Section 2 above. The Board instructions also list inter alia the following tasks:

- Issue interim and annual financial statements and other statutory reports;
- Issue notice of the annual general meeting;
- Resolve the annual plan and budget, including capital expenditure budget;
- Resolve investment in and disposals of subsidiaries and associated companies, and in real estate;
- Resolve and issue guarantees and other commitments and the pledging of assets;

- Resolve customer-related or revenue-generating agreements as well as other agreements and activities which are significant and would be expected to have a significant impact on the Company's results and financial position; and
- Determine whether legal proceedings should be commenced or settled.

The Board instructions state that in situations when the chairman cannot or should not lead the work of the Board, the deputy chairman shall chair the Board. If the deputy chairman is also prevented from chairing the meeting, the longest-serving board member present shall chair the meeting until an interim chairman has been elected by and among the board members present.

The Board conducts a self-evaluation of its performance and expertise annually.

With a compact Board of five members and in view of the size of the Company, the Board has not to date determined a need for sub-committees. The future need for any sub-committees is considered at least annually in connection with the annual review of the Company's corporate governance.

IDEX is not obliged to have a separate audit committee and in view of the small number of Board members, the Board holds the opinion that the audit committee shall consist of all Board members who are not also executives or have similar roles in the Company. The Board instructions include instructions for the audit committee.

Members of the Board and the management are obliged to notify the Board if they have any material

direct or indirect interest in any transaction contemplated or entered into by the Company or any other matter that will be considered by the Board.

10. RISK MANAGEMENT AND INTERNAL CONTROL

The Board has adopted rules and guidelines regarding, amongst other matters, risk management and internal control. The rules and guidelines duly take into account the extent and nature of the Company's activities as well as the Company's corporate values and ethical guidelines, including corporate social responsibility. The Board conducts an annual review of the Company's most important areas of exposure to risk and its internal control arrangements, including the reporting procedures.

In view of the size of the Company and the number of Board members, the Board has chosen to elect the full Board to constitute the audit committee. The audit committee policies and activities are compliant with the PLCA.

IDEX issues interim financial reports each quarter and an annual financial report. The accounting policies applied when preparing the reports satisfy regulatory requirements. The Board reviews monthly financial reports for the group, comparing actual results to budget or plan. The size of the Company's operation and staff numbers necessarily leads to dependence on key individuals. However, the same factors also provide for transparency and inherent risk reduction. The subsidiaries are operationally integrated in the parent company, and the group works as one, unified company with staff on several sites. Legal and financial interaction between group companies is conducted on arm's length terms.

IDEX's activities and financials are controlled by the parent company. The audit committee regularly meets

separately with the external auditor to review risk factors and measures, and any incidents and issues. The audit committee reviews all interim and annual financial reports before resolution by the Board. The Board has resolved a financial manual, which sets out policies and procedures for financial management and reporting in the group. This manual provides instructions for financial planning, treasury, accounting and reporting. It is reviewed annually by the audit committee, and updated as and when appropriate. The Board acknowledges that, having operations spread over four sites on three continents outside Norway, business control is a practical challenge. In addition to the financial framework and systems, IDEX has implemented comprehensive IT systems and quality management systems and standardised operating procedures which ensures adequate business controls.

IDEX does not operate a separate internal audit function. The CFO department conducts internal reviews of the group companies. Each review is conducted by a staff member not involved in transaction processing in the entity in question, and the findings are reported to the audit committee.

As regards share trading by IDEX's Board members, employees and individual contractors, as well as their close relations and controlled entities, the Board has adopted an insider manual with ancillary documents. The insider manual is intended to ensure that, among other things, trading in the Company's shares by insiders are conducted in accordance with applicable laws and regulations.

11. REMUNERATION OF THE BOARD OF DIRECTORS

A reasonable cash remuneration to the Board members for their services from the annual general meeting in 2017 until the annual general meeting in 2018 was proposed to and resolved at the annual general meeting 2018. To lessen the cash outflow and

stimulate shareholding among the Board members, the annual general meeting granted an option for the Board members to receive the remuneration partly or fully in the form of shares. Four of the board members

took up this option in 2018. Amount details are disclosed in the financial statements.

The nomination committee shall propose board remuneration for the period between the annual general meetings of 2018 and 2019. No share-based incentives have been granted as board remuneration. Any Board member performing work for the Company beyond the board duty shall ensure that such assignments do not in any way affect or interfere with proper performance of the fiduciary duties as a board member. Moreover, the Board, without the participation of the interested member, shall approve the terms and conditions of any such arrangements. Adequate information about the remuneration shall be disclosed in the annual financial statements.

Advokatfirmaet Ræder AS, in which IDEX's chairman, Morten Opstad, is a partner, renders legal services to the Company. Generally, such services are largely undertaken by lawyers at Ræder other than Mr. Opstad. In the cases where legal services provided by Ræder are

carried out by Mr. Opstad, such services, which are outside Mr. Opstad's duties as chairman, are invoiced by Ræder. The legal fees to Ræder are disclosed in the financial statements.

Larry Ciaccia, who was re-elected board member at the annual general meeting on 12 May 2017, has served on IDEX's Strategy Advisory Committee (SAC) since January 2014 and continues his tenure on the SAC, for which he is remunerated separately. Mr. Ciaccia also provides consulting services to IDEX for a fixed annual fee, and he has been granted incentive subscription rights in his capacity as adviser to IDEX. The fees and share-based remuneration to Mr. Ciaccia are disclosed in the financial statements.

Board member Andy MacLeod provided until 27 March 2019 consulting services beyond his board duty for a fixed annual fee, and he has been granted incentive subscription rights in his capacity as adviser to IDEX. The fees and share-based remuneration to Mr. MacLeod are disclosed in the financial statements.

12. REMUNERATION TO THE MANAGEMENT

IDEX offers market-based compensation packages for the executives and employees in order to attract and retain the competence which the Company needs. The company has in place an incentive subscription rights plan for its employees. The exercise price for any subscription rights is in line with the share price at the time of the grant. Under the terms in the plan, lower exercise price may under special circumstances be set on grants limited to a number equal to 1% of the share capital. The subscription rights vest in tranches over four years unless a special vesting schedule is deemed appropriate by the Board and resolved upon grant. Senior managers have notice periods of 3 to 6 months. No so-called golden parachutes are in effect, and post-employment pay will only apply in case the Company invokes contractual non-competition clauses.

The Board shall determine the compensation of the CEO. The cash incentive remuneration per calendar

year is limited to an amount or a percentage of annual base pay. It follows from the nature of the incentive subscription rights programme resolved by the annual general meeting that the limit does not apply to the possible gain on subscription rights. The Board has adopted a policy for the CEO's remuneration of the employees.

At the annual general meeting, the Board will present to the shareholders a statement of remuneration to officers in a separate document attached to the notice of the annual general meeting. The statement shall clearly state which aspects of the guidelines are advisory and which are binding, and the general meeting will resolve the aspects separately. The resolution by the annual general meeting is binding to the extent it relates to share-based compensation, and advisory in other aspects.

13. INFORMATION AND COMMUNICATIONS

The Board places great emphasis on the relationship and communication with the shareholders. The

primary channels for communication are the interim reports and presentations, the annual report and the

associated financial statements. IDEX also issues other notices to shareholders when appropriate. The general meeting of shareholders and the presentations provide fora for shareholders to raise issues with the Board. The Company publishes its annual financial calendar for the following year. All reports and other notices are issued and distributed according to the rules and practices at Oslo Børs. The notices to the market are published on the Oslo Børs newssite, www.newsweb.no. The reports and other pertinent information are also available on the Company's website, www.idexbiometrics.com.

The Board has adopted the following policies:

- Policy for reporting of financial and other information and investor relations;

- Policy for contact with shareholders outside general meetings; and
- Policy for information management in unusual situations attracting or likely to attract media or other external interest.

The financial reporting of IDEX is fully compliant with applicable laws and regulations. IDEX prepares and presents its annual financial reports in accordance with IFRS. The content of the interim reports is compliant with IFRS.

The current information practices are adequate under current rules. IDEX complies with the Oslo Børs code of practice for IR information.

14. TAKE-OVERS

There are no takeover defence mechanisms in place. The Board will endeavor that shareholder value is maximised and that all shareholders are treated equally. The Board acknowledges its duty to not obstruct takeover bids and to not discourage or hinder competing bids. Any agreement with a bidder that acts to limit the Company's ability to arrange other bids should only be entered into where it is self-evident that such an

agreement is in the common best interest of the Company and its shareholders.

The Board will avoid compensation to a bidder whose bid does not complete and limit such compensation to the costs the bidder has incurred in making the bid. The Board shall otherwise ensure full compliance with section 14 of the Code.

15. AUDITOR

IDEX's auditor is fully independent of the Company. IDEX represents a minimal share of the auditor's business. IDEX does not obtain business or tax planning advice from its auditor. The auditor may provide certain technical and clerical services in connection with the preparation of the annual tax return and other secondary reports, for which IDEX assumes full responsibility.

The Board reviews the auditors annual plan, and the auditor presents to the board the findings and recommendations after the audits. The auditor attends the board meetings when annual financial statements

are considered and resolved, and the board regularly meets separately with the auditor to review risk factors and measures, and any incidents and issues. Accounting policies and any changes are subject to the statutory audit.

The Board has established written guidelines to the CEO in respect of assignments to the auditor other than the statutory audit. The Board shall otherwise ensure full compliance with section 15 of the Code.

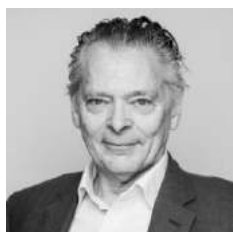
IDEX's auditor is Ernst & Young AS ("EY"), which has been the auditor of the Company since 1996.

BOARD OF DIRECTORS

There are presently five board members including the chairman. At the annual general meeting 2017, it was resolved that chairman Morten Opstad, and board members Deborah Davis, Hanne Høvding and Lawrence Johan Ciaccia continue for the second year of a two-year term, while board member Andrew James MacLeod was re-elected for a period of two years.

There are no family relationships among the board members or between board members and the management. There is no arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which members of the board or management was selected.

The board has held six meetings, in the period after the annual general meeting on 9 May 2018 until and including 10 April 2019.



MORTEN OPSTAD, CHAIRMAN

Mr Opstad has served as chairman of the board in IDEX since 1997. Mr Opstad is a partner in Advokatfirma Ræder DA in Oslo. He has rendered legal assistance with respect to establishing and organising several technology and innovation companies. He currently serves as chairman of the board of Thin Film Electronics ASA. Mr Opstad has a legal degree (Cand.Jur.) from the University of Oslo from 1979. He was admitted to the Norwegian Bar Association in 1986. Mr Opstad was born in 1953 and is a Norwegian citizen. He resides and works in Oslo.

Mr Opstad attended all of the board meetings in the period.

As at 10 April 2019, Mr Opstad and close relations held or controlled 7,198,196 shares and 0 (nil) rights to shares in IDEX.



LAWRENCE JOHN (LARRY) CIACCIA, BOARD MEMBER

Mr Ciaccia has served the board of IDEX since 2015. He has broad expertise from the semiconductor industry. He is independent of the company's executive management, material business contacts and the company's larger shareholders. Mr Ciaccia played a pivotal role in transforming AuthenTec from a start-up into the world's leading fingerprint sensor supplier, serving as CEO from September 2010 and instrumental in the acquisition of AuthenTec by Apple in October 2012. He remained with Apple through February 2013

to assist in the acquisition integration and transition. Mr Ciaccia was born in 1958, is a US citizen and resides in Indian Harbour Beach, Florida. Mr Ciaccia attended all of the board meetings in the period.

As at 10 April 2019, Mr Ciaccia held 121,563 shares and 600,000 subscription rights to shares in IDEX.



DEBORAH DAVIS, BOARD MEMBER

Ms Davis has served the board of IDEX since 2015. She is independent of the company's executive management, material business contacts and the company's larger shareholders. Ms Davis holds non-executive director positions at Which?, The Institute of Directors UK and International Personal Finance plc and is a trustee of Southern African Conservation Trust. Prior to this, she held senior executive leadership roles at PayPal, eBay, Verizon and Symantec. Ms Davis is a Fellow of the Institute of Directors UK, and holds a Bachelor of

Applied Science (Electronics) Honours degree from the University of Melbourne and a Sloan Masters in Science (Management) with Distinction from London Business School. Ms Davis was born in 1963 and is a dual citizen of the UK and Australia and splits her time across UK, Africa and the Far East. Ms Davis attended all of the board meetings in the period.

As at 10 April 2019, Ms Davis held 199,115 shares and 0 (nil) rights to shares in IDEX.



HANNE HØVDNING, BOARD MEMBER

Ms Høvdning has served on the board of IDEX since 2007. She is independent of the company's executive management, material business contacts and the company's larger shareholders. Ms Høvdning has a Bachelor's Degree in Economics and Business Administration from the Norwegian School of Economics and Business Administration. In her professional career Ms Høvdning has held several management positions within personnel administration, finance, credit card administration and debt collection. Ms Høvdning was born in 1954. She is a Norwegian citizen and resides and works in Oslo. Ms. Høvdning attended all of the board meetings in the period.

As at 10 April 2019, Ms Høvdning held 402,665 shares and 0 (nil) rights to shares in IDEX.



ANDREW JAMES (ANDY) MACLEOD, BOARD MEMBER

Mr MacLeod has served the board of IDEX since 2014. He is independent of the company's executive management, material business contacts and the company's larger shareholders. Mr. MacLeod is a professional non-executive and ICT industry consultant and was formerly Vodafone Group CTO for the Africa, Middle East and Asia-Pacific region, and Group Chief Networks Officer. He has held CEO, COO, CTO board positions at major telecommunication companies since the early 1990's. He is a Fellow of the Royal Academy of Engineering and a

Chartered Engineer and holds both an MBA from Warwick Business School and an MA in Materials Science from Oxford University. Mr MacLeod was born in 1957, is a British Citizen and resides in Winchester, England. Mr MacLeod attended all of the board meetings in the period.

As at 10 April 2019, Mr MacLeod held 553,475 shares and 500,000 rights to shares in IDEX.

MANAGEMENT



STAN SWEARINGEN, CHIEF EXECUTIVE OFFICER

Mr Swearingen joined IDEX's Strategy Advisory Council in May 2016 and was appointed Chief Products Officer of the company in October 2016. He was promoted to CEO in April 2018. Prior to joining IDEX in May 2016, Mr Swearingen served as Senior Vice President & General Manager MaxTouch Business Unit and Chief Technology Officer of Atmel, where he drove the overall technology strategy and direction for the company. Mr Swearingen has also served as Senior Vice President and General Manager Biometric Products Division and Chief Technology Officer for Synaptics, where he was instrumental in the formulation of the biometric fingerprint strategy, including the acquisition of Validity. Prior to Synaptics, Mr Swearingen held senior positions at semiconductor companies, such as MiniCircuits, Skyworks Solutions, Agere Systems and National Semiconductor. He was born in 1959, is a US citizen and resides in Florida, USA.

As at 10 April 2019, Mr Swearingen held 400,000 shares and 6,815,000 subscription rights to shares in IDEX.



ANTHONY EATON, CHIEF TECHNOLOGY OFFICER

Mr Eaton joined IDEX Biometrics in August 2016 and has served as VP Systems Engineering since February 2017. Most recently, he served as Director of System Engineering at Atmel, where he was responsible for building and running the System Engineering function for the MaxTouch Business Unit. Prior to this Mr Eaton held senior engineering roles at NVIDIA, Mirics Semiconductor and Sony Semiconductor. Mr Eaton holds a First Class Bachelors and Master's degree in Engineering from Cambridge University, England. He was born in 1972, is a British citizen and resides in Hampshire.

As at 10 April 2019, Anthony held 0 (nil) shares and 1,125,000 subscription rights to shares in IDEX.



HENRIK KNUDTZON, CHIEF FINANCIAL OFFICER

Mr Knudtzon joined IDEX as Chief Financial Officer (CFO) in 2014. Prior to joining IDEX, Mr Knudtzon was a Director at the private equity firm Herkules Capital, where he worked for six years. From 2004 to 2008 Mr. Knudtzon was a consultant at McKinsey & Company. Mr Knudtzon holds an MSc degree in Economics and Business Administration, with a specialization in finance, from the Norwegian School of Economics and Business Administration. Mr Knudtzon was born in 1980. He is a Norwegian citizen and resides in Oslo.

As at 10 April 2019, Mr Knudtzon held 150,000 shares and 2,290,000 subscription rights to shares in IDEX.



FRED BENKLEY, CHIEF INNOVATION OFFICER, IDEX AMERICA

Mr Benkley has served as Chief Technology Officer at IDEX America Inc. since 2013. He has over 30 years of experience in the semiconductor technology and biometrics industries. Mr. Benkley founded Picofield Technologies in 2010, which company's technology was acquired by IDEX in 2013. Mr. Benkley founded Validity Sensors in 2002 and Metro Engineering prior. Mr. Benkley holds a B.S. in Electrical Engineering from Northeastern University. Mr. Benkley was born in 1957, is a US citizen and resides in Massachusetts, USA.

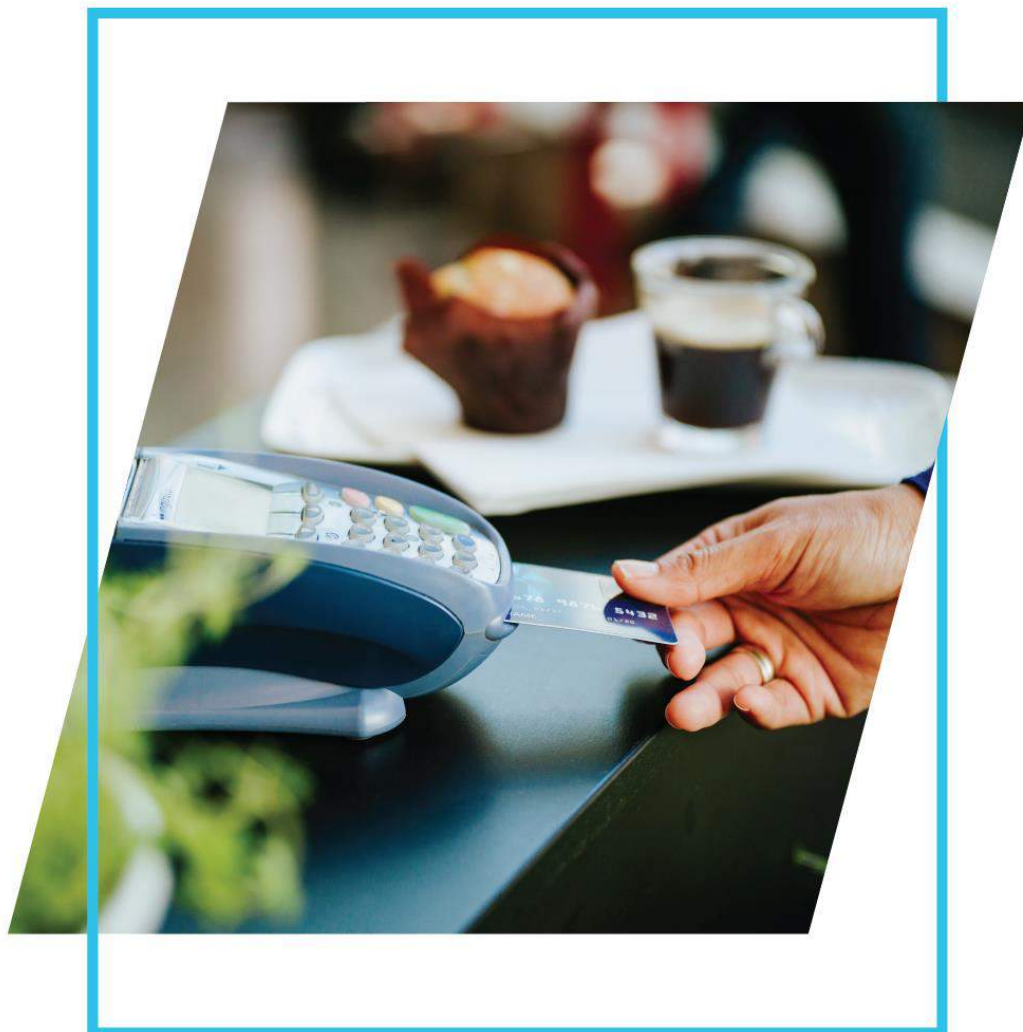
As at 10 April 2019, Mr. Benkley held 50,000 shares and 2,600,000 subscription rights to shares in IDEX.



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IDEX ASA

First half 2018 report

Second quarter of 2018 and recent highlights

- **Strong market and customer traction**
 - Multiple customers, including Feitian Technologies and JINCO Universal, have integrated IDEX's sensor for dual-interface biometric cards
 - Extremely high customer interest, active engagements in Asia have more than tripled in last six months
- **Supported multiple customer trials and launch of biometric bank card in the Middle East**
- **Pioneering on-card enrollment solution developed in partnership with and recently featured by Mastercard**
- **IDEX has moved to volume ramp**
 - Volume orders placed on supply chain, including TSMC, SPIL and Amkor Technology
 - Sensor for contact-based biometric card has passed all requirements for certification and is ready for shipments

Outlook and upcoming milestones

- **Commercial roll-out of biometric cards in the second half of 2018**
 - Shipments of sensors in support of expected production orders
 - Customer trials and launches of the contact-based solution
 - Pilots of dual-interface cards
 - Multiple new partnerships





LEADERSHIP POSITION IN BIOMETRIC CARDS UNDERPINNED BY DIFFERENTIATED TECHNOLOGY AND COMPLETE SOLUTIONS APPROACH

Off-chip technology enables unique adaptability in design and architecture

IDEX is proud to be the only supplier in the biometric card industry offering capacitive off-chip fingerprint solutions. As one of the companies to have expertise and considerable intellectual property in both silicon and off-chip sensor technology, IDEX has chosen to focus on off-chip solutions due to the significant benefits of this technology's fundamentally different architecture.

Off-chip sensors are designed with a chip, also referred to as the ASIC, that is independent from the sensing array itself. This innovative approach provides a number of important competitive and application advantages, including significantly increased adaptability and form factor flexibility, as well as superior sensor solutions with optimal size and cost-to-performance characteristics.

IDEX's off-chip sensor and ASIC are especially well suited for integration into biometric cards. Key benefits include a sensor that is uniquely bendable and a simplified architecture that reduces the number of components, cost and complexity of the sensor.

IDEX leverages a system approach and global partnerships to provide industry leading solutions

In addition to its unique off-chip sensor technology, IDEX has assembled a highly accomplished team of fundamental innovators spanning numerous disciplines of technology in order to pursue a full system approach to its solutions for biometric cards. The company's offerings include fingerprint sensors and fingerprint sensor modules, which include IDEX's proprietary matcher algorithm optimized for both contact-based and contactless biometric card applications.

IDEX has also established deep partnerships throughout the supply chain with industry leading semiconductor and card manufactures, as well as security solutions and global payment providers. These strategic ecosystem partners enable the company to further enhance its ability to offer complete and optimized solutions to its customers through a virtuous cycle of privileged feedback.

As an example of the company's full system approach, in late 2017 IDEX introduced a pioneering on-card enrollment solution for biometric cards. This enrollment process was specifically designed to meet the industry's need for a secure and seamless end-to-end solution for both issuers and consumers. Another path IDEX is pursuing to enhance security is a matching algorithm that protects from external security breaches.

IDEX has a roadmap for display integration with strong benefits for biometric cards. First, using display technology to manufacture sensors has the potential of significantly reducing costs. Second, the technology can potentially enrich the biometric card with additional features enhancing both the security and user friendliness of the card. The display integration roadmap is enabled by IDEX's off-chip technology and the team's deep knowledge in the area.



STRONG MOMENTUM FOR BIOMETRIC CARDS

The market for biometric cards continues to gain increased momentum, as leading companies across the smart card ecosystem significantly expand development efforts and commercial activities. Also, consumer awareness and card issuer interest are consistently becoming stronger, resulting in imminent adoption of biometric cards.

