



IDEX Biometrics ASA

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

Organization number: 976 846 923

This Prospectus (the “**Prospectus**”) relates to and has been prepared in connection with the listing on Oslo Børs of 63,860,016 new shares (the “**Prospectus Shares**”), each with a par value of NOK 0.15, issued in connection with and as part of a private placement (the “**Private Placement**”) in IDEX Biometrics ASA (“**IDEX**” or the “**Company**”).

The Private Placement included and was divided into;

- i. a first tranche consisting of 116,897,492 new Shares (“**Tranche One Shares**”), representing 10% of the outstanding capital (“**Tranche One**”); and
- ii. a second tranche consisting of 30,161,332 (the “**Tranche Two Shares**”), together with the Tranche One Shares, the **New Shares**), representing approximately 2.6% of the outstanding capital (“**Tranche Two**”).

The Prospectus Shares consist of 33,698,684 Tranche One Shares and all of the Tranche Two Shares.

The Tranche One Shares were issued by a resolution by the Company’s Board of Directors (the “**Board**”) on 24 May 2023, pursuant to an authorization from the Annual General Meeting dated 23 May 2023. The Tranche Two Shares were issued by a resolution of the Extraordinary General Meeting held on 16 June 2023.

The New Shares were settled with existing and unencumbered shares (“**Existing Shares**”) in the Company already listed on Oslo Børs, pursuant to a share lending agreement between ABG Sundal Collier ASA and Arctic Securities AS (collectively the “**Managers**”), the Company and certain existing shareholders (the “**Share Lending Agreement**”), in order to facilitate delivery of listed shares to investors on a payment versus delivery basis on, respectively 30 May 2023 for Tranche One, and on or about 20 June 2023 for Tranche Two. The Existing Shares were tradable immediately upon delivery.

The Managers will settle the share loan according to the Share Lending Agreement with the New Shares in the Company. Out of the New Shares, 83,198,808 shares were tradable immediately upon delivery. The remaining New Shares, being the Prospectus Shares, will be transferred to IDEX’s ordinary ISIN and be tradable on the Oslo Børs under the ticker code “IDEX” upon approval and publication of this Prospectus.

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

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

DATE: 28 June 2023

IMPORTANT INFORMATION

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

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

This Prospectus has been approved by the Financial Supervisory Authority of Norway (Nw. *Finanstilsynet*) (the “**Financial Supervisory Authority**”), as a competent authority under the EU Prospectus Regulation. Such approval was granted on 28 June 2023.

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

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

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

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

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

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

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

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

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

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1 EXECUTIVE SUMMARY

1.1 SECTION A – INTRODUCTION AND WARNINGS

Warnings	<p>This summary contains all sections required to be included in a summary for this type of securities and issuer. This summary should be read as an introduction to the Prospectus.</p> <p>Any decision to invest should be based on consideration of the Prospectus as a whole by the investor.</p> <p>Any decision to invest could result in the investor losing all or part of the invested capital.</p> <p>Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the applicable national law, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.</p> <p>Civil liability attaches only to those persons who have tabled this summary including any transactions thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.</p>
The securities	<p>The Company’s shares are subject to trading on the Oslo Stock Exchange under ticker code “IDEX”.</p> <p>International securities identification number (ISIN): NO 0003070609</p>
The issuer	<p>Name of the issuer: IDEX Biometrics ASA Business registration number: 976 846 923 Legal entity identifier (LEI): 5967007LIEEXZXHECW11 Address: Dronning Eufemias gate 16, 0191 Oslo, Norway Tel: +47 6783 9119 Website: www.idexbiometrics.com</p>
Approval of the Prospectus	<p>The Prospectus was approved by the Financial Supervisory Authority of Norway on 28 June 2023.</p> <p>Contact information: Financial Supervisory Authority of Norway Address: Revierstredet 3, Postboks 1187 Sentrum, 0107 Oslo, Norway Tel: +47 22 93 98 00 E-mail: post@finanstilsynet.no</p>

1.2 SECTION B – KEY INFORMATION ON THE ISSUER

Who is the issuer of the securities?							
Corporate information	IDEX Biometrics ASA (“ IDEX ” or the “ Company ”) is a Norwegian public limited liability company incorporated under the laws of Norway and subject to the Norwegian Public Limited Liability Companies Act of 13 June 1997 no. 45 (Nw.: “ <i>allmennaksjeloven</i> ”) (the “ PLCA ”). The Company was incorporated on 24 July 1996 and its LEI is 5967007LIEEXZXHECW11.						
Principal activities	IDEX develops and markets differentiated fingerprint authentication solutions optimized for use in smart cards, based on patented and proprietary sensor technologies, integrated circuit designs, and highly-specialized firmware and software. IDEX primarily targets fingerprint authentication applications involving standardized smart cards without batteries, although the Company’s products also are applicable to battery-powered devices in different form factors.						
Major shareholders	<p>As of the date of the Prospectus¹, the following registered shareholders have holdings in excess of the statutory thresholds for disclosure requirements. Note: The list may include nominee shareholders, which holding may belong to one or more beneficial owners. In case of nominee shareholders, the disclosure requirement applies to the beneficial owner of the Shares. The list below includes the Tranche One Shares, but not the Tranche Two Shares.</p> <table border="1"> <thead> <tr> <th>Name of registered shareholder</th> <th>Number of Shares</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Sundt AS</td> <td>66,629,424</td> <td>5.18 %</td> </tr> </tbody> </table> <p>On 6 June 2023, Sundt AS disclosed holding of 94,572,472 Shares, representing 7.4% of the share capital following Tranche One of the Private Placement. Sundt AS has subscribed to 2,218,284 Tranche Two Shares, and has temporarily lent 30,161,332 Shares in connection with the settlement of the Tranche Two Shares.</p> <p>On 6 June 2023, Robert Napier Keith disclosed that Mr. Keith and close relations held 115,873,873 shares or rights to shares, equivalent to 12.3% of the total outstanding shares and votes in the Company, based on the share capital after completion of Tranche One of the Private Placement. Mr. Keith has subscribed to 3,334,201 Tranche Two Shares.</p> <p>Other than the foregoing and primary insiders’ mandatory obligation to disclose trades, the Board is not aware of any person having an interest in the Company’s share capital or voting rights that must be disclosed under Norwegian law.</p> <p>All Shares in the Company have equal voting rights, with each Share carrying the right to one vote at the General Meetings.</p>	Name of registered shareholder	Number of Shares	%	Sundt AS	66,629,424	5.18 %
Name of registered shareholder	Number of Shares	%					
Sundt AS	66,629,424	5.18 %					

¹ The overview is based on data from the VPS as of 26 June 2023.

Key management	The Company's key management comprise of the following members:	
	Name	Position
	Vincent Graziani	Chief Executive Officer
	Eileen Wynne	Interim Chief Financial Officer
	Anthony Eaton	Chief Technology Officer
	Catharina Eklof	Chief Commercial Officer
Statutory auditor	The Company's statutory auditor is Ernst & Young AS with registered address at Stortorvet 7, NO-0155, Oslo, Norway.	

What is the key financial information regarding the issuer?

Selected historical key financial information

Financial statements

The tables below set out selected financial information for the Group. The information is extracted from the Group's audited consolidated financial statements as of and for the year ended 31 December 2022 compared to the year ended 31 December 2021, and the unaudited consolidated interim financial statements as of and the three months ended 31 March 2023 compared to 31 March 2022.

Profit and Loss	Full year		First quarter	
	2022	2021	2023	2022
Amounts in USD 1,000			(unaudited)	(unaudited)
Total revenue	4 091	2 840	1 242	989
Total operating expenses	35 460	34 190	8 648	8 990
Loss from operations	(31 369)	(31 350)	(7 407)	(8 001)
Net loss for the period	(32 662)	(32 552)	(7 238)	(8 121)
Loss per share, basic and diluted (USD)	(0,03)	(0,04)	(0.01)	(0,01)

Financial position	31 Dec.	31 Dec.	31 March	31 March
	2022	2021	2023	2022
Amounts in USD 1,000			(unaudited)	(unaudited)
Total assets	29 016	42 026	21 695	34 732
Financial debt	6 175	4 301	5 715	3 699
Total equity	22 841	37 725	15 980	31 033

Cash flow	Full year		First quarter	
	2022	2021	2023	2022
Amounts in USD 1,000			(unaudited)	(unaudited)
Net cash flow from operating activities	(31 370)	(27 533)	(8 970)	(8 414)
Net cash flow used in investing activities	(160)	(143)	122	(39)
Net cash flow from financing activities	13 976	54 148	99	235
Net change in cash and cash equivalents	(17 555)	26 472	(8 748)	(8 218)

Investments

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

Selected key pro forma financial information	Not applicable. There is no pro forma financial information.
Qualifications in audit report	<p>The audit report to the 2022 Annual Report includes a matter of emphasis from EY, as auditors, as follows: “We draw attention to Note 2 in the consolidated financial statements and Note 1 in the parent company separate financial statements. As discussed in the Notes, the Company has incurred significant losses and negative cash flows from operations. Management’s evaluation of the events and conditions and management’s plans regarding these matters are also described in the Notes. These events or conditions, along with other matters as set forth in the Notes, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.”</p>
What are the key risks that are specific to the issuer?	
Key risks specific to the issuer	<p>Risks related to the Group and the industry it operates in:</p> <ul style="list-style-type: none"> • IDEX has a history of losses and may not achieve or sustain profitability • IDEX faces risks related to going concern • IDEX may need additional capital, which, if obtainable, could dilute the ownership interest of investors • IDEX’s business depends heavily on revenues from new technology, the commercial success of which is unproven • IDEX is subject to lengthy development periods and product acceptance cycles, which can result in substantial costs without any further revenue • A significant portion of IDEX’s sales comes from one or more large customers, the loss of which could harm its business, financial condition and operating result • IDEX faces supply chain risks • IDEX may not be able to effectively manage growth • IDEX is highly dependent on IP and the Company’s methods of protecting its IP, or IP shared with third parties, may not be adequate • IDEX faces risks of claims for IP infringement • IDEX’s markets are immature • IDEX faces intense competition in the biometric payment card market • A sustained period of unfavorable conditions in the global economy or in the market segments IDEX targets could have an adverse impact on IDEX’s business, operational performance and financial position

