



IDEX

Annual report 2019

IDEX Biometrics ASA

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REPORT FROM THE BOARD OF DIRECTORS 2019

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

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



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

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

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

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

ABOUT IDEX BIOMETRICS

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

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

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

END MARKETS

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

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

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

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

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

BIOMETRIC PAYMENT CARDS

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

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

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

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

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

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

ACCESS CONTROL

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

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

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

TECHNOLOGY

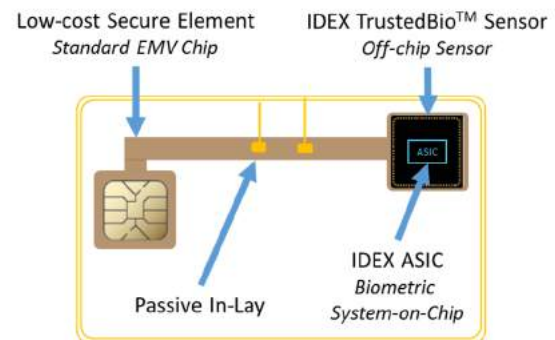
A LEADER IN BIOMETRIC FINGERPRINT IDENTIFICATION AND AUTHENTICATION SOLUTIONS

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

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

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

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



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

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

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

TECHNOLOGY ROADMAP

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

IDEX's technology roadmap includes:

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

- Developing solutions for in-display sensor integration

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

PRODUCTS AND SOLUTIONS

SUPPLIER OF COMPLETE BIOMETRIC FINGERPRINT SOLUTIONS

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

superior performance, high level of security and low cost.

FINGERPRINT SENSORS

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

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

ENROLLMENT SOLUTIONS

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

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

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

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

SOFTWARE AND ALGORITHMS

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

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

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

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

INTELLECTUAL PROPERTY

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

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

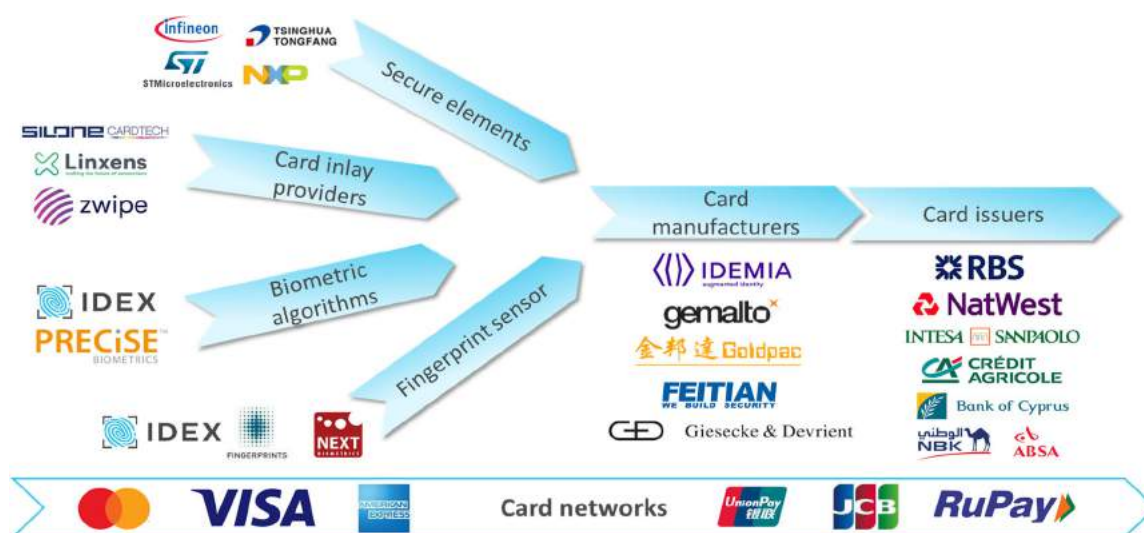
ECOSYSTEM AND VALUE CHAIN

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

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

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

The biometric smartcard value chain is shown below.