IDEX continues to make significant progress and remains decisively focused on solidifying its leadership position in the market for biometric cards. The company has finalized commercial discussions with specific customers, and is awaiting volume orders for its sensors. IDEX has fully satisfied all technical and product requirements for these customers. Concurrently, IDEX is actively pursuing additional orders from existing customers, and expects initial orders from multiple new customers subsequent to integration of the company's fingerprint sensor.

In addition to the company's ongoing commercial discussions, IDEX's sensor for contact-based cards have successfully supported customer trials in multiple geographies and a launch in the Middle East, demonstrating the strong and growing interest in biometric smart cards throughout the payments industry.

Complementing the significant progress on its contact-based card solutions, IDEX's solutions for dual-interface cards are also production ready for commercial market adoption. In July, the sensor successfully passed engineering integration and validation at Feitian Technologies and JINCO Universal selected IDEX's sensor for its dual-interface cards. Feitian is a leading provider of user authentication and transaction security in China, and JINCO is a leading Taiwan-based smart card manufacturer.

As a result of the extensive learning from the qualifying process of IDEX's contact-based payment card solutions, the company's solution for contactless biometric cards is expected to have an accelerated path to market adoption. IDEX is currently experiencing extremely strong interest for its card solutions, particularly in Asia, where its number of active engagements have more than tripled within the last six months, including engagements with some of the largest card manufacturers in China.

In 2018, IDEX has established a robust high-capacity supply chain to support its commercial deployments. The company is collaborating with major blue chip partners, such as TSMC for production of its ASIC, and Amkor Technology and SPIL for the packaging of its sensors. In addition, IDEX has decided to invest in testing- and probing equipment at the company's facility in Rochester, New York, to reduce development time and external costs. The equipment is expected to be operational in the third quarter of 2018.

Although both consumers and issuers are increasingly demanding biometric enabled cards, successful deployment in mass volume requires a convenient and cost-effective enrollment solution. In May 2018, IDEX announced that the company has been actively working in partnership with Mastercard on the development of an innovative on-card enrollment solution to enable secure mass enrollment for biometric cards. Importantly, the resulting remote enrollment process specifically addresses what is viewed by many in the industry as the largest barrier to adoption for biometric payment cards, in-person enrollment. This low-cost solution uniquely allows card users to securely enroll themselves without visiting a physical branch or point-of-sale terminal, and without the use of a computer, smartphone or any other connected device. IDEX's on-card enrollment solution, which can be used in both contact-based and contactless applications, represents a fundamental key to unlocking the mass market adoption of biometric-enabled payment cards.



IOT MARKET

The IoT market consists of a rapidly growing number of connected devices, many of which can benefit from seamlessly incorporated identification and security features. The market is broad and has a highly fragmented supply chain; IDEX is focused on positioning its off-chip technology to capitalize on opportunities in select market verticals.

Although the IoT market currently represents a second-tier priority for IDEX, the company has a strategy to leverage its unique off-chip technology solutions and leading market position in biometric cards to capture incremental share in the IoT market.

MOBILE MARKET

In addition to IDEX's primary focus on the market for biometric cards, and its complementary strategy to capitalize on its card solutions to selectively capture share in the IoT market, the company also has an ongoing research project related to display sensors for cards, as mentioned above. This research has the potential to open up future opportunities for the integration of sensors into mobile displays.

STRENGTHENED SALES AND MARKETING ORGANIZATION

In the first half of 2018, IDEX considerably strengthened its sales and marketing organization in preparation for mass commercialization of the company's fingerprint sensors for biometric cards. The company attracted several experts from the card- and payment industry, as well as significantly upgraded its marketing communications capabilities and efforts.

In May, the company appointed David Orme as SVP Global Sales and Marketing. Mr. Orme has a strong track record in driving key sales, marketing and business development activities. He joined IDEX's executive management team early in June of this year.

In addition, IDEX has made several new hires in Asia as part of its transformation to a more card-centric organization and also increased its investments in marketing in the region. The hires have extensive experience from the smart card and fingerprint industry, including companies such as Gemalto, Oberthur, Synaptics, NEXT Biometrics and AuthenTec.

In February, IDEX's Board of Directors appointed Stan Swearingen as CEO of IDEX ASA, effective 1 April 2018. Mr. Swearingen joined IDEX in May 2016 and to serve as the company's Chief Products Officer. Prior to IDEX, his extensive industry experience included key leadership and strategic roles at a number of prominent companies, such as Atmel, Synaptics, Skyworks Solutions and Agere Systems.

In the second quarter of 2018, the company had a net increase in staff from 108 full-time equivalents (FTE) to 112 FTE. At 31 December 2017, the total number of staff was 117.

RECENT EVENTS

On 16 July 2018, IDEX announced that its sensors for dual-interface biometric cards had successfully passed engineering integration and validation at Feitian Technologies, a leading provider of user authentication and transaction security. The application is for banking on a major Chinese payment network.

On 18 July 2018, IDEX announced that its contact-based sensor had been certified by a major global payment provider. More specifically, the company highlighted a session at APSCA's Powered and Next-Generation Cards Conference on the same day, where a speaker representing a global payment provider stated that a contact-based card featuring IDEX's finger-print sensor was certified by the global payment provider.

On 23 July 2018, the company announced that JINCO Universal had successfully integrated its fingerprint sensors into dual-interface biometrics cards for multiple applications including payments and identification. JINCO is a leading smart card integration pioneer.

On 27 July 2018, IDEX announced that its fingerprint sensors had been selected and were deployed in biometric smart cards launched by a bank in the Middle East.

OUTLOOK

IDEX is solidifying its leadership position in the market for biometric cards. The company has finalized commercial discussions with specific customers, and is awaiting volume orders for its sensors. IDEX has fully satisfied all technical and product requirements for these customers. Concurrently, IDEX is actively pursuing additional orders from existing customers, and expects initial orders from multiple new customers subsequent to integration of the company's fingerprint sensor.

IDEX continues to experience extremely strong interest from customers in the biometric card space, particularly in Asia where the company currently has a large number of active commercial engagements, and expects additional customers and an increased pipeline of opportunities globally.

Further, the company anticipates pilots of its biometric solution for dual-interface cards to commence in the second half of 2018 with subsequent customer trials. This solution is expected to have an accelerated path given the extensive learning from previous proof of concept pilots, end customer trials and the certification process for its contact-based payment card.

Oslo, 15 August 2018
The Board of Directors of IDEX ASA

FINANCIAL REVIEW

Consolidated Interim Financial Statements at 30 June 2018 (Unaudited)

Profit and Loss Statements

IDEX recorded revenues of NOK 0.3 million from product sales in the second quarter of 2018, down from NOK 4.7 million in the corresponding period of 2017. In the first six months of 2018, the revenues amounted to NOK 2.1 million, compared to NOK 11.5 million in the same period of 2017. IDEX made considerable shipments of sensors for use in mobile handsets in 2017, while the shipments in 2018 are chiefly related to cards and embedded products. The gross margin on sensor sales in the second quarter this year was 39 per cent, while the gross margin so far this year was 27 per cent. The total gross margin of 75 per cent to date in 2018 includes services income in the first quarter. The gross margin at small volumes are necessarily not representative of gross margin at mass volume stage.

The total operating expenses in the second quarter of 2018 amounted to NOK 63.3 million, compared to NOK 64.1 million in the second quarter of 2017. In the first half of the year, the total operating expenses amounted to NOK 119.1 million in 2018 and NOK 123.3 million in 2017. The reduction in expenses in the first half year is mainly due to lower development expenses in the first quarter this year compared to last year, when some larger development projects were completed, and also more development work is carried out by internal staff.

The payroll expenses amounted to NOK 39.8 million in the second quarter and NOK 77.7 million in the first half of 2018, and were at the same level as in the second quarter and first half of 2017, respectively. The underlying payroll cost excluding share-based remuneration was NOK 31.9 million in the second quarter and NOK 65.2 million in the first half of this year, down from NOK 34.4 million and NOK 67.1 million in the corresponding periods of 2017. The average number of IDEX employees was 99 full-time equivalents (FTE) in the first half of this year, compared to 93 FTE in the first half of last year. There are variations between quarters because salaries in subsidiaries are paid in foreign currency and variations in other staff related items such as recruiting costs.

The net cost of share-based remuneration often varies substantially between quarters because of share price variations as well as grants and exercises. The total cost of share-based remuneration was NOK 7.9 million in the second quarter this year, compared to NOK 5.6 million in the corresponding quarter last year. In the first six months of the year, the total cost of share-based remuneration was NOK 12.5 million in 2018, compared to NOK 8.5 million last year. In the second quarter of 2018, significant grants were made, causing notional costs, while in 2017 there were significant payable costs related to exercises in the first quarter. Cost of exercise are funded by the capital injected at exercise.

The total number of staff, i.e. employees and individual contractors, was 112 FTE at 30 June 2018, up from 108 FTE at 31 March this year and down from 117 FTE at 31 December 2017. The staff is comprised of 100 FTE IDEX employees and 12 individual contractors working continuously as part of the development or sales teams. IDEX does not currently expect to make significant changes in the number of staff.

Development expenses amounted to NOK 15.2 million in the second quarter of 2018, compared to NOK 15.5 million in the corresponding quarter of 2017. In the first half of 2018, these expenses were NOK 25.9 million, down from NOK 30.4 million in the same period of 2017, for the reason explained above.

Other operating expenses, mainly comprising expenses related to sales, marketing and administration, amounted to NOK 8.3 million in the second quarter and NOK 15.4 million in the first half of 2018, compared to NOK 8.7 million and NOK 17.3 million in the corresponding periods of 2017. The reduction was mainly in legal expenses being higher in 2017.

Amortization and depreciation amounted to NOK 1.7 million and NOK 3.4 million in the second quarter and first half of this year respectively, in line with the NOK 1.8 million and NOK 3.4 million reported in the corresponding periods last year. IDEX will invest in more equipment for development purposes in the second half of 2018, which means that depreciation will increase.

IDEX recorded an EBIT loss of NOK 64.8 million in the second quarter of 2018, compared to a loss of NOK 59.5 million in the same period of 2017. In the first half of 2018, the company recorded an EBIT loss of NOK 120.8 million, down from a loss of NOK 124.6 million in the first half of 2017.

Net financial items amounted to a cost of NOK 1.2 million in the second quarter this year, compared to an expense of NOK 0.6 million in the second quarter last year. Net financial items amounted to an expense of NOK 1.0 million in the first half of 2018. This compares to an expense of NOK 1.4 million in the first half of 2017. The variation in net financial items between periods is mainly caused by re-/devaluations of foreign currency, mainly the US dollar, causing gains or losses on receivables and debt denominated in currency.

The IDEX group recorded a tax credit of NOK 0.9 million in the second quarter this year, due to an adjustment of IDEX America's 2017 tax cost following tax filings for 2017. Due to profits in IDEX's subsidiaries in the USA and UK, the group's tax charge amounted to NOK 0.2 million in the first half of 2018, compared to a tax charge of NOK 0.3 million the corresponding period last year.

The IDEX group had a net loss of NOK 65.2 million in the second quarter of 2018, compared to a loss of NOK 65.9 million in the second quarter of 2017. In the first half of 2018, the group recorded a loss of NOK 122.0 million, up from a loss of NOK 126.4 million for the first half of 2017.

Loss per weighted average number of basic shares amounted to NOK 0.12 in the second quarter, in line with the loss of NOK 0.12 per share in the second quarter of 2017. In the first half of the year, the loss amounted to NOK 0.22 per share this year and NOK 0.23 per share last year.

Balance Sheets

At 30 June 2018, IDEX had a cash balance of NOK 189.9 million, down from NOK 244.8 million at the end of the first quarter this year and from NOK 302.1 million at the end of 2017. The group has no debt to financial institutions or lenders.

The main assets held in the balance sheet are acquired intangible assets and cash in bank. Cash is the dominant item, representing 74 per cent of the total assets.

The acquired intangible assets and intellectual property rights have been capitalized in accordance with IFRS, and included goodwill amounting to NOK 8.3 million and depreciating assets in an original acquisition amount of NOK 42.7 million at 30 June 2018. The corresponding numbers at 30 June 2017 were NOK 8.3 million and NOK 44.6 million respectively. The assets depreciate over the economic life of the respective items. IDEX's self-developed intellectual property rights and product development costs are generally not held in the balance sheet because they do not satisfy the IFRS criteria for capitalization. No development expenses have been capitalized in 2018 or 2017.

Tangible fixed assets amounted to NOK 8.0 million at 30 June 2018, up from NOK 7.3 million at 31 March this year and from NOK 6.2 million from 30 June last year. The fixed assets are scientific equipment and engineering tools, leasehold outfitting, office equipment and furniture with useful lives of 3-5 years.

Inventory was at NOK 10.6 million at 30 June 2018, in line with the level of NOK 10.7 million reported at 31 March this year and up from NOK 8.9 million at 30 June 2017. The inventory consists mainly of card and IoT components and sensors. IDEX has built inventory in order to satisfy expected demand for deliveries with short notice.

IDEX had no customer receivables at 30 June 2018. At the end of the second quarter last year, when IDEX delivered sensors to mobile phones, customer receivables amounted to NOK 2.4 million.

Total short-term liabilities amounted to NOK 26.7 million at 30 June 2018, up from NOK 25.9 million at the end of the previous quarter and from NOK 33.2 million at 30 June 2017. Variations between quarters are caused by activity level and timing of deliveries.

Equity amounted to NOK 227.7 million at the end of the second quarter of 2018, down from NOK 284.5 million at the end of the first quarter this year and from NOK 457.3 million at the end of the second quarter last year. The decrease is mainly caused by the net loss. See note 2 for further comments on the equity situation.

IDEX does not have any debt to financial institutions or lenders.

The net working capital, inventory plus receivables less trade accounts payable, amounted to NOK 16.3 million at 30 June 2018, down from NOK 20.2 million at 31 March this year and up from NOK 13.3 million at 30 June last year. IDEX's customer receivables have been considerably reduced, as has trade accounts payable, due to the discontinued mobile business. IDEX will necessarily need to build up its inventory and accumulate receivables as sales to the card and IoT markets increase.

Cash Flow, Cash Position

IDEX's operational cash outflow was NOK 54.4 million in the second quarter of 2018, compared to NOK 80.3 million in the second quarter of 2017. The main operating cash items are the operating losses in each period, partly offset by the equity part of the share-based compensation and depreciation, as well as the working capital changes. The cash outflow in the second quarter last year included payment of NOK 17.8 million in withheld taxes and employer's tax on exercises of incentive subscription rights in the first quarter of 2017.

In the first half of 2018, the company's operational cash outflow was NOK 111.9 million, compared to NOK 115.4 million in the corresponding period of 2017. The working capital varies between quarters, mainly due to fluctuating payables to suppliers and accrued liabilities. Future growth of sales is expected to cause an increase in working capital.

IDEX invested NOK 1.2 million in the second quarter of 2018, same as in the second quarter of 2017, mainly in scientific equipment and engineering tools. In the first six months of this year, the investments amounted to NOK 1.6 million, down from NOK 3.1 million in the same period last year. Investments vary according to project requirements for new equipment and tooling. IDEX will invest in more equipment for development purposes in the second half of 2018.

No employees or contractors exercised incentive subscription rights during the first half of 2018. In the first half of 2017, exercises of incentive subscription rights injected NOK 13.3 million in new equity, net of expenses.

IDEX's balance sheet solvency, which is the cash position less the net of receivables and short-term liabilities, amounted to NOK 174.9 million at 30 June 2018, down from NOK 231.0 million at 31 March and from NOK 406.6 million at the end of June last year. The reduction was mainly caused by the net loss in the period, net of share-based compensation cost. See note 2 for further comments on the liquidity position.

INTERIM FINANCIAL STATEMENTS 30 JUNE 2018

Interim Consolidated Statements of Comprehensive Income

| Amounts in NOK 1,000 | Note | 1 April- 30 June 2018 | 1 April- 30 June 2017 | 1 January- 30 June 2018 | 1 January- 30 June 2017 | 1 January- 31 December 2017 |
|---|------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|-----------------------------------|
| Operating income | | | | | | |
| Product sales | | 289 | 4 712 | 741 | 11 290 | 16 036 |
| Other operating revenue | | | 9 | 1 389 | 203 | 1 434 |
| Total revenue | 2 | 289 | 4 721 | 2 130 | 11 493 | 17 470 |
| | | | | | | |
| Cost of goods sold | | 176 | 3 903 | 538 | 9 369 | 13 691 |
| Gross margin | | 113 | 818 | 1 592 | 2 124 | 3 779 |
| Operating expenses | | | | | | |
| Payroll expenses | 5 | 39 801 | 39 990 | 77 715 | 75 548 | 149 285 |
| Development expenses | | 15 200 | 15 451 | 25 923 | 30 438 | 56 256 |
| Other operating expenses | 9 | 8 250 | 8 678 | 15 436 | 17 307 | 39 779 |
| Total operating expenses | | 63 251 | 64 119 | 119 074 | 123 293 | 245 320 |
| | | | | | | |
| Profit (loss) before interest, tax, depreciation and amortization (EBITDA) | | (63 138) | (63 301) | (117 482) | (121 169) | (241 541) |
| Amortisation and depreciation | 3 | 1 698 | 1 778 | 3 354 | 3 400 | 7 501 |
| Profit before interest and tax (EBIT) | | (64 836) | (65 079) | (120 836) | (124 570) | (249 042) |
| Financial income and expenses | | | | | | |
| Interest income | | 332 | 689 | 698 | 1 394 | 2 285 |
| Other financial income | | 1 373 | 84 | 3 294 | 266 | 2 644 |
| Interest expenses | | (2) | | (10) | (25) | (64) |
| Other financial expenses | | (2 895) | (1 411) | (4 952) | (3 074) | (7 159) |
| Net financial items | | (1 192) | (638) | (970) | (1 439) | (2 294) |
| | | | | | | |
| Net result before tax | | (66 028) | (65 717) | (121 806) | (126 009) | (251 336) |
| Income tax expense (credit) | 6 | (872) | 175 | 197 | 348 | 4 150 |
| Net profit (loss) for the period | | (65 156) | (65 892) | (122 003) | (126 357) | (255 486) |
| | | | | | | |
| Other comprehensive income | | 490 | (241) | (67) | (231) | (386) |
| Total comprehensive income (loss) for the period, net of tax | | (64 666) | (66 133) | (122 070) | (126 588) | (255 872) |
| Profit (loss) per share - basic and diluted | 7 | NOK (0.12) | NOK (0.12) | NOK (0.22) | NOK (0.23) | NOK (0.47) |

The notes are an integral part of this condensed interim financial report

Interim Consolidated Balance Sheets

| Amounts in NOK 1,000 | Note | 30 June 2018 | 30 June 2017 | 31 December 2017 |
|---|----------|------------------|------------------|---------------------|
| ASSETS | 8 | | | |
| Long-term assets | | | | |
| Goodwill | | 8 260 | 8 260 | 8 260 |
| Other intangible assets | | 28 639 | 33 001 | 30 464 |
| Tangible fixed assets | | 7 954 | 6 217 | 8 002 |
| Long-term receivables | | 1 233 | 1 268 | 1 251 |
| Total long-term assets | 3 | 46 086 | 48 746 | 47 977 |
| Current assets | | | | |
| Inventory and receivables | | | | |
| Inventory | | 10 631 | 8 864 | 9 255 |
| Customer receivables | | | 2 394 | 550 |
| Other receivables | | 7 081 | 6 099 | 6 236 |
| Prepaid expenses | | 4 636 | 2 928 | 3 327 |
| Total inventory and receivables | | 22 348 | 20 285 | 19 368 |
| Cash and bank deposits | | | | |
| Cash and bank deposits | | 189 889 | 428 381 | 302 105 |
| Total cash and bank deposits | | 189 889 | 428 381 | 302 105 |
| Total current assets | | 212 237 | 448 666 | 321 473 |
| TOTAL ASSETS | | 258 323 | 497 412 | 369 450 |
| EQUITY AND LIABILITIES | | | | |
| Equity | | | | |
| Paid-in-capital | | | | |
| Share capital | | 81 357 | 81 357 | 81 357 |
| Share premium | | 1 185 355 | 1 185 368 | 1 185 355 |
| Other paid-in capital | | 87 059 | 65 296 | 74 382 |
| Total paid-in-capital | 4 | 1 353 771 | 1 332 021 | 1 341 094 |
| Other equity | | (1 126 102) | (874 748) | (1 004 032) |
| Total equity | 1 | 227 669 | 457 273 | 337 062 |
| Liabilities | 8 | | | |
| Long-term liabilities | | | | |
| Other long-term liabilities | | 3 991 | 6 933 | 3 497 |
| Total long-term liabilities | | 3 991 | 6 933 | 3 497 |
| Short-term liabilities | | | | |
| Accounts payable | | 6 073 | 6 929 | 3 052 |
| Public duties payable | | 2 494 | 2 556 | 2 452 |
| Accrued payable income tax | | 1 403 | 1 591 | 2 902 |
| Notional employer's tax on share incentives | 5 | | 1 747 | 179 |
| Other short-term liabilities | | 16 693 | 20 383 | 20 306 |
| Total short term liabilities | | 26 663 | 33 206 | 28 891 |
| Total liabilities | | 30 654 | 40 139 | 32 388 |
| TOTAL EQUITY AND LIABILITIES | | 258 323 | 497 412 | 369 450 |

The notes are an integral part of this condensed interim financial report

Interim Consolidated Cash Flow Statements

| Amounts in NOK 1,000 | Note | 1 April- 30 June 2018 | 1 April- 30 June 2017 | 1 January- 30 June 2018 | 1 January- 30 June 2017 | 1 January- 31 December 2017 |
|--|------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|-----------------------------------|
| Cash flows from operating activities | | | | | | |
| Profit (loss) before taxes (EBT) | | (66 028) | (65 717) | (121 806) | (126 009) | (251 336) |
| Share-based remun. (equity part) | 4 | 7 867 | 5 057 | 12 677 | 8 176 | 17 263 |
| Amortisation and depreciation | 3 | 1 698 | 1 778 | 3 354 | 3 400 | 7 501 |
| Interest income | | (332) | (689) | (698) | (1 394) | (2 285) |
| Change in receivables, inventory | | 537 | 1 546 | (2 980) | 8 154 | 9 070 |
| Change in payables, accruals | | 735 | (21 948) | (2 229) | (8 055) | (12 369) |
| Net other items | | 1 107 | (320) | (207) | 293 | (3 018) |
| Net cash flow from operational activities | | (54 416) | (80 293) | (111 889) | (115 435) | (235 174) |
| Cash flows from investing activities | | | | | | |
| Investments in tangible assets | 3 | (1 180) | (1 178) | (1 564) | (3 148) | (6 857) |
| Investments in intangible assets | 3 | | | | | (294) |
| Change in long-term receivables | 3 | | (333) | | 16 | 41 |
| Interest income | | 332 | 689 | 698 | 1 394 | 2 285 |
| Net cash provided by investing activities | | (848) | (822) | (866) | (1 738) | (4 825) |
| Cash flows from financing activities | | | | | | |
| Share issues net of expenses | 4 | | 2 497 | | 13 317 | 13 303 |
| Paid-in, not registered share capital | 4 | 45 | | 45 | (811) | (811) |
| Change in long-term payables | | 332 | 154 | 494 | 429 | (3 007) |
| Net cash provided by financing activities | | 377 | 2 651 | 539 | 12 935 | 9 485 |
| Net change in cash and cash equivalents | | (54 887) | (78 464) | (112 216) | (104 238) | (230 514) |
| Opening cash balance | | 244 776 | 506 845 | 302 105 | 532 619 | 532 619 |
| Closing cash balance | | 189 889 | 428 381 | 189 889 | 428 381 | 302 105 |

Interim Consolidated Statements of Equity

| Amounts in NOK 1,000 | Note | Share capital | Share premium | Other paid-in capital | Retained earnings (uncovered loss) | Total equity |
|-------------------------------------|----------|------------------|------------------|-----------------------------|---|------------------|
| Balance 1 January 2018 | | 81 357 | 1 185 355 | 74 382 | (1 004 032) | 337 062 |
| Share-based remuneration | 5 | | | 12 677 | | 12 677 |
| Profit (loss) for the period | | | | | (122 003) | (122 003) |
| Other comprehensive income | | | | | (67) | (67) |
| Balance 30 June 2018 | 1 | 81 357 | 1 185 355 | 87 059 | (1 126 102) | 227 669 |
| Balance 1 January 2017 | | 80 067 | 1 173 342 | 57 119 | (748 160) | 562 368 |
| Share issues | | 1 290 | 12 026 | | | 13 316 |
| Share-based compensation | | | | 8 177 | | 8 177 |
| Profit (loss) for the period | | | | | (126 357) | (126 357) |
| Other comprehensive income | | | | | (231) | (231) |
| Balance 30 June 2017 | | 81 357 | 1 185 368 | 65 296 | (874 748) | 457 273 |
| Balance 1 January 2017 | | 80 067 | 1 173 342 | 57 119 | (748 160) | 562 368 |
| Exercises of subscription rights | 4 | 1 273 | 12 013 | | | 13 286 |
| Share issue (board remuneration) | | 17 | | | | 17 |
| Share-based remuneration | 5 | | | 17 263 | | 17 263 |
| Profit (loss) for the year | | | | | (255 486) | (255 486) |
| Other comprehensive income | | | | | (386) | (386) |
| Balance 31 December 2017 | 1 | 81 357 | 1 185 355 | 74 382 | (1 004 032) | 337 062 |

The notes are an integral part of this condensed interim financial report

NOTES

Notes to the Condensed Consolidated Interim Financial Statements 30 June 2018 (Unaudited)

1 IDEX ASA and the IDEX Group

IDEX ASA is a public limited liability company incorporated and domiciled in Norway. The address of the registered office, which is also the head office, is Martin Linges vei 25 at NO-1364 Fornebu near Oslo, Norway. IDEX ASA's shares have been listed at Oslo Børs since 12 March 2010. The objective of the company as stated in the articles of association is to deliver identification systems and other related activities.