1.3 SECTION C – KEY INFORMATION ON THE SECURITIES

What are the main features of the securities?	
Type of class of securities being offered	The Company has one class of Shares, and all Shares carry equal rights as set out in Section 4-1 (1), first sentence, of the PLCA. The Shares are registered in the VPS and carry the securities identification code ISIN NO 0003070609. The New Shares are in all respects equal to the existing Shares of the Company.
Currency	The Shares are issued in NOK and are quoted and traded in NOK at Oslo Stock Exchange.
Number of shares and par value	<p>Following the issuance of the Tranche One Shares, IDEX's share capital is NOK 192,880,861.80, divided into 1,285,872,412 ordinary Shares, each Share fully paid and having a par value of NOK 0.15.</p> <p>Following the issuance of the Tranche Two Shares, IDEX's share capital is NOK 197,405,061.60, divided into 1,316,033,744 ordinary Shares, each Share fully paid and having a par value of NOK 0.15.</p> <p>The Company's Extraordinary General Meeting resolved on 16 June 2023 to issue 30,161,332 Tranche Two Shares in the Company in connection with the Private Placement of New Shares.</p>
Rights attached	The New Shares are ordinary Shares in the Company, i.e., the same class as the Shares already in issue and listed on Oslo Stock Exchange. The New Shares will obtain rights to receive dividends from the time of registration of the share capital increase in the Company Registry. The Company's shares have equal rights to the Company's profits, in the event of liquidation, and to receive dividends unless all the shareholders approve otherwise. Each Share in the Company gives the holder the right to cast one vote at the general meetings of shareholders of the Company.
Restrictions on free transferability	The Company's Shares are freely transferable according to Norwegian law and the Company's Articles of Association.
Dividend policy	IDEX does not have any established dividend policy in place except to say that the Company's aim and focus is to enhance shareholder value and provide an active market in its Shares. IDEX has historically never declared or paid any dividends on its Shares and does not anticipate paying any cash dividends for 2022/2023 or the next few years. IDEX intends to retain future earnings, if any, to finance operations and the expansion of its business. Any future determination to pay dividends will depend on the Company's financial condition, results of operation and capital requirements.
Where will the securities be traded?	
Listing and admission to trading	<p>The Company's Shares have been listed on Oslo Stock Exchange since 11 May 2015 under the ticker symbol "IDEX".</p> <p>The listing on Oslo Stock Exchange of the Prospectus Shares is subject to the approval of the Prospectus by the Financial Supervisory Authority under the rules of the Norwegian Securities Trading Act. Such approval was granted on 28 June 2023.</p>

	<p>The first day of trading of the Tranche One Shares (save for the Prospectus Shares) was on 5 June 2023. The first day of trading of the Prospectus Shares is on or about 29 June 2023. IDEX’s shares are not listed on any other regulated market place.</p> <p>Since 1 March 2021 IDEX has had ADSs listed and traded on the Nasdaq Stock Market, under the symbol “IDBA”, each ADS representing 75 ordinary shares of the Company.</p>
What are the key risks that are specific to the securities?	
Key risks specific to securities	<ul style="list-style-type: none"> • Future issuances of Shares or other securities could dilute the holdings of shareholder and could materially affect the price of the Shares. • Fluctuations in financial results may impact the share price

1.4 SECTION D – KEY INFORMATION ON THE PRIVATE PLACEMENT

Under which conditions and timetable can I invest in this security?													
Terms and conditions of the offer	<p>On 24 May 2023, IDEX raised approximately NOK 99.3 million in gross proceeds through the issuance of 116,897,492 Tranche One Shares, each with a par value of NOK 0.15 and a Subscription Price of NOK 0.85 per Tranche One Share.</p> <p>Further, on 16 June 2023, the Company raised approximately NOK 25.6 million in gross proceeds through the issuance of 30,161,332 Tranche Two Shares, each with a par value of NOK 0.15 and a Subscription Price of NOK 0.85 per Tranche Two Share.</p> <p>Of the New Shares, the Prospectus Shares, being a total of 63,860,016 of the New Shares, are subject to the approval and publication of this Prospectus before listing on Oslo Børs.</p> <p>Below is an overview of the terms and timetable for the Private Placement:</p> <table border="1"> <tr> <td>Number of Tranche One Shares:</td> <td>116,897,492</td> </tr> <tr> <td>Number of Tranche Two Shares:</td> <td>30,161,332</td> </tr> <tr> <td>Subscription Price per New Share</td> <td>NOK 0.85</td> </tr> <tr> <td>Number of Prospectus Shares</td> <td>63,860,016</td> </tr> <tr> <td>Number of New Shares not subject to approval and publication of this Prospectus:</td> <td>83,198,808</td> </tr> <tr> <td>Trading of the New Shares not subject to approval and publication of this Prospectus:</td> <td>On 5 June 2023</td> </tr> </table>	Number of Tranche One Shares:	116,897,492	Number of Tranche Two Shares:	30,161,332	Subscription Price per New Share	NOK 0.85	Number of Prospectus Shares	63,860,016	Number of New Shares not subject to approval and publication of this Prospectus:	83,198,808	Trading of the New Shares not subject to approval and publication of this Prospectus:	On 5 June 2023
Number of Tranche One Shares:	116,897,492												
Number of Tranche Two Shares:	30,161,332												
Subscription Price per New Share	NOK 0.85												
Number of Prospectus Shares	63,860,016												
Number of New Shares not subject to approval and publication of this Prospectus:	83,198,808												
Trading of the New Shares not subject to approval and publication of this Prospectus:	On 5 June 2023												

	Delivery of the Tranche One Shares:	On 5 June 2023
	Delivery of the Tranche Two Shares:	On or about 27 June 2023
	Trading of the Prospectus Shares:	On or about 29 June 2023
	Number of Shares pre Private Placement:	1,168,974,920 Shares, each with a par value of NOK 0.15.
	Number of Shares post Tranche One:	1,285,872,412 Shares, each with a par value of NOK 0.15.
	Number of Shares post Tranche Two:	1,316,033,744 Shares, each with a par value of NOK 0.15.
	Rights of the Prospectus Shares:	The Prospectus Shares are in all respects equal to the ordinary Shares of the Company.
	Dilution:	The percentage of immediate dilution resulting from the Private Placement for the Company's existing shareholders who did not participate in the Private Placement, is approximately 12.58%.
Estimated expenses	The total estimated expenses relating to the Private Placement will be approximately NOK 6.8 million including Prospectus costs and fees to the Managers and the legal advisor. No expenses will be charged to the investors by the Company.	
Why is this prospectus being produced?		
Reasons for the offer/Use of proceeds	The net proceeds raised through the Private Placement of approximately NOK 125 million will be used for the following principal purposes, presented in order of priority: <ul style="list-style-type: none"> • 70% of the net proceeds will be used for supporting and accelerating the Company's product commercialization and technology roadmap; • 30% of the net proceeds will be used for securing working capital and for general corporate purposes. 	
Estimated net proceeds	The Subscription Price per New Share was NOK 0.85, amounting to an aggregate Subscription Price and gross proceeds in the Private Placement of approximately NOK 125 million. Taking into account the transaction costs related to the New Shares and all other directly attributable costs in connection with the Private Placement, the net proceeds are expected to be approximately NOK 118.2 million.	
Underwriting agreements	No underwriting agreements have been concluded in connection with issuance of the New Shares.	
Material conflicts	There is no conflicts of interest of any natural and legal persons involved in the Private Placement that is material to the Private Placement.	

2 RISK FACTORS

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

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

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

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

2.1 RISKS RELATED TO THE COMPANY’S FINANCIAL CONDITION

2.1.1 IDEX has a history of operating losses and may not achieve or sustain profitability

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

2.1.2 IDEX faces risks related to going concern

As the Company also in the future may need to raise additional capital to realize its strategy and plans, there is an element of uncertainty about IDEX's ability to continue as a going concern. If IDEX is unable to raise capital when needed, the Company could be forced to delay, reduce, or terminate certain development activities or undertake other cost-reduction steps, including termination of employees. Such actions could reduce IDEX's ability to execute its strategy, with potential harm to the Company's business, operational performance, and financial position. In the audit report to the Company's financial statements for 2022, an emphasis of matter paragraph was included, stating that there is material uncertainty about the Company's ability to continue as a going concern.

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

The Company has raised approximately NOK 125 million in gross proceeds from the Private Placement. Since IDEX was founded in 1996, the Company has experienced negative cash flow from operations and investments and expects to experience significant negative cash flow from operations in the future. To the extent that cash from operations and the cash proceeds from the Private Placement are insufficient to fund the Company's operations, IDEX may need to raise additional funds through the issuance of equity, equity-related or convertible debt securities. Shareholders may experience dilution of their voting rights and/or the value of their shares, depending on the instruments used and the method the Company uses when issuing additional equity securities or related instruments, and at what price per share the instruments are issued.

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

2.2 RISKS RELATED TO THE COMPANY'S BUSINESS

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

IDEX's biometric technologies have not yet achieved, and may never achieve, widespread customer acceptance in the market segments, which IDEX is targeting. IDEX's future growth depends on the commercial success of its technology. The Company's customers are primarily manufacturers of smart cards, although a critical element of demand for IDEX's solutions originates from these manufacturers' own customers, such as a bank issuer interested in offering biometric payment cards. As such, IDEX focuses its marketing and sales efforts on smart card manufacturers, as well as their customers and other influential participants in the smart card industry (e.g. payment card).

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

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

IDEX provides fingerprint sensors and related software solutions that are incorporated by card manufacturers into the products they sell. Fingerprint authentication applications in the market segments targeted by IDEX are in the early stages of development. Because of this, the Company is subject to lengthy sales cycles, as potential customers and other relevant participants in the smart card industry have required, and likely will continue to require, exposure to, and education about, fingerprint authentication solutions, and IDEX's value proposition.

The card manufacturers make the determination during their product development programs whether to incorporate IDEX's solutions or pursue other alternatives. This process requires IDEX to make significant investments of time and resources well before customers introduce their products incorporating IDEX's solutions into the market, and before IDEX can be sure that this will generate any significant sales to its customers or if IDEX will be able to recover its investment. During a customer's entire product development process, IDEX faces the risk that its solutions will fail to meet its customer's technical, performance, or cost requirements, or that its products will be replaced by competitive products or alternative technological solutions. Even if IDEX completes its design process in a manner satisfactory to its customer, the customer may delay or terminate its product development efforts. If IDEX fails to innovate in response to changing customer needs, new technologies, and other evolving competitive requirements, IDEX's business, operational performance, and financial position could be harmed.