VOLUME PRODUCTION SUPPLY CHAIN ESTABLISHED

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

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

SALES, DISTRIBUTION AND MARKETING

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

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

FINANCIAL REVIEW

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

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

INCOME STATEMENTS

Revenue

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

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

Cost of goods sold

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

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

Operating expenses

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

Payroll expenses

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

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

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

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

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

Research and development expenses

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

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

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

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

Other operating expenses

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

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

Depreciation

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

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

Net financial items

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

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

Taxes

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

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

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

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

Net result for the year

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

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

STATEMENTS OF FINANCIAL POSITION

Fixed assets

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

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

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

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

Inventory

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

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

Cash

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

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

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

Equity

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

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

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

Liabilities

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

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

Liquidity and capital resources

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

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

EVENTS AFTER 31 DECEMBER 2019

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

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

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

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

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

IMPACT OF COVID-19

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

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

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

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

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

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

GOING CONCERN

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

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

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

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

ALLOCATION OF NET LOSS FOR THE YEAR

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

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

FINANCIAL RISKS

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

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

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

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

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

SHARE CAPITAL AND SHAREHOLDERS

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

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

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

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

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

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

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

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

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

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

ORGANIZATION

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

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

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

CHANGES TO IDEX LEADERSHIP

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

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

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

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

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

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

HEALTH, SAFETY AND ENVIRONMENT

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

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

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

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

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

THE BOARD OF DIRECTORS

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

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

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

CORPORATE SOCIAL RESPONSIBILITY

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE

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

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

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

STATEMENT ON MANAGEMENT REMUNERATION

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

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

OUTLOOK

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

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

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

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

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

21 April 2020

The board of directors of IDEX Biometrics ASA



Morten Opstad, Chair



Lawrence John Ciaccia, Deputy chair



Deborah Davis, Board member



Hanne Hovding, Board member



Stephen Andrew Skaggs, Board member



Vincent Graziani, CEO

ANNUAL FINANCIAL STATEMENTS 2019

Statements of comprehensive income

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

Statements of other comprehensive income

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

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

Statements of financial position 31 December

Amounts in NOK 1,000

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

21 April 2020

The board of directors of IDEX Biometrics ASA


 Morten Opstad, Chair


 Lawrence John Giaccia, Deputy chair


 Deborah Davis, Board member


 Hanne Hovding, Board member


 Stephen Andrew Skaggs, Board member


 Vincent Graziani, CEO

Statements of changes in equity

IDEX group

Amounts in NOK 1,000	Share capital	Share premium	Other paid-in capital	Retained earnings (uncovered loss)	Total equity
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 2 December	8 314	33 255			41 569
Share issue 24 December	9 686	37 915			47 601
Share issue (board remun.)	36		549		585
Share-based remuneration			21 728		21 728
Profit (loss) for the year				(285 335)	(285 335)
Exchange differences on foreign operations				298	298
Balance at 31 December 2019	107 698	1 462 097	120 830	(1 534 220)	156 405
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)
Exchange differences on foreign operations				946	946
Balance at 31 December 2018	81 647	1 192 222	98 553	(1 249 183)	123 239

IDEX Biometrics ASA

Amounts in NOK 1,000	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	(1 253 763)	118 659
Share issue 25 January	8 016	198 704			206 720
Share issue 2 December	8 314	33 255			41 569
Share issue 24 December	9 686	37 915			47 601
Share issue (board remun.)	36		549		585
Share-based remuneration			21 728		21 728
Profit (loss) for the year				(296 517)	(296 517)
Balance at 31 December 2019	107 698	1 462 097	120 830	(1 550 279)	140 346
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)
Balance at 31 December 2018	81 647	1 192 222	98 553	(1 253 763)	118 659

Cash flow statements

1 January-31 December

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

NOTES TO ANNUAL FINANCIAL STATEMENTS

1. Group information, accounting principles

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

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

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

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

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

Accounting principles

Basis of preparation

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

Changes in accounting policies

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

Standards and interpretations with effect from 1 January 2019:

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

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

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

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

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

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

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

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

Standards and interpretations issued or adopted but not yet effective:

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

Significant accounting judgements and estimates

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

Significant accounting judgments for IDEX

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

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

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

Significant accounting estimates for IDEX

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

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

Financial risk, capital management

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

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

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

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

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

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

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

Significant accounting policies

Consolidation

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

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

Revenue

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

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

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

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

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

Cost of goods sold and cost of services sold

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

Currency

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

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

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

Research and development expenses

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

Fixed assets

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

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

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

Intangible assets

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

Shares in subsidiaries

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

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

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

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

Interest-bearing loans (receivables)

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

Inventory

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

Accounts receivable

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

Cash and bank deposits

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

Interest-bearing debt

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

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

Accounts payable

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

Provisions

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

Taxes on taxable income

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

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

Contingent liabilities and assets

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

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

Share-based remuneration

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

Leasing agreements, rentals

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

Earnings per share

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

Cash flow

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

Government grants

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

Segment reporting

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

2. Revenues

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

Product sales		IDEX group and IDEX Biometrics ASA			
Amounts in NOK 1,000		Billing currency			
2019	Total	CNY	EUR	GBP	USD
Europe, Middle East and Africa	412			0	412
Americas	42				42
Asia	942				942
Total	1 396	0	0	0	1 396
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

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

3. Payroll expenses and remuneration

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

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

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

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

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

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

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

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

Remuneration to officers

2019

Remuneration to the CEO and officers reporting to the CEO.

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

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

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

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

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

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

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

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

No officers exercised incentive subscription rights in 2019.

2018

Remuneration to the CEO and officers reporting to the CEO.

2018						
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

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

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

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

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

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

Guidelines for remuneration to officers

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

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

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

Share-based remuneration to officers

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

Implementation and effect of the policies on remuneration to officers

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

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

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

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

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

Board and election committee remuneration

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

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

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

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

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

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

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

4. Research and development expenses

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

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

5. Government grants

Amounts in NOK 1,000	IDEX group and IDEX Biometrics ASA	
Grants during the year	2019	2018
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 2019 represents IDEX's claim based on the cost of the approved project applications. The 2019 reports have been submitted and approved. The cost basis will be audited in the tax return filing process. The support for 2019 will be paid out in the second half of 2020.

6. Audit and audit fees

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

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

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

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

7. Transactions with related parties

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

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

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

Board

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

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

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

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

Officers

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

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

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

Subsidiaries

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

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

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

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

8. Income tax expense

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

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

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

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

* The deferred tax asset is in Norway,

** The deferred tax liability is in UK

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

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

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

The accumulated unrecognised deferred tax asset amounting to NOK 375.6 million is related to tax losses carry forward in Norway (2018: NOK 316.0 million). IDEX Biometrics ASA has not generated taxable profits in prior years. At 31 December 2019 there was not sufficiently convincing evidence that sufficient taxable profit will be generated, against which the unused tax losses could be applied. Consequently, no deferred tax asset has been recognised. There are no restrictions as to how long tax losses may be carried forward in Norway.

9. Profit (loss) per share

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

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

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

Goodwill

Goodwill	IDEX group		IDEX Biometrics ASA	
Amounts in NOK 1,000	2019	2018	2019	2018
<i>Amortisation period (straight line, years)</i>	<i>not applicable</i>	<i>not applicable</i>	<i>not applicable</i>	<i>not applicable</i>
Cost at 1 January	8 260	8 260	8 260	8 260
Additions				
Disposals at cost				
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 percent annually on declining balance.