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

2 Accounting Policies and Risk Factors

This condensed consolidated interim financial report for 2018 has been prepared in accordance with IAS 34 Interim financial reporting. The interim financial report should be read in conjunction with the annual financial statements for 2017. The IFRS accounting policies applied in this report are consistent with those applied and described in the annual financial statements for 2017.

This interim financial report has not been subject to audit. The report was approved by the board of directors on 15 August 2018.

It is the duty of the board of directors to duly present the principal risks of IDEX and its business. The company's major risk is its business risk, meaning its ability to earn revenue and generate profit. The revenue to date in 2018 is lower than the same periods in 2017 and 2016. The future revenue generation will depend on IDEX's ability to market and deliver successful and competitive products, and further the company's ability to legally protect its intellectual property rights.

IDEX considers that its fingerprint sensor technology has one of the best biometric performances, and that its fingerprint sensor products offer unique properties, particularly in the card market.

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. As most of the cash is held in NOK while costs are predominantly in USD and GBP, there is a risk to future cost when measured in NOK. Furthermore, intra-group funding and billing is done in the subsidiaries' functional currency, which has a currency risk to NOK. Most sales are invoiced in USD. About half of the accounts payable are in foreign currency.

The going concern assumption has been applied when preparing this interim financial report. IDEX has commenced earning revenue, but continues to operate at a significant loss. The company does not have any debt to financial lenders. Subject to timing of revenues and other planning assumptions, IDEX has adequate liquidity and equity for more than 12 months from the date of this report. In the event that revenue should be deferred, the company will take appropriate measures to extend duration of the cash pool.

3 Long-Term Assets

| Amounts in NOK 1,000 | Goodwill | Other intangible assets | Tangible fixed assets | Long-term receivables | Total long-term assets |
|---|----------|-------------------------|-----------------------|-----------------------|------------------------|
| Balance 1 January 2018 | 8 260 | 30 464 | 8 002 | 1 251 | 47 977 |
| Additions | | | 1 564 | | 1 564 |
| Depreciation and impairment losses | | (1 825) | (1 528) | | (3 353) |
| Effects of changes in foreign currency | | | (84) | (18) | (102) |
| Balance 30 June 2018 | 8 260 | 28 639 | 7 954 | 1 233 | 46 086 |
| Balance 1 January 2017 | 8 260 | 34 843 | 4 695 | 1 277 | 49 075 |
| Additions | | 294 | 2 854 | 609 | 3 757 |
| Disposals and retirements at cost | | | | (625) | (625) |
| Depreciation and impairment losses | | (2 136) | (1 264) | | (3 400) |
| Effects of changes in foreign currency | | | (68) | 7 | (61) |
| Balance 30 June 2017 | 8 260 | 33 001 | 6 217 | 1 268 | 48 746 |
| Balance 1 January 2017 | 8 260 | 34 843 | 4 695 | 1 277 | 49 075 |
| Additions | | 294 | 6 857 | 595 | 7 746 |
| Disposals and retirements at cost | | (1 871) | (3 073) | (636) | (5 580) |
| Depreciation and impairment losses | | (4 252) | (2 822) | | (7 074) |
| Depr. on disposed and retired assets | | 1 450 | 2 458 | | 3 908 |
| Effects of changes in foreign currency | | | (113) | 15 | (98) |
| Balance 31 December 2017 | 8 260 | 30 464 | 8 002 | 1 251 | 47 977 |

Acquired intangible assets and intellectual property rights have been capitalized in accordance with IFRS, and included goodwill amounting to NOK 8.3 million and depreciating assets in an original acquisition amount of NOK 38.5 million. The assets depreciate over the economic life of the respective assets. The major items depreciate over 9.5 years and 17.3 years from acquisition, through July 2024 and to the end of 2030 respectively. Under IFRS goodwill is not amortized but impairment tested at each year end. Intangible assets that are fully depreciated are by definition retired. I

IDEX's self-developed patents and other intellectual property rights are generally not held in the balance sheet because they do not satisfy the IFRS criteria for capitalization. Development costs have largely been expensed for the same reason. IDEX has not capitalized any development expenses in 2018 or 2017.

4 Shares and Subscription Rights

| Number of financial instruments | Incentive subscription rights | Shares |
|---|-------------------------------|----------------|
| Balance 1 January 2018 | 25 260 000 | 542 383 105 |
| 1 January-30 June: Granted incentive subscription rights | 18 165 000 | |
| 1 January-30 June: Expired/forfeited incentive subscr. rights | (6 688 900) | |
| 31 May: Issued shares in lieu of board remuneration | | 300 182 |
| Balance 30 June 2018 | 36 736 100 | 542 683 287 |
| Balance 1 January 2017 | 26 037 500 | 533 780 255 |
| 1 January-31 March: Granted incentive subscription rights | 4 100 000 | |
| 1 January-31 March: Issued shares for incentive sub.rights exerc. in 2016 | | 125 000 |
| 1 January-31 March: Exercised incentive subscription rights | (8 362 500) | 8 362 500 |
| 1 January-31 March: Expired incentive subscription rights | (1 205 000) | |
| 29 May: Issued shares in lieu of board remuneration | | 115 350 |
| Balance 30 June 2017 | 20 570 000 | 542 383 105 |

| Number of financial instruments <i>(continued)</i> | Incentive subscription rights | Shares |
|--|-------------------------------|-------------|
| Balance 1 January 2017 | 26 037 500 | 533 780 255 |
| 1 January-31 December: Granted incentive subscription rights | 9 810 000 | |
| 1 January-31 December: Issued shares for incentive sub.rights exerc. in 2016 | | 125 000 |
| 1 January-31 December: Exercised incentive subscription rights | (8 375 000) | 8 362 500 |
| 1 January-31 December: Expired/forfeited incentive subscr. rights | (2 212 500) | |
| 29 May: Issued shares in lieu of board remuneration | | 115 350 |
| Balance 31 December 2017 | 25 260 000 | 542 383 105 |

The annual general meeting of IDEX on 9 May 2018 resolved that the board members could elect to receive all or part of the board remuneration in the form of shares in IDEX. The chairman and three board members took full or part of the board remuneration in shares.

IDEX from time to time grants incentive subscription rights (SRs) to employees and individual contractors. Unless specifically resolved otherwise, 25 per cent of each grant of subscription rights vest per year, and expire on the fifth anniversary following the general meeting that resolved the programme. Unvested subscription rights terminate on the holder's last day of employment. Vested subscription rights may be exercised up to 90 days after the holder's last day of employment. The weighted average exercise price of outstanding incentive SRs on 30 June 2018 was NOK 5.64 per share.

5 Payroll Expenses

| Amounts in NOK 1,000 | 1 April-30 June 2018 | 1 April-30 June 2017 | 1 January-30 June 2018 | 1 January-30 June 2017 | 1 January-31 December 2017 |
|--|----------------------|----------------------|------------------------|------------------------|----------------------------|
| Salary, payroll tax, benefits, other | 31 936 | 34 339 | 65 217 | 67 071 | 133 289 |
| Payroll tax on exercised subscr. rights | | 102 | | 4 306 | 4 306 |
| Share-based remun., notional cost | 7 867 | 5 057 | 12 677 | 8 176 | 17 263 |
| Accr. (rev.) payr. tax on share-based remun. | (2) | 492 | (179) | (4 005) | (5 573) |
| Payroll expenses | 39 801 | 39 990 | 77 715 | 75 548 | 149 285 |

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

6 Income Tax Expense

The income tax expense relates to estimated income tax on profit in IDEX America and IDEX UK. IDEX America adjusted its 2017 tax cost following tax payments for 2017 in the second quarter of 2018.

7 Profit (Loss) per Share

| | 1 Jan.–30 Jun. 2018 | 1 Jan.–30 Jun. 2017 | 1 Jan.–31 Dec. 2017 |
|--|------------------------|------------------------|------------------------|
| Profit (loss) attributable to the sh.holders (NOK 1 000) | (122 003) | (126 356) | (255 872) |
| Weighted average basic number of shares | 542 432 859 | 538 929 240 | 540 670 366 |
| Weighted average diluted number of shares | 542 463 691 | 544 045 102 | 544 068 814 |
| Profit (loss) per share, basic and diluted | NOK (0.22)) | NOK (0.23) | NOK (0.47) |

When the period result is a loss, the loss per diluted number of shares is not reduced by the higher number of shares but equals the result per basic number of shares.

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

8 Contingent Assets and Liabilities

IDEX does not have any contingent assets or contingent liabilities. IDEX has not issued any guarantees.

9 Related Party Transactions

IDEX has in the first half of 2018 recorded NOK 1,325 thousand for services provided by IDEX's legal counsel, law firm Ræder, in which chairman Morten Opstad is a partner. Mr. Opstad's work beyond board duty has been invoiced by Ræder. Board member Larry Ciaccia serves on IDEX's Strategy Advisory Council (SAC). The SAC service fee is USD 15 thousand per year. In addition Mr. Ciaccia provides consulting services beyond board duty to IDEX for a fixed fee of USD 50 thousand per year. Board member Andy MacLeod provides consulting services beyond board duty to IDEX for a fixed fee of GBP 60 thousand per year.

The board resolved on 21 February 2018 to issue 4,500,000 incentive subscription rights to CEO Stan Swearingen. The grant was made under the company's 2017 incentive subscription rights plan. The exercise price of the subscription rights is NOK 4.67 per share. 25 per cent of the subscription rights vested at grant, and another 25 per cent vest each year. The subscription rights expire on 12 May 2022.

The board resolved on 9 May 2018 to issue incentive subscription rights (SRs) under the company's 2018 incentive subscription rights plan to nearly all employees, including the following senior managers: Fred Benkley, CTO, 1,500,000 SRs, Guido Bertocci, Vice President of Software Engineering, 384,500 SRs, Anthony Eaton, VP Systems Engineering, 750,000 SRs, Henrik Knudtson, CFO, 1,500,000 SRs, Chris Ludden, Vice President Silicon Engineering, 372,400 SRs, Sarah Matthews, Director of Group HR, 116,200 SRs, Brian Roberts, VP Business Development and Product Management, 351,900 SRs, Erling Svela, VP Finance and Accounting, 349,300 SRs, and Paul Taylor, VP Operations & Programme Management 320,400 SRs. The exercise price of the subscription rights is NOK 4.28 per share. 25 per cent of the subscription rights vest per year from the date of the grant. The subscription rights expire on 9 May 2023.

Following the annual general meeting of IDEX on 9 May 2018, Chairman Morten Opstad and board members Larry Ciaccia, Deborah Davis and Andy MacLeod elected to receive part or full board remuneration in shares. Chairman Morten Opstad acquired 49,720 shares against payment of NOK 0.15 per share, instead of NOK 160,000 of the board remuneration, and took the remainder of the board remuneration in cash. Board member Larry Ciaccia acquired 88,563 shares against payment of NOK 0.15 per share, instead of NOK 285,000 of the board remuneration, and took the remainder of the board remuneration in cash. Board member Deborah Davis acquired 93,224 shares against payment of NOK 0.15 per share, instead of receiving

a cash board remuneration of NOK 300,000. Board member Andy Macleod acquired 68,675 shares against payment of NOK 0.15 per share, instead of NOK 221,000 of the board remuneration, and took the remainder of the board remuneration in cash. The shares have been issued and delivered.

10 Events Occurring After the Balance Sheet Date

The board of directors of IDEX ASA resolved on 15 August 2018 to issue 3,727,600 incentive subscription rights to employees and individual contractors in the IDEX group. The grant was made under the company's 2018 incentive subscription rights plan as resolved at the annual general meeting on 9 May 2018. The exercise price of the subscription rights is NOK 5.10 per share. 2,627,600 subscription rights vest by 25 per cent per year, while 1,100,000 subscription rights vest by 34 per cent on the grant date and 33 per cent per following year, subject to the recipient not terminating his service agreement with IDEX before 15 August 2019. All subscription rights expire on 9 May 2023. Following the grant there will be 40,463,700 subscription rights outstanding.

Between 30 June 2018 and the resolution of these condensed consolidated interim financial statements, there have not been any events that have had any noticeable impact on IDEX's result in the first half of 2018 or the value of the company's assets and liabilities at 30 June 2018.

RESPONSIBILITY STATEMENT

Interim Report for the First Half of 2018 (Unaudited)

We confirm, to the best of our knowledge, that the condensed consolidated financial statements with notes for the period 1 January to 30 June 2018 has been prepared in accordance with IAS 34 - Interim Financial Reporting and gives a true and fair view of IDEX's assets, liabilities, financial position and profit or loss as a whole. Major related parties' transactions have been disclosed in note 9.

We also confirm, to the best of our knowledge, that the interim report issued in concert with these condensed financial statements includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year. Please refer to note 2 to the financial statements.

Fornebu, 15 August 2018
The board of directors of IDEX ASA

Morten Opstad
Chairman

Lawrence John Ciaccia
Board Member

Deborah Lee Davis
Board Member

Hanne Høvding
Board Member

Andrew James Macleod
Board Member

Stanley Alvin Swearingen Jr.
CEO



IDEX ASA

Third quarter 2018 report

Third quarter and recent highlights

- **Biometric card market at inflection point**
 - Received a landmark, world's first order for sensors to be used in biometric-enabled payment cards
 - Smart card incorporating IDEX's contact-based sensor certified by leading global payments provider
 - Fransabank launched first Mastercard biometric payment card to customers in Lebanon
 - IDEX's solutions, supply chain, partnerships and customers ready for broad commercialization
- **Significantly expanded customer base with strong pull for IDEX's biometric card solutions**
 - Feitian selected IDEX's sensors for dual-interface banking application on major Chinese payment network
 - JINCO integrated IDEX's sensor in dual-interface biometric cards for multiple payment and identification applications
 - Partnership with Hengbao to introduce biometric smart cards in Asian markets
 - IDEX partners with and received initial order for sensors from XH Smart Tech (in China) for dual-interface smart cards
- **IDEX's contact-less sensor for dual-interface card is ready for the market and adopted by customers**
 - Multiple card vendors evaluating and integrating dual-interface sensors
- **Advancing commercialization of on-card remote enrollment solution**
 - Remote enrollment acknowledged as a critical enabler of commercial adoption by major global payment providers and card integrators
- **IDEX sensors integrated by Ohsung Electronics, a leading global manufacturer of remote controls for consumer devices**

Outlook and expected upcoming milestones

- **Imminent commercialization expected**
 - Additional shipments in support of production order
 - New customers and eco-system partners in multiple verticals
 - Multiple pilots of dual-interface cards
 - Commercial launch of remote enroll
 - Continue to strengthen our intellectual property position
 - Confident in dual-interface 'certification', and volume delivery by mid-2019



LEADERSHIP POSITION IN BIOMETRIC CARDS UNDERPINNED BY DIFFERENTIATED TECHNOLOGY AND COMPLETE SOLUTIONS APPROACH

Off-chip technology enables unique adaptability in design and architecture

IDEX is proud to be the only supplier of proven, capacitive off-chip fingerprint solutions in the biometric card industry. As a company with deep expertise and considerable intellectual property in both silicon and off-chip sensor technology, IDEX has chosen to focus on off-chip solutions due to the significant benefits of this technology's fundamentally different architecture.

Off-chip sensors are designed with a chip, also referred to as the ASIC, that is independent from the sensing array. The initial development of an off-chip fingerprint sensor is considerably more complex than a silicon sensor, however this innovative approach provides a number of important competitive and application advantages, including significantly increased adaptability and form factor flexibility. As a result, this scalable architecture enables IDEX to design superior sensor solutions with optimal size and cost-to-performance characteristics. In addition, the off-chip technology enables a path to integrating additional features and value into the ASIC, including the biometric MCU, encryption and power management. This allows optimization of the system performance and reduces the total system cost significantly.

IDEX's off-chip sensor and ASIC are especially well suited for integration into biometric cards. The key benefits in card applications include a sensor that is uniquely bendable as well as a more integrated architecture that reduces the number of components, cost and manufacturing complexity of the sensor.

IDEX leverages a system approach and global partnerships to provide industry leading solutions

In addition to its unique off-chip sensor technology, IDEX has assembled a highly accomplished team of fundamental innovators spanning numerous disciplines of technology in order to pursue a full system approach to its solutions for biometric cards. The company's offerings include fingerprint sensors and fingerprint sensor modules, which leverage IDEX's proprietary matcher algorithm optimized for both contact-based and dual-interface biometric card applications.

IDEX has also established deep partnerships throughout the supply chain with industry-leading semiconductor and card manufacturers, as well as security solutions and global payment providers. These strategic ecosystem partners further enhance the company's ability to offer complete and optimized solutions to its customers through a virtuous cycle of privileged feedback.

Unlocking market-enabling innovation with on-card remote enrollment

By combining these two fundamental design concepts of differentiated technology and a full system approach, in May 2018 IDEX announced that the company had been actively working in partnership with Mastercard on the development of an on-card remote enrollment solution for biometric cards. Now considered by multiple leading global payment providers as a critical market enabler, IDEX's incredibly innovative yet relatively simple remote enrollment solution addresses what many industry participants previously viewed as the largest barrier to adoption for biometric payment cards, in-person enrollment.

This low-cost and seamless end-to-end solution for both issuers and consumers uniquely allows card users to securely enroll themselves without visiting a physical branch or point-of-sale terminal, and without the use of a computer, smartphone or any connected device. IDEX has pending patents on the on-card remote enrollment solution, which can be used for both contact-based and dual-interface card applications.



Another path IDEX is pursuing to enhance security is to develop a proprietary matching algorithm that performs part of the matching in the secure element of the card. This enhances security by protecting from external breaches.

IDEX has a roadmap for display integration with strong benefits for biometric cards. Firstly, using display technology to manufacture sensors has the potential of significantly reducing costs. Secondly, the technology can potentially enrich the biometric card with additional features enhancing both the security and user friendliness of the card. The display integration roadmap is enabled by IDEX's off-chip technology and the team's deep knowledge in the area.

BIOMETRIC CARD MARKET AT INFLECTION POINT

The market for biometric cards has gained appreciable momentum during 2018, as leading companies across the smart card ecosystem, such as card integrators, payment providers and secure element vendors, have expanded development efforts, customer engagements and commercial deployments. Also, consumer awareness and card issuer interest are consistently becoming stronger, resulting in adoption of biometric cards.

Underpinned by a combination of the company's enabling technology and complete solutions expertise, IDEX continues to advance its existing leadership position in the market for biometric cards. IDEX has consistently supported a growing number of successful customer trials through 2018, and in July a contact-based payment card incorporating the company's sensor was certified by a leading global payment provider. Also during the third quarter, Fransabank launched the first Mastercard biometric payment card featuring IDEX's sensor to customers in Lebanon, and one of IDEX's strategic partners placed world's first production order of biometric fingerprint sensors for payment cards. Most recently, IDEX announced a partnership with Hengbao, one of the largest card solutions providers in China, to introduce contact-based biometric smart cards in Southeast Asian markets. Several other prospective customers and partners are also actively evaluating the integration of the company's fingerprint sensors.

In addition to the company's commercial progress on contact-based cards, IDEX has demonstrated accelerating traction of its sensor solutions for dual-interface cards. In July, the company's sensor for dual-interface cards successfully passed engineering integration and validation at Feitian Technologies, and JINCO Universal selected IDEX's sensor for its dual-interface cards. Feitian is a leading provider of user authentication and transaction security in China, and JINCO is a leading Taiwan-based smart card manufacturer. In October, IDEX announced a partnership with XH Smart Tech in China to pursue a shared objective of rapidly deploying dual-interface biometric cards, as well as an order for IDEX's sensors in support of initial card integration. XH Smart Tech is ranked among the top five Chinese smart card vendors by international market share, having shipped more than 3 billion smart cards across a broad customer base that includes numerous institutions in China, Africa and the Middle East.

Collectively, IDEX is continuing to experience very strong interest for its solutions for both contact-based and dual-interface biometric card applications. The number of customer evaluations and engagements have expanded significantly during the course of 2018, particularly in Asia and including some of the most influential smart card integrators in China. In support of anticipated growing demand, IDEX has established a robust high-capacity supply chain to satisfy future commercial deployments. The company continues to work actively with major blue-chip partners, such as TSMC for production of its ASIC, and Amkor Technology and SPIL for the packaging of its sensors. In addition, IDEX has invested in in-house testing and probing equipment at the company's facility in Rochester, New York, in order to accelerate development cycle time and reduce external costs. This equipment was installed and became operational in the third quarter of 2018.

IOT MARKET

The IoT market (Internet of Things) consists of a rapidly growing number of connected devices, many of them with applications that can benefit from seamlessly incorporated identification and security features. The market opportunity for biometric sensors in IoT devices is broad, however the associated customer base and supply chains are typically highly fragmented. Due in part to these dynamics, IDEX's strategy in this market is to leverage its unique off-chip technology and existing sensor solutions for biometric cards to capitalize on meaningful opportunities in select IoT market verticals.

In September, the company announced that Ohsung Electronics had integrated IDEX's contact-based sensor for biometric cards into a fingerprint enabled remote control product, which was showcased at the IBC2018 trade show together with an exclusive European partner, TW Electronics. Korean-based Ohsung Electronics represents one of the world's largest producers of advanced remote control devices, and this integration of a contact-based sensor further validates the diverse opportunities for IDEX's biometric solutions in innovative IoT applications.

MOBILE MARKET

Although IDEX is primarily focused on advancing the mass commercialization of its fingerprint sensor solutions for biometric cards, while also strategically capitalizing on selective opportunities in the IoT market, the company does maintain ongoing research and development efforts related to touch display sensors. In addition to next-generation card application, this research also has the potential to open up future opportunities for the integration of IDEX's sensor technology into mobile displays.