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

IDEX is exposed to risks associated with customer concentration and the disruption to a significant customer could harm the Company's business, operational performance, and financial position. IDEX has historically generated limited revenue, and most of its generated revenue has come from a limited number of customers. Please refer to Section 6.2.1 and 6.2.2 in the Prospectus for more information about IDEX's current and targeted customers. While the Company works to maintain its relationships with current customers and seek out new business, it may continue to face challenges in diversifying its customer base. The loss of major customers, or a decrease in demand for products by these customers within a short period of time, could adversely affect current and future revenue, financial condition and business. The adverse effect could be more substantial if other customers do not increase their orders or if the Company is unsuccessful in generating orders for solutions with new customers. Many of these card manufacturers sell to the same card issuers, and therefore IDEX may be reliant on certain card manufacturers. Concentration in customer base and partner relationship, now and in the future, may make fluctuations in revenue and earnings more severe and make business planning more difficult.

2.2.4 IDEX faces supply chain risks

IDEX currently relies on Taiwan Semiconductor Manufacturing Company, Limited, a producer of semiconductor wafers, for production of the Company's proprietary application specific integrated circuit ("ASIC") designs. The Company also relies on a limited number of providers of assembly and test services, including Amkor Technology, Inc. and Silicon Precision Industries Limited (a unit of ASE Technology Holding Co., Ltd.), both of which are leaders in outsourced semiconductor assembly and test services.

IDEX enjoys collaborative, supportive relationships with these suppliers. While IDEX has experienced lengthened delivery lead times, the Company has not experienced significant delays in delivery of wafers or completed products. However, broader supply chain uncertainties have

contributed to, and likely will continue to contribute to, difficulties in accurately planning capacity utilization, inventory provisioning, and inventory levels.

The Company has also experienced increased costs and expect further cost increases if supply chain conditions remain for a prolonged period, which IDEX anticipates. Numerous industries dependent on the semiconductor and electronics supply chains have experienced supply shortages and delays, contributing to lower production, higher costs, and reduced efficiencies. IDEX expects, based on information from the Company's suppliers, that uncertainties associated with capacity utilization, lead times, delivery schedules, and costs will continue through 2023 and, possibly, into 2024. However, IDEX cannot accurately predict when conditions in its supply chains will normalize or what the consequences for the Company's business might be if such normalization does not occur when expected.

The TSMC facility producing the Company's semiconductor wafers is located in China, which exposes the Company to risks associated with international trade policy, tariffs, and related policy matters, all of which are outside of the Company's influence or control. While TSMC facilities in other countries offer the fabrication processes that IDEX requires, transition of production of the Company's wafers to such a facility would require significant effort, time, and costs, which could harm the Company's business, operational performance, and financial position.

2.2.5 IDEX may not be able to effectively manage growth

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

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

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

2.2.7 IDEX faces risks of claims for IP infringement

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

2.3 RISKS RELATED TO THE COMPANY'S MARKET

2.3.1 IDEX's markets are immature

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

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

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

If the estimates and assumptions IDEX has used to calculate the pace of development and ultimate size of its target market segments are inaccurate, future revenue growth may take longer than anticipated and reaching the operational scale the Company believe necessary for sustained profitability may not be achieved.

2.3.2 IDEX faces intense competition in the biometric payment card market

Because the market segments IDEX targets are highly competitive, the landscape of competitors, strategic partners, and market participants can quickly change, and because customer demand is difficult to accurately predict, IDEX's business, operational performance, and financial position could be harmed if IDEX does not maintain its competitive advantage in response to unexpected developments in the targeted market segments.

The Company competes with both established companies and startup enterprises that provide biometric solutions, as well as providers of more traditional security methods. IDEX competes directly with other companies providing biometric sensors and solutions, including the Company's principal competitors, Fingerprint Cards AB and NEXT Biometrics ASA. Moreover, additional competitors may enter the biometrics market and become significant long-term competitors. On January 25, 2022, Samsung Electronics, a global leader in semiconductors, introduced a device integrating a fingerprint sensor, secure element, and a microprocessor. The device is targeted at the same market segments and applications as IDEX's TrustedBio solution.

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

Some of IDEX's competitors have substantially greater financial and marketing resources than IDEX, and may independently develop superior technologies, which may result in IDEX's technology becoming less competitive or obsolete. If the Company is unable to develop new applications or enhance its existing technology in a timely manner in response to technological changes, it will be unable to compete in its chosen markets. IDEX's actual and potential competitors may also have greater name recognition and more extensive customer bases. In addition, if one or more other biometric technologies such as voice, face, iris, hand geometry or blood vessel recognition are widely adopted, it would significantly reduce the potential market for IDEX's fingerprint identification technology in certain industries.

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

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

2.3.3 A sustained period of unfavorable conditions in the global economy or in the market segments IDEX targets could have an adverse impact on the Company’s business, operational performance and financial position.

Because IDEX sells an innovative technology solution for emerging applications in market segments in early stages of development, the Company is particularly vulnerable to a sustained decline in economic conditions, which likely would be accompanied by a decline in confidence within the targeted market segments. IDEX believes global economic conditions, which could have an adverse impact on the IDEX’s business, operational performance and financial position, are subject to the following short- and long-term exogenous risks, individually and with combined effect:

- supply chain constraints and related uncertainties continue indefinitely across industries, or conditions deteriorate, with the potential consequence of increasing inflationary and recessionary pressures in specific geographies or market segments or across the global economy;
- the relationships between China and western trading partners, do not improve or deteriorate further, possibly contributing to further trade restrictions, leading to inflationary and recessionary pressures in China and across the global economy; and
- the war between Russia and Ukraine and the risk of escalation into a broader conflict does not abate, causing prolonged trade sanctions and other economic restrictions on Russia, potentially contributing to inflationary and recessionary pressures across the global economy.

2.4 RISKS RELATED TO THE COMPANY’S SHARES

2.4.1 Fluctuations in financial results may impact the share price

Because IDEX's business is immature, IDEX expects business volumes to vary in line with customers’ demand, causing fluctuations in its quarterly financial results and making it difficult to project future results. If IDEX fails to meet the expectations of securities analysts or investors with respect to its performance, the quoted prices of the Company’s shares could decline.

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

Any issuance of new Shares in connection with the Company’s ESPP or upon the exercise of incentive Subscription Rights will result in the dilution of the ownership interests of the Company’s existing shareholders. As of the date of this Prospectus, there are 84,515,381 outstanding incentive Subscription Rights in the Company. In addition, the Company may in the future decide to offer additional Shares or other securities in order to finance new capital-intensive projects, in connection with unanticipated liabilities or expenses or for any other purposes. There is no assurance that the Company will not decide to conduct further offerings of securities in the future. Depending on the structure of any future offering, certain existing shareholders may not have the ability to purchase additional equity securities. If the Company raises additional funds by issuing additional equity securities, the holdings and voting interests of existing shareholders could be diluted.

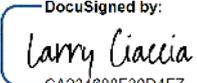
3 RESPONSIBILITY STATEMENT

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

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

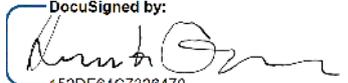
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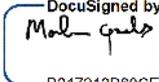
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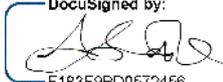
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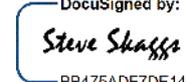
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Deborah Lee Davis
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Annika Olsson Roth
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Morten Opstad
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Adriana Saitta
Board member

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Stephen A. Skaggs
Board member

4 GENERAL INFORMATION

4.1 Approval of the Prospectus

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

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

4.2 Cautionary note regarding Forward-looking Statements

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

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

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

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

5 INFORMATION CONCERNING THE SECURITIES BEING ADMITTED TO TRADING

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

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

The net proceeds raised through the Private Placement of approximately NOK 125 million will be used for the following principal purposes, presented in order of priority:

- 70% of the net proceeds will be used for supporting and accelerating the Company's product commercialization and technology roadmap;
- 30% of the net proceeds will be used for securing working capital and for general corporate purposes.

5.2 The Private Placement

5.2.1 Overview

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

Number of Tranche One Shares:	116,897,492
Number of Tranche Two Shares:	30,161,332
Subscription Price per New Share	NOK 0.85
Number of Prospectus Shares	63,860,016
Number of New Shares not subject to approval and publication of this Prospectus:	83,198,808
Trading of the New Shares not subject to approval and publication of this Prospectus:	On 5 June 2023
Delivery of the Tranche One Shares:	On 5 June 2023
Delivery of the Tranche Two Shares:	On or about 27 June 2023
Trading of the Prospectus Shares:	On or about 29 June 2023
Number of Shares pre Private Placement:	1,168,974,920 Shares, each with a par value of NOK 0.15.
Number of Shares post Tranche One:	1,285,872,412 Shares, each with a par value of NOK 0.15.
Number of Shares post Tranche Two:	1,316,033,744 Shares, each with a par value of NOK 0.15.

Rights of the Prospectus Shares:	The Prospectus Shares are in all respects equal to the ordinary Shares of the Company.
Dilution:	The percentage of immediate dilution resulting from the Private Placement for the Company’s existing shareholders who did not participate in the Private Placement, is approximately 12.58%.

The Company received subscriptions for a total of 147,058,824 New Shares in the Company at a subscription price of NOK 0.85 per New Share.

The Private Placement, which represented approximately 12.58% of the Company’s outstanding share capital (before the Private Placement), was directed towards certain existing registered shareholders and certain new investors. The Private Placement structure of the transaction inherently required a waiver of existing shareholders’ preferential rights to subscribe for New Shares in favor of the subscribers in the Private Placement. The Board considered such structure and waiver necessary and appropriate to secure timely financing for the purposes described in Section 5.1. Moreover, the Subscription Price in the Private Placement was set at NOK 0.85 per New Share, being at an approximate 6.3% discount compared to the closing price on the Company’s share on 24 May 2023, as reported by Oslo Børs. On this background, the Board did not view a subsequent offering to be warranted or necessary. By reason of the foregoing, the Board has concluded that there was a sound and just basis for the deviation from shareholders’ preferential rights to subscribe for New Shares.

The Board had in place an authorization from the 23 May 2023 Annual General Meeting to issue shares in connection with private placements and rights issues. Under this authorization, the Board could issue a maximum of 116,897,492 new Shares. The Board authorization had not been used until the Private Placement.

The Private Placement would involve a number of new Shares exceeding the limitation of the Board authorization. Listing on the Oslo Stock Exchange of new shares representing 20% or more of the share capital, calculated over a period of 12 months, requires the issuance of a listing prospectus. The Board resolved that the Private Placement would be divided into two tranches, Tranche One and Tranche Two. Tranche One was resolved on 24 May 2023 through use of the existing Board authorization. Tranche Two was made subject to approval at an Extraordinary General Meeting. The admission of 33,698,684 of the Tranche One Shares and all of the Tranche Two Shares (collectively the Prospectus Shares) to trading on Oslo Stock Exchange would be subject to approval and publication of a listing prospectus in accordance with Article 3 of the EU Prospectus Regulation.