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

Other intangible assets

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

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

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

11. Tangible fixed assets

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

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

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

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

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

12. Leases

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

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

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

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

Reconciliation of lease commitments to lease liabilities	IDEX group	IDEX Biometrics ASA
Amounts in NOK 1,000		
Operating lease obligation at 31 December 2018	12 101	891
Relief option for short-term leases	(1 753)	(891)
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 2019. The weighted average discount rate for the IDEX group was 4.89%

Leases in the statements of cash flows

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

13. Subsidiaries

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

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

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

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

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

14. Cash and bank deposits

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

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

15. Restricted assets

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

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

16. Share capital, shareholder information and incentive subscription rights

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

Number of shares

	2019	Shares
Balance at 1 January		544 314 537
Private placement of shares (in lieu of cash payment) on 27 February		53 437 500
Share issue (in lieu of cash board remuneration)		236 695
Private placement of shares (in lieu of cash payment) on 2 December		55 425 407
Private placement of shares (in lieu of cash payment) on 24 December		64 574 593
Balance at 31 December		717 988 732
	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 several dates		1 631 250
Balance at 31 December		544 314 537

2019:

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

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

2018:

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

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

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

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

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

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

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

Under the 2019 subscription rights-based incentive programme resolved by the annual general meeting on 9 May 2019, the board may grant up to 59,775,203 incentive subscription rights, but limited in such a way that the total number of subscription rights outstanding under all programmes may not exceed 10 percent of the number of shares. The subscription rights may be granted to employees and individual contractors performing similar work in IDEX. The exercise price shall be minimum the higher of the average closing price of the IDEX share on ten trading days preceding the date of the grant, or the closing price of the IDEX share on the trading day preceding the date of the grant. Unless resolved otherwise by the board, 25 percent of each grant of subscription rights vest per year. The annual vesting dates are the latest of the following dates before the date of grant of the subscription rights; (i) 15 January, (ii) 15 April, (iii) 15 July or (iv) 15 October. The subscription rights lapse on the fifth anniversary after the annual general meeting that resolved the programme. Grants under programmes for prior years have similar pricing rule, vesting schedule and duration. Unvested subscription rights terminate on the holder's last day of

employment. Vested subscription rights may be exercised up to 90 days after the holder's last day of employment. There are no cash settlement alternatives.

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

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

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

Outstanding and vested incentive subscription rights at 31 December 2019

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

17. Board authorisations to issue shares or acquire own shares

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

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

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

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

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

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

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

18. Receivables; Contingent assets

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

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

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

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

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.

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

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

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

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

Prepayments		IDEX group			
Amounts in NOK 1,000		NOK equivalent of amounts denominated in foreign currency			
31 December 2019	Total in NOK	CNY	EUR	GBP	USD
Due in less than 3 months	2 551	226	-	1 022	1 200
Due in 3-6 months	2 632	83	-	599	1 897
Due in 6-12 months	1 569	6	-	737	781
Total	6 752	316	-	2 357	3 879
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

Prepayments		IDEX Biometrics ASA			
Amounts in NOK 1,000		NOK equivalent of amounts denominated in foreign currency			
31 December 2019	Total in NOK	CNY	EUR	GBP	USD
Due in less than 3 months	395			213	79
Due in 3-6 months	323			213	58
Due in 6-12 months	431			370	15
Total	1 149			796	152
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			663	353

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

19. Payables; Financial obligations; Contingent liabilities

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

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

Long-term lease liabilities		IDEX Biometrics ASA			
Amounts in NOK 1,000		NOK equivalent of amounts denominated in foreign currency			
31 December 2019	Total in NOK	CNY	EUR	GBP	USD
Later than one year and not later than five years	334				
Later than five years					
Total	334				
31 December 2018	Total in NOK	CNY	EUR	GBP	USD
Later than one year and not later than five years					
Later than five years					
Total					

Accounts payable		IDEX group			
Amounts in NOK 1,000		NOK equivalent of amounts denominated in foreign currency			
31 December 2019	Total in NOK	CNY	EUR	GBP	USD
Due in less than 3 months	4 062	-491	293	1 464	2 254
Due in 3-6 months	0				
Due in 6-12 months	0				
Total	4 062	-491	293	1 464	2 254
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	1 015	3 454

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

Short-term payables to group companies		IDEX Biometrics ASA			
Amounts in NOK 1,000		NOK equivalent of amounts denominated in foreign currency			
31 December 2019	Total in NOK	CNY	EUR	GBP	USD
Due in less than 3 months	36 600	1 647		9 829	25 124
Due in 3-6 months	0				
Due in 6-12 months	0				
Total	36 600	1 647	0	9 829	25 124
31 December 2018	Total in NOK	CNY	EUR	GBP	USD
Due in less than 3 months	Com	1 963		7 266	23 581
Due in 3-6 months	0				
Due in 6-12 months	0				
Total	32 810	1 963	0	7 266	23 581

Short-term lease liabilities		IDEX group			
Amounts in NOK 1,000		NOK equivalent of amounts denominated in foreign currency			
31 December 2019	Total in NOK	CNY	EUR	GBP	USD
Due in less than 3 months	1 730			635	1 044
Due in 3-6 months	1 730			635	1 044
Due in 6-12 months	3 461			1 269	2 088
Total	6 921	0	0	2 538	4 176
31 December 2018	Total in NOK	CNY	EUR	GBP	USD
Due in less than 3 months					
Due in 3-6 months					
Due in 6-12 months					
Total					

Short-term lease liabilities		IDEX Biometrics ASA			
Amounts in NOK 1,000		NOK equivalent of amounts denominated in foreign currency			
31 December 2019	Total in NOK	CNY	EUR	GBP	USD
Due in less than 3 months	52				
Due in 3-6 months	52				
Due in 6-12 months	103				
Total	207	0	0	0	0
31 December 2018	Total in NOK	CNY	EUR	GBP	USD
Due in less than 3 months					
Due in 3-6 months					
Due in 6-12 months					
Total					

Notional employer's tax on share-based remuneration

The estimated employer's tax liability related to share-based remuneration which on 31 December 2019 amounted to NOK 22 thousand for the IDEX group as well as IDEX Biometrics ASA (2018: nil), will be due only if and when the incentive subscription rights are exercised. The exercise will in all likely circumstances normally fund the payable employer's tax.