STRENGTHENED SALES AND MARKETING ORGANIZATION

IDEX continues to develop its organization to drive commercial progress and to ensure that all resources are focused on delivering its strategy. This means that the company is strengthening customer-facing departments in support of further solidifying its market leading position and driving accelerated adoption of the company's fingerprint solutions for biometric cards. In addition to key executive-level appointments during 2018, IDEX has strategically recruited expertise from the fingerprint sensor, smart card and payment industries in order to broaden marketing activities in target geographies, including Asia, as well as significantly upgraded the business development capabilities across the biometric cards ecosystem.

In the third quarter of 2018, the company had a total staff of 104 full-time equivalents (FTE), down from 112 FTE at the end of the second quarter. At 31 December 2017, the total number was 118 FTEs.

RECENT EVENTS

On 31 October 2018, IDEX announced a partnership with and received an initial order for dual-interface sensors from XH Smart Tech in China. XH Smart Tech is a leading provider of solutions for IoT and blockchain technologies, and is ranked among the top five Chinese smart card vendors by international market share. The initial order enables XH Smart Tech to commence integration of IDEX's sensors in support of the planned deployment of biometric cards.

OUTLOOK

The market for biometric cards is picking up significant momentum. Large players in the smart card ecosystem are investing heavily in biometrics, including customers like card issuers and public institutions, as well as card integrators, global payment schemes and secure element vendors. In this nascent phase of the market for biometric smart cards it is critical to educate potential customers and drive penetration of biometrics. IDEX has been driving this effort together with its partners for several years. Recently there has been increasing activity from other players as well, including customer trials similar to what IDEX started in early 2017. IDEX considers this dynamic very positive to build the market for biometric cards as quickly as possible.

As a pioneer in this market IDEX has gained critical insight enabling the company to develop solutions addressing usability and security. These privileged insights, coupled with IDEX's unique off-chip technology and systems approach, makes IDEX confident in its ability to maintain its leadership position in the biometric smart card market. The company commenced shipment in fulfillment of the production order announced in September for sensors incorporated into biometric enabled payment cards. In addition to anticipated follow-on orders from this lead customer, the company expects increased traction with additional customers.

IDEX continues to experience strong interest for its contact-based sensors and has either completed or is in the process of supporting numerous customer trials, as well as fully satisfying all technical and product requirements with a growing number of customers. Additionally, the company's secured design-in agreements with multiple prominent card and security integration customers are anticipated to transition into pilot programs and trials with IDEX's dual-interface sensor.

The company has completed development of its sensor for dual-interface cards. These sensors are currently being integrated into cards by a range of vendors and is expected to lead to multiple pilots with dual-interface cards in the coming quarter. IDEX is confident about 'certification' of dual interface cards and volume deliveries by mid-2019.

Oslo, 7 November 2018
The Board of Directors of IDEX ASA

FINANCIAL REVIEW

Consolidated Interim Financial Statements at 30 September 2018 (Unaudited)

Profit and Loss Statements

IDEX recorded revenues of NOK 1.1 million from product sales in the third quarter of 2018, compared to NOK 3.5 million in the corresponding period of 2017. In the first nine months of 2018, the revenues amounted to NOK 3.2 million including services amounting to NOK 1.4 million. The revenue was NOK 15.0 million in the same period of 2017 when IDEX made considerable shipments of sensors for use in mobile phones. The shipments in 2018 are chiefly related to cards and embedded products. The gross margin on sensor sales in the third quarter was 23 per cent, while the gross margin so far this year was 25 per cent. The gross margin at small volumes are necessarily not representative of gross margin at mass volume stage.

The total operating expenses in the third quarter of 2018 amounted to NOK 58.1 million, compared to NOK 62.6 million in the third quarter of 2017. In the first nine months of the year, the total operating expenses amounted to NOK 177.2 million in 2018 and NOK 185.9 million in 2017. The reduction in expenses is mainly due to lower external development expenses this year compared to last year, when some large development projects were completed. A larger share of the development work is now carried out by internal staff.

The payroll expenses amounted to NOK 40.4 million in the third quarter and NOK 118.1 million in the first nine months of 2018, and were at about the same level as in the corresponding periods of 2017. The underlying payroll cost excluding share-based remuneration was NOK 32.7 million in the third quarter and NOK 97.9 million in the first nine months of this year, down from NOK 34.8 million and NOK 111.0 million in the corresponding periods of 2017. The average number of IDEX employees was 98 full-time equivalents (FTE) in the first nine months of this year, compared to 97 FTE in the first nine months of last year. There are cost variations between quarters also because salaries in subsidiaries are paid in foreign currency and variations in other staff related items such as recruiting costs. The net cost of share-based remuneration may vary substantially between quarters because of share price fluctuations as well as grants and exercises. Cost of exercises are funded by the capital injected at exercise.

The total number of staff, counting both employees and individual contractors, was 104 FTE at 30 September 2018, down from 112 FTE at 30 June this year and down from 118 FTE at 31 December 2017. The staff is comprised of 93 FTE IDEX employees and 11 individual contractors working continuously as part of the development or sales teams. IDEX does not currently plan to make significant changes in the number of staff.

Development expenses amounted to NOK 9.3 million in the third quarter of 2018, compared to NOK 16.4 million in the corresponding quarter of 2017. In the first nine months of 2018, these expenses were NOK 35.2 million, down from NOK 46.8 million in the same period of 2017. The reduction is explained above.

Other operating expenses, mainly expenses related to sales, marketing and administration, amounted to NOK 8.5 million in the third quarter and NOK 23.9 million in the first nine months of 2018, compared to NOK 7.3 million and NOK 24.6 million in the corresponding periods of 2017.

Amortization and depreciation amounted to NOK 1.7 million and NOK 5.1 million in the second quarter and first nine months of this year respectively, in line with NOK 1.8 million and NOK 5.2 million in the corresponding periods last year. IDEX has in the third quarter invested NOK 6.1 million in equipment for development purposes, which means that future depreciation will be higher.

IDEX recorded an EBIT loss of NOK 59.6 million in the third quarter of 2018, compared to a loss of NOK 64.1 million in the corresponding period of 2017. In the first nine months of 2018, the company recorded an EBIT loss of NOK 180.4 million, down from a loss of NOK 188.7 million in the first nine months of 2017.

Net financial items amounted to an expense of NOK 0.4 million in the third quarter this year, compared to an income of NOK 0.4 million in the third quarter last year. Net financial items amounted to an expense of NOK 1.4 million in the first nine months of 2018. This compares to an expense of NOK 1.0 million in the first nine months of 2017. The variation in net financial items between periods is mainly caused by re-/devaluations of foreign currency, mainly the U.S. dollar, causing gains or losses on receivables and debt denominated in currencies other than NOK.

The IDEX group recorded a tax expense of NOK 0.7 million in the third quarter this year, compared to NOK 0.4 million in the third quarter of 2017. The group's tax charge amounted to NOK 0.9 million in the first half of 2018, compared to a tax charge of NOK 0.8 million the corresponding period last year. The tax is due to profits in IDEX's subsidiaries in the USA and UK.

The IDEX group had a net loss of NOK 60.7 million in the third quarter of 2018, compared to a loss of NOK 64.2 million in the third quarter of 2017. In the first nine months of 2018, the group recorded a loss of NOK 182.7 million, compared to from a loss of NOK 190.5 million for the first nine months of 2017.

Loss per weighted average number of basic shares amounted to NOK 0.11 in the third quarter, in line with the loss of NOK 0.12 per share in the third quarter of 2017. In the first nine months of the year, the loss amounted to NOK 0.33 per share this year and NOK 0.35 per share last year.

Balance Sheets

The main assets held in the balance sheet are acquired intangible assets and cash in bank. Cash is the major item, representing 64 per cent of the total assets.

At 30 September 2018, IDEX had a cash balance of NOK 130.5 million, down from NOK 189.9 million at the end of the previous quarter this year and from NOK 302.1 million at the end of 2017. The group has no debt to financial institutions or lenders.

The acquired intangible assets and intellectual property rights have been capitalized in accordance with IFRS, and included goodwill amounting to NOK 8.3 million and depreciating assets in an amount of NOK 27.7 million at 30 September 2018. The corresponding numbers at 30 September 2017 were NOK 8.3 million and NOK 31.9 million respectively. The assets depreciate over the economic life of the respective items. IDEX's self-developed intellectual property rights and product development costs are generally not held in the balance sheet because they do not satisfy the IFRS criteria for capitalization. No development expenses have been capitalized in 2018 or 2017.

Tangible fixed assets amounted to NOK 14.1 million at 30 September 2018, up from NOK 8.0 million at 30 June this year and from NOK 8.2 million from 30 September last year. The fixed assets are scientific equipment and engineering tools, leasehold outfitting, office equipment and furniture with useful lives of 3-5 years. The main investment in the quarter was a tester and prober for development and preparation for mass volume production.

Inventory amounted to NOK 10.4 million at 30 September 2018, in line with the level at 30 June this year but

down from the peak value of NOK 13.2 million at 30 September 2017. The inventory consists mainly of card and IoT components and sensors. Because of significant lead times for certain components, IDEX holds inventory in order to satisfy expected demand for deliveries with short notice.

Customer receivables at 30 September 2018 amounted to NOK 0.8 million, up from nil at the preceding quarter end. At the end of the third quarter last year, customer receivables amounted to less than NOK 0.1 million.

Total short-term liabilities amounted to NOK 27.5 million at 30 September 2018, on par with the previous quarter and 30 September 2017. Variations between quarters are caused by activity level, specific pay terms and timing of deliveries.

Equity amounted to NOK 173.0 million at the end of the third quarter of 2018, down from NOK 227.7 million at the end of the second quarter this year and from NOK 337.1 million at the beginning of the year. The decrease is mainly caused by the net loss. See note 2 for further comments on the equity situation.

IDEX does not have any debt to financial institutions or lenders.

The net working capital, inventory plus receivables less trade accounts payable, amounted to NOK 14.0 million at 30 September 2018, down from NOK 16.3 million at 30 June this year which was same as at the beginning of the year. IDEX will necessarily need to build up its inventory and accumulate receivables as sales to the card and IoT markets increase.

Cash Flow and Cash Position

IDEX's operational cash outflow was NOK 52.9 million in the third quarter of 2018, compared to NOK 66.2 million in the third quarter of 2017. The main operating cash items are the operating losses in each period, partly offset by the equity part of the share-based compensation and depreciation. The working capital varies between quarters, mainly due to fluctuating payables to suppliers and accrued liabilities. Future planned growth of sales is expected to cause an increase in working capital in the form of inventory and receivables, partly funded by payables.

IDEX invested NOK 6.8 million in the third quarter of 2018, compared to NOK 3.0 million in the third quarter of 2017. The major item in the third quarter was equipment for testing and probing and development of volume product test procedures acquired by IDEX America in Rochester. In the first nine months of this year, the investments amounted to NOK 8.4 million, up from NOK 6.1 million in the corresponding period last year, when IDEX America and IDEX UK expanded facilities and added equipment. Investments vary according to project requirements for new equipment and tooling. IDEX has no firm plans to do so, but may need to invest in more equipment for development or manufacturing purposes in the future.

IDEX's balance sheet solvency, which is the cash position less the net of receivables and short-term liabilities, amounted to NOK 115.5 million at 30 September 2018, down from NOK 174.9 million at 30 June 2018 and from NOK 283.3 million at the beginning of the year. The reduction was mainly caused by the net loss in the period, net of share-based compensation cost. See note 2 for further comments on the liquidity position.

INTERIM FINANCIAL STATEMENTS 30 SEPTEMBER 2018

Interim Consolidated Statements of Comprehensive Income

| Amounts in NOK 1,000 | Note | 1 July- 30 September 2018 | 1 July- 30 September 2017 | 1 January- 30 September 2018 | 1 January- 30 September 2017 | 1 January- 31 December 2017 |
|---|------|---------------------------------|---------------------------------|------------------------------------|------------------------------------|-----------------------------------|
| Operating income | | | | | | |
| Product sales | | 1 082 | 3 513 | 1 823 | 14 803 | 16 036 |
| Other operating revenue | | | | 1 389 | 203 | 1 434 |
| Total revenue | 2 | 1 082 | 3 513 | 3 212 | 15 006 | 17 470 |
| Cost of goods sold | | | | | | |
| | | 830 | 3 158 | 1 368 | 12 527 | 13 691 |
| Gross margin | | 252 | 355 | 1 844 | 2 479 | 3 779 |
| Operating expenses | | | | | | |
| Payroll expenses | 5 | 40 356 | 38 958 | 118 071 | 114 506 | 149 285 |
| Development expenses | | 9 312 | 16 390 | 35 235 | 46 828 | 56 256 |
| Other operating expenses | 9 | 8 466 | 7 290 | 23 902 | 24 597 | 39 779 |
| Total operating expenses | | 58 134 | 62 638 | 177 208 | 185 931 | 245 320 |
| Profit (loss) before interest, tax, depreciation and amortization (EBITDA) | | | | | | |
| | | (57 882) | (62 283) | (175 364) | (183 452) | (241 541) |
| Amortisation and depreciation | 3 | 1 740 | 1 843 | 5 094 | 5 243 | 7 501 |
| Profit before interest and tax (EBIT) | | (59 622) | (64 126) | (180 458) | (188 695) | (249 042) |
| Financial income and expenses | | | | | | |
| Interest income | | 213 | 471 | 911 | 1 865 | 2 285 |
| Other financial income | | 854 | 2 048 | 4 148 | 2 314 | 2 644 |
| Interest expenses | | (4) | | (14) | (25) | (64) |
| Other financial expenses | | (1 493) | (2 128) | (6 445) | (5 202) | (7 159) |
| Net financial items | | (430) | 391 | (1 400) | (1 048) | (2 294) |
| Net result before tax | | | | | | |
| | | (60 052) | (63 735) | (181 858) | (189 743) | (251 336) |
| Income tax expense (credit) | 6 | 692 | 427 | 889 | 775 | 4 150 |
| Net profit (loss) for the period | | (60 744) | (64 162) | (182 747) | (190 518) | (255 486) |
| Other comprehensive income | | | | | | |
| | | (31) | (699) | (98) | (931) | (386) |
| Total comprehensive income (loss) for the period, net of tax | | (60 775) | (64 861) | (182 845) | (191 449) | (255 872) |
| Profit (loss) per share - basic and diluted | 7 | NOK (0.11) | NOK (0.12) | NOK (0.33) | NOK (0.35) | NOK (0.47) |

The notes are an integral part of this condensed interim financial report

Interim Consolidated Balance Sheets

| Amounts in NOK 1,000 | Note | 30 September 2018 | 30 September 2017 | 31 December 2017 |
|---|------|----------------------|----------------------|---------------------|
| ASSETS | | | | |
| Long-term assets | | | | |
| Goodwill | | 8 260 | 8 260 | 8 260 |
| Other intangible assets | | 27 688 | 31 932 | 30 464 |
| Tangible fixed assets | | 14 083 | 8 249 | 8 002 |
| Long-term receivables | | 1 227 | 1 430 | 1 251 |
| Total long-term assets | 3 | 51 258 | 49 871 | 47 977 |
| Current assets | | | | |
| Inventory and receivables | | | | |
| Inventory | | 10 420 | 13 214 | 9 255 |
| Customer receivables | | 796 | 47 | 550 |
| Other receivables | | 6 759 | 6 654 | 6 236 |
| Prepaid expenses | | 4 942 | 2 204 | 3 327 |
| Total inventory and receivables | | 22 917 | 22 119 | 19 368 |
| Cash and bank deposits | | | | |
| Cash and bank deposits | | 130 472 | 359 356 | 302 105 |
| Total cash and bank deposits | | 130 472 | 359 356 | 302 105 |
| Total current assets | | 153 389 | 381 475 | 321 473 |
| TOTAL ASSETS | | 204 647 | 431 346 | 369 450 |
| EQUITY AND LIABILITIES | | | | |
| Equity | | | | |
| Paid-in-capital | | | | |
| Share capital | | 81 402 | 81 357 | 81 357 |
| Share premium | | 1 185 355 | 1 185 355 | 1 185 355 |
| Other paid-in capital | | 93 169 | 70 432 | 74 382 |
| Total paid-in-capital | 4 | 1 359 926 | 1 337 144 | 1 341 094 |
| Other equity | | (1 186 877) | (939 609) | (1 004 032) |
| Total equity | 1 | 173 049 | 397 535 | 337 062 |
| Liabilities | | | | |
| Long-term liabilities | | | | |
| Other long-term liabilities | | 4 105 | 7 138 | 3 497 |
| Total long-term liabilities | | 4 105 | 7 138 | 3 497 |
| Short-term liabilities | | | | |
| Accounts payable | | 8 918 | 1 743 | 3 052 |
| Public duties payable | | 1 770 | 2 261 | 2 452 |
| Accrued payable income tax | | 2 179 | 1 586 | 2 902 |
| Notional employer's tax on share incentives | 5 | 1 550 | 689 | 179 |
| Other short-term liabilities | | 13 076 | 20 394 | 20 306 |
| Total short term liabilities | | 27 493 | 26 673 | 28 891 |
| Total liabilities | | 31 598 | 33 811 | 32 388 |
| TOTAL EQUITY AND LIABILITIES | | 204 647 | 431 346 | 369 450 |

The notes are an integral part of this condensed interim financial report

Interim Consolidated Cash Flow Statements

| Amounts in NOK 1,000 | Note | 1 July- 30 September 2018 | 1 July- 30 September 2017 | 1 January- 30 September 2018 | 1 January- 30 September 2017 | 1 January- 31 December 2017 |
|---|------|---------------------------------|---------------------------------|------------------------------------|------------------------------------|-----------------------------------|
| Cash flows from operating activities | | | | | | |
| Profit (loss) before taxes (EBT) | | (60 052) | (63 735) | (181 858) | (189 743) | (251 336) |
| Share-based remun. (equity part) | 4 | 6 110 | 5 136 | 18 787 | 13 313 | 17 263 |
| Amortisation and depreciation | 3 | 1 740 | 1 843 | 5 094 | 5 243 | 7 501 |
| Interest income | | (213) | (471) | (911) | (1 865) | (2 285) |
| Change in receivables, inventory | | (569) | (1 835) | (3 549) | 6 319 | 9 070 |
| Change in payables, accruals | | 831 | (6 532) | (1 398) | (14 587) | (12 369) |
| Net other items | | (788) | (639) | (995) | (348) | (3 018) |
| Net cash flow from operational activities | | (52 941) | (66 233) | (164 830) | (181 668) | (235 174) |
| Cash flows from investing activities | | | | | | |
| Investments in tangible assets | 3 | (6 812) | (2 990) | (8 376) | (6 138) | (6 857) |
| Investments in intangible assets | 3 | | (294) | | (294) | (294) |
| Change in long-term receivables | 3 | | (180) | | (164) | 41 |
| Interest income | | 213 | 471 | 911 | 1 865 | 2 285 |
| Net cash provided by investing activities | | (6 599) | (2 993) | (7 465) | (4 731) | (4 825) |
| Cash flows from financing activities | | | | | | |
| Share issues net of expenses | 4 | 45 | (4) | 45 | 13 313 | 13 303 |
| Paid-in, not registered share capital | 4 | (45) | | | (811) | (811) |
| Change in long-term payables | | 123 | 205 | 617 | 634 | (3 007) |
| Net cash provided by financing activities | | 123 | 201 | 662 | 13 136 | 9 485 |
| Net change in cash and cash equivalents | | (59 417) | (69 025) | (171 633) | (173 263) | (230 514) |
| Opening cash balance | | 189 889 | 428 381 | 302 105 | 532 619 | 532 619 |
| Closing cash balance | | 130 472 | 359 356 | 130 472 | 359 356 | 302 105 |

Interim Consolidated Statements of Equity

| Amounts in NOK 1,000 | Note | Share capital | Share premium | Other paid-in capital | Retained earnings (uncovered loss) | Total equity |
|----------------------------------|------|------------------|------------------|-----------------------------|---|-----------------|
| Balance 1 January 2018 | | 81 357 | 1 185 355 | 74 382 | (1 004 032) | 337 062 |
| Share issue (board remuneration) | | 45 | | | | 45 |
| Share-based remuneration | 5 | | | 18 787 | | 18 787 |
| Profit (loss) for the period | | | | | (182 747) | (182 747) |
| Other comprehensive income | | | | | (98) | (98) |
| Balance 30 September 2018 | 1 | 81 402 | 1 185 355 | 93 169 | (1 186 877) | 173 049 |
| Balance 1 January 2017 | | 80 067 | 1 173 342 | 57 119 | (748 160) | 562 368 |
| Share issues | | 1 290 | 12 013 | | | 13 303 |
| Share-based compensation | | | | 13 313 | | 13 313 |
| Profit (loss) for the period | | | | | (190 518) | (190 518) |
| Other comprehensive income | | | | | (931) | (931) |
| Balance 30 September 2017 | | 81 357 | 1 185 355 | 70 432 | (939 609) | 397 535 |
| Balance 1 January 2017 | | 80 067 | 1 173 342 | 57 119 | (748 160) | 562 368 |
| Exercises of subscription rights | 4 | 1 273 | 12 013 | | | 13 286 |
| Share issue (board remuneration) | | 17 | | | | 17 |
| Share-based remuneration | 5 | | | 17 263 | | 17 263 |
| Profit (loss) for the year | | | | | (255 486) | (255 486) |
| Other comprehensive income | | | | | (386) | (386) |
| Balance 31 December 2017 | 1 | 81 357 | 1 185 355 | 74 382 | (1 004 032) | 337 062 |

The notes are an integral part of this condensed interim financial report

NOTES

Notes to the Condensed Consolidated Interim Financial Statements 30 September 2018 (Unaudited)

1 IDEX ASA and the IDEX Group

IDEX ASA is a public limited liability company incorporated and domiciled in Norway. The address of the registered office, which is also the head office, is Martin Linges vei 25 at NO-1364 Fornebu near Oslo, Norway. IDEX ASA's shares are listed at Oslo Børs, the stock exchange in Oslo. The objective of the company as stated in the articles of association is to deliver identification systems and other related activities.

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

2 Accounting Policies and Risk Factors

This condensed consolidated interim financial report for 2018 has been prepared in accordance with IAS 34 Interim financial reporting. The interim financial report should be read in conjunction with the annual financial statements for 2017. The IFRS accounting policies applied in this report are consistent with those applied and described in the annual financial statements for 2017.

This interim financial report has not been subject to audit. The report was approved by the board of directors on 7 November 2018.

It is the duty of the board of directors to duly present the principal risks of IDEX and its business. The company's major risk is its business risk, meaning its ability to earn revenue and generate profit. The revenue to date in 2018 is lower than the same periods in 2017 and 2016. The future revenue generation will depend on IDEX's ability to market and deliver successful and competitive products, and further the company's ability to legally protect its intellectual property rights.

IDEX considers that its fingerprint sensor technology has one of the best biometric performances, and that its fingerprint sensor products offer unique properties, particularly in the card market.

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. As most of the cash is held in NOK while costs are predominantly in USD and GBP, there is a risk to future cost when measured in NOK. Furthermore, intra-group funding and billing is done in the subsidiaries' functional currency, which has a currency risk to NOK. Virtually all sales to customers are invoiced in USD. Virtually all of the accounts payable are in foreign currency, mainly USD.

The going concern assumption has been applied when preparing this interim financial report. IDEX has commenced earning revenue, but continues to operate at a significant loss. The company expects to increase revenue generation through sale of sensors and monetization of Intellectual Property. The company does not have any debt to financial lenders. As an ongoing activity the company monitors liquidity, and will take appropriate measures if required.