The Board resolved to structure the Private Placement as follows:

1. The Board uses its authorisation from the 2023 Annual General Meeting to issue 116,897,492 Tranche One Shares to the investors at a Subscription Price of NOK 0.85 per Tranche One Share.
2. The Board convened an Extraordinary General Meeting to be held on 16 June 2023 to approve the issuance of 30,161,332 Tranche Two Shares at a Subscription Price of NOK 0.85 per Tranche Two Share.

At the Extraordinary General Meeting of the Company held on 16 June 2023 it was resolved to increase the share capital of the Company with NOK 4,524,199.80 through the issue of 30,161,332 Tranche Two Shares, at a Subscription Price of NOK 0.85 per Tranche Two Share.

The Prospectus Shares could not be admitted to trading pending publication of this Prospectus. To facilitate a delivery versus payment settlement of the New Shares, on or about 30 May 2023 for Tranche One, and on or about 20 June 2023 for Tranche Two, respectively, the delivery of New Shares was settled with the Existing Shares, pursuant to a Share Lending Agreement between the Managers, the Company and certain existing shareholders. The Existing Shares were tradable immediately upon delivery.

The share loan was settled by the Managers with the New Shares, which were delivered immediately upon registration of the associated share capital increase being registered in the Company Registry. The Prospectus Shares were issued to the share lender on a separate non-tradeable ISIN number and, immediately after approval and publication of this Prospectus, such shares are transferred to the ordinary ISIN number of the Company's shares that are traded on Oslo Børs.

The total gross proceeds from the Private Placement amounted to approximately NOK 125 million.

Prior to the Private Placement, the Company's share capital was NOK 175,346,238 divided into 1,168,974,920 Shares, each with a par value of NOK 0.15. Following registration of the share capital increase in connection with the Tranche One Shares with the Company Registry, the Company has an issued share capital of NOK 192,880,861.80 divided into 1,285,872,412 Shares, each with a par value of NOK 0.15. Upon registration of the share capital increase in connection with the Tranche Two Shares with the Company Registry, the Company's share capital will be NOK 197,405,061.60 divided into 1,316,033,744 Shares, each with a par value of NOK 0.15.

5.2.2 Subscription Price

The Subscription Price per New Share in the Private Placement was NOK 0.85. The Subscription Price was announced on 24 May 2023 through Oslo Børs' electronic information system.

The Subscription Price was equivalent to an approximate 6.3% discount on the closing price on the Company's Shares on Oslo Børs on 24 May 2023 (being the trading date of the Board's resolution to carry out the Private Placement). The Subscription Price is wholly settled in cash.

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

5.2.3 Subscription

The Tranche One Shares were timely subscribed for by for in equal parts by the Managers for redelivery of shares borrowed by such Managers in connection with the Private Placement pursuant to the Share Lending Agreement, immediately following the Board's resolution on 24 May 2023. The Tranche Two Shares were subscribed for by the Managers for redelivery of shares borrowed, on a separate subscription form on 16 June 2023.

5.2.4 Allocation, payment for and delivery of the New Shares

The application period ran from and including 24 May 2023 at 16:30 hours (CET) to and including 25 May 2023 at 08:00 hours (CET). The minimum amount of application was EUR 100,000. Any application to subscribe for shares was irrevocable and could not be withdrawn by the applicant. The Private Placement and the allocation were approved by the Board on 24 May 2023, provided,

however, that the issuance and allocation of the Tranche Two Shares remained subject to approval by the Extraordinary General Meeting, which was granted on 16 June 2023.

Notifications of allotment and payment instructions for Tranche One and conditional allotment in Tranche Two were sent to the applicants on 25 May 2023.

The total subscription amount for the Tranche One Shares was timely paid in full to the designated share issue account within the payment deadline. The share capital increase associated with the Tranche One Shares was registered in the Company Registry on 3 June 2023, with a subsequent announcement on the following day regarding the registration of the share capital increase in the Company Registry.

The total subscription amount associated with the Tranche Two Shares shall be paid in full to the designated share issue account within 20 June 2023 (or such later date as approved by the Board, but not later than 27 June 2023). The share capital increase associated with the Tranche Two Shares is expected to be registered in the Company Registry on or about 27 June 2023 with a subsequent announcement on the same day regarding the registration of the share capital increase in the Company Registry.

The New Shares were settled with Existing Shares in accordance with the Share Lending Agreement on 30 May 2023 for the Tranche One Shares, and on 20 June 2023 for the Tranche Two Shares, by delivery to the Managers' VPS accounts, and were tradable immediately upon delivery.

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

Name of investor	Number of allocated New Shares	% of the Private Placement
Robert Keith	16,256,715	11.1%
Norda ASA	11,764,706	8.0%
Sundt AS	10,815,779	7.4%
Tigerstaden AS	8,823,529	6.0%

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

5.2.5 Admission to trading and dealing arrangements

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

The listing on Oslo Stock Exchange of the Prospectus Shares is subject to the approval of the Prospectus by the Financial Supervisory Authority under the rules of the Norwegian Securities Trading Act. Such approval was granted on 28 June 2023.

The first day of trading of the New Shares on Oslo Børs, under Oslo Børs ticker symbol "IDEX", not subject to the approval and publication of this Prospectus was on 5 June 2023. The first day of trading of the Prospectus Shares is on or about 29 June 2023.

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

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

5.2.6 Resolutions to issue the New Shares

The issuance of the Tranche One Shares was approved by the Company's Board on 24 May 2023 through the following resolution:

The Board resolved that the Company's share capital is increased with NOK 17,534,623.80 from NOK 175,346,238 to NOK 192,880,861.80 by issuance of 116,897,492 new shares, each share having a par value of NOK 0.15, in a private placement of shares for a subscription price per share of NOK 0.85. The total subscription amount is NOK 99,362,868.20, of which NOK 17,534,623.80 is share capital of the Company and NOK 81,828,244.40 is share premium. The new shares shall be subscribed for in equal parts by Arctic Securities AS and ABG Sundal Collier ASA for redelivery of shares borrowed by such managers in connection with the private placement pursuant to a share lending agreement dated 24 May 2023. The existing shareholders' preferential right is deviated from. Subscription for the new shares shall be made in the minutes of this Board meeting, immediately following this meeting. The subscription price shall be paid within 30 May 2023 to a bank account specified by the Company in writing (or such later date as determined by the Board, but no later than 6 June 2023). The new shares shall carry shareholder rights, including right to dividends or other distributions that are declared, from registration of the share capital increase in the Norwegian Register of Business Enterprises. The estimated costs related to the private placement, both Tranche 1 and Tranche 2, are approximately NOK 6.8 million, which includes fees to the Managers and the legal advisors assisting on the placement, and preparation of a prospectus.

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

"The Company's share capital is NOK 192,880,861.80 divided into 1,285,872,412 shares each with a nominal value of NOK 0.15 per share and issued in name."

The issuance of the Tranche Two Shares was approved by the Company's Extraordinary General Meeting on 16 June 2023 through the following resolution:

It is resolved that the Company's share capital is increased with NOK 4,524,199.80 from NOK 192,880,861.80 to NOK 197,405,061.60 by issuance of 30,161,332 new shares, each having a par value of NOK 0.15, in a private placement of shares for a subscription price per share of NOK 0.85. The total subscription amount is NOK 25,637,132.20, of which NOK 4,524,199.80 is share capital and NOK 21,112,932.40 is share premium. The new shares shall be subscribed for in equal parts by Arctic Securities AS and ABG Sundal Collier ASA for redelivery of shares borrowed by such managers in connection with the private placement pursuant to a share lending agreement dated 12 June 2023. The existing shareholders' preferential right is deviated from. Subscription for the new shares shall be made on a separate subscription form. The subscription shall be made no later than 20 June 2023 (or such later date as determined by the Board, but no later than 27 June 2023). The subscription price shall be paid within 20 June 2023 to a bank account specified by the Company in writing (or such later date as determined by the Board, but no later than 27 June 2023). The new shares shall carry shareholder rights, including right to dividends or other distributions that are declared, from registration of the share capital increase in the Norwegian Register of Business Enterprises. The estimated costs related to the private placement, both Tranche 1 and Tranche 2, are approximately NOK 6.8 million, which includes fees to the Managers and the legal advisors assisting on the placement, and preparation of a prospectus.

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

"The Company's share capital is NOK 197,405,061.60 divided into 1,316,033,744 shares each having a par value of NOK 0.15."

5.3 Shareholders' rights relating to the New Shares

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

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

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

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

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

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

5.4 Dilution

The dilutive effect following the issuance of the New Shares represents an immediate dilution of approximately 12.58% for existing shareholders who did not participate in the Private Placement.

The net asset value in the Financial Statements on 31 December 2022 was USD 22,841 thousand/ NOK 225,150 thousand, which translates to NOK 0.19 per share outstanding before the share capital increase in connection with the Private Placement. The net asset value in the Financial Statements on 31 March 2023 was USD 15,980 thousand/ NOK 167,426 thousand, which translates to NOK 0.14 per share outstanding before the share capital increase in connection with the Private Placement. The Subscription Price in the Private Placement was NOK 0.85.

5.5 Lock-up

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

5.6 Expenses

Costs attributable to the Private Placement will be borne by the Company. The costs related to the Private Placement will amount to approximately NOK 6.8 million including Prospectus costs and fees to the Managers and the legal advisor. Thus, the net proceeds to the Company from the Private Placement will be approximately NOK 118.2 million.

5.7 Advisors

Arctic Securities AS, Haakon VII's gate 5, P.O. Box 1833 Vika, NO-0123, and ABG Sundal Collier ASA, Ruseløkkveien 26, 0251 Oslo, have acted as Managers in connection with the Private Placement.

Advokatfirmaet Ræder AS, Dronning Eufemias gate 11, P.O. Box 2944 Solli, NO-0230 Oslo, Norway serves as the Company's Norwegian legal adviser in connection with the Private Placement. Cooley LLP of New York City serves as the Company's US legal adviser in connection with the Private Placement. Advokatfirmaet Thommessen AS, Ruseløkkveien 38, P.O. Box 1484, NO-0116 Oslo, Norway serves as legal adviser to the Managers in connection with the Private Placement.

5.8 Jurisdiction and choice of law

The New Shares have been issued in accordance with the rules of the PLCA.