Other short-term liabilities		IDEX group			
Amounts in NOK 1,000		NOK equivalent of amounts denominated in foreign currency			
31 December 2019	Total in NOK	CNY	EUR	GBP	USD
Due in less than 3 months	11 059	11	847	747	8 325
Due in 3-6 months	14 262	462	0	2 203	3 788
Due in 6-12 months	3 455	0	0	0	3 455
Total	28 775	473	847	2 949	15 568
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	0	0	0
Due in 6-12 months	7 573	0	0	263	6 492
Total	23 729	311	338	1 980	17 864

Other short-term liabilities		IDEX Biometrics ASA			
Amounts in NOK 1,000		NOK equivalent of amounts denominated in foreign currency			
31 December 2019	Total in NOK	CNY	EUR	GBP	USD
Due in less than 3 months	10 755	0	847	747	8 033
Due in 3-6 months	7 809	0	0	0	0
Due in 6-12 months	0	0	0	0	0
Total	18 565	0	847	747	8 033
31 December 2018	Total in NOK	CNY	EUR	GBP	USD
Due in less than 3 months	7 455	0	338	56	5 817
Due in 3-6 months	1 172	0	0	0	0
Due in 6-12 months	4 403	0	0	0	3 584
Total	13 030	0	338	56	9 401

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

IDEX had no other significant short-term or long-term financial obligations at the end of 2019 or 2018.

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

20. Inventory

Inventory Amounts in NOK 1,000	IDEX group		IDEX Biometrics ASA	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Inventory at cost	16 159	19 117	16 159	19 117
Inventory reserve	(10 133)	(8 954)	(10 133)	(8 954)
Total	6 026	10 164	6 026	10 164

Inventory, consisting mainly of fingerprint sensors which are manufactured for sale, is held at cost, which is less than recoverable value. Inventory value has been reduced to reflect aging, obsolescence and estimated shrinkage. In 2019 NOK 9.5 million of materials used in new product development was charged to development expense (2018: NOK 2.9 million).

21. Events after 31 December 2019

The board resolved on 26 February 2020 to issue 5,542,500 incentive subscription rights to employees and individual contractors in the IDEX group. The grant was made under the company's 2019 incentive subscription rights plan. The exercise price of the subscription rights is NOK 1.11 per share. The subscription rights vest by 25% per year and expire on 9 May 2024. Following the grant there are 58,417,543 subscription rights outstanding.

Effective 27 February 2020, IDEX appointed Vince Graziani as CEO, to replace Stan Swearingen, who continues with IDEX as executive vice president of advanced technology and strategy.

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

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

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

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

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

IDEX acknowledges that there could be a negative business impact of reduced customer contact, deferred activity at customers, and/or lower manufacturing capacity at the company's production partners. The company is not in a position to quantify the possible effects.

On the other hand, IDEX has observed that the pandemic has increased end-user awareness of the benefits of contactless payments without PIN.

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

RESPONSIBILITY STATEMENT

The board and the managing director have today reviewed and approved this report from the board of directors as well as the annual financial statements for the IDEX group and the parent company IDEX Biometrics ASA as at 31 December 2019.

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

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

21 April 2020

The board of directors of IDEX Biometrics ASA



Morten Opstad
Chair



Lawrence John Ciaccia
Deputy chair



Deborah Davis
Board member



Hanne Høvdig
Board member



Stephen Andrew Skaggs,
Board member



Vincent A. Graziani
CEO



Statsautoriserte revisorer
Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of IDEX Biometrics ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of IDEX Biometrics ASA, which comprise the financial statements for the parent company and the Group. The financial statements for the parent company and the Group comprise the statement of financial position as at 31 December 2019, the statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2019 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

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

Material uncertainty related to going concern

According to the going concern section of the Board of Director's Report and note 1 in the financial statements, the Company will need to increase sales, raise more equity or issue debt instruments to fund operating commitments for the next twelve months. This indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter. In a situation where going concern no longer can be assumed, there is a risk of significant write-downs of the Group's assets as well as the Company's book value of receivables from subsidiaries and shares in subsidiaries.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2019. In addition to the matter(s) described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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



Assessment of impairment of intangible assets

Intangible assets amount to NOK 31.1 million as of 31 December 2019, whereof goodwill amounts to NOK 8.3 million and acquired patents NOK 22.8 million. The recoverable amount of the intangible assets has been determined based on value in use. Estimating the value in use requires management judgement, including estimates of future revenues, gross margins, operating costs and capital expenditures. Management's assessment of the valuation of intangible assets was a key audit matter because the assessment requires significant judgement and implies significant estimation uncertainties.

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

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

Other information

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

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

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



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

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- ▶ obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

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

**Opinion on registration and documentation**

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

Oslo, 21 April 2020
ERNST & YOUNG AS

Leiv Aschehoug
State Authorised Public Accountant (Norway)

ARTICLES OF ASSOCIATION

ARTICLES OF ASSOCIATION OF IDEX BIOMETRICS ASA Corp. ID no. NO 976 846 923 VAT

(last amended on 12 December 2019)

- § 1 The name of the company is IDEX Biometrics ASA and it is a public limited company.
- § 2 The objective of the Company is to deliver identification systems and other activities related to this.
- § 3 The business offices are in the Oslo municipality, Norway.
- § 4 The company's shares shall be registered in the Norwegian Registry of Securities.
- § 5 The share capital is NOK 107,698,309.80 divided into 717,988,732 shares each with a nominal value of NOK 0.15 per share and issued in name.
- § 6 The board of the Company consists of from three to seven members in accordance with the annual general meeting's instruction.
- § 7 The annual general meeting shall convene in or near Oslo at the board's decision, and shall consider:
- Determination of the annual financial statements
 - Appropriation of (net) profit or covering of losses
 - Election of chair of the board and board members
 - Election of chair and members of the nomination committee
 - Election of auditor
 - Determination of remuneration to the board of directors, members of the nomination committee and the auditor
 - Other matters which are governed by law
 - Other matters which are mentioned in the notice of the annual general meeting.
- § 8 a. The company shall have a nomination committee. The nomination committee shall have three members, including a chairman. Members of the nomination committee shall be elected by the annual general meeting for a term of two years.
- b. The nomination committee shall:
- Propose candidates for election to the board of directors
 - Propose the remuneration to be paid to the board members
 - Propose candidates for election to the nomination committee
 - Propose the remuneration to be paid to the nomination committee members
- c. The guidelines for the nomination committee shall be resolved by the annual general meeting.
- § 9 Documents which timely have been made available on the Internet site of the company and which deal with matters that are to be considered at the general meeting need not be sent to the company's shareholders.
- § 10 As a general rule, the company's general meetings shall be conducted in Norwegian. The general meeting may however resolve by a simple majority vote that English shall be used. Shareholders may present their points of view in the Norwegian or English language.
- § 11 A shareholder who wishes to attend the general meeting, in person or by proxy, shall notify his/her attendance to the company no later than 2 days prior to the general meeting. If the shareholder does not notify the company of his/her attendance in a timely manner, the company may deny him/her access to the general meeting.