3 Long-Term Assets

| Amounts in NOK 1,000 | Goodwill | Other intangible assets | Tangible fixed assets | Long-term receivables | Total long-term assets |
|--|----------|-------------------------|-----------------------|-----------------------|------------------------|
| Balance 1 January 2018 | 8 260 | 30 464 | 8 002 | 1 251 | 47 977 |
| Additions | | | 8 376 | | 8 376 |
| Depreciation and impairment losses | | (2 776) | (2 318) | | (5 094) |
| Effects of changes in foreign currency | | | 23 | (24) | (1) |
| Balance 30 September 2018 | 8 260 | 27 688 | 14 083 | 1 227 | 51 258 |

| | | | | | |
|--|-------|---------|---------|-------|---------|
| Balance 1 January 2017 | 8 260 | 34 843 | 4 695 | 1 277 | 49 075 |
| Additions | | 294 | 6 138 | 800 | 7 232 |
| Disposals and retirements at cost | | | (325) | (636) | (961) |
| Depreciation and impairment losses | | (3 205) | (2 038) | | (5 243) |
| Depr. on disposed and retired assets | | | 121 | | 121 |
| Effects of changes in foreign currency | | | (342) | (11) | (353) |
| Balance 30 September 2017 | 8 260 | 31 932 | 8 249 | 1 430 | 49 871 |

| | | | | | |
|--|-------|---------|---------|-------|---------|
| Balance 1 January 2017 | 8 260 | 34 843 | 4 695 | 1 277 | 49 075 |
| Additions | | 294 | 6 857 | 595 | 7 746 |
| Disposals and retirements at cost | | (1 871) | (3 073) | (636) | (5 580) |
| Depreciation and impairment losses | | (4 252) | (2 822) | | (7 074) |
| Depr. on disposed and retired assets | | 1 450 | 2 458 | | 3 908 |
| Effects of changes in foreign currency | | | (113) | 15 | (98) |
| Balance 31 December 2017 | 8 260 | 30 464 | 8 002 | 1 251 | 47 977 |

Acquired intangible assets and intellectual property rights have been capitalized in accordance with IFRS, and included goodwill amounting to NOK 8.3 million and depreciating assets in an original acquisition amount of NOK 38.5 million. The assets depreciate over the economic life of the respective assets. The major items depreciate over 9.5 years and 17.3 years from acquisition, through July 2024 and to the end of 2030 respectively. Under IFRS goodwill is not amortized but impairment tested at each year end. Intangible assets that are fully depreciated are by definition retired. I

IDEX's self-developed patents and other intellectual property rights are generally not held in the balance sheet because they do not satisfy the IFRS criteria for capitalization. Development costs have largely been expensed for the same reason. IDEX has not capitalized any development expenses in 2018 or 2017.

4 Shares and Subscription Rights

| Number of financial instruments | Incentive subscription rights | Shares |
|--|-------------------------------|-------------|
| Balance 1 January 2018 | 25 260 000 | 542 383 105 |
| 1 January-30 September: Granted incentive subscription rights | 21 892 600 | |
| 1 January-30 September: Expired/forfeited incentive subscr. rights | (7 859 300) | |
| 31 May: Issued shares in lieu of board remuneration | | 300 182 |
| Balance 30 September 2018 | 39 293 300 | 542 683 287 |

| | | |
|---|-------------|-------------|
| Balance 1 January 2017 | 26 037 500 | 533 780 255 |
| 1 January-30 September: Granted incentive subscription rights | 8 535 000 | |
| 1 January-30 September: Issued shares for incentive sub.rights exerc. in 2016 | | 125 000 |
| 1 January-30 September: Exercised incentive subscription rights | (8 375 000) | 8 362 500 |
| 1 January-30 September: Expired/forfeited incentive subscr. rights | (1 312 500) | |
| 29 May: Issued shares in lieu of board remuneration | | 115 350 |
| Balance 30 September 2017 | 24 885 000 | 542 383 105 |

| Number of financial instruments <i>(continued)</i> | Incentive subscription rights | Shares |
|--|-------------------------------------|-------------|
| Balance 1 January 2017 | 26 037 500 | 533 780 255 |
| 1 January-31 December: Granted incentive subscription rights | 9 810 000 | |
| 1 January-31 December: Issued shares for incentive sub.rights exerc. in 2016 | | 125 000 |
| 1 January-31 December: Exercised incentive subscription rights | (8 375 000) | 8 362 500 |
| 1 January-31 December: Expired/forfeited incentive subscr. rights | (2 212 500) | |
| 29 May: Issued shares in lieu of board remuneration | | 115 350 |
| Balance 31 December 2017 | 25 260 000 | 542 383 105 |

The annual general meeting of IDEX on 9 May 2018 resolved that the board members could elect to receive all or part of the board remuneration in the form of shares in IDEX. The chairman and three board members took full or part of the board remuneration in shares.

IDEX from time to time grants incentive subscription rights (SRs) to employees and individual contractors. Unless specifically resolved otherwise, 25 per cent of each grant of subscription rights vest per year, and expire on the fifth anniversary following the general meeting that resolved the programme. Unvested subscription rights terminate on the holder's last day of employment. Vested subscription rights may be exercised up to 90 days after the holder's last day of employment. The weighted average exercise price of outstanding incentive SRs on 30 September 2018 was NOK 5.60 per share.

5 Payroll Expenses

| Amounts in NOK 1,000 | 1 July- 30 September 2018 | 1 July- 30 September 2017 | 1 January- 30 September 2018 | 1 January- 30 September 2017 | 1 January- 31 December 2017 |
|--|---------------------------------|---------------------------------|------------------------------------|------------------------------------|-----------------------------------|
| Salary, payroll tax, benefits, other | 32 696 | 34 879 | 97 913 | 101 950 | 133 289 |
| Payroll tax on exercised subscr. rights | | | | 4 306 | 4 306 |
| Share-based remun., notional cost | 6 110 | 5 137 | 18 787 | 13 313 | 17 263 |
| Accr. (rev.) payr. tax on share-based remun. | 1 550 | (1 058) | 1 371 | (5 063) | (5 573) |
| Payroll expenses | 40 356 | 38 958 | 118 071 | 114 506 | 149 285 |

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

6 Income Tax Expense

The income tax expense relates to estimated income tax on profit in IDEX America and IDEX UK.

7 Profit (Loss) per Share

| | 1 Jan.-30 Sep. 2018 | 1 Jan.-30 Sep. 2017 | 1 Jan.-31 Dec. 2017 |
|--|------------------------|------------------------|------------------------|
| Profit (loss) attributable to the sh.holders (NOK 1 000) | (187 747) | (190 518) | (255 872) |
| Weighted average basic number of shares | 542 517 253 | 540 093 180 | 540 670 366 |
| Weighted average diluted number of shares | 542 670 095 | 544 352 104 | 544 068 814 |
| Profit (loss) per share, basic and diluted | NOK (0.33) | NOK (0.35) | NOK (0.47) |

When the period result is a loss, the loss per diluted number of shares is not reduced by the higher number of shares but equals the result per basic number of shares.

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

8 Contingent Assets and Liabilities

IDEX does not have any contingent assets or contingent liabilities. IDEX has not issued any guarantees.

9 Related Party Transactions

IDEX has in the first three quarters of 2018 recorded NOK 1,880 thousand for services provided by IDEX's legal counsel, law firm Ræder, in which chairman Morten Opstad is a partner. Mr. Opstad's work beyond board duty has been invoiced by Ræder. Board member Larry Ciaccia serves on IDEX's Strategy Advisory Council (SAC). The SAC service fee is USD 15 thousand per year. In addition Mr. Ciaccia provides consulting services beyond board duty to IDEX for a fixed fee of USD 50 thousand per year. Board member Andy MacLeod provides consulting services beyond board duty to IDEX for a fixed fee of GBP 60 thousand per year. The annual general meeting of IDEX on 9 May 2018 resolved the board remuneration for 2017-2018. The chairman and three board members elected to take part/full board remuneration in shares. The numbers were disclosed in a notice to the market on 11 May 2018.

The board resolved on 21 February 2018 to issue 4,500,000 incentive subscription rights to CEO Stan Swearingen. The grant was made under the company's 2017 incentive subscription rights plan. The exercise price of the subscription rights is NOK 4.67 per share. 25 per cent of the subscription rights vested at grant, and another 25 per cent vest each year. The subscription rights expire on 12 May 2022. The board resolved on 9 May 2018 to issue incentive subscription rights (SRs) under the company's 2018 incentive subscription rights plan to nearly all employees, including a number of senior managers. The grants were disclosed in a notice to the market on 9 May 2018..

10 Events Occurring After the Balance Sheet Date

The board of directors of IDEX ASA resolved on 7 November 2018 to issue 1,508,000 incentive subscription rights to employees and individual contractors in the IDEX group. The grant was made under the company's 2018 incentive subscription rights plan as resolved at the annual general meeting on 9 May 2018. The exercise price of the subscription rights is NOK 5.12 per share. The subscription rights vest by 25 per cent per year and expire on 9 May 2023. Following the grant there will be 40,801,300 subscription rights outstanding.

Between 30 September 2018 and the resolution of these condensed consolidated interim financial statements, there have not been any events that have had any noticeable impact on IDEX's result in the first nine months of 2018 or the value of the company's assets and liabilities at 30 September 2018.



IDEX BIOMETRICS ASA

SECOND QUARTER REPORT 2019

HIGHLIGHTS

Landmark first high-volume customer order for IDEX's dual-interface sensors

- » Multi-year, multimillion-dollar commitment. Largest customer commitment to date

Further progress on developing the ecosystem in Asia to accelerate biometric payment card adoption

- » Collaboration with Tongxin Microelectronics Co., Ltd ("TMC") in China to create a biometric smart card solution for end-customer implementation
- » IDEX and Chutian Dragon collaborate with point of sales terminal provider PAX Technology Limited ("PAX") to run real-life EMV compliant transactions of biometric smart cards using IDEX's dual-interface sensor

Manufacturing milestones for biometric smart cards achieved

- » IDEX customer in Asia achieves cost-effective, mass production milestone for biometric smart cards
- » Partnerships with Sian and Silone Cardtech to accelerate high volume production of biometric smart cards
- » Low-cost, go-to-market solution achieved through pre-lam supply agreement with Feitian

Certification progress

- » Major global payment scheme in Asia begins its certification process for biometric smart cards containing IDEX's dual-interface sensors
- » IDEX Biometrics' dual-interface technology validated by independent labs to meet multiple global payment schemes' certification requirements

Leadership position in biometric smart cards secured with grant of foundational patents for on-card enrollment

- » Comprehensive patents granted by the United States Patent and Trademark Office and IP Australia
- » Innovative remote enroll solution outperforms in certification tests

IDEX sensors enabling financial inclusion

- » Successful Edenred pilot using biometric smart cards, containing IDEX sensors, for state benefit programs

CEO'S COMMENT

"The evolution of the biometric smart card market is undoubtedly gathering pace and IDEX made great progress in the quarter. Our pipeline of commercial opportunities continues to grow, and we expect sensor shipments to increase significantly. We have developed important relationships with new customers in the ecosystem and our biometric technology is proven, and ready for mass deployment. I am highly confident that our strategy and technology leadership will deliver considerable success for all our stakeholders."

Stan Swearingen, CEO of IDEX Biometrics ASA



BUSINESS REVIEW

UNLOCKING VALUE IN THE BIOMETRIC SMART CARD MARKET THROUGH DISRUPTIVE TECHNOLOGY AND COMPLETE SOLUTIONS

Off-chip technology offers disruptive cost levels and unique design advantages

IDEX is the only vendor worldwide capable of supplying off-chip sensor architecture designs and embedded biometric algorithms suited to capacitive fingerprint sensors for the biometric smart card market.

IDEX maintains a focus on off-chip technology solutions due to their inherent advantages. The off-chip design splits the fingerprint sensor into two key components; the sensor array and the silicon chip (ASIC). This architecture allows the separate sensor array to be made from a low-cost flexible polymer resulting in a larger sensing area, thus improving matching reliability, whilst decreasing the total amount of silicon used. Overall this provides optimal size and cost-to-performance characteristics.

The off-chip technology enables a path to integrating additional features and value into the ASIC, including the biometric microcontroller, encryption and power management. This allows for future optimization of the system performance whilst maintaining a competitive cost advantage.

The importance of a 'systems approach'

In addition to its unique off-chip sensor technology, IDEX has assembled a highly accomplished team of innovators spanning numerous disciplines of technology in order to pursue a full systems approach to its solutions for biometric cards. This vast experience enables IDEX to support its customers in the integration of all the various components within the smart card. This approach is a key tenet of IDEX's strategy, and the result is the SmartFinger platform; a full-featured, biometric authentication solution, which

enables fingerprint enrollment, template storage and verification. By adopting a bespoke systems approach, IDEX offers customers the flexibility to supply a sensor only, a full biometric module or a matching algorithm which can perform the final fingerprint match in the secure element. This approach is expected to speed up adoption of biometric smart cards.

Landmark first high-volume order for IDEX's dual-interface sensors

In April, IDEX achieved a significant milestone in its journey to commercialize biometric technology. IDEX was chosen by one of the world's leading providers of advanced IT systems and financial news, to upgrade their existing biometric security solutions. The agreement involves a multimillion-dollar commitment for IDEX's dual-interface sensors, enhanced with advanced security features, to be delivered over the next three years.

This first volume order for IDEX's dual-interface sensor validates IDEX's technological leadership and systems expertise in secure biometric solutions. This customer has successfully deployed biometric authentication solutions for over a decade and the partnership will enable IDEX to accelerate the development of its next generation security technology for the smart card market.

IDEX has begun initial shipments of sensors to the customer and expects to fulfill further volume production orders over the next twelve months.

IDEX's commercial progress in biometric payment cards

The biometric payment card market continues to evolve and IDEX is witnessing growing investment by major players across the global ecosystem. An increasing number of pilots using dual-interface biometric smart cards are underway and IDEX expects to see strong commercial traction and increased orders towards the end of 2019.

As a leader in biometric solutions, IDEX strongly believes that to enable the evolution of the market and achieve mass adoption of biometric smart cards requires partnership and cooperation within the smart card ecosystem. IDEX has established a long-standing partnership with Mastercard, the operator of the world's fastest payment processing network that connects consumers, financial institutions, merchants, governments and businesses in more than 210 countries. This partnership has enabled both companies to drive the evolution of the biometric payment card market.

In addition, IDEX has announced a number of collaborations with card integrators in Asia to help accelerate mass production and adoption of biometric smart cards in the region. Notable collaborations include some of the largest smart card manufacturers; Goldpac, Hengbao and Chutian Dragon. These card manufacturers have considerable experience and a strong track record of delivering smart cards in high volumes to customers, not only in Asia, but worldwide.

During the quarter, IDEX also begun a significant collaboration with TMC, a major secure element vendor in China focusing on the smart card industry. The secure element is a crucial component within the smart card and in order to achieve seamless compatibility between the secure element and biometric sensor, both companies are working on a dual-interface solution that will support both match in the biometric MCU and match in the secure element, thus providing an enhanced level of security. This combined solution creates a compelling value proposition for card manufacturers; a simple and secure turn-key solution that reduces card complexity and overall cost.

Work also began in the quarter to demonstrate how existing payment infrastructure will support transactions using biometric payment cards. IDEX and its partner Chutian Dragon have begun a collaboration with PAX, a leading international supplier of secure electronic payment terminal hardware and transactional software services, to run real-life EMV compliant transactions of biometric smart cards using IDEX's dual-interface sensor. The aim is to ensure interoperability between all elements of the transaction value chain and is a clear example of IDEX

actively driving the creation of the biometric smart card market.

Progress towards mass production of biometric smart cards

Significant progress has been made by smart card manufacturers across the globe in 2019 to overcome the complexities associated with the introduction of a biometric sensor into the smart card.

IDEX has committed its expertise to help its customers solve these mass manufacturing problems. In July a major milestone was achieved when one of IDEX's Asian customers achieved cost-effective, mass production standards for biometric smart cards. This card integrator has successfully made a cost-effective biometric smart card on a production line that has the capacity to quickly ramp up production to millions of units whilst maintaining high yields.

IDEX is also working closely alongside component suppliers within the smart card ecosystem to accelerate the high-volume manufacture of biometric smart cards. IDEX has begun partnerships with Sian and Silone Cardtech, leading Chinese smart card manufacturers, specializing in the development, design, manufacturing and sale of dual-interface smart cards. The strategic rationale is to ensure that crucial components within the biometric smart card are compatible and ready for mass production.

A key development during the quarter was the multi-year partnership agreement between IDEX and Feitian to offer card manufacturers a cost-effective, turnkey solution for mass manufactured biometric smart cards. Feitian has become a leading manufacturer of smart card pre-lam, a major component within the smart card. By joining forces with Feitian, IDEX has further differentiated itself from its competitors by including its sensors as part of a mass-produced, low-cost, end-to-end solution for card manufacturers. This agreement marks another important step for IDEX towards securing high volume sensor orders.

Dual-interface biometric smart card certification underway

Another important milestone in the evolution of the biometric smart card market is the achievement of

dual-interface certification. We expect to see certifications for multiple card integrators during the fourth quarter.

In June, a major global payment scheme in Asia began its certification process for various biometric smart cards containing IDEX's dual-interface sensors. Certification is taking place through an independent, third-party testing house in Beijing and is expected to be successfully completed in the third quarter of 2019.

In July, IDEX's dual-interface sensor technology was the first to meet the key requirements for compliance, security and biometric performance by multiple payment schemes. Having surpassed these critical requirements for the biometric sensor and matching algorithms, IDEX has a compelling solution for card manufacturers looking to enhance their customer offering with the additional security and convenience of a biometric smart card.

Securing biometric smart card leadership with on-card remote enrollment solution

A critical barrier to mass adoption of biometric smart cards is the ability of card issuers to provide a simple, convenient and secure means to enroll the end-user. A simplified registration process will accelerate adoption of biometric cards by issuers and consumers alike.

IDEX has been granted comprehensive patents for enrollment of biometric smart cards by the United States and Australian Patent and Trademark Offices. These patents have wide claims covering devices and methods to enable a user to enroll their fingerprint on a biometric card using an unconnected power supply. Further patents are pending in other major territories and IDEX expects to sign multiple license agreements with global card integrators in the second half of the year.

Recently IDEX's remote enroll solution was used by an independent third-party testing house to gather real-world fingerprint images as part of its certification process for a global payment scheme. The results of the image-capture data from the tests far exceeded the FRR and FAR benchmarks required for certification. This is a clear validation that IDEX's remote enroll solution delivers the required performance and represents an important part of the Company's

competitive strategy to differentiate its product offering by providing complete end-to-end biometric solutions for its customers.

Biometric technology enabling financial inclusion

Biometric technology has long been seen as a way to reliably and conveniently authenticate the identity of millions of people and ensure greater financial inclusion for those who remain unbanked due to a range of factors from language, health limitations, physical barriers or a distrust of the financial system.

In May, IDEX sensors were used in a successful pilot between Edenred, one of the world's largest payment solutions providers, and Mastercard to ensure greater security for state benefit programs. The pilot was conducted by Sonora state in Mexico and provided beneficiaries with increased security when receiving their entitled benefit since the card protects their identity and cannot be used by anyone else.

This trial is an example of emerging market opportunities where IDEX's biometric solutions can improve social welfare programs and financial inclusion by reducing reliance on cash payments and minimizing the potential for fraud.

Organizational changes

IDEX continues to invest in people and capabilities that will enable the growth of the business and help the organization deliver on its strategy of achieving leadership in biometric technology solutions.

During the quarter, Henrik Knudtzon stepped down as Chief Financial Officer and has been replaced by Derek D'Antilio. Mr D'Antilio has over twenty years of financial experience with some of the most recognizable companies, including PwC and Hewlett-Packard. He has held senior finance positions at high-growth US-listed technology companies with responsibility for global accounting and reporting, financial planning, treasury, tax and operations. Most recently, Derek served as VP of Finance for a global, high-growth, privately held software company. Prior to that he spent 8 years leading the accounting, finance and treasury teams of MKS Instruments, Inc., a publicly traded semiconductor equipment supplier

that tripled in size to over 2 billion USD in revenue during his tenure. He is based at IDEX's Wilmington office in Boston, USA.

Another key appointment was Pascal Dufour, Director of Sales, EMEA. Mr. Dufour has over twenty-five years of global experience in the payment ecosystem, including biometric payments, cards, and digital services. He has worked both directly for, and as a consultant to, major companies including Mastercard, Europay, and ATOS.

Summary and outlook

The biometric smart card market continues to make significant progress towards mass adoption. The Board is confident that IDEX's industry-leading off-chip technology and systems approach will lead to further customer wins and increased sensor orders as the market for biometric cards continues to evolve.

IDEX has the management, technological expertise and strategy to become a leader in the biometric smart card ecosystem. The strong commercial momentum in 2019 and the milestones achieved during the quarter are expected to continue in the second half of the year. The Company is making good progress towards sustained profitability and ensuring long-term value creation for all its stakeholders.

FINANCIAL REVIEW

Statements of income

IDEX recorded revenues of NOK 0.4 million in the second quarter of 2019, up from NOK 0.3 million in the corresponding period of 2018. In the first half of 2019, the revenues amounted to NOK 1.7 million, compared to NOK 2.1 million in the same period of 2018. Revenues are chiefly related to card products.

The gross margin on product sales in the second quarter was 55%, compared to 39% in same quarter of 2018. The total gross margin includes service income and was 88% for the first half of 2019, compared to 75% during the first half of 2018. The gross margin at small volumes is not necessarily representative of the gross margin at mass volumes.

Total operating expenses in the second quarter of 2019 amounted to NOK 60.1 million, compared to NOK 63.3 million in the second quarter of 2018. In the first half of the year, total operating expenses amounted to NOK 124.7 million in 2019 and NOK 119.1 million in 2018. The increase in expenses in the first half of 2019 is mainly due to increased other operating costs, see comments below, while the increased payroll expenses are offset by lower development expenses as more development work is carried out by internal staff.

Payroll expenses amounted to NOK 41.3 million in the second quarter of 2019 and NOK 86.4 million in the first half of 2019, up from NOK 39.8 million and NOK 77.7 million in the comparable periods of 2018. The underlying payroll cost excluding share-based remuneration was NOK 36.0 million in the second quarter and NOK 74.3 million in the first half of this year, up from NOK 31.9 million and NOK 65.2 million in the corresponding periods of 2018. The increase reflects that the average number of IDEX employees was 107 full-time equivalents (FTE) in the first half of this year, up from 100 FTE in the first half of last year. In addition, there are fluctuations between quarters as salaries in subsidiaries are paid in foreign currency and variations in other staff related items, such as recruiting costs. The net cost of share-based

remuneration may vary substantially between quarters because of share price fluctuations as well as grants and exercises. Cost of exercises are funded by the capital injected at exercise.

IDEX's staff, including both employees and individual contractors, was 119 FTE at 30 June 2019, up from 115 FTE at 31 December 2018. The staff is comprised of 108 FTE IDEX employees and 11 FTE individual contractors working continuously as part of the development or sales teams. IDEX does not currently plan to make significant changes in staff size.

Development expenses amounted to NOK 7.9 million in the second quarter of 2019, down from NOK 15.2 million in the corresponding quarter of 2018. In the first half of 2019, these expenses were NOK 17.7 million, down from NOK 25.9 million in the same period of 2018, for the reason explained above.

Other operating expenses, mainly expenses related to sales, marketing and administration, amounted to NOK 10.8 million in the second quarter and NOK 20.5 million in the first half of 2018, compared to NOK 8.3 million and NOK 15.4 million in the corresponding periods last year. The increase is mainly related to outsourcing of accounting services, and an increase in IT expenses and legal services.

Amortization and depreciation amounted to NOK 3.5 million and NOK 7.0 million in the second quarter and first half of this year respectively, increased from NOK 1.7 million and 3.4 million in the corresponding periods last year. The increase is chiefly due IDEX's investment in in-house, high-volume test equipment that started depreciating at the beginning of 2019.

Net financial items amounted to an expense of NOK 0.5 million in the second quarter this year, compared to an expense of NOK 1.2 million in the second quarter last year. Net financial items amounted to an expense of NOK 0.6 million in the first half of 2019 and compares to an expense of NOK 1.0 million in the first half of 2018. The variation in net financial items between periods is mainly caused by re-/devaluations of foreign

currency, mainly the U.S. dollar, causing gains or losses on receivables and debt denominated in currencies other than NOK.