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

5.9 Restrictions on sale and transfer

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

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

Alden AS, Sundt AS and Robert N. Keith provided the Managers with a share loan in accordance with a Share Lending Agreement to facilitate delivery of listed shares to the investors in Tranche One of the Private Placement on a versus delivery basis on 30 May 2023. Sundt AS provided the Managers with a share loan in accordance with a Share Lending Agreement to facilitate delivery of listed shares to the investors in Tranche Two of the Private Placement on a versus delivery basis on 20 June 2023. The Existing Shares were tradable immediately upon delivery. The share loan was settled by the Managers with the New Shares, which were delivered immediately upon registration of the associated share capital increase being registered in the Company Registry, being on 3 June 2023 for the Tranche One Shares, and on or about 27 June 2023 for the Tranche Two Shares, respectively. Each lender will receive a fee equaling 5% per annum of the sum of the subscription price per new share in the Private Placement multiplied by the number of borrowed shares lent by the respective lender, for the period the shares were lent.

In the Private Placement, Alden AS subscribed for 5,882,353 shares, Sundt AS subscribed for 10,815,779 shares and Robert N. Keith subscribed for 16,256,715 shares.

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

6 THE COMPANY AND ITS BUSINESS

6.1 Principal Activities

IDEX develops and markets differentiated fingerprint authentication solutions optimized for use in smart cards, based on patented and proprietary sensor technologies, integrated circuit designs, and highly-specialized firmware and software. IDEX primarily targets fingerprint authentication applications involving standardized smart cards without batteries, although IDEX's products also are applicable to battery-powered devices in different form factors.

IDEX's current product portfolio consists of fingerprint authentication modules, related software, and cardholder enrolment solutions. IDEX's latest generation of fingerprint authentication device, the TrustedBio family of modules, is a single package solution consisting of IDEX's most advanced fingerprint imaging sensor and a proprietary ASIC, which is a multi-purpose microprocessor executing image processing, biometric processing, and power management functions. IDEX's cardholder enrolment solutions are based on a reusable sleeve, which, in IDEX's opinion, provides secure and convenient smart card enrolment.

6.1.1 Fingerprint authentication technology

IDEX's technology revolves around fingerprint authentication technology and biometric technologies. Biometric technologies are automated methods for identifying individuals based on a comparison of stored biological and behavioral characteristics with the current presentation of such characteristics. Of all biometric techniques, fingerprint-based identification is the oldest and most established.

A fingerprint authentication solution, in summary, is an electronic system, combining hardware and software, that captures an image of these unique fingerprint characteristics, transforms that image into a mathematical representation, and then compares that representation with a valid representation. If the results of the comparison exceed a predefined verification threshold, the identity of the presenting individual is authenticated.

The following summarizes the primary elements of fingerprint authentication and addresses IDEX's approach to each:

6.1.1.1 Scanning

Scanning is the process of recognizing and capturing the necessary characteristics of an individual's fingerprint using an electronic device. Ink and paper were originally used to capture fingerprint images. Optical scanning was an early method for electronic capture of a fingerprint, and remains common in certain high-volume applications, primarily in law enforcement. Other scanning technologies for the detection of fingerprint variances include those based on sensing variances in heat, pressure, and ultrasound.

IDEX's scanning technology is based on capacitive sensing, which utilizes an electrical field to detect fingerprint characteristics such as ridges, valleys, and minutiae by measuring miniscule variances in current associated with those varying characteristics. The surface of the sensor, the platen, acts as one plate of a capacitor, and the finger acts as the other. Capacitive sensing, the most appropriate technology for resource-constrained applications, in IDEX's opinion, was the area in which the Company pioneered the signal processing innovations that remain foundational to its strategy.

IDEX has developed a differentiated approach to capacitive image capture, using a polymer substrate (i.e., a flex circuit) in which a capacitive sensing array (i.e., a fine-pitched wire mesh, with each wire

intersection representing an electrode) is embedded. The sensing array of conventional semiconductor-based capacitive sensors is on the surface of a rigid integrated circuit made from silicon. IDEX’s bendable sensor uses a sensing array made from polymer. The polymer array is relatively inexpensive to manufacture compared to silicon and allows for a larger sensor surface area, more than twice the size of competitive silicon sensors.² The size of the silicon chip (ASIC) within IDEX’s sensor is smaller than the ASIC of conventional sensors. This means that IDEX uses less silicon for a given sensor size. Thus, IDEX’s capacitive sensor is able to produce a larger image, yielding more data, which, in IDEX’s opinion, enables superior scanning, feature extraction, and matching performance.

6.1.1.2 Feature Extraction

The minuscule variations in current detected in scanning are a data set representing the fingerprint, and the common practice is to create from this data set an 8-bit gray-scale digital image for further processing (i.e., feature extraction). Feature extraction is a computationally-challenging process requiring speed and signal-processing precision. Algorithms used in a resource-constrained environment such as a smart card must be highly efficient, reducing the burdens placed on processor, memory, and power resources. Smart cards are very low-cost devices and, being battery-free, operate on a limited power budget. This device-level cost-pressure means the processors within smartcards tend to be very small and much less powerful than those found in other applications such as mobile devices.³ As such IDEX’s biometric algorithms running on the smart card have been fully optimized for smart card applications to provide sufficient performance with limited available processing resource and power. Standard biometric algorithms designed for mobile or other general purpose applications would not be practical to use in a smart card context.

IDEX utilizes proprietary algorithms to refine the image, allowing for precise identification of patterns, which are transformed into an accurate mathematical representation of the image, referred to as a “template”.

6.1.1.3 Matching

A matching algorithm compares the template created from the scanned image to the encrypted template stored within the system at the time of the user’s enrolment. These algorithms also are computationally-challenging, again requiring speed and precision, as well as consistency of outcomes. Matching performance is measured by the correlated rates of false acceptance (“FAR”) and false rejection (“FRR”), accuracy and reliability, and computational speed. Matching algorithms can be adjusted to meet the requirements of the application, addressing the trade-offs between desired security levels and end-user convenience (i.e., a low FAR, suggesting high security, implies a high FRR, suggesting low end-user convenience).

IDEX’s matching algorithms, which are compact and, in IDEX’s opinion, highly efficient, are well-suited for providing fast results in resource-constrained environments. They are differentiated by patented features such as insensitivity to image rotation and the ability to process incomplete images (i.e., partial touches), enabling high accuracy and reliability.

² IDEX’s silicon ASIC is less than 10mm² yet supports sensor sizes of >90mm². Competing sensors are typically 5x5mm (25mm²) or 6x6mm (36mm²).

³ Mobile devices tend to use 32 or 64 bit processors (<https://timestech.in/all-about-mobile-phone-processors>). Smart cards typically utilize an 8 bit processor (<https://www.oracle.com/java/technologies/java-card/smartcards.html>).

IDEX’s algorithms are also differentiated by the flexibility of how they may be used. In a smart card implementation, because of security requirements, matching algorithms are typically executed in a secure microcontroller (referred to as a secure element (“SE”)). However, IDEX’s TrustedBio is designed to allow matching algorithms to be executed in a distributed (i.e., shared) mode, whereby computationally intensive functions can be executed on IDEX’s module’s faster ASIC, reducing the computational requirements of the SE. This allows customers the flexibility to optimize designs based on application requirements and available processing resources, reducing overall system costs.

6.1.2 Smart cards and applications technology

A smart card can be described as a compact microelectronic system, generally with the dimensions of a credit card or driver’s license, in which one or more embedded integrated circuits (“ICs”) enable secure storage, processing, and communication of encrypted data.

As IDEX primarily targets the financial payments market segment, its fingerprint authentication solutions are designed in compliance with industry standards of EMV Company, LLC (“EMV”), a consortium established by Europay, Mastercard, and VISA to develop and maintain communications, security, and encryption specifications for the use of smart cards across financial payment networks. Because IDEX’s solutions are used in smart cards utilizing the JavaCard card operating system and Java-based “applets,” IDEX complies with the standards of GlobalPlatform, an independent standards body, for secure channel communications and the use of cryptographic data.⁴

6.1.2.1 Smart card design

The enabling of ICs in a smart card are typically a secure microcontroller, the SE, which functions as the system-level processor, and one or more secondary microcontrollers dedicated to functions such as power management or biometric processing. SE processors execute the card operating system and one or more applets, which are compact programs that execute proprietary functions (e.g., an applet for a payment network will coordinate communication of encrypted data using an encryption key only known by that payment network). SEs generally have robust memory blocks for encrypted data storage, with multiple memory types, but separate memory ICs may be necessary, depending on the smart card’s application.

Also embedded in the layers of a smart card is an antenna, for wireless communication and power harvesting, connecting circuitry (referred to as an inlay), and, depending on the design of the smart card, various passive electronic devices. Multi-layer smart cards are generally made of thermoplastics (polyvinyl chloride, or PVC, is the most common material used), although metal and ceramic compounds recently have been introduced.

Contact-only and dual-interface (i.e., contact and contactless functionality) smart cards do not have batteries and are powered, in the case of contact-only and dual-interface designs, through physical contact with a card reader, or, for dual-interface designs in contactless mode, though energy harvesting (i.e., resonant inductive coupling) enabled, most commonly, by near field communications (“NFC”) interface protocols.

⁴ Java Card is “an execution platform that can store and update multiple applications on a single resource-constrained device, while retaining the highest certification levels and compatibility with standards” – it is defined by Oracle for smart card applications. The Java Card Operating System runs on the secure processor within the smart card (also referred to as the Secure Element), and hosts Java-based applets which manage functions such as the EMV payment transaction. <https://www.oracle.com/java/java-card/>

6.1.2.2 Usage and applications

The defining characteristic of a smart card is the security afforded by the SE and its use of data encryption to secure storage and communications, making it an ideal solution for a very broad range of applications. Smart cards are used worldwide in high volumes across the following applications (in descending order of estimated total unit volumes for 2022): financial payments; government identification (including healthcare and social-security applications); transportation and ticketing; and access control (for logical and physical applications)⁵.

The development of widely accepted standards for smart card performance uniformity and cross-vendor compatibility has contributed to the sustained growth of smart cards in circulation, notably for financial payment applications.

6.1.3 IDEX's strategy

IDEX's strategy emphasizes demonstrable solution advantages that address evolving customer and end-user requirements, aiming to achieve a sustainable competitive position and reduced commoditizing price pressures. Since the Company was founded, its strategy and competitive positioning has been based on continuous advances in technologies, innovations in design, and achievements in performance, enabled by focus on research and development.