CORPORATE GOVERNANCE

Resolved by the board of directors of IDEX Biometrics ASA on 21 April 2020

1. IMPLEMENTING AND REPORTING

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

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

2. IDEX'S BUSINESS

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

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

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

shareholders, the Company considers its employees, the Company's business partners, the society in general and the authorities as stakeholders. IDEX is committed to maintain a high standard of corporate governance, be a good corporate citizen and demonstrate integrity and high ethical standards in all its business dealings.

The Board considers that the Board and the management have adequate monitoring and control systems in place to ensure insight in and control over the activities. The Board has resolved ethical guidelines which apply to all employees, consultants and contractors as well as the elected board members. The ethical guidelines also incorporate the Company's guidelines on corporate social responsibility. The guidelines are available on the Company's website, www.idexbiometrics.com.

3. CAPITAL STRUCTURE, EQUITY AND DIVIDENDS

IDEX has until now been a development company and consequently funded on equity. The Board is aware of and acknowledges the equity requirements and duty of action in connection with loss of equity, as set out in the Norwegian Public Limited Companies Act (PLCA). The capital structure will change in the commercial growth stage. IDEX's working capital and fixed assets will need to be funded by a combination of supplier credit and borrowing from financial

lenders. The Board will target an optimal capital structure that leverages the equity while maintaining a moderate risk.

At various points in time, as well as presently, the Company has been in need of raising equity to fund its activities. Share issues, hereunder private placements, have been resolved by the shareholders at general meetings or by the Board pursuant to authorizations from the general meeting. The Board has annually

proposed to the general meeting reasonable authorizations for share issues. Such board authorizations have explicitly stated the type and purposes of transactions in which the authorizations may be applied.

Proposed authorizations to issue shares have been considered and voted separately by each type and purpose. The Board authorizations to issue shares have been valid until the next annual general meeting, as recommended by the Code. The proposals have been approved by the shareholders.

Further, the Company has in place a moderate incentive scheme in the form of a subscription rights program, as resolved by the general meeting. The subscription rights program is limited to a number of subscription rights representing 10% of the Company's share capital. The Company is also in the process of implementing an employee share purchase plan (ESPP), whereby employees may convert a portion of cash remuneration to shares in the

company. The ESPP serves to encourage employee ownership and represents a cash saving for the company.

The Company has not had in place any authorization to the Board to acquire own shares. As and when such authorization should be adopted, the Board will propose that the length of the authorization be limited to a period ending at the next annual general meeting of shareholders.

IDEX has not as yet declared or paid any dividends on its shares. The Company does not anticipate paying any cash dividends on its shares in the next few years. IDEX intends to retain future earnings, to finance operations and the growth of its business. Any future decision to pay dividends would be based on an amended dividend policy that may be instituted in due course, which policy would reflect the Company's financial condition, results of operation and capital requirements.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

The Company places great emphasis on ensuring equal treatment of its shareholders. There are no trading restrictions or limitations relating only to non-residents of Norway under the articles of association.

In the authorizations to issue new shares where the shareholders resolve to waive the pre-emptive rights of existing shareholders, the rationale for doing so shall be included as part of the decision material presented to the general meeting. If and when such transactions are conducted, the justification will also be included in the announcements to the market.

All related-party transactions, whether completed, in effect or future, have been and will be carried out on an arm's length basis. Any not immaterial future related-party transactions shall be subject to an independent third-party valuation unless the transaction by law requires shareholder approval. The Company takes legal and financial advice on these matters when relevant.

There are no clauses in the articles of association about trading in the Company's own shares, nor has the general meeting issued any such authorizations.

5. FREELY NEGOTIABLE SHARES

The Company has one class of shares. Each share carries one vote. There are no restrictions on voting rights of the shares. All shares are freely assignable.

The articles of association do not contain any restrictions on the shares.

6. GENERAL MEETINGS

The general meeting of shareholders provides a forum for shareholders to discuss any matters with the Board. To the maximum degree possible, all members of the Board and the chair of the nomination committee shall be present at the general meeting. The Company's CEO and the auditor shall also be present at the general meeting. The shareholders elect a person to chair the general meeting. The Board will arrange for an independent candidate if so requested by shareholders. Notice of a meeting of the shareholders shall be sent in a timely manner, and the Company shall issue the notice and documents for a general meeting, including the proxy form, no later than 21 days before the date of the general meeting. Foreign residents will receive the notice and any documents in English. The documents shall be precise and comprehensive to provide shareholders a basis for voting on the various matters. The articles of association state that documents which deal with matters that are to be handled at the general meeting need not be sent to the shareholders if the documents have been made available on the Company's web site timely.

The Board endeavours to provide comprehensive information in relation to each agenda item in order

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 chair and two committee members. No current board member or IDEX executive is a member of the nomination committee. The current chair of the nomination committee was formerly a board member of the Company.

The mandate states that the nomination committee shall comply with the relevant sections in the Code. The nomination committee shall prepare and present proposals to the annual general meeting in respect of the following matters:

- Propose candidates for election to the Board.
- Propose the remuneration to be paid to the Board members.
- Propose candidates for election to the nomination committee.
- Propose the remuneration to be paid to the nomination committee members.

The nomination committee shall give a brief account of how it has carried out its work and shall substantiate its recommendations.

Information about the nomination committee, including deadlines and contact details, is available on the Company's web site.