The IDEX group recorded a tax charge of NOK 1.3 million in the second quarter this year, compared to a tax credit of NOK 0.9 in the second quarter of 2018 due to an adjustment of IDEX America's 2017 tax cost following tax filings for 2017. Due to profits in IDEX's subsidiaries in the USA and UK, the group's tax charge amounted to NOK 2.1 million in the first half of 2019, compared to a tax charge of NOK 0.2 million the corresponding period last year.

The IDEX group had a net loss of NOK 65.2 million in the second quarter of 2019, in line with the loss in the second quarter of 2018. In the first half of 2019, the group recorded a loss of NOK 132.9 million, compared to a loss of NOK 122.0 million for the first half of 2018.

Loss per weighted average number of basic shares amounted to NOK 0.11 in the second quarter, in line with the loss of NOK 0.12 per share in the second quarter of 2018. In the first half of the year, the loss amounted to NOK 0.23 per share this year and NOK 0.22 per share last year.

Financial position

The main assets held on the balance sheet are acquired intangible assets and cash in bank. Cash is the major item, representing 65% of the total assets.

The acquired intangible assets and intellectual property rights have been capitalized in accordance with IFRS, and included goodwill amounting to NOK 8.3 million and depreciating assets at a net book value of NOK 25.0 million at 30 June 2019. The corresponding values at 30 June 2018 were NOK 8.3 million and NOK 28.6 million respectively. The assets depreciate over the economic life of the respective items. IDEX's self-developed intellectual property rights and product development costs are generally not held on the balance sheet because they do not satisfy the IFRS criteria for capitalization. No development expenses were capitalized in 2019 or 2018.

Tangible fixed assets amounted to NOK 22.6 million at 30 June 2019, up from NOK 14.6 million at 31 December 2018 and NOK 8.0 million at 30 June 2018.

The fixed assets are scientific and test equipment, engineering tools, leasehold outfitting, office equipment and furniture with useful lives of 3-7 years.

Inventory amounted to NOK 14.5 million at 30 June 2019, up from NOK 10.2 million at 31 December 2018 and 10.6 million at 30 June 2018. The inventory consists mainly of components and fingerprint sensors for cards. Because of significant lead times for certain components, IDEX holds inventory to satisfy expected demand for deliveries with short notice.

There were no customer receivables at the end of the first half of 2019 or 2018, compared to NOK 0.3 million at 31 December 2018.

At 30 June 2019 IDEX had a cash balance of NOK 155.0 million, up from NOK 83.7 million at the end of 2018. On 25 January 2019 IDEX made a private placement amounting to NOK 214 million.

Equity amounted to NOK 208.7 million at the end of the second quarter of 2019, up from NOK 123.2 million at the end of 2018. In the first half of 2019, new equity in a net amount of NOK 206.7 was added. The ongoing decrease is mainly caused by net losses.

IDEX does not have any debt to financial institutions or lenders.

IDEX implemented IFRS 16 effective 1 January 2019. The total right-of-use asset recognized for the group was NOK 9.9 million. The corresponding liability was NOK 4.0 million long-term and NOK 5.9 million short-term. In line with IFRS 16, the implementation will lead to decreased rental costs offset by increased depreciation and financial costs. For the first half of 2019, these are NOK 2.9 million in depreciation, NOK 3.1 million in rent offset and NOK 0.2 million financial cost. See note 2 and 6 for more information.

Total short-term liabilities amounted to NOK 28.2 million at 30 June 2019, down from NOK 32.8 million at 31 December 2018 and up from NOK 26.7 million at 30 June 2018. Variations between quarters are caused by activity level, specific pay terms and timing of deliveries.

The net working capital, inventory plus receivables less trade accounts payable, amounted to NOK 20.8 million

at 30 June 2019, up from NOK 16.6 million at 31 December 2018 and up from NOK 16.3 million at 30 June 2018. IDEX will need to build up its inventory and accumulate receivables as sales to the card markets increase.

Liquidity

IDEX's operational cash outflow was NOK 62.0 million in the second quarter of 2019, compared to NOK 54.8 million in the second quarter of 2018. The main operating cash items are the operating losses in each period, partly offset by the equity part of the share-based compensation and depreciation. The working capital varies between quarters, mainly due to fluctuating payables to suppliers and accrued liabilities. Future planned growth of sales is expected to cause an increase in working capital in the form of inventory and receivables, partly funded by payables.

IDEX invested NOK 2.3 million in capital equipment during the second quarter of 2019, compared to NOK 1.2 million in the second quarter of 2018. Going forward, IDEX will invest in equipment for scaling its manufacturing. At 30 June 2019, NOK 1.6 million of the NOK 2.5 million invested in the first half of 2019 is related to ordered manufacturing equipment expected to be deployed for use in the third quarter of 2019, currently classified as investment in progress.

IDEX's balance sheet solvency, which is the cash position less the net of receivables and short-term liabilities, amounted to NOK 139.7 million at 30 June 2019, up from NOK 62.4 million at the beginning of the year. The increase was mainly caused by the private placement partly offset by net loss in the period.

INTERIM CONSOLIDATED FINANCIAL INFORMATION

STATEMENTS OF INCOME

| Amounts in NOK 1,000 | Note | Quarters | | First six months | | Full year |
|---|------|-----------------|-----------------|------------------|------------------|------------------|
| | | Q2 2019 | Q2 2018 | 2019 | 2018 | 2018 |
| Operating revenue | | | | | | |
| Product sales | | 363 | 289 | 448 | 741 | 2 181 |
| Other operating income | | 6 | | 1 293 | 1 389 | 1 404 |
| Total revenue | | 369 | 289 | 1 740 | 2 130 | 3 585 |
| Cost of goods sold | | 164 | 176 | 217 | 538 | 1 502 |
| Gross margin | | 205 | 113 | 1 523 | 1 592 | 2 082 |
| Operating expenses | | | | | | |
| Payroll expenses | 4 | 41 320 | 39 801 | 86 429 | 77 715 | 160 983 |
| Development expenses | | 7 948 | 15 200 | 17 732 | 25 923 | 45 850 |
| Other operating expenses | 5, 6 | 10 837 | 8 250 | 20 547 | 15 436 | 31 908 |
| Total operating expenses | | 60 105 | 63 251 | 124 709 | 119 074 | 238 740 |
| Profit (loss) before interest, tax, depreciation and amortization (EBITDA) | | (59 900) | (63 138) | (123 186) | (117 482) | (236 658) |
| Amortization and depreciation | 6, 7 | 3 512 | 1 698 | 6 957 | 3 354 | 6 854 |
| Profit (loss) before interest and tax (EBIT) | | (63 413) | (64 836) | (130 143) | (120 836) | (243 512) |
| Net financial items | 6, 8 | (452) | (1 192) | (599) | (970) | (2 254) |
| Net result before tax (EBT) | | (63 864) | (66 028) | (130 741) | (121 806) | (245 766) |
| Income taxes | 9 | 1 339 | (872) | 2 146 | 197 | 332 |
| Net loss for the period | | (65 204) | (65 156) | (132 887) | (122 003) | (246 097) |
| Profit (loss) per share, basic and diluted (NOK) | 10 | (0.11) | (0.12) | (0.23) | (0.22) | (0.45) |

STATEMENTS OF COMPREHENSIVE INCOME

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

| Amounts in NOK 1,000 | Quarters | | First six months | | Full year |
|---|-----------------|-----------------|------------------|------------------|------------------|
| | Q2 2019 | Q2 2018 | 2019 | 2018 | 2018 |
| Net loss for the period | (65 204) | (65 156) | (132 887) | (122 003) | (246 097) |
| Exchange differences on foreign operations | (474) | 490 | (622) | (67) | 946 |
| Total comprehensive income (loss) for the period, net of tax | (65 678) | (64 666) | (133 509) | (122 070) | (245 151) |

STATEMENTS OF FINANCIAL POSITION

| Assets | Note | At 30 June 2019 | At 30 June 2018 | At 31 December 2018 |
|---|----------|-----------------|-----------------|---------------------|
| Long-term assets | | | | |
| Goodwill | | 8 260 | 8 260 | 8 260 |
| Other intangible assets | | 24 964 | 28 639 | 26 763 |
| Total intangible assets | | 33 224 | 36 899 | 35 023 |
| Fixed assets | | 14 591 | 7 954 | 14 590 |
| Right-of-use assets | 6 | 8 006 | | |
| Total fixed assets | | 22 597 | 7 954 | 14 590 |
| Long-term receivables | | 1 237 | 1 233 | 1 269 |
| Total financial assets | | 1 237 | 1 233 | 1 269 |
| Total long-term assets | 7 | 57 057 | 46 086 | 50 882 |
| Current assets | | | | |
| Inventory | | 14 490 | 10 631 | 10 164 |
| Customer receivables | | | | 339 |
| Prepaid expenses | | 5 511 | 4 636 | 5 529 |
| Other short-term receivables | | 7 220 | 7 081 | 5 684 |
| Total receivables | | 12 731 | 11 717 | 11 552 |
| Cash and bank deposits | | 155 088 | 189 889 | 83 714 |
| Total current assets | | 182 309 | 212 237 | 105 430 |
| Total assets | | 239 366 | 258 323 | 156 312 |
| Equity and liabilities | | | | |
| Equity | | | | |
| Share capital | 10 | 89 698 | 81 357 | 81 647 |
| Share premium | | 1 390 926 | 1 185 355 | 1 192 222 |
| Other paid-in capital | | 110 598 | 87 059 | 98 553 |
| Total paid-in capital | | 1 591 223 | 1 353 771 | 1 372 422 |
| Retained earnings (losses) | | (1 382 544) | (1 126 102) | (1 249 183) |
| Total equity | | 208 679 | 227 669 | 123 239 |
| Long-term liabilities | | | | |
| Deferred tax liabilities | | 213 | 326 | 226 |
| Long-term lease liabilities | | 2 324 | | |
| Other long-term liabilities | | | 3 665 | |
| Total long-term liabilities | | 2 537 | 3 991 | 226 |
| Short-term liabilities | | | | |
| Accounts payable | | 6 442 | 6 073 | 5 126 |
| Income tax payable | | 2 166 | 1 403 | 1 716 |
| Short-term lease liabilities | | 5 797 | | |
| Public duties payable | | 2 144 | 2 494 | 2 276 |
| Notional employer's tax on share-based remuneration | 11 | | | |
| Other short-term liabilities | | 11 601 | 16 693 | 23 729 |
| Total short-term liabilities | | 28 151 | 26 663 | 32 847 |
| Total liabilities | | 30 687 | 30 654 | 33 073 |
| Total equity and liabilities | | 239 366 | 258 323 | 156 312 |

STATEMENTS OF EQUITY

| Amounts in NOK 1,000 | Note | Share capital | Share premium | Other paid-in capital | Retained earnings (uncovered loss) | Total equity |
|------------------------------------|------|---------------|------------------|-----------------------|------------------------------------|----------------|
| Balance at 1 January 2019 | | 81 647 | 1 192 222 | 98 553 | (1 249 183) | 123 239 |
| Share issue 25 January | | 8 016 | 198 704 | | | 206 720 |
| Share issue (board remun.) | | 36 | | | | 36 |
| Share-based remuneration | 5 | | | 12 046 | | 12 046 |
| Profit (loss) for the period | | | | | (132 887) | (132 887) |
| Other comprehensive income | | | | | (474) | (474) |
| Balance at 30 June 2019 | | 89 698 | 1 390 926 | 110 598 | (1 382 544) | 208 679 |
| Balance at 1 January 2018 | | 81 357 | 1 185 355 | 74 382 | (1 004 032) | 337 062 |
| Share-based remuneration | 5 | | | 12 677 | | 12 677 |
| Profit (loss) for the period | | | | | (122 003) | (122 003) |
| Other comprehensive income | | | | | (67) | (67) |
| Balance at 30 June 2018 | | 81 357 | 1 185 355 | 87 059 | (1 126 102) | 227 669 |
| Balance at 1 January 2018 | | 81 357 | 1 185 355 | 74 382 | (1 004 032) | 337 062 |
| Exercise of subscript. rights | 4 | 245 | 6 868 | | | 7 112 |
| Share issue (board remun.) | | 45 | | 1 030 | | 1 075 |
| Share-based remuneration | 5 | | | 23 141 | | 23 141 |
| Profit (loss) for the year | | | | | (246 097) | (246 097) |
| Other comprehensive income | | | | | 946 | 946 |
| Balance at 31 December 2018 | | 81 647 | 1 192 223 | 98 553 | (1 249 183) | 123 239 |

STATEMENTS OF CASH FLOWS

| Amounts in NOK 1,000 | Quarters | | First six months | | Full year |
|--|-----------------|-----------------|------------------|------------------|------------------|
| | Q2 2019 | Q2 2018 | 2019 | 2018 | 2018 |
| Operating activities | | | | | |
| Profit (loss) before tax | (63 864) | (66 028) | (130 741) | (121 806) | (245 766) |
| Amortization and depreciation | 3 512 | 1 698 | 6 957 | 3 354 | 6 854 |
| Share-based remuneration (equity part) | 5 274 | 7 867 | 12 046 | 12 677 | 24 170 |
| Change in inventories | (2 695) | 66 | (4 326) | (1 376) | (909) |
| Change in accounts receivables | 1 373 | 67 | 597 | 708 | 211 |
| Change in accounts payable | 2 045 | 3 276 | 1 321 | 3 024 | 2 051 |
| Change in other working capital items | (5 518) | (68) | (13 962) | (6 008) | 997 |
| Other operating activities | 34 | 327 | (15) | 261 | 980 |
| Net financial items | (442) | (460) | (722) | (940) | (1 731) |
| Change in income taxes | (1 688) | (1 501) | (1 657) | (1 637) | (1 593) |
| Net cash flows from operating activities | (61 969) | (54 756) | (130 504) | (111 743) | (214 735) |
| Investing activities | | | | | |
| Investments in tangible assets | (2 255) | (1 179) | (2 511) | (1 564) | (8 991) |
| Change in long-term receivables | (0) | | 16 | | (3) |
| Interest income receipts | 445 | 332 | 725 | 698 | 1 095 |
| Net cash flows used in investing activities | (1 810) | (847) | (1 769) | (866) | (7 899) |
| Financing activities | | | | | |
| Net proceeds from issue of shares | (4 373) | | 206 755 | | 7 157 |
| Payments on lease liabilities | (1 424) | | (2 832) | | |
| Change in long-term payables | | 341 | | 503 | (3 271) |
| Net cash flows from financing activities | (5 797) | 341 | 203 923 | 503 | 3 886 |
| Net change in cash and bank deposits | (69 575) | (55 263) | 71 650 | (112 106) | (218 748) |
| Effect of foreign exchange rate changes | (252) | 376 | (276) | (107) | 360 |
| Opening cash and bank deposits balance | 224 915 | 244 776 | 83 714 | 302 102 | 302 102 |
| Closing cash and bank deposits balance | 155 088 | 189 889 | 155 088 | 189 889 | 83 714 |

NOTES TO INTERIM FINANCIAL STATEMENTS

1 General information

IDEX Biometrics ASA is a provider of fingerprint identification technologies and other related activities. The company is a public limited liability company incorporated and domiciled in Norway. IDEX Biometrics ASA's shares are listed at Oslo Børs, the stock exchange in Oslo. The address of the head office is Martin Linges vei 25 at NO-1364 Fornebu, Norway.

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

2 Basis of preparation and accounting policies

These interim financial statements for the first half of 2019 have been prepared in accordance with IAS 34 Interim financial reporting. The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the interpretations set out by the International Accounting Standards Board, as approved by the European Union. The going concern assumption has been applied when preparing this interim financial report. See note 3. This interim financial report has not been subject to audit. The report was approved by the board of directors on 14 August 2019.

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

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

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

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

The impacts of IFRS 16 adoption per 1 January 2019 and year-to-date 2019 are summarized in note 6.

3 Risks

It is the duty of the board of directors to duly present the principal risks of IDEX and its business. The company's major risk is its business risk, meaning its ability to generate revenue and earn profit. The future revenue generation will depend on IDEX's ability to market and deliver technically sound, cost-effective and competitively differentiated products, and the company's ability to legally protect its intellectual property rights. IDEX considers that its fingerprint sensor technology has one of the best biometric performances, and that its fingerprint sensor products offer unique properties, particularly in the card market.

IDEX currently generates immaterial revenue and operates at a significant loss. The company expects to increase revenue generation through sale of sensors and monetization of its intellectual property. Subject to timing of revenues and other planning assumptions, IDEX has adequate liquidity and equity. As an ongoing activity the company monitors liquidity and will take appropriate measures if required. The group does not have any debt to financial lenders.

IDEX does not have any significant assets or liabilities with financial risk. IDEX's balance sheet comprises mainly cash and working capital and the company is fully funded on equity. IDEX does not hold financial instruments or significant financial assets or liabilities and has limited financial risks related to currency and interest rates. USD is the dominant currency of the company's payables.

4 Payroll expenses

| Amounts in NOK 1,000 | Quarters | | First six months | | Full year |
|---|---------------|---------------|------------------|---------------|----------------|
| | Q2 2019 | Q2 2018 | 2019 | 2018 | 2018 |
| Salary, payroll tax, benefits, other | 35 968 | 31 936 | 74 307 | 65 217 | 136 960 |
| Payable payroll tax on realized share-based benefit | 77 | | 77 | | 31 |
| Share-based remun., notional cost | 5 274 | 7 867 | 12 046 | 12 677 | 24 170 |
| Accr. (rev.) payr. tax on share-based remun. | (0) | (2) | | (179) | (179) |
| Payroll expenses | 41 320 | 39 801 | 86 429 | 77 715 | 160 983 |

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

5 Related party transactions

The chairman Morten Opstad is a partner in Advokatfirma Ræder DA. This law firm provided services to the company amounting to NOK 2,588 thousand in the first half of 2019. Mr Opstad's work beyond board duty has been invoiced by Ræder. The recognized amounts include accruals for services received but not yet billed.

Larry Ciaccia, who was elected board member at the annual general meeting on 12 May 2015, has served on IDEX's Strategy Advisory Committee (SAC) since 2014 and continues his tenure on the SAC. The SAC service fee is USD 15 thousand per year. Mr Ciaccia also provides consulting services beyond board duty to IDEX for a fixed fee of USD 50 thousand per year. Since 2016, former board member Andy MacLeod had provided consulting services beyond board duty to IDEX for a fixed fee of GBP 60 thousand per year. Mr Macleod's service agreement ended on 27 March 2019.

Some board members and senior managers participated in the private placement on 25 January 2019, and acquired shares at NOK 4.00 per share, the same price as the other investors. Chairman Morten Opstad acquired 100,000 shares,

CEO Stan Swearingen acquired 250,000 shares, former board member Andy MacLeod acquired 140,000 shares, and former CFO Henrik Knudtzon acquired 100,000 shares.

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

6 Leases

| Leases in the statements of income | Quarters | First six months |
|---|-----------------|-------------------------|
| Amounts in NOK 1,000 | Q2 2019 | 2019 |
| Other operating expense | (1 531) | (3 052) |
| EBITDA | 1 531 | 3 052 |
| Depreciation of right-of-use assets | 1 479 | 2 950 |
| EBITA | 52 | 102 |
| Interest expense on lease liabilities | 107 | 219 |
| EBIT | (55) | (118) |

Leases in the statements of financial position

| Amounts in NOK 1,000 | At 31 March 2019 | At 1 January 2019 |
|--|-------------------------|--------------------------|
| Assets | | |
| Right-of-use-assets - office buildings | 8 006 | 9 909 |
| Total lease assets | 8 006 | 9 909 |
| Liabilities | | |
| Short-term liabilities | 2 324 | 3 981 |
| Long-term liabilities | 5 797 | 5 928 |
| Total lease liabilities | 8 122 | 9 909 |

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

Reconciliation of lease commitments to lease liabilities

| | |
|--|---------------|
| Amounts in NOK 1,000 | |
| Operating lease obligation at 31 December 2018 | 12 101 |
| Relief option for short-term leases | (1 753) |
| Gross lease liabilities at 1 January 2019 | 10 348 |
| Effect of discounting using incremental borrowing rate | (439) |
| Lease liability and right-of-use assets recognized at initial application | 9 909 |

The lease liabilities were discounted at the incremental borrowing rate as at 1 January 2018. The weighted average discount rate was 4.89%

Leases in the statements of cash flows

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

7 Long-term assets

| Amounts in NOK 1,000 | Goodwill | Other intangible assets | Tangible fixed assets | Right-of-use assets | Long-term receivables | Total long- term assets |
|---|--------------|-------------------------------|--------------------------|------------------------|--------------------------|----------------------------|
| Balance at 1 January 2019 | 8 260 | 26 763 | 14 590 | | 1 269 | 50 882 |
| Additions | | | 2 511 | 11 077 | | 13 589 |
| Disposals and retirements at cost | | | (225) | | (16) | (242) |
| Depreciation and impairment losses | | (1 799) | (2 207) | (2 950) | | (6 957) |
| Depreciation on disposed and retired assets | | | 201 | | | 201 |
| Effects of changes in foreign currency | | | (278) | (122) | (16) | (416) |
| Balance at 30 June 2019 | 8 260 | 24 964 | 14 591 | 8 006 | 1 237 | 57 057 |
| Balance at 1 January 2018 | 8 260 | 30 464 | 8 002 | | 1 251 | 47 977 |
| Additions | | | 1 564 | | | 1 564 |
| Depreciation and impairment losses | | (1 825) | (1 528) | | | (3 353) |
| Effects of changes in foreign currency | | | (84) | | (18) | (102) |
| Balance at 30 June 2018 | 8 260 | 28 639 | 7 954 | | 1 233 | 46 086 |
| Balance at 1 January 2018 | 8 260 | 30 464 | 8 002 | | 1 251 | 47 977 |
| Additions | | | 9 016 | | 3 | 9 019 |
| Disposals and retirements at cost | | | (222) | | | (222) |
| Depreciation and impairment losses | | (3 701) | (3 153) | | | (6 854) |
| Depreciation on disposed and retired assets | | | 197 | | | 197 |
| Effects of changes in foreign currency | | | 750 | | 15 | 765 |
| Balance at 31 December 2018 | 8 260 | 26 763 | 14 590 | | 1 269 | 50 882 |

Acquired intangible assets and intellectual property rights have been capitalized in accordance with IFRS, and included goodwill amounting to NOK 8.3 million and depreciating assets in an original acquisition amount of NOK 42.7 million. The assets depreciate over the economic life of the respective assets. The major items depreciate over 9.5 years and 17.3 years from acquisition, through July 2024 and to the end of 2030 respectively. Under IFRS, goodwill is not amortized but impairment tested at each year end. Intangible assets that are fully depreciated are by definition retired.

IDEX's self-developed patents and other intellectual property rights are generally not held in the balance sheet because they do not satisfy the IFRS criteria for capitalization. Development costs have largely been expensed for the same reason. IDEX has not capitalized any development expenses in 2019 or 2018.

8 Financial items

| Amounts in NOK 1,000 | Quarters | | First six months | | Full year |
|--|--------------|----------------|------------------|--------------|----------------|
| | Q2 2019 | Q2 2018 | 2019 | 2018 | 2018 |
| Interest income | 445 | 332 | 725 | 698 | 1 095 |
| Currency exchange gain | 529 | 1 373 | 1 789 | 3 294 | 13 201 |
| Other financial income | | | | | |
| Total financial income | 974 | 1 705 | 2 514 | 3 992 | 14 296 |
| Interest expenses | 0 | 1 | 0 | 10 | 14 |
| Interest expenses on lease liabilities | 107 | | 219 | | |
| Interest expenses on deferred settlement | 116 | 205 | 230 | 403 | 828 |
| Currency exchange loss | 1 203 | 2 691 | 2 663 | 4 550 | 15 173 |
| Other financial expenses | | | | | 535 |
| Total financial expense | 1 426 | 2 898 | 3 113 | 4 962 | 16 550 |
| Net financial items | (452) | (1 192) | (599) | (970) | (2 254) |

9 Income tax expense

The income tax expense relates to estimated income tax on profit in IDEX America and IDEX UK.