IDEX believes the combination of its broad and substantive intellectual property portfolio, its expertise across a comprehensive range of challenging and complex domains, and its integrated, systems engineering approach represents a significant competitive advantage for IDEX. IDEX's intellectual property portfolio consisted as of December 31 2022 of 175 patents awarded and 62 patents pending, across applicable jurisdictions worldwide. Reflecting IDEX's core competencies, IDEX has substantial intellectual property across the following areas: design of biometric sensors, ASICs, and modules; signals and data processing; and a broad range of solution features and functionalities.

IDEX's core competencies, characterized by deep domain expertise and a multi-disciplined, systems engineering approach, are built on organizational strengths in the following domains: biometric imaging and processing; sensor architectures; integrated circuit design; materials, manufacturing, and packaging; algorithm, firmware, and software development; encryption technologies; NFC and power management; and industrial design.

IDEX's value proposition is based on the differentiated functionality and performance of its fingerprint authentication solutions and its distinctive systems engineering approach to offering integrated solutions addressing multiple customer needs. These customers needs may vary among the market segments IDEX targets, but are generally associated with the enhancement of its customer's competitive advantages, based on the differentiated functionality and performance of IDEX's solutions, and reduced total cost of ownership ("TCO"), based on the Company's distinctive systems engineering capabilities, enabling comprehensive, integrated solutions.

TCO represents the sum of the purchase price of IDEX's products, which IDEX believes are competitive, and the costs customers may encounter when implementing a fingerprint authentication solution in their own products. In contrast to vendors of individual elements of a solution, IDEX's core competencies enable it to contribute to lowering the costs and challenges of system design for customers, while accelerating their time-to-market.

⁵ ABI Research – <https://www.abiresearch.com/market-research/product/market-data/MD-SCMD/>

IDEX believes many customers in the market segments targeted could benefit from the TCO element of IDEX’s value proposition, as only a few global card manufacturers currently have the depth of resources and experience to develop a fingerprint authentication solution on an expedited timeline. Design of a smart card incorporating fingerprint authentication can be challenging, as the interaction between the fingerprint sensor, the smart card electronics, and the environment is complex, particularly given the limitations on power, processing capacity, and form factor, and the stringent requirements for response time and accuracy.

An important element of IDEX’s strategy, linked to its delivery of comprehensive, integrated solutions, is development and use of strategic partnerships, which is intended to extend the scope of the integration of its TrustedBio modules and related elements of its software across the smart card supply chain, thereby enhancing IDEX’s value proposition and, potentially, accelerating adoption of fingerprint authentication and demand for our solutions.

6.1.4 IDEX product solutions

IDEX’s solutions consist of integrated fingerprint authentication modules, which IDEX’s customers use in their end-products, as well as IDEX’s enrollment device, with which a user can securely and easily store his or her fingerprint on a smart card, thereby activating the smart card’s fingerprint authentication capabilities. In 2021, IDEX announced its plan to offer a complete solution for card manufacturers. Under this plan, IDEX will offer the components and know-how required for the manufacturing of fully functioning biometric smart cards; Fingerprint sensors, card inlay, antennae, EMV module with an SE released by Infineon Technologies AG, and proprietary software, including IDEX’s card operating system, special purpose applets, and biometric algorithms. Sales of this solution began in early 2022.

6.1.4.1 TrustedBio Product Family

In 2020, IDEX announced the TrustedBio family of modules, and, in 2021, released an enhanced version, the TrustedBio Max.

The capacitive sensor in a TrustedBio module is covered by a robust, protective coating, allowing for years of usage. IDEX’s bendable sensor is relatively inexpensive to manufacture and allows for an approximately 90 square millimeter sensor surface area, which is more than twice the size of competitive silicon sensors⁶. The size of the silicon chip (ASIC) within IDEX’s sensor is not directly related to the size of the sensor itself, which means that IDEX uses less silicon in the design for a given sensor size. In addition to this, IDEX uses high volume, mass-market, industry standard package technology to maintain cost-effectiveness. The capacitive sensor in a TrustedBio module produces a larger image, yielding more data, which IDEX believes enables superior scanning, feature extraction, and matching performance. Semiconductor-based sensors can have higher electrode density, but their



A TrustedBio module, showing the sensor surface (left) and, on the reverse side (right), our ASIC and connection circuits

⁶ IDEX’s silicon ASIC is less than 10mm² yet supports sensor sizes of >90mm². Competing sensors are typically 5x5mm (25mm²) or 6x6mm (36mm²).

https://www.fingerprints.com/uploads/2020/10/fingerprints_productsheet_fpc1323.pdf

smaller sensor areas yield meaningfully less data for image processing, while increasing processing challenges to achieve equivalent results. Additionally, the flexibility of the polymer substrate, into which the wire mesh array is embedded, allows the TrustedBio module to easily meet industry specifications for torsion of plastic smart cards⁷.

The ASIC used in a TrustedBio module is mounted on the reverse side of the polymer substrate in which IDEX’s sensor array is embedded. The ASIC includes a proprietary microprocessor executing IDEX’s third generation scanning and template-creation (i.e., image processing and feature extraction) algorithms, IDEX’s patented anti-spoofing algorithm, NFC power harvesting and voltage management, and data encryption. Depending on a customer’s design or application requirements, IDEX’s ASIC can also store and execute proprietary matching algorithms.

The ASIC in IDEX’s latest TrustedBio Max module provides a high level of single-device functionality for fingerprint authentication in a smart card⁸. Fabricated on a 40-nanometer process node by TSMC, the approximately 10 square millimeter ASIC utilizes an ARM Cortex-M3 32-bit processor, operating at up to 200 MHz, enhanced memory, and a proprietary parallel-processing logic core for accelerating IDEX’s template-creation and anti-spoofing algorithms.

The capabilities of the TrustedBio Max module reflect IDEX’s strategy of creating competitive differentiation for its customers, while reducing TCO. The TrustedBio Max enables smart cards with fingerprint authentication that are secure, accurate, and power efficient, while providing a differentiated user experience characterized by fast transaction speed⁹. The functionality of TrustedBio Max reduces computational burdens on a smart card’s SE, thereby allowing smart card manufacturers to utilize standard, low-cost SEs, rather than more costly SEs with expanded capabilities to address biometric processing¹⁰. The capabilities of the ASIC allow for a smart card with fingerprint authentication to be designed without separate microcontrollers for biometric processing and power management functions, reducing design complexity and costs. IDEX’s algorithms and software elements minimize software development by its customers, as well as reducing associated risks and delays. The TrustedBio Max solution is targeted at smart card manufacturers seeking faster time-to-market with a comprehensive fingerprint authentication design that maximizes performance, while reducing development and manufacturing costs.

Also in 2021, IDEX announced a reference design based on integration of the SLC38 security controller, the latest SE released by Infineon Technologies AG, and the latest version of IDEX’s TrustedBio module. Applicable to implementation of fingerprint authentication in smart card applications across all three of IDEX’s targeted market segments, the high level of integration of this reference design enables differentiated authentication performance (e.g., low latency, high accuracy, and high electrical efficiency), while reducing integration challenges for the card manufacturer, thereby reducing costs and time-to-market.

⁷ <https://www.zwipe.com/news/Idemia-s-VISA-and-Mastercard-certifications-fully-validate-the-core-components-of-Zwipe-Pay-ONE>

⁸ IDX3409 datasheet

⁹ ibid

¹⁰ IDX3409 supports THD89 and SLC38 SE without need for discrete MCU; IDX3407 supports ST31N600 SE without need for discrete MCU

This reference design, developed with a major SE supplier¹¹, represents an important achievement toward IDEX’s strategic goal of offering to smart card manufacturers the most comprehensive solutions for fingerprint authentication, creating competitive advantages for their own smart card products, while lowering the barriers to adoption of fingerprint authentication by decreasing TCO, reducing complexities, and accelerating time-to-market.

6.1.4.2 Complete Biometric Smart Card Solutions

In 2021, IDEX began the development of a complete solution for the manufacturing of fully functional biometric smart cards. The hardware is based on the IDEX-Infineon reference platform described in Section 6.1.4.1. The complete solution adds elements of proprietary software, including IDEX’s JavaCard operating system, special-purpose Java applets, biometric algorithms, and enrolment solutions. The Company believes that IDEX’s expanding capabilities in software development has the potential to meaningfully add to its value proposition, broadening customer engagements and increasing revenue.



6.1.4.3 IDEX Pay complete solution for card manufacturers

In 2017, IDEX introduced a product which included its patented enrolment solution, consisting of an enrolment sleeve and related software, enabling self-enrolment and avoiding the need for the customer to visit a bank branch or similar before using the card. User enrolment is the process of image capture and storing of a user’s fingerprint, in the form of a template, within the memory of the smart card, thereby enabling its use. IDEX believes it was one of the earliest companies to release such a device, which was developed by IDEX in partnership with Mastercard Inc. IDEX believes that self-enrolment removes a significant barrier to adoption of fingerprint authentication, particularly within the financial payments market segment. IDEX has continued work to further improve the enrolment process. In addition to the enrolment sleeve, the Company expects soon to be able to offer several options including enrolment via mobile phone, assisted enrolment (in-branch enrolment), and ultimately, enrolment at Point of Sale (PoS).



Our enrolment solutions enable the creation of a user fingerprint template, which is encrypted and stored only on the smart card, never in the cloud.

By using one of IDEX's proprietary solutions, a user can complete the enrolment process in less than a minute, following simple instructions. Enrollment is completed entirely within the biometric smart card and, importantly, the encrypted fingerprint template is immediately stored only on the card, never in the cloud or on any connected device such as a smart phone or PC.

IDEX believes low-cost, simple, convenient, and secure user enrolment processes are necessary to accelerate the adoption of fingerprint authentication in smart cards. To further lower the costs of enrolment and improve user experience, IDEX is developing software-based enrolment solutions, for which IDEX has protected the associated intellectual property rights, to allow for enrolment over the

¹¹ <https://www.cognitivemarketresearch.com/embedded-secure-element-market-report>

user’s mobile phone or, specifically for enrolment of financial payment card users, through a point-of-sale terminal.

6.2 Principal Markets

IDEX’s current product portfolio is targeted at three applications or “market segments,” within the smart card market: financial payments (i.e., credit, debit, and stored value transaction cards), digital access (i.e., devices for identification and authorization of users for access to high-value electronic networks or sensitive physical facilities), and digital currency storage (i.e., devices for highly-secure authorized access to cryptocurrency trading platforms and the secure storage of digital currencies, both private and government-sponsored). The financial payments market segment is the largest of the three targeted by IDEX, and it is the most developed of the three markets. The digital access and digital currency storage segments currently are far smaller, and application-specific form factors, performance requirements, and standards are evolving.