8. BOARD OF DIRECTORS; COMPOSITION AND INDEPENDENCE

The Board acknowledges the Code's recommendation that the majority of the members of the Board shall be independent of the Company's executive management, material business contacts and the company's larger shareholders. This is intended to ensure that sufficient independent advice and judgment is brought to bear. All board members are required to make decisions objectively in the best interest of the Company. The majority of the current Board meets the independence criteria of the Code. The Board meets the statutory gender requirements. The board members' attendance statistics is included in the presentation of the board members in the annual report.

The articles of association state that there shall be from three to seven board members. The service period is not stated in the articles, hence the Board

members stand for election every two years pursuant to the provisions of the PLCA. It follows from the articles of association that the chair of the Board shall be elected separately.

The Board considers that it is beneficial for the Company and its shareholders at large that the Board members hold shares in the Company and encourages such share ownership.

The Board pays attention to ensure that ownership shall not in any way affect or interfere with proper performance of the fiduciary duties which the Board members and the management owe the Company and all shareholders. As and when appropriate, the Board takes independent advice in respect of its procedures, corporate governance and other compliance matters.

9. THE WORK OF THE BOARD OF DIRECTORS

The division of responsibility and duties between the Board and the managing director is based on applicable laws and well-established practices, which have been stated in board instructions in accordance with the PLCA. The Board instructions also set out the number of scheduled Board meetings per year and the procedures in connection with the Board's work and meetings.

The Board instructions state that the Board has the ultimate responsibility for the organization and planning of the Company, as well as a control and supervisory function, hereunder a duty to keep itself informed. The Board shall appoint the managing director and determine his or her remuneration and also possibly give notice or dismiss the managing director. The Board shall ensure that the organization of the accounting and funds management includes adequate control procedures. The Board shall monitor and follow-up the status and development of the Company's operational, financial and other results.

The Board will set out an annual plan for its work, focusing on business goals and key strategies, cf. Section 2 above. The Board instructions also list inter alia the following tasks:

- Issue interim and annual financial statements and other statutory reports;
- Issue notice of the annual general meeting;
- Resolve the annual plan and budget, including capital expenditure budget;
- Resolve investment in and disposals of subsidiaries and associated companies, and in real estate;
- Resolve and issue guarantees and other commitments and the pledging of assets;
- Resolve customer-related or revenue-generating agreements as well as other agreements and activities which are significant and would be expected to have a significant impact on the Company's results and financial position; and
- Determine whether legal proceedings should be commenced or settled.

The Board instructions state that in situations when the chair cannot or should not lead the work of the Board, the deputy chair shall chair the Board. If the deputy chair is also prevented from chairing the meeting, the longest-serving board member present shall chair the meeting until an interim chair has been elected by and among the board members present.

The Board conducts a self-evaluation of its performance and expertise annually.

IDEX is not obliged to have a separate audit committee and in view of the small number of Board members, the audit committee consists of all Board members who are not also executives or have similar roles in the Company. The Board instructions include instructions for the audit committee.

In 2019, the Board elected two of its members to serve as a compensation committee. The compensation committee is advisory to the Board, and also serves as an advisory forum to the managing director. The mandate for the compensation committee will be finalised in 2020.

Members of the Board and the management are obliged to notify the Board if they have any material direct or indirect interest in any transaction contemplated or entered into by the Company or any other matter that will be considered by the Board.

10. RISK MANAGEMENT AND INTERNAL CONTROL

The Board has adopted rules and guidelines regarding, amongst other matters, risk management and internal control. The rules and guidelines duly take into account the extent and nature of the Company's activities as well as the Company's corporate values and ethical guidelines, including corporate social responsibility. The Board conducts an annual review of the Company's most important areas of exposure to risk and its internal control arrangements, including the reporting procedures.

In view of the size of the Company and the number of Board members, the Board has chosen to elect the full Board to constitute the audit committee. The audit committee policies and activities are compliant with the PLCA.

IDEX issues interim financial reports each quarter and an annual financial report. The accounting policies applied when preparing the reports satisfy regulatory requirements. The Board reviews monthly financial reports for the group, comparing actual results to budget or plan. The size of the Company's operation and staff numbers necessarily leads to dependence on key individuals. However, the same factors also provide for transparency and inherent risk reduction. The subsidiaries are operationally integrated in the parent company, and the group works as one, unified company with staff on several sites. Legal and financial interaction between the group companies is conducted on arm's length terms.

IDEX's activities and financials are controlled by the parent company. The audit committee regularly

meets separately with the external auditor to review risk factors and measures, and any incidents and issues. The audit committee reviews all interim and annual financial reports before resolution by the Board. The Board has resolved a financial manual, which sets out policies and procedures for financial management and reporting in the group. This manual provides instructions for financial planning, treasury, accounting and reporting. It is reviewed annually by the audit committee, and updated as and when appropriate. The Board acknowledges that, having operations spread over four sites on three continents outside Norway, business control is a practical challenge. In addition to the financial framework and systems, IDEX has implemented comprehensive IT systems and quality management systems and standardised operating procedures which ensures adequate business controls.

IDEX does not operate a separate internal audit function. The CFO department conducts internal reviews of the group companies. Each review is conducted by a staff member not involved in transaction processing in the entity in question, and the findings are reported to the audit committee.

As regards share trading by IDEX's Board members, employees and individual contractors, as well as their close relations and controlled entities, the Board has adopted an insider manual with ancillary documents. The insider manual is intended to ensure that, among other things, trading in the Company's shares by insiders are conducted in accordance with applicable laws and regulations.

11. REMUNERATION OF THE BOARD OF DIRECTORS

A reasonable cash remuneration to the Board members for their services from the annual general meeting in 2018 until the annual general meeting in 2019 was proposed to and resolved at the annual general meeting 2019. To lessen the cash outflow and stimulate shareholding among the Board members, the annual general meeting granted an option for the Board members to receive the remuneration partly or fully in the form of shares. Three of the board members took up this option in 2019. Amount details are disclosed in the financial statements.

The nomination committee shall propose board remuneration for the period between the annual general meetings of 2019 and 2020. No share-based incentives have been granted as board remuneration. Any Board member performing work for the Company beyond the board duty shall ensure that such assignments do not in any way affect or interfere with proper performance of the fiduciary duties as a board member. Moreover, the Board, without the participation of the interested member, shall approve the terms and conditions of any such arrangements.