10 Profit (Loss) per share

| | First three months | | Full year |
|--|--------------------|-------------------|-------------------|
| | 2019 | 2018 | 2018 |
| Profit (loss) attributable to the shareholders (NOK 1 000) | (132 887) | (122 003) | (246 097) |
| Weighted average basic number of shares | 597 830 174 | 542 432 859 | 542 795 969 |
| Weighted average diluted number of shares | 597 828 876 | 542 463 691 | 543 117 924 |
| Profit (loss) per share, basic and diluted | NOK (0.11) | NOK (0.22) | NOK (0.45) |

When the period result is a loss, the loss per diluted number of shares is not reduced by the higher number of shares but equals the result per basic number of shares.

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

11 Shares and subscription rights

| Number of financial instruments | Incentive subscription rights | Shares |
|---|----------------------------------|--------------------|
| Balance at 1 January 2019 | 37 471 050 | 544 314 537 |
| 25 January: Share issue | | 53 437 500 |
| Granted incentive subscription rights | 1 455 400 | |
| Expired/forfeited incentive subscription rights | (2 806 025) | |
| 28 May: Issued shares in lieu of board remuneration | | 236 695 |
| Balance at 30 June 2019 | 36 120 425 | 597 988 732 |
| Balance at 1 January 2018 | 25 260 000 | 542 383 105 |
| Granted incentive subscription rights | 18 165 000 | |
| Expired/forfeited incentive subscription rights | (6 688 900) | |
| 31 May: Issued shares in lieu of board remuneration | | 300 182 |
| Balance at 30 June 2018 | 36 736 100 | 542 683 287 |
| Balance at 1 January 2018 | 25 260 000 | 542 383 105 |
| Granted incentive subscription rights | 23 400 600 | |
| Exercised incentive subscription rights | (1 631 250) | 1 631 250 |
| Expired/forfeited incentive subscription rights | (9 558 300) | |
| 9 May: Issued shares in lieu of board remuneration | | 300 182 |
| Balance at 31 December 2018 | 37 471 050 | 544 314 537 |

The annual general meeting of IDEX Biometrics ASA on 9 May 2019 resolved that the board members could elect to receive all or part of the board remuneration in the form of shares in IDEX; that the number of shares shall correspond to a value of 133 per cent of the NOK amount of board remuneration taken in shares; that the board member must pay a subscription price per share equal to the par value of the share, being NOK 0.15; and that the shares are locked up for one year from the date of the annual general meeting.

The annual general meeting of IDEX on 9 May 2018 resolved that the board members could elect to receive all or part of the board remuneration in the form of shares in IDEX. In 2018, the chairman and three board members took board remuneration partly or fully in shares in lieu of cash against a payment of par value NOK 0.15 per share.

IDEX from time to time grants incentive subscription rights (SRs) to employees and individual contractors. Unless specifically resolved otherwise, 25% of each grant of subscription rights vest per year and expire on the fifth anniversary following the general meeting that resolved the program. Unvested subscription rights terminate on the holder's last day of employment. Vested subscription rights may be exercised up to 90 days after the holder's last day of employment. The weighted average exercise price of outstanding incentive SRs on 30 June 2019 was NOK 5.49 per share.

12 Events occurring after the balance sheet date

The board of directors of IDEX resolved on 14 August 2019 to issue 12,766,500 incentive subscription rights to employees and individual contractors in the IDEX group. The grant was made under the company's 2019 incentive subscription rights plan as resolved at the annual general meeting on 9 May 2019. The exercise price of the subscription rights is NOK 1.65 per share. The subscription rights vest by 25% per year and expire on 9 May 2024. Following the grant there will be 48,886,925 subscription rights outstanding.

There have been no events between 30 June 2019 and the resolution of these interim financial statements that have had any noticeable impact on IDEX's results in the first half of 2019 or the value of the company's assets and liabilities at 30 June 2019.

RESPONSIBILITY STATEMENT

The board of directors and the managing director have today reviewed and approved the IDEX Biometrics ASA unaudited interim condensed financial statements as of 30 June 2019.

To the best of our knowledge, we confirm that:

- The interim condensed consolidated financial statements with notes for the first half of 2019 have been prepared in accordance with IAS 34 - Interim Financial Reporting and additional disclosure requirements as stated in the Norwegian Securities Trading Act section 5-6.
- The interim condensed consolidated financial statements for the first half year of 2019 give a true and fair view of IDEX's assets, liabilities, financial position and results for the period viewed in their entirety.
- The report from the board of directors issued in concert with these condensed financial statements gives a true and fair view of the development, performance and financial position of the group, and a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated financial statements.
- A description of the principal risks and uncertainties for the remaining six months of the financial year have been disclosed in note 3 to the financial statements.
- Major related party transactions have been disclosed in note 5 to the financial statements.
- The report from the board of directors have been prepared in accordance with the Norwegian accounting act and generally accepted accounting practice in Norway.

Wilmington, USA, 14 August 2019
The board of directors of IDEX Biometrics ASA



Morten Opstad
Chairman



Lawrence John Ciaccia
Board member



Deborah Davis
Board member



Hanne Høvdig
Board member



Stephen Skaggs
Board member



Stanley Swearingen
CEO



IDEX BIOMETRICS ASA

THIRD QUARTER REPORT 2019

HIGHLIGHTS

Volume orders begin for global financial news and IT services customer; additional design wins achieved

- » First purchase orders received, and production ramp preparations started as part of multi-year, multimillion-dollar commitment
- » IDEX's biometric solutions selected for additional access control cards by two Asian customers with shipments anticipated in the first half of 2020

Manufacturing milestones for biometric smart cards achieved in the third quarter

- » IDEX customer in Asia achieves cost-effective, mass production milestone for biometric smart cards
- » Partnerships with Sian and Silone Cardtech to accelerate high volume production of biometric smart cards
- » Low-cost, go-to-market solution achieved through pre-lamination supply agreement with Feitian

Certification process underway

- » IDEX Biometrics' dual-interface technology validated by independent labs to meet multiple global payment schemes' certification requirements
- » Remote enroll solution outperforms in certification tests
- » Expect multiple card integrators to be certified in the fourth quarter

Leveraging on-card remote enrollment IP with multiple license agreements

- » First remote enroll license agreement entered into with IDEMIA
- » License agreement signed with Chutian Dragon in China

Strengthening patent portfolio with UK patent grant for on-card remote enrollment

- » Third major territory (following US and Australia) grants remote enroll patents to IDEX

Improving access to US shareholders through OTC up-listing

- » IDEX shares (ticker: IDXAF) now trades on the U.S. OTCQB Venture Market

CEO'S COMMENT

"IDEX made substantial progress in this quarter. In the biometric payment card market, our largest potential revenue opportunity, we're seeing positive developments in manufacturing and certification, whilst our remote enroll solution has the potential to become the industry-standard. In the access control market, we're seeing the beginning of shipments and design-in wins and it's my strong belief that both these markets will fully materialize in 2020."

Stan Swearingen, CEO of IDEX Biometrics ASA



BUSINESS REVIEW

LEADERSHIP IN BIOMETRIC FINGERPRINT SENSING TECHNOLOGY

Strategy to deliver fingerprint sensing solutions to mass markets

IDEX is the only vendor worldwide capable of supplying off-chip sensor architecture designs and embedded biometric algorithms suited to capacitive fingerprint sensors.

Our strategy to deliver fingerprint solutions to mass markets is based on a unique flexible and cost efficient off-chip technology. The off-chip design splits the fingerprint sensor into two key components; the sensor array and the silicon chip (ASIC). This architecture allows the separate sensor array to be made from a low-cost flexible polymer resulting in a larger sensing area, thus improving matching reliability, while decreasing the total amount of silicon used. Overall this provides optimal size and cost-to-performance characteristics.

The off-chip technology also enables a path to integrating additional features and value into the ASIC, including the biometric microcontroller, encryption and power management. This allows for future optimization of the system performance, enhanced usability whilst maintaining a competitive cost advantage.

World class engineers offering a full-system approach for customers

In addition to its unique off-chip sensor technology, IDEX has assembled a highly accomplished team of innovators spanning numerous technology disciplines in order to pursue a full systems approach to its solutions for biometric fingerprint sensing. This deep industry expertise comprises system engineers, software engineers, silicon engineers and packaging technologists.

In 2019, the engineering team completed the development of IDEX's second generation smartcard platform comprising a range of dual-interface sensors, biometric algorithms and turnkey reference designs. Another major achievement was providing key deliverables into the payment schemes' biometric and security certification processes.

Technology roadmap

Our engineers also support our roadmap which is focused on:

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

This vast experience enables IDEX to support its customers in the integration of all the various components within the smart card. This approach is a key tenet of IDEX's strategy and allows IDEX the flexibility to offer customers a sensor only, a full biometric module or a matching algorithm which can perform the final fingerprint match in the secure element. This strategy is expected to speed up adoption of biometric smart cards.

Multiple end markets

IDEX's unique fingerprint technology is applicable to multiple end markets and use cases. The payment card market represents the largest addressable market for IDEX with 5 billion smart cards shipped annually, and industry analysts project that biometrics on cards could grow to more than 500 million units. In addition, IDEX sensors are being used today in a number of other verticals, including access control.

Progress towards mass production of biometric payment cards

Significant progress has been made by payment card manufacturers in 2019 to overcome the complexities associated with the introduction of a biometric sensor into the payment card. Several of IDEX's customers are now ready and capable of mass production using both hot and cold lamination.

In July a major milestone was achieved when one of IDEX's Asian customers achieved cost-effective, mass production standards for biometric payment cards. This card integrator has successfully made a cost-effective biometric card on a production line that has the capacity to quickly ramp up production to millions of units while maintaining high yields.

IDEX is also working closely alongside component suppliers within the card ecosystem to accelerate the high-volume manufacture of biometric cards. IDEX has established partnerships with Sian and Silone Cardtech, leading Chinese smart card manufacturers, specializing in the development, design, manufacturing and sale of dual-interface cards. The strategic rationale is to ensure that crucial components within the biometric payment card are compatible and ready for mass production.

A key development in the third quarter was the multi-year partnership agreement between IDEX and Feitian. Feitian has become a leading manufacturer of smart card pre-lam, a major component within the smart card. By joining forces with Feitian, IDEX has further differentiated itself from its competitors by including its sensors as part of a mass-produced, low-cost, end-to-end solution for card manufacturers. This agreement marks another important step for IDEX towards securing high volume sensor orders.

Dual-interface biometric smart card certification expected in Q4

Another important milestone in the evolution of the biometric payment card market is the achievement of dual-interface certification. The certification process is well underway, and we expect to see certifications for multiple card integrators during the fourth quarter.

In July, IDEX's dual-interface sensor technology was the first to meet the key requirements for compliance, security and biometric performance by multiple global payment schemes. Having surpassed these critical requirements for the biometric sensor and matching algorithms, IDEX has a compelling solution for card manufacturers looking to enhance their customer offering with the additional security and convenience of a biometric smart card.

Securing biometric smart card leadership with on-card remote enrollment solution

A critical barrier to mass adoption of biometric smart cards is the ability of card issuers to provide a simple, convenient and secure means to enroll the end-user. A simplified registration process will accelerate adoption of biometric cards by issuers and consumers alike.

Earlier this year IDEX was granted comprehensive patents for enrollment of biometric smart cards by the United States and Australian patent authorities. These patents have wide claims covering devices and methods to enable a user to enroll their fingerprint on a biometric card using an unconnected power supply. In October IDEX received a further patent grant from the UK Intellectual Property Office.

IDEX has a large portfolio of patents and applications covering its world-leading fingerprint sensor and biometric algorithm technology.

In August IDEX's remote enroll solution was used by an independent third-party testing house to gather real-world fingerprint images as part of its certification process for a global payment scheme. The results of the image-capture data from the tests far exceeded the False Rejection Rate (FRR) and False Acceptance Rate (FAR) benchmarks required for certification. This is a validation that IDEX's remote enroll solution delivers the required performance and represents an important part of the Company's competitive strategy to differentiate its product offering by providing complete end-to-end biometric solutions for its customers.

In October, IDEX entered into a worldwide license agreement with IDEMIA, allowing them the use of IDEX's on-card biometric enrollment intellectual property. Under the terms of the agreement, IDEX has

granted IDEMIA a license to use certain IDEX patents in order to develop, manufacture and sell on-card enrollment devices while benefiting from IDEMIA's biometric card software expertise. This agreement deepens a long-standing collaboration between IDEX and IDEMIA to bring biometric smart cards into mainstream use.

A second license agreement was announced days later with Chutian Dragon Co., Ltd, one of Asia's largest smart card manufacturers. Under the terms of this agreement, IDEX has granted Chutian Dragon a royalty-bearing patent license to use certain IDEX patents in order to develop, manufacture and sell on-card enrollment devices.

Access Control

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

Purchase orders and shipments for access control market

In April, IDEX signed a significant contract with a leading provider of global financial news and IT services that has been at the forefront of deploying fingerprint authentication for over a decade.

This multi-year, multimillion-dollar commitment is testament to IDEX's technological leadership and systems expertise in secure biometric solutions. As part of this commitment, IDEX has received its first purchase order and begun the production ramp preparations by supplying its sensors to one of the world's largest electronics manufacturing service companies in order for them to qualify their manufacturing process; a critical step in any ramp-up

process. This marks a major milestone for IDEX, and a regular flow of further purchase orders is now expected.

Design wins for IDEX in access control

Recently, IDEX was chosen by two customers in Asia for inclusion into a secure access control smart card. Both card integrators have customers looking to incorporate a biometric smart card as part of an access control solution. Furthermore, these card integrators have multiple financial institutions as customers and IDEX is actively pursuing opportunities to leverage its expertise in access control, into their payment cards given the significant systems synergy between the access control and biometric card markets.

OTCQB listing in the US

The OTCQB Venture Market offers companies the benefits of being publicly traded in the U.S. with lower cost and complexity than listing on the large U.S. exchanges. To be eligible, international companies must be listed and current in the local market filings and undergo an annual verification and management certification process.

As a verified market with efficient access to U.S. investors, OTCQB helps international companies build shareholder value with a goal of enhancing liquidity and achieving fair valuation. IDEX expects the listing to increase liquidity and visibility for IDEX shares in the U.S. as a first step towards a full U.S. listing.

Summary and outlook

IDEX made substantial progress during the quarter and the board is pleased to see design-in wins in the access control market. In the payment card market, IDEX expects certifications before year end. Industry participants and analysts believe 2020 will be the year where the market moves from one defined by pilots, towards mass commercial deployments. For the access control market, IDEX expects to begin volume shipments in the first quarter of 2020 and additional design-in wins. The board is confident that IDEX has the strategy and leadership to deliver on its vision to be a leader in the biometric fingerprint sensing technology and ensure long-term value creation for its stakeholders.

FINANCIAL REVIEW

Statements of profit and loss

IDEX recorded revenues of NOK 1.3 million in the third quarter of 2019, up from NOK 1.1 million in the corresponding period of 2018. In the first nine months of 2019, the revenues amounted to NOK 3.1 million, compared to NOK 3.2 million in the same period of 2018. Revenues are primarily related to card products.

The gross margin on product sales in the third quarter was 60%, compared to 23% in same quarter of 2018. The total gross margin includes service income and was 87% for the first nine months of 2019, compared to 57% during the first nine months of 2018. The gross margin at small volumes is not necessarily representative of the gross margin at mass volumes.

Total operating expenses in the third quarter of 2019 amounted to NOK 62.2 million, compared to NOK 58.1 million in the third quarter of 2018. In the first nine months of the year, total operating expenses amounted to NOK 186.9 million in 2019 and NOK 177.2 million in 2018. The increase in expenses in the first nine months of 2019 is mainly due to increased other operating costs, see comments below, while the increased payroll expenses are offset by lower development expenses as more development work was carried out by IDEX's staff.

Payroll expenses amounted to NOK 44.6 million in the third quarter of 2019 and NOK 131.1 million in the first nine months of 2019, up from NOK 40.4 million and NOK 118.1 million in the comparable periods of 2018. The underlying payroll cost excluding share-based remuneration was NOK 38.9 million in the third quarter and NOK 113.3 million in the first nine months of this year, up from NOK 32.7 million and NOK 97.9 million in the corresponding periods of 2018. The increase reflects that the average number of IDEX employees was 109 full-time equivalents (FTE) in the first nine months of this year, up from 98 FTE in the first nine months of last year. In addition, there are fluctuations between quarters as salaries in subsidiaries are paid in foreign currency and variations in other staff-related

items, such as recruiting costs. The net accounting cost of share-based remuneration may vary substantially between quarters because of share price fluctuations as well as grants and exercises. Cash cost upon exercises are funded by the capital injected at exercise.

IDEX's staff, including both employees and individual contractors, was 125 FTE at 30 September 2019, up from 115 FTE at 31 December 2018. The staff is comprised of 114 FTE employees and 11 FTE individual contractors.

Development expenses amounted to NOK 8.6 million in the third quarter of 2019, down from NOK 9.3 million in the corresponding quarter of 2018. In the first nine months of 2019, these expenses were NOK 26.3 million, down from NOK 35.2 million in the same period of 2018, as more development work was carried out by IDEX's staff.

Other operating expenses, mainly expenses related to sales, marketing and administration, amounted to NOK 9.0 million in the third quarter and NOK 29.5 million in the first nine months of 2019, compared to NOK 8.5 million and NOK 23.9 million in the corresponding periods last year. The increase is mainly related to outsourced services, and an increase in IT expenses and legal services.

There will be reductions in staff, and reductions in other cash compensation costs. Other operating expenses not related to near-term revenue generation or critical development activities will also be reduced. The actions will take effect in the fourth quarter and the full impact is expected as of the first quarter of 2020. These cost reductions are expected to result in a 30% reduction in annualized operating expenses, and are expected to lower IDEX's break-even point by more than 50%.

Amortization and depreciation amounted to NOK 3.5 million and NOK 10.4 million in the third quarter and first nine months of this year respectively, which represent increases from NOK 1.7 million and 5.1 million in the corresponding periods last year. The

increase is chiefly due to IDEX's investment in high-volume test equipment in the second half of 2018.

Net financial items amounted to an expense of NOK 0.8 million in the third quarter this year, compared to an expense of NOK 0.4 million in the third quarter last year. Net financial items amounted to an expense of NOK 1.6 million in the first nine months of 2019 and compares to an expense of NOK 1.4 million in the first nine months of 2018. The variation in net financial items between periods is mainly caused by re-/devaluations of foreign currency, mainly the U.S. dollar, causing gains or losses on receivables and debt denominated in currencies other than NOK.

The IDEX group recorded a tax charge of NOK 1.1 million in the third quarter this year, compared to a tax charge of NOK 0.7 in the third quarter of 2018. Due to profits in IDEX's subsidiaries in the USA and UK, the group's tax charge amounted to NOK 3.3 million in the first nine months of 2019, compared to a tax charge of NOK 0.9 million the corresponding period last year.

The IDEX group had a net loss of NOK 65.5 million in the third quarter of 2019, compared to a net loss of NOK 60.1 million in the third quarter of 2018. In the first nine months of 2019, the group recorded a loss of NOK 194.7 million, compared to a loss of NOK 180.5 million for the first nine months of 2018.

Loss per weighted average number of basic shares amounted to NOK 0.11 in the third quarter, in line with the loss of NOK 0.11 per share in the third quarter of 2018. In the first nine months of the year, the loss amounted to NOK 0.34 per share this year and NOK 0.33 per share last year.

Financial position

The main assets held on the balance sheet are acquired intangible assets and cash in bank. Cash is the major item, representing 54% of the total assets.

The acquired intangible assets and intellectual property rights have been capitalized in accordance with IFRS, and included goodwill amounting to NOK 8.3 million and depreciating assets at a net book value of NOK 24.0 million at 30 September 2019. The corresponding values at 30 September 2018 were NOK 8.3 million and NOK 27.7 million respectively. The

assets depreciate over the economic life of the respective items. IDEX's self-developed intellectual property rights and product development costs are generally not held on the balance sheet because they do not satisfy the IFRS criteria for capitalization. No development expenses were capitalized in 2019 or 2018.

Tangible fixed assets amounted to NOK 23.3 million at 30 September 2019, up from NOK 14.6 million at 31 December 2018 and NOK 14.1 million at 30 September 2018. The fixed assets are scientific and test equipment, engineering tools, leasehold outfitting, office equipment and furniture with useful lives of 3-7 years.

Inventory amounted to NOK 14.6 million at 30 September 2019, up from NOK 10.2 million at 31 December 2018 and 10.4 million at 30 September 2018. The inventory consists mainly of components and fingerprint sensors for cards. Because of significant lead times for certain components, IDEX holds inventory to satisfy expected demand for deliveries with short notice.

There were customer receivables of NOK 0.1 million at 30 September 2019, down from NOK 0.3 million at 31 December 2018 and NOK 0.8 million at 30 September 2018.

At 30 September 2019 IDEX had a cash balance of NOK 96.9 million, up from NOK 83.7 million at the end of 2018. On 25 January 2019 IDEX made a private placement of shares, raising NOK 213.8 million before expenses.

Equity amounted to NOK 149.2 million at the end of the third quarter of 2019, up from NOK 123.2 million at the end of 2018. In the first nine months of 2019, new equity in a net amount of NOK 206.7 was added. The ongoing decrease is mainly caused by net losses.

IDEX does not have any debt to financial institutions or lenders.

IDEX implemented IFRS 16 effective 1 January 2019. The total right-of-use asset recognized for the group was NOK 9.9 million. The corresponding liability was NOK 4.0 million long-term and NOK 5.9 million short-term. In line with IFRS 16, the implementation will lead

to decreased rental costs offset by increased depreciation and financial costs. For the first nine months of 2019, these are NOK 4.4 million in depreciation, NOK 4.6 million in rent offset and NOK 0.3 million financial cost. See note 2 and 6 for more information.

Total short-term liabilities amounted to NOK 30.1 million at 30 September 2019, down from NOK 32.8 million at 31 December 2018 and NOK 32.8 million at 30 September 2018. Variations between quarters are caused by activity level, specific pay terms and timing of deliveries.

The net working capital, inventory plus receivables less trade accounts payable, amounted to NOK 20.7 million at 30 September 2019, up from NOK 16.6 million at 31 December 2018 and up from NOK 14.0 million at 30 September 2018. IDEX will need to build up its inventory and accumulate receivables as sales to the card markets increase.

Liquidity

IDEX's operational cash outflow was NOK 55.7 million in the third quarter of 2019, compared to NOK 52.9 million in the third quarter of 2018. The main operating cash items are the operating losses in each period,

partly offset by the equity part of the share-based compensation and depreciation. The working capital varies between quarters, mainly due to fluctuating payables to suppliers and accrued liabilities. Future planned growth of sales is expected to cause an increase in working capital in the form of inventory and receivables, partly funded by payables.

IDEX invested NOK 2.1 million in capital equipment during the third quarter of 2019, compared to NOK 6.8 million in the third quarter of 2018. Going forward, IDEX will invest in equipment for scaling its manufacturing. At 30 September 2019, NOK 3.4 million of the NOK 4.6 million invested in the first nine months of 2019 is related to ordered manufacturing equipment expected to be deployed for use in the fourth quarter of 2019, currently classified as investment in progress.

IDEX's balance sheet solvency, which is the cash position less the net of receivables and short-term liabilities, amounted to NOK 78.9 million at 30 September 2019, up from NOK 62.4 million at the beginning of the year. The increase was mainly caused by the private placement in January less the net loss in the period.