IDEX’s customer focus is primarily on manufacturers of smart cards. Other customers include integrators of authentication technologies and developers and vendors of security systems, across a broad market for identification-based authorization solutions. IDEX also has individual corporate customers that design authentication solutions for their own consumption. Because the IDEX sensors are thin and bendable, IDEX’s products are not limited to use in smart cards, but also are applicable to a range of applications across varying form factors including access control, identity and access management (“IAM”) platforms, digital currency storage and network authentication.

There have not been any material changes in the Company’s regulatory environment since 31 December 2022.

6.2.1 General Smart Card Market

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

ABI Research estimates that approximately 11 billion smart cards, in the form of credit and debit cards, ATM cards, and stored value cards, were in circulation as of December 31, 2022, with 3.1 billion financial payment cards shipped during the year¹².

According to ABI Research, 71% of the total volume of smart cards shipped (excluding SIM cards) were for payments, while less than 5% of smart cards shipped in 2022 were access control applications¹³. Physical access control applications commonly utilize keycards, also known as proximity cards, which are wireless devices enabling a relatively low level of security for contactless identification. Shipments for use in digital currency storage applications, an emerging market segment, were not material in volume.

¹² <https://www.abiresearch.com/market-research/product/market-data/MD-SCMD/>

¹³ *ibid*

Further, according to ABI Research, worldwide shipments of dual-interface cards for financial payments represented over 80% of the 3.1 billion smart cards shipped in 2022, and IDEX expects this percentage to increase¹⁴. ABI Research also estimates the worldwide volume of contactless smart card transactions grew by 36% from 2021 to 2022¹⁵. However, contactless smart card transactions generally are limited by financial institutions and payment processing networks to small value transactions, given the absence of a required signature or personal identification number (“PIN”) as a second authentication factor.

IDEX’s go-to-market strategy emphasizes the creation and maintenance of relationships with and between companies and organizations that are positioned to support the acceleration of the adoption of fingerprint authentication in smart card applications. An important element of this strategy is establishing collaborative agreements with well-positioned partners, leveraging their expertise and resources. Examples of these partnerships include: IDEMIA France SAS and E-Kart Elektronik Kart Sistemleri A.S., customers with which IDEX has critical go-to-market engagements; Mastercard Inc., which is a valuable contributor to demand creation and the advancement of fingerprint authentication in financial payments; and Infineon Technologies AG and Tongxin Microelectronics Co., Ltd., leaders in SE design and smart card electronics, with which IDEX is developing integrated solutions.

IDEX’s targeted customers in the financial payments market segment primarily are smart card manufacturers. IDEX believes this market segment has the potential to be significantly larger and more well-defined than the other two targeted market segments. According to Nilson Report, three global companies, IDEMIA France SAS (France), Giesecke+Devrient GmbH (Germany), and Thales Group SAS (France), represent approximately 50% of total 2022 revenue associated with shipments of smart cards for financial payments, and the top six represent close to 70% of such revenue¹⁶. Other regionally-focused smart card manufacturers represented the balance. As previously disclosed, IDEMIA currently is IDEX’s largest customer in the financial payment market segment.

6.2.2 Targeted Market Segments and Customers

IDEX currently targets fingerprint authentication applications involving smart cards without batteries (i.e., cards conforming to ISO/IEC standards for electronic identification cards), for which, in IDEX’s opinion, its solutions are especially well-suited. Customers for these and adjacent applications are within three emerging market segments, for which the solutions IDEX offers and the applications served are summarized in the following table:

<i>Market Segment</i>	<i>IDEX Solutions</i>	<i>Representative Applications</i>
Financial Payments	<ul style="list-style-type: none"> • Smart cards <ul style="list-style-type: none"> – Dual-interface, NFC powered – Thermoplastic or metal • Customized COS and Applets • Enrolment sleeve or tablet-based solution 	<ul style="list-style-type: none"> • EMV-compliant transaction applications <ul style="list-style-type: none"> – Credit, debit and stored value cards • Dual- and multi-use applications <ul style="list-style-type: none"> – Co-branded with partners

¹⁴ *ibid*

¹⁵ *ibid*

¹⁶ Nilson Report (1232)

<i>Market Segment</i>	<i>IDEX Solutions</i>	<i>Representative Applications</i>
Cyber Authentication	<ul style="list-style-type: none"> • Smart cards and similar devices <ul style="list-style-type: none"> – ID-1 form factor or customer design – RFID/NFC or battery powered • Customized COS and Applets • Enrolment sleeve or tablet-based solution 	<ul style="list-style-type: none"> • Secure user authorization for high value assets <ul style="list-style-type: none"> – Critical networks or applications – High security facilities – Easily integrated with IAM platforms – FIDO Alliance compliance
Digital Currency Storage	<ul style="list-style-type: none"> • Enhanced smart cards and similar devices <ul style="list-style-type: none"> – ID-1 form factor or customer design – RFID/NFC or battery powered – Optional displays and keypads – Optional Bluetooth connectivity • Customized COS and Applets • Enrolment sleeve or tablet-based solution 	<ul style="list-style-type: none"> • Secure devices for government digital currency <ul style="list-style-type: none"> – Example: e-CNY initiative of Chinese central bank <ul style="list-style-type: none"> • Card-like “wallets” issued by state-owned banks – Dual- and multi-use applications <ul style="list-style-type: none"> • Secure storage of health and welfare records • Highly secure cryptocurrency management devices <ul style="list-style-type: none"> – Authorized user access to trading platforms – Secure storage of cryptocurrencies

Within the digital access and digital currency storage market segments, IDEX’s targeted customers include vendors of access control and identity and access management (“IAM”) platforms, vendors and integrators of authentication technologies, and developers of application-specific devices. As previously disclosed, IDEX also has a long-standing relationship with a customer that designs network authentication solutions for its own consumption. As indicated in the preceding table, IDEX’s fingerprint authentication solutions are not limited to use in smart cards without batteries and are suitable for a range of applications within the access control and digital currency storage market segments, across varying form factors and power requirements.

Smart cards are used in a variety of other applications appropriate for fingerprint authentication, each of which could develop in the future into a compelling market segment for IDEX. A primary example of a potential opportunity outside of IDEX’s targeted market segments is within health care, for which a non-transferable form of identification, on which an individual’s personal details, health records, and insurance or similar social-security data is encrypted and stored, addresses an important need for both providers and patients for immediate, secure access to necessary information. IDEX has investigated, and will continue to investigate, such opportunities for new use cases, but IDEX’s limited available resources, given its focus on the described targeted market segments, currently inhibit its ability to adequately support such activities.

The market segments IDEX currently targets are not subject to seasonal shifts in demand.

6.3 Organization

6.3.1 Research and Development

The Group’s research and development activities are conducted primarily in the United Kingdom and the United States. As of December 31, 2022, the Group had an engineering staff of 64 employees and six individual contractors, representing approximately 70% of IDEX’s staff. As of December 31, 2021, the numbers were 77 employees and eight contractors, representing 77% of the staff. While IDEX maintains a high level of development activities, IDEX has made a moderate shift of resources to commercialization activities.

Innovation through research and development is critical to remain competitive and to help customers maintain cost and performance leadership. IDEX’s technology roadmap includes:

- further reduction of system costs through optimized architecture and integration;
- continuous solution performance improvements through enhancing sensor and ASIC designs;
- further refinement and enhancement of IDEX’s scanning, feature extraction, and matching algorithms;
- development of compelling software to complement IDEX’s solution strategy, including innovative software-only enrolment solutions and card-not-present applications; and
- developing and integrating technologies (e.g., displays) for use in next-generation smart cards.

6.3.2 Manufacturing and Supply Chain

IDEX’s fabless operational strategy is to maximize efficiency 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 IDEX’s solutions, IDEX has established a supply chain capable of satisfying forecast demand. IDEX currently utilizes external partners for the fabrication, assembly, and testing of its products, which IDEX believes is the strategy which provides the best combination of performance, cost, and feature attributes necessary for its products.

IDEX further develops the production test solutions for use by its assembly and test partners. In addition, to accelerate the development of future mass production test solutions for IDEX’s products, IDEX has invested in sophisticated test equipment at its facility in Rochester, New York. Production test routines are fully verified in-house, prior to installation on production lines at partners’ facilities, reducing cycle time, engineering support, and costs.

IDEX’s selected manufacturing partners for sensor production are Amkor Technology, Inc. and Silicon Precision Industries Limited, both of which are leaders in outsourced semiconductor assembly and test services.¹⁷ TSMC, one of the leading semiconductor manufacturers in the world, is IDEX’s partner for ASIC wafer production.¹⁸ The TSMC relationship gives access to the newest and most competitive silicon manufacturing processes and geometries, while providing the capacity and cost structure to serve high volume opportunities. The TSMC facility producing IDEX’s semiconductor wafers is located in China, which exposes IDEX to risk associated with international trade policy, tariffs, and related policy matters, all of which are outside of IDEX’s influence or control.

¹⁷ <https://www.globenewswire.com/news-release/2022/09/14/2516363/0/en/Outsourced-Semiconductor-Assembly-And-Testing-Global-Market-Report-2022.html>

¹⁸ <https://www.counterpointresearch.com/global-semiconductor-foundry-market-share/>

IDEX selects its manufacturing partners based on a comprehensive supplier capability analysis, in order to meet the high quality and reliability standards required of the Company's products. IDEX's engineers and supply chain personnel work closely with manufacturing and supply chain partners to increase yield, reduce manufacturing costs, improve product quality, and ensure that component sourcing strategies are in place to support the Company's manufacturing needs.

IDEX believes its fables manufacturing model enables the Company to focus its resources and expertise on the design, development, sales, marketing and support of its products. IDEX also believes this manufacturing model provides the flexibility required to quickly respond to new market opportunities and shifts in customer demand. It also simplifies the scope of the Company's operations and administrative processes and significantly reduces the Company's working capital requirements.

6.3.3 Intellectual Property

IDEX's intellectual property rights cover individual inventions and complete biometric systems ranging from measurement principles, algorithms, sensor design, and system solutions. The extensive intellectual property portfolio, leveraging 175 patents awarded and 62 patents pending, across applicable jurisdictions worldwide (as of December 31, 2022), is a critical enabler of IDEX's strategy and competitive positioning. IDEX maintains a program designed to identify technology appropriate for patent and trade secret protection, and IDEX files patent applications in the United States and certain other countries for inventions that are considered significant. IDEX continuously seeks to protect aspects of its technology that may provide significant competitive advantage.