Adequate information about the remuneration shall be disclosed in the annual financial statements.

Advokatfirmaet Ræder AS, in which IDEX's chair, Morten Opstad, is a partner, renders legal services to the Company. Generally, such services are largely undertaken by lawyers at Ræder other than Mr Opstad. In the cases where legal services provided by Ræder are carried out by Mr Opstad, such services, which are outside Mr Opstad's duties as chair, are invoiced by Ræder. The legal fees to Ræder are disclosed in the financial statements.

Larry Ciaccia, who was last re-elected board member at the annual general meeting on 9 May 2019, has served on IDEX's Strategy Advisory Council (SAC) since January 2014 and continues his tenure on the SAC, for which he is remunerated separately. Mr Ciaccia also provides consulting services to IDEX for a fixed annual fee, and he has been granted incentive subscription rights in his capacity as adviser to IDEX. The fees and share-based remuneration to Mr Ciaccia are disclosed in the financial statements.

12. REMUNERATION TO THE MANAGEMENT

IDEX offers market-based compensation packages for the executives and employees in order to attract and retain the competence which the Company needs. The company has in place an incentive subscription rights plan for its employees, including management. Managers may also participate in the ESPP currently being implemented in the Company. The terms of these programmes are the same for managers as for other employees.

Senior managers have notice periods of 3 to 6 months. No so-called golden parachutes are in effect, and post-employment pay will only apply in case the Company invokes contractual non-competition clauses.

The Board shall determine the compensation of the CEO. The cash incentive remuneration per calendar

year is limited to an amount or a percentage of annual base pay. It follows from the nature of the incentive subscription rights programme resolved by the annual general meeting that the limit does not apply to the possible gain on subscription rights. The Board has adopted a policy for the CEO's remuneration of the employees.

At the annual general meeting, the Board will present to the shareholders a statement of remuneration to officers in a separate document attached to the notice of the annual general meeting. The statement shall clearly state which aspects of the guidelines are advisory and which are binding, and the general meeting will resolve the aspects separately. The resolution by the annual general meeting is binding to the extent it relates to share-based compensation, and advisory in other aspects.

13. INFORMATION AND COMMUNICATIONS

The Board places great emphasis on the relationship and communication with the shareholders. The primary channels for communication are the interim reports and presentations, the annual report and the associated financial statements. IDEX also issues other notices to shareholders when appropriate. The general meeting of shareholders and the presentations provide fora for shareholders to discuss any matters with the Board.

The Company publishes its annual financial calendar for the following year. All reports and other notices are issued and distributed according to the rules and practices at Oslo Børs. The notices to the market are published on the Oslo Børs newssite, www.newsweb.no. 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 take-over bids and to not discourage or hinder competing bids. Any agreement with a bidder that acts to limit the Company's ability to arrange other bids should only be entered into where it is self-

evident that such an agreement is in the common best interest of the Company and its shareholders.

The Board will avoid compensation to a bidder whose bid does not complete, and limit any such compensation to the costs the bidder has incurred in making the bid. The Board shall otherwise ensure full compliance with section 14 of the Code.

15. AUDITOR

IDEX's auditor is fully independent of the Company. IDEX represents a minimal share of the auditor's business. IDEX does not obtain business or tax planning advice from its auditor. The auditor may provide certain technical and clerical services in connection with the preparation of the annual tax return and other secondary reports, for which IDEX assumes full responsibility. IDEX's auditor is Ernst & Young AS (EY). EY has been the auditor of the Company since 1996.

The Board reviews the auditor's annual plan, and the auditor presents to the board the findings and

recommendations after the audits. The auditor attends the board meetings when annual financial statements are considered and resolved, and the board regularly meets separately with the auditor to review risk factors and measures, and any incidents and issues. Accounting policies and any changes are subject to the statutory audit.

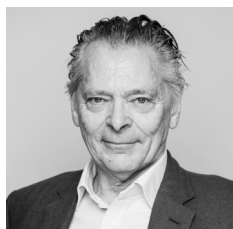
The Board has established written guidelines to the CEO in respect of assignments to the auditor other than the statutory audit. The Board shall otherwise ensure full compliance with section 15 of the Code.

BOARD OF DIRECTORS

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

There are no family relationships among the board members or between board members and the management. There is no arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which members of the board or management was selected.

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



MORTEN OPSTAD, CHAIR

Mr Opstad has served as chair of the board in IDEX since 1997. Mr Opstad is a partner in Advokatfirma Ræder DA in Oslo. He has rendered legal assistance with respect to establishing and organising several technology and innovation companies. He currently serves as chairman of the board of Thin Film Electronics ASA. Mr Opstad has a legal degree (Cand.Jur.) from the University of Oslo from 1979. He was admitted to the Norwegian Bar Association in 1986. Mr Opstad was born in 1953 and is a Norwegian citizen and resides in Oslo. Mr Opstad attended all of the board meetings in the period.

As of 21 April 2020, Mr Opstad and close relations held or controlled 7,298,916 shares and 0 (nil) rights to shares in IDEX.



LAWRENCE JOHN (LARRY) CIACCIA, DEPUTY CHAIR

Mr Ciaccia has served the board of IDEX since 2015 and deputy chairman of the board since 2019. He has broad expertise from the semiconductor industry. He is independent of the company's executive management, material business contacts and the company's larger shareholders. Mr Ciaccia played a pivotal role in transforming AuthenTec from a start-up into the world's leading fingerprint sensor supplier, serving as CEO from September 2010 and instrumental in the acquisition of AuthenTec by Apple in October 2012. He remained with Apple through February 2013 to assist in the acquisition integration and transition. Mr Ciaccia was born in 1958, is a US citizen and resides in Florida. Mr Ciaccia attended all of the board meetings in the period.

As of 21 April 2020, Mr Ciaccia held 121,563 shares and 600,000 subscription rights to shares in IDEX.