Fornebu, Norway, 12 November 2019
The board of directors of IDEX Biometrics ASA




Morten Opstad
Chairman



Lawrence John Ciaccia
Board member



Deborah Davis
Board member



Hanne Høvdning
Board member



Stephen Skaggs
Board member

INTERIM CONSOLIDATED FINANCIAL INFORMATION

STATEMENTS OF PROFIT AND LOSS

| Amounts in NOK 1,000 | Note | Quarters | | First nine months | | Full year |
|---|------|----------|----------|-------------------|-----------|-----------|
| | | Q3 2019 | Q3 2018 | 2019 | 2018 | 2018 |
| Operating revenue | | | | | | |
| Product sales | | 473 | 1 082 | 920 | 1 823 | 2 181 |
| Other operating income | | 852 | | 2 145 | 1 389 | 1 404 |
| Total revenue | | 1 324 | 1 082 | 3 065 | 3 212 | 3 585 |
| Cost of goods sold | | 190 | 830 | 407 | 1 368 | 1 502 |
| Gross margin | | 1 134 | 252 | 2 658 | 1 844 | 2 082 |
| Operating expenses | | | | | | |
| Payroll expenses | 4 | 44 648 | 40 356 | 131 078 | 118 071 | 160 983 |
| Development expenses | | 8 575 | 9 312 | 26 308 | 35 235 | 45 850 |
| Other operating expenses | 5, 6 | 8 971 | 8 466 | 29 518 | 23 902 | 31 908 |
| Total operating expenses | | 62 194 | 58 134 | 186 903 | 177 208 | 238 740 |
| Profit (loss) before interest, tax, depreciation and amortization (EBITDA) | | (61 060) | (57 882) | (184 246) | (175 364) | (236 658) |
| Amortization and depreciation | 6, 7 | 3 487 | 1 740 | 10 444 | 5 094 | 6 854 |
| Profit (loss) before interest and tax (EBIT) | | (64 547) | (59 622) | (194 690) | (180 458) | (243 512) |
| Net financial items | 6, 8 | (979) | (430) | (1 578) | (1 400) | (2 254) |
| Net result before tax (EBT) | | (65 526) | (60 052) | (196 267) | (181 858) | (245 766) |
| Income taxes | 9 | 1 147 | 692 | 3 294 | 889 | 332 |
| Net loss for the period | | (66 673) | (60 744) | (199 561) | (182 747) | (246 097) |
| Profit (loss) per share, basic and diluted (NOK) | 10 | (0.11) | (0.11) | (0.34) | (0.33) | (0.45) |

STATEMENTS OF OTHER COMPREHENSIVE INCOME

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

| Amounts in NOK 1,000 | Quarters | | First nine months | | Full year |
|---|----------|----------|-------------------|-----------|-----------|
| | Q3 2019 | Q3 2018 | 2019 | 2018 | 2018 |
| Net loss for the period | (66 673) | (60 744) | (199 561) | (182 747) | (246 097) |
| Exchange differences on foreign operations | 1 041 | (31) | 420 | (98) | 946 |
| Total comprehensive income (loss) for the period, net of tax | (65 632) | (60 775) | (199 141) | (182 845) | (245 151) |

STATEMENTS OF FINANCIAL POSITION

| Amounts in NOK 1,000 | Note | At 30 September 2019 | At 30 September 2018 | At 31 December 2018 |
|---|----------|----------------------|----------------------|---------------------|
| Assets | | | | |
| Long-term assets | | | | |
| Goodwill | | 8 260 | 8 260 | 8 260 |
| Other intangible assets | | 24 039 | 27 688 | 26 763 |
| Total intangible assets | | 32 299 | 35 948 | 35 023 |
| Fixed assets | | 16 372 | 14 083 | 14 590 |
| Right-of-use assets | 6 | 6 946 | | |
| Total fixed assets | | 23 318 | 14 083 | 14 590 |
| Long-term receivables | | 1 267 | 1 227 | 1 269 |
| Total financial assets | | 1 267 | 1 227 | 1 269 |
| Total long-term assets | 7 | 56 883 | 51 258 | 50 882 |
| Current assets | | | | |
| Inventory | | 14 623 | 10 420 | 10 164 |
| Customer receivables | | 76 | 796 | 339 |
| Prepaid expenses | | 4 865 | 4 942 | 5 529 |
| Other short-term receivables | | 7 135 | 6 759 | 5 684 |
| Total receivables | | 12 076 | 12 497 | 11 552 |
| Cash and bank deposits | | 96 939 | 130 472 | 83 714 |
| Total current assets | | 123 638 | 153 389 | 105 430 |
| Total assets | | 180 522 | 204 647 | 156 312 |
| Equity and liabilities | | | | |
| Equity | | | | |
| Share capital | 10 | 89 698 | 81 402 | 81 647 |
| Share premium | | 1 390 926 | 1 185 355 | 1 192 222 |
| Other paid-in capital | | 116 301 | 93 169 | 98 553 |
| Total paid-in capital | | 1 596 926 | 1 359 926 | 1 372 422 |
| Retained earnings (losses) | | (1 447 702) | (1 186 877) | (1 249 183) |
| Total equity | | 149 223 | 173 049 | 123 239 |
| Long-term liabilities | | | | |
| Deferred tax liabilities | | 229 | 224 | 226 |
| Long-term lease liabilities | | 986 | | |
| Other long-term liabilities | | | 3 881 | |
| Total long-term liabilities | | 1 214 | 4 105 | 226 |
| Short-term liabilities | | | | |
| Accounts payable | | 6 002 | 8 918 | 5 126 |
| Income tax payable | | 3 168 | 2 179 | 1 716 |
| Short-term lease liabilities | | 6 126 | | |
| Public duties payable | | 1 424 | 1 770 | 2 276 |
| Notional employer's tax on share-based remuneration | 11 | | 1 550 | |
| Other short-term liabilities | | 13 364 | 13 076 | 23 729 |
| Total short-term liabilities | | 30 084 | 27 493 | 32 847 |
| Total liabilities | | 31 299 | 31 598 | 33 073 |
| Total equity and liabilities | | 180 522 | 204 647 | 156 312 |

STATEMENTS OF EQUITY

| Amounts in NOK 1,000 | Note | Share capital | Share premium | Other paid-in capital | Retained earnings (uncovered loss) | Total equity |
|-------------------------------------|------|---------------|------------------|-----------------------|------------------------------------|----------------|
| Balance at 1 January 2019 | | 81 647 | 1 192 222 | 98 553 | (1 249 183) | 123 239 |
| Share issue 25 January | | 8 016 | 198 704 | | | 206 720 |
| Share issue (board remun.) | | 36 | | | | 36 |
| Share-based remuneration | 5 | | | 17 748 | | 17 748 |
| Profit (loss) for the period | | | | | (199 561) | (199 561) |
| Other comprehensive income | | | | | 1 041 | 1 041 |
| Balance at 30 September 2019 | | 89 698 | 1 390 926 | 116 301 | (1 447 702) | 149 223 |
| Balance at 1 January 2018 | | 81 357 | 1 185 355 | 74 382 | (1 004 032) | 337 062 |
| Share issue (board remun.) | | 45 | | | | 45 |
| Share-based remuneration | 5 | | | 18 787 | | 18 787 |
| Profit (loss) for the period | | | | | (182 747) | (182 747) |
| Other comprehensive income | | | | | (98) | (98) |
| Balance at 30 September 2018 | | 81 402 | 1 185 355 | 93 169 | (1 186 877) | 173 049 |
| Balance at 1 January 2018 | | 81 357 | 1 185 355 | 74 382 | (1 004 032) | 337 062 |
| Exercise of subscript. rights | 4 | 245 | 6 868 | | | 7 112 |
| Share issue (board remun.) | | 45 | | 1 030 | | 1 075 |
| Share-based remuneration | 5 | | | 23 141 | | 23 141 |
| Profit (loss) for the year | | | | | (246 097) | (246 097) |
| Other comprehensive income | | | | | 946 | 946 |
| Balance at 31 December 2018 | | 81 647 | 1 192 223 | 98 553 | (1 249 183) | 123 239 |

STATEMENTS OF CASH FLOWS

| Amounts in NOK 1,000 | Quarters | | First nine months | | Full year |
|--|-----------------|-----------------|-------------------|------------------|------------------|
| | Q3 2019 | Q3 2018 | 2019 | 2018 | 2018 |
| Operating activities | | | | | |
| Profit (loss) before tax | (65 526) | (60 052) | (196 267) | (181 858) | (245 766) |
| Amortization and depreciation | 3 487 | 1 740 | 10 444 | 5 094 | 6 854 |
| Share-based remuneration (equity part) | 5 703 | 6 109 | 17 748 | 18 787 | 24 170 |
| Change in inventories | (133) | 211 | (4 460) | (1 165) | (909) |
| Change in accounts receivables | (334) | (953) | 263 | (246) | 211 |
| Change in accounts payable | (497) | 2 790 | 824 | 5 814 | 2 051 |
| Change in other working capital items | 1 897 | (2 629) | (12 065) | (8 638) | 997 |
| Other operating activities | 289 | 241 | 273 | 502 | 980 |
| Net financial items | (271) | (385) | (993) | (1 325) | (1 731) |
| Change in income taxes | (307) | 58 | (1 964) | (1 579) | (1 593) |
| Net cash flows from operating activities | (55 692) | (52 871) | (186 196) | (164 614) | (214 735) |
| Investing activities | | | | | |
| Investments in tangible assets | (2 067) | (6 812) | (4 578) | (8 376) | (8 991) |
| Change in long-term receivables | (0) | | 16 | | (3) |
| Interest income receipts | 268 | 213 | 994 | 911 | 1 095 |
| Net cash flows used in investing activities | (1 799) | (6 599) | (3 568) | (7 465) | (7 899) |
| Financing activities | | | | | |
| Net proceeds from issue of shares | | 45 | 206 755 | 45 | 7 157 |
| Payments on lease liabilities | (1 457) | | (4 290) | | |
| Change in long-term payables | | 113 | | 617 | (3 271) |
| Net cash flows from financing activities | (1 457) | 158 | 202 466 | 662 | 3 886 |
| Net change in cash and bank deposits | (58 949) | (59 312) | 12 701 | (171 417) | (218 748) |
| Effect of foreign exchange rate changes | 800 | (106) | 524 | (213) | 360 |
| Opening cash and bank deposits balance | 155 088 | 189 889 | 83 714 | 302 102 | 302 102 |
| Closing cash and bank deposits balance | 96 939 | 130 472 | 96 939 | 130 472 | 83 714 |

NOTES TO INTERIM FINANCIAL STATEMENTS

1 General information

IDEX Biometrics is a leader in fingerprint sensing solutions and technology for multiple markets. The company has developed an off-chip sensor architecture and embedded biometric algorithms suited to capacitive fingerprint sensors. The company is a public limited liability company incorporated and domiciled in Norway. The address of the head office is Martin Linges vei 25 at NO-1364 Fornebu, Norway. IDEX Biometrics ASA's shares are listed at Oslo Børs, the stock exchange in Oslo and are traded in the U.S. on the OTCQB Venture Market.

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

2 Basis of preparation and accounting policies

These interim financial statements for the first nine months of 2019 have been prepared in accordance with IAS 34 Interim financial reporting. The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the interpretations set out by the International Accounting Standards Board, as approved by the European Union. The going concern assumption has been applied when preparing this interim financial report. See note 3. This interim financial report has not been subject to audit. The report was approved by the board of directors on 12 November 2019.

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

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

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

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

The impacts of IFRS 16 adoption per 1 January 2019 and year-to-date 2019 are summarized in note 6.

3 Risks

It is the duty of the board of directors to duly present the principal risks of IDEX and its business. The company's major risk is its business risk, meaning its ability to generate revenue and earn profit. The future revenue generation will depend on IDEX's ability to market and deliver technically sound, cost-effective and competitively differentiated products, and the company's ability to legally protect its intellectual property rights. IDEX considers that its fingerprint sensor technology has one of the best biometric performances, and that its fingerprint sensor products offer unique properties, particularly well-suited for the payment card and access control markets as well as other markets.

IDEX currently generates immaterial revenue and operates at a significant loss. As of 30 September 2019, the company had 96.9 million NOK in cash and no financial debt.

The company expects to increase revenue generation through sales of sensors and monetization of its intellectual property. The biometric payment card market is still an emerging growth market, and, as is common in most emerging growth markets, the timing of revenue is difficult to predict with any precision. IDEX monitors its cash position very closely, including the expense and working capital requirements. As IDEX works through the process to optimally capitalize the business, while minimizing shareholder dilution, it concluded it was prudent to take certain expense reduction actions at this time. These measures are expected to result in a 30% decrease in operating expenses.

IDEX does not have any significant assets or liabilities with financial risk. IDEX's balance sheet comprises mainly cash and working capital and the company is fully funded on equity. IDEX does not hold financial instruments or significant financial assets or liabilities and has limited financial risks related to currency and interest rates. USD is the dominant currency of the company's payables.

4 Payroll expenses

| Amounts in NOK 1,000 | Quarters | | First nine months | | Full year |
|---|---------------|---------------|-------------------|----------------|----------------|
| | Q3 2019 | Q3 2018 | 2019 | 2018 | 2018 |
| Salary, payroll tax, benefits, other | 38 945 | 32 696 | 113 252 | 97 913 | 136 960 |
| Payable payroll tax on realized share-based benefit | | | 77 | | 31 |
| Share-based remun., notional cost | 5 703 | 6 110 | 17 748 | 18 787 | 24 170 |
| Accr. (rev.) payr. tax on share-based remun. | | 1 550 | | 1 371 | (179) |
| Payroll expenses | 44 648 | 40 356 | 131 078 | 118 071 | 160 983 |

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

5 Related party transactions

The chairman Morten Opstad is a partner in Advokatfirma Ræder DA. This law firm provided services to the company amounting to NOK 3,114 thousand in the first nine months of 2019. Mr Opstad's work beyond board duty has been invoiced by Ræder.

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

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

Some board members and senior managers participated in the private placement on 25 January 2019, and acquired shares at NOK 4.00 per share, the same price as the other investors. Chairman Morten Opstad acquired 100,000 shares, CEO Stan Swearingen acquired 250,000 shares, former board member Andrew MacLeod acquired 140,000 shares, and former CFO Henrik Knudtzon acquired 100,000 shares.

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

The board resolved on 4 August 2019 the annual refresh grant of incentive subscription rights (SRs) to IDEX employees under the company's 2019 incentive subscription rights plan. The following grants were made to senior managers: Stan Swearingen, CEO, 1,200,900 SRs; Derek D'Antilio, CFO 2,000,000 SRs; Fred Benkley, Chief Innovation Officer, 245,400 SRs; Guido Bertocci, VP of Software Engineering, 210,400 SRs; Anthony Eaton, CTO, 327,800 SRs; Stuart Hunt, Sr Director of IR and Comms., 74,500 SRs; Chris Ludden, SVP of Silicon and Sensor Technologies, 385,700 SRs; Sarah Mathews, VP of Human Resources, 596,100 SRs; David Orme, SVP of Sales and Marketing, 208,600 SRs; Brian Roberts, VP of Product Mgt. and Business Dev., 210,400 SRs; Erling Svela, VP of Finance, 178,800 SRs; and Paul Taylor, VP of Operations & Programme Mgt, 178,800 SRs. The exercise price of the subscription rights is NOK 1.65 per share. 25 per cent of the subscription rights vest per year. The subscription rights expire on 9 May 2024.

6 Leases

| Leases in the statements of income | Quarters | First nine months |
|---|-----------------|--------------------------|
| Amounts in NOK 1,000 | Q3 2019 | 2019 |
| Other operating expense | (1 553) | (4 604) |
| EBITDA | 1 553 | 4 604 |
| Depreciation of right-of-use assets | 1 499 | 4 448 |
| EBITA | 54 | 156 |
| Interest expense on lease liabilities | 95 | 315 |
| EBIT | (41) | (159) |

Leases in the statements of financial position

| Amounts in NOK 1,000 | At 30 September 2019 | At 1 January 2019 |
|--|-----------------------------|--------------------------|
| Assets | | |
| Right-of-use-assets - office buildings | 6 946 | 9 909 |
| Total lease assets | 6 946 | 9 909 |
| Liabilities | | |
| Short-term liabilities | 986 | 3 981 |
| Long-term liabilities | 6 126 | 5 928 |
| Total lease liabilities | 7 112 | 9 909 |

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

Reconciliation of lease commitments to lease liabilities

| | |
|--|---------------|
| Amounts in NOK 1,000 | |
| Operating lease obligation at 31 December 2018 | 12 101 |
| Relief option for short-term leases | (1 753) |
| Gross lease liabilities at 1 January 2019 | 10 348 |
| Effect of discounting using incremental borrowing rate | (439) |
| Lease liability and right-of-use assets recognized at initial application | 9 909 |

The lease liabilities were discounted at the incremental borrowing rate as at 1 January 2018. The weighted average discount rate was 4.89%

Leases in the statements of cash flows

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

7 Long-term assets

| Amounts in NOK 1,000 | Goodwill | Other intangible assets | Tangible fixed assets | Right-of-use assets | Long-term receivables | Total long-term assets |
|---|--------------|-------------------------|-----------------------|---------------------|-----------------------|------------------------|
| Balance at 1 January 2019 | 8 260 | 26 763 | 14 590 | | 1 269 | 50 882 |
| Additions | | | 4 578 | 11 141 | | 15 720 |
| Disposals and retirements at cost | | | (225) | | (16) | (242) |
| Depreciation and impairment losses | | (2 725) | (3 271) | (4 448) | | (10 444) |
| Depreciation on disposed and retired assets | | | 201 | | | 201 |
| Effects of changes in foreign currency | | | 499 | 254 | 14 | 766 |
| Balance at 30 September 2019 | 8 260 | 24 039 | 16 372 | 6 946 | 1 267 | 56 883 |
| Balance at 1 January 2018 | 8 260 | 30 464 | 8 002 | | 1 251 | 47 977 |
| Additions | | | 8 376 | | | 8 376 |
| Depreciation and impairment losses | | (2 776) | (2 318) | | | (5 094) |
| Effects of changes in foreign currency | | | 23 | | (24) | (1) |
| Balance at 30 September 2018 | 8 260 | 27 688 | 14 083 | | 1 227 | 51 258 |
| Balance at 1 January 2018 | 8 260 | 30 464 | 8 002 | | 1 251 | 47 977 |
| Additions | | | 9 016 | | 3 | 9 019 |
| Disposals and retirements at cost | | | (222) | | | (222) |
| Depreciation and impairment losses | | (3 701) | (3 153) | | | (6 854) |
| Depreciation on disposed and retired assets | | | 197 | | | 197 |
| Effects of changes in foreign currency | | | 750 | | 15 | 765 |
| Balance at 31 December 2018 | 8 260 | 26 763 | 14 590 | | 1 269 | 50 882 |

Acquired intangible assets and intellectual property rights have been capitalized in accordance with IFRS, and included goodwill amounting to NOK 8.3 million and depreciating assets in an original acquisition amount of NOK 42.7 million. The assets depreciate over the economic life of the respective assets. The major items depreciate over 9.5 years and 17.3 years from acquisition, through July 2024 and to the end of 2030 respectively. Under IFRS, goodwill is not amortized but impairment tested at each year end. Intangible assets that are fully depreciated are by definition retired.

IDEX's self-developed patents and other intellectual property rights are generally not held in the balance sheet because they do not satisfy the IFRS criteria for capitalization. Development costs have largely been expensed for the same reason. IDEX has not capitalized any development expenses in 2019 or 2018.

8 Financial items

| Amounts in NOK 1,000 | Quarters | | First nine months | | Full year |
|--|--------------|--------------|-------------------|----------------|----------------|
| | Q3 2019 | Q3 2018 | 2019 | 2018 | 2018 |
| Interest income | 268 | 213 | 994 | 911 | 1 095 |
| Currency exchange gain | 700 | 676 | 2 489 | 3 971 | 13 201 |
| Other financial income | | 177 | | 177 | |
| Total financial income | 969 | 1 066 | 3 483 | 5 058 | 14 296 |
| Interest expenses | 0 | 4 | 1 | 14 | 14 |
| Interest expenses on lease liabilities | 95 | | 315 | | |
| Interest expenses on deferred settlement | 120 | 208 | 350 | 611 | 828 |
| Currency exchange loss | 1 732 | 1 285 | 4 395 | 5 835 | 15 173 |
| Other financial expenses | | (0) | | (0) | 535 |
| Total financial expense | 1 948 | 1 496 | 5 060 | 6 458 | 16 550 |
| Net financial items | (979) | (430) | (1 578) | (1 400) | (2 254) |

9 Income tax expense

The income tax expense relates to estimated income tax on profit in IDEX America and IDEX UK.

10 Profit (Loss) per share

| | First nine months | | Full year |
|--|--------------------|-------------------|-------------------|
| | 2019 | 2018 | 2018 |
| Profit (loss) attributable to the shareholders (NOK 1 000) | (199 561) | (182 747) | (246 097) |
| Weighted average basic number of shares | 597 988 767 | 542 517 253 | 542 795 969 |
| Weighted average diluted number of shares | 597 988 767 | 542 670 095 | 543 117 924 |
| Profit (loss) per share, basic and diluted | NOK (0.34) | NOK (0.33) | NOK (0.45) |

When the period result is a loss, the loss per diluted number of shares is not reduced by the higher number of shares but equals the result per basic number of shares.

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

11 Shares and subscription rights

| Number of financial instruments | Incentive subscription rights | Shares |
|---|----------------------------------|--------------------|
| Balance at 1 January 2019 | 37 471 050 | 544 314 537 |
| 25 January: Share issue | | 53 437 500 |
| Granted incentive subscription rights | 14 221 900 | |
| Expired/forfeited incentive subscription rights | (2 973 550) | |
| 28 May: Issued shares in lieu of board remuneration | | 236 695 |
| Balance at 30 September 2019 | 48 719 400 | 597 988 732 |
| Balance at 1 January 2018 | 25 260 000 | 542 383 105 |
| Granted incentive subscription rights | 21 892 600 | |
| Expired/forfeited incentive subscription rights | (7 859 300) | |
| 31 May: Issued shares in lieu of board remuneration | | 300 182 |
| Balance at 30 September 2018 | 39 293 300 | 542 683 287 |
| Balance at 1 January 2018 | 25 260 000 | 542 383 105 |
| Granted incentive subscription rights | 23 400 600 | |
| Exercised incentive subscription rights | (1 631 250) | 1 631 250 |
| Expired/forfeited incentive subscription rights | (9 558 300) | |
| 9 May: Issued shares in lieu of board remuneration | | 300 182 |
| Balance at 31 December 2018 | 37 471 050 | 544 314 537 |

The annual general meeting of IDEX Biometrics ASA on 9 May 2019 resolved that the board members could elect to receive all or part of the board remuneration in the form of shares in IDEX; that the number of shares shall correspond to a value of 133 per cent of the NOK amount of board remuneration taken in shares; that the board member must pay a subscription price per share equal to the par value of the share, being NOK 0.15; and that the shares are locked up for one year from the date of the annual general meeting.

The annual general meeting of IDEX on 9 May 2018 resolved that the board members could elect to receive all or part of the board remuneration in the form of shares in IDEX. In 2018, the chairman and three board members took board remuneration partly or fully in shares in lieu of cash against a payment of par value NOK 0.15 per share.

IDEX from time to time grants incentive subscription rights (SRs) to employees and individual contractors. Unless specifically resolved otherwise, 25% of each grant of subscription rights vest per year and expire on the fifth anniversary following the general meeting that resolved the program. Unvested subscription rights terminate on the holder's last day of employment. Vested subscription rights may be exercised up to 90 days after the holder's last day of employment. The weighted average exercise price of outstanding incentive SRs on 30 September 2019 was NOK 4.48 per share.

12 Events occurring after the balance sheet date

On 6 November 2019 IDEX implemented cost reductions which will take effect in the fourth quarter. There will be no material costs related to the right-sizing.

The board of directors of IDEX resolved on 12 November 2019 to issue 1,253,700 incentive subscription rights to employees and individual contractors in the IDEX group. The grant was made under the company's 2019 incentive subscription rights plan as resolved at the annual general meeting on 9 May 2019. The exercise price of the subscription rights is NOK 0.71 per share. The subscription rights vest by 25% per year and expire on 9 May 2024. Following the grant there will be 49,973,100 subscription rights outstanding.

There have been no events between 30 September 2019 and the resolution of these interim financial statements that have had any material impact on IDEX's results in the first nine months of 2019 or the value of the company's assets and liabilities at 30 September 2019.