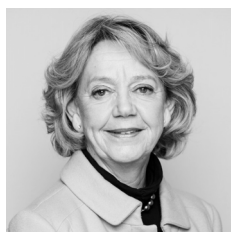


DEBORAH DAVIS, BOARD MEMBER

Ms Davis has served the board of IDEX since 2015. She is independent of the company's executive management, material business contacts and the company's larger shareholders. Ms Davis holds non-executive director positions at Which?, The Institute of Directors UK (IoD) and International Personal Finance plc and is a trustee of Southern African Conservation Trust. Prior to this, she held senior executive leadership roles at PayPal, eBay, Verizon and Symantec. Ms Davis holds a Diploma in Company Direction with distinction from

IoD, a Sloan Masters in Science (Management) with Distinction from London Business School and a Bachelor of Applied Science (Electronics) Honours degree from the University of Melbourne. Ms Davis was born in 1963 and is a dual citizen of the UK and Australia and splits her time across UK, Africa and the Far East. Ms Davis attended twelve of the board meetings in the period.

As of 21 April 2020, Ms Davis held 287,406 shares and 0 (nil) rights to shares in IDEX.



HANNE HØVDING, BOARD MEMBER

Ms Høvdning has served on the board of IDEX since 2007. She is independent of the company's executive management, material business contacts and the company's larger shareholders. Ms Høvdning has a Bachelor's Degree in Economics and Business Administration from the Norwegian School of Economics and Business Administration. In her professional career Ms Høvdning has held several management positions within personnel administration, finance, credit card administration and debt collection. Ms Høvdning was born in 1954. She is a

Norwegian citizen and resides in Oslo. Ms. Høvdning attended all of the board meetings in the period.

As of 21 April 2020, Ms Høvdning held 462,778 shares and 0 (nil) rights to shares in IDEX.



STEPHEN A. (STEVE) SKAGGS, BOARD MEMBER

Mr Skaggs has served on the Board of IDEX since May 2019. He is independent of the company's executive management, material business contacts and the company's larger shareholders. He currently also serves as a non-executive director of Coherent, Inc., a leading global manufacturer of lasers. Mr Skaggs has more than 25 years of experience in the semiconductor industry, including serving as President, CEO and CFO of Lattice Semiconductor, a supplier of programmable logic devices and related software. Mr Skaggs served as Senior Vice President and CFO of Atmel Corporation, a leading supplier of microcontrollers, prior to its acquisition by Microchip Technology Incorporated. Early in his career, he worked for Bain & Company, a global management consulting firm. Mr Skaggs holds an MBA degree from the Harvard Business School and a B.S. degree in Chemical Engineering from the University of California, Berkeley. Mr Skaggs was born in 1962, is a United States citizen and works and resides in Oregon. Mr Skaggs attended all of the board meetings in the period.

As of 21 April 2020, Mr Skaggs held 450,000 shares and 0 (nil) rights to shares in IDEX.

MANAGEMENT



VINCENT (VINCE) GRAZIANI, CHIEF EXECUTIVE OFFICER

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

As of 21 April 2020, Mr Graziani held 0 (nil) shares and 5,000,000 subscription rights to shares in IDEX.



DEREK P D'ANTILIO, CHIEF FINANCIAL OFFICER

Mr. D'Antilio joined IDEX as Chief Financial Officer (CFO) in July 2019. He has over twenty years of financial experience with some of the most recognizable companies, including PwC and HewlettPackard. He has held senior finance positions at high-growth US-listed technology companies with responsibility for global accounting and reporting, financial planning, treasury, tax, operations and investor relations. Prior to joining IDEX, Mr D'Antilio served for 8 years as VP of Finance and Corporate Controller of MKS Instruments, Inc., a global, US publically traded semiconductor equipment supplier. Mr D'Antilio has an MBA from Babson College with Honors and is a Certified Public Accountant and Certified Management Accountant. Mr D'Antilio works at IDEX America in Wilmington, Massachusetts.

As of 21 April 2020, Mr D'Antilio held 350,000 shares and 2,000,000 subscription rights to shares in IDEX.



STAN SWEARINGEN, EXECUTIVE VICE PRESIDENT OF ADVANCED TECHNOLOGY AND STRATEGY

Mr Swearingen took up his current position on 26 February 2020. He first joined IDEX's Strategy Advisory Council in May 2016 and was appointed Chief Products Officer of the company in October 2016. He was promoted to CEO in April 2018. Prior to joining IDEX, Mr Swearingen served as Senior Vice President & General Manager MaxTouch Business Unit and Chief Technology Officer of Atmel, where he drove the overall technology strategy and direction for the company. Mr Swearingen has also served as Senior Vice President and General Manager Biometric Products Division and Chief Technology Officer for Synaptics, where he was instrumental in the formulation of the biometric fingerprint strategy, including the acquisition of Validity. Prior to Synaptics, Mr Swearingen held senior positions at semiconductor companies, such as MiniCircuits, Skyworks Solutions, Agere Systems and National Semiconductor. Mr Swearingen has his office at IDEX America in Wilmington, Massachusetts.

As of 21 April 2020, Mr Swearingen held 400,000 shares and 8,015,900 subscription rights to shares in IDEX.



ANTHONY EATON, CHIEF TECHNOLOGY OFFICER

Mr Eaton joined IDEX Biometrics in August 2016 and became Chief Technology Officer (CTO) in March 2019 having previously served as the company's VP of Systems Engineering. Before IDEX, he served as Director of System Engineering at Atmel, where he was responsible for building and running the System Engineering function for the MaxTouch Business Unit. Prior to this Mr Eaton held senior engineering roles at NVIDIA, Mirics Semiconductor and Sony Semiconductor. Mr Eaton holds a First Class Bachelors and Master's degree in Engineering from Cambridge University, England. Mr Eaton works at IDEX UK in Farnborough, UK.

As of 21 April 2020, Mr Eaton held 0 (nil) shares and 1,452,800 subscription rights to shares in IDEX.



DAVID ORME, SVP SALES AND MARKETING

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

As of 21 April 2020, Mr Orme held 200,000 shares and 2,208,600 subscription rights to shares in IDEX.

Get in touch



Be part of the fingerprint authentication revolution

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