Although the Company's business is not materially dependent upon any one intellectual property right, the Company's intellectual property rights and the products made and sold under them, taken as a whole, are a significant element of IDEX's business and its ability to compete. The Company relies on patents, trademark and copyright laws, trade secret protection efforts, contractual terms, and confidentiality agreements to protect its intellectual property rights. In addition, IDEX requires employees and consultants to execute appropriate non-disclosure and proprietary rights agreements. These agreements acknowledge IDEX's exclusive ownership of intellectual property developed for, and by, the Company, requiring confidential treatment of all proprietary information.

In addition to patents, IDEX also possesses other forms of intellectual property rights, including trademarks, know-how, trade secrets, design rights and copyrights. IDEX controls access to and use of its software, technology, and other proprietary information. The Company's software is protected by the copyright, patent, and trade secret laws of appropriate jurisdictions. Despite the Company's efforts to protect its software, technology, and other proprietary information, unauthorized parties may copy or otherwise obtain and use its software, technology, and other proprietary information. In addition, as the Company further expands its international operations and markets, effective patent, copyright, trademark and trade secret protections may not be available, may be limited, or may not be enforceable in certain foreign countries.

The wordmark "IDEX," the IDEX logo, and the brand name TrustedBio are registered trademarks of, and owned by, IDEX Biometrics ASA.

6.4 Business progress, recent trends and outlook

IDEX's competitive positioning has been, and is, based on continuous advances in technologies, innovations in design, and achievements in performance, enabled by the Company's focus on research and development. After the commoditization (and subsequent competitive consolidation) of the

mobile device market in the latter half of the last decade, IDEX undertook a strategic pivot toward applications for which the Company's differentiated characteristics could provide demonstrable and sustainable competitive advantages, reducing IDEX's exposure to commoditization. IDEX's focus today is on incorporating fingerprint authentication into smart cards, which present the challenging form factors, demanding performance requirements, and extreme power limitations for which IDEX's solutions are ideally suited.

IDEX has established customer relationships with innovators and early adopters sharing the Company's vision for the potential of fingerprint authentication in smart card applications, and, over the last three years, IDEX has experienced increasing strategic momentum, successfully attracting new customers and increasing its revenue for ten consecutive quarters up to 30 June 2022. In the second half of 2022, shipments were limited by supply chain delays and component shortage. Revenue in 2022 increased 44% from 2021.

Since IDEX released a reference design integrating the TrustedBio fingerprint authentication module and the SLC38, the latest SE from Infineon Technologies, the Company has marketed this reference design to smart card manufacturers. By the end of 2022, the Company had 12 design wins (i.e., contractual commitments) for this reference design with smart card manufacturers worldwide and anticipate these designs could be in full production by the end of 2023.

Customer order volume accelerated across 2022 from both existing customers and, notably, new customers adopting the TrustedBio—SLC38 reference design. The backlog, consisting of confirmed customer orders scheduled for delivery within the following 12 months (and amounts, if any, of deferred revenue scheduled for recognition during the period), totaled \$3.3 million as of 31 December 31 2022.

IDEX recorded revenue of \$4.1 million for 2022, compared to \$2.8 million for 2021, and \$1.1 million for 2020. Product revenue, as a percentage of total revenue, represented 95.0 %, 99.9 % and 92.5 % for 2022, 2021, and 2020, respectively. Revenue associated with IDEX's early-adopting customer in the digital access market segment, inclusive of services revenue associated with product development, represented 48.2%, 85.4%, and 89.7% of the total revenue for 2022, 2021, and 2020, respectively. The Company began to ship production volumes of its TrustedBio solution in 2021 and experienced significant growth in 2022, and further expects such volumes to represent an increasing percentage of total revenue in the future.

The Group does not own or operate capital-intensive manufacturing facilities, but operate as a *fables* manufacturer, outsourcing manufacturing and product assembly activities. The Company currently relies on TSMC, the leading producer of semiconductor wafers, as the sole source of wafers for IDEX's proprietary ASICs. The Company also relies on a limited number of providers of semiconductor packaging, design, and test services, including Amkor Technology, Inc., and Silicon Precision Industries Limited, both of which are leaders in outsourced semiconductor assembly and test services. Like many other companies in the electronics markets, IDEX has experienced some disruptions in the supply chain which restricted the Company's revenue in the second half of 2022. The Company has ordered, and may continue to order, relatively high values of raw materials and carry relatively large quantities of finished goods with the aim that customer delivery schedules can be met. While inventory levels likely will continue to expand as order backlog increases and expectations of higher orders and shipments increase, the Company does not believe the quantities of inventory represent, for the foreseeable future, a material risk to its financial position.

Due to inflationary pressures, primarily in the semiconductor supply chain, it is expected that costs and expenses likely will increase, which could negatively influence cash flow and profitability, even if the Company is able to significantly increase revenue. Given the fabless model, manufacturing costs for the products that IDEX currently sells are most influenced by the discounts that vendors offer for sustained, high-volume production orders. Variable costs are associated primarily with cost of materials, net of inventory change. The Company's operating cost structure is largely fixed, reflecting the business model and strategic focus on research and development. Because it is believed that the Company's leadership in fingerprint authentication technologies is an important competitive differentiator, the Company intends to maintain research and development activities to maintain this leadership.

The Company utilizes a direct sales force and have customers around the world. At the present time, IDEX does not sell its products through stocking distributors. Given the early-stage characteristics of the market segments targeted, including the extended and unpredictable sales cycles frequently associated with marketing new and innovative technology-based products, IDEX expanded its marketing and sales staff in 2021 and increased its marketing spending in 2022.

As a Norwegian public company, with its shares listed on Oslo Børs, and an SEC registrant, with ADSs listed on Nasdaq Capital Markets, the Company is required to comply with two sets of applicable laws, rules, and regulations. From time to time, this may result in a complex compliance framework, with the consequence being higher costs associated with analysis of dual legal regimes, ongoing revisions to disclosure requirements, and adherence to different governance practices. The Company devotes a substantial amount of time to compliance, which has increased its legal and accounting costs. These compliance costs and commitments of management time likely will continue to expand.

The Company's largest expenses are associated with personnel costs, including salaries, variable, performance-based compensation, sales commissions, benefits, and charges for the recognition of share-based compensation costs. The total staff, consisting of employees and individual contractors (the latter located in countries in which the Company does not have operations), totaled 99 as of 31 December 2022, of which 16 were assigned to the head office in Oslo, 42 were assigned to the two offices in the United States, 36 were assigned to the office in the United Kingdom, and five were assigned to the offices in China. The Company expects to maintain a stable staff level during 2023, but there may be shifts from engineering to marketing and sales.

It is anticipated that the Company's profitability could improve as revenue increases, as IDEX's forecasts for operating expenses are based on the assumed ability to increase revenue without proportional increases in operating cost structure. However, because of the uncertainties associated with accurately forecasting revenue levels, inventory planning, and achieving operational economies of scale, the Company cannot predict whether, or when, profitability might be achieved.

6.5 Material contracts outside the ordinary course of business

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

6.6 Regulatory disclosures

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

Capitalization issues and other corporate actions

Date	Title	Description
6 July 2022	IDEX Biometrics – CFO Transition	Announcement that the current Chief Financial Officer of the Company, Jamie Simms, would step down from his position effective 15 August 2022, and that the Company had appointed Eileen Wynne as interim Chief Financial Officer effective from the same date.
19 August 2022	IDEX Biometrics: Subscription Rights Exercise - 19 Aug. 2022	The Board had resolved to issue a total of 289,608 shares at an average price of NOK 0.15 per share to an employee who had exercised incentive subscription rights issued under the Company's 2019 incentive subscription rights plan.
1 September 2022	IDEX Biometrics: Employee Share Purchase Plan - 1 Sep 2022	The Board had resolved to issue 3,181,755 shares at a subscription price per share of NOK 0.73 to employees who participated in the Company's 2021 Employee Share Purchase Plan.
16 November 2022	IDEX Biometrics ASA: Private placement of USD 15m successfully placed	A private placement raising gross proceeds of around NOK 150 million, through the allocation of 150,000,000 new shares at the price of NOK 1,00 per share, had been successfully placed. The private placement was further announced to be divided into two tranches, the first tranche consisting of 101,254,865 new shares, and the second tranche consisting of 48,745,135 new shares. The second tranche of the private placement was announced to be subject to, inter alia, the completion of the first tranche of the private placement as well as the approval of an extraordinary general meeting to be held in the Company.
18 November 2022	IDEX Biometrics: Subscription Rights Exercise - 18 Nov 2022	The Board had resolved to issue a total of 246,167 shares at the price of NOK 0.15 per share to an employee who had exercised incentive subscription rights issued under the Company's 2019 incentive subscription rights plan.

9 December 2022	Extraordinary general meeting in IDEX Biometrics held on 9 December 2022	An extraordinary general meeting had been held on 9 December 2022 and the second tranche of the private placement announced on 16 November 2022, consisting of the issuance of 48,745,135 new shares, was approved.
1 March 2023	IDEX Biometrics: Employee Share Purchase Plan - 1 March 2023	The Board had resolved to issue 2,648,336 shares at a subscription price per share of NOK 0.71 to employees who participated in the Company's 2022 Employee Share Purchase Plan.
17 April 2023	IDEX Biometrics Deputy Chair Lawrence J. (Larry) Ciaccia to become Chairman	The nomination committee of the Company had selected Larry Ciaccia as the Company's next chair of the Board pending approval from the shareholders at the Company's annual general meeting to be held on 23 May 2023.
24 May 2023	IDEX Biometrics ASA: Private placement of NOK 125 million successfully placed	A private placement, raising gross proceeds of NOK 125 million, through the allocation of 147,058,824 new shares in the Company, at a price of NOK 0.85 per share, had been resolved. Further, it was announced that the private placement consisted of two tranches, wherein the first tranche consisted of 116,897,492 new shares which had been resolved issued by the Company's Board, and the second tranche consisted of 30,161,332 new shares, the issuance of which remained subject to approval by an extraordinary general meeting expected to be held on or about 16 June 2023.
26 May 2023	Notice of extraordinary general meeting in IDEX Biometrics on 16 June 2023	An extraordinary general meeting would be held in the Company on 16 June 2023 at 10:00 hours as an online meeting, and the extraordinary general meeting would consider and resolve the second tranche of the private placement announced on 24 May 2023, as well as renewal of authorizations to the Board to issue shares, and election of Board member(s) and Board remuneration.
16 June 2023	Extraordinary general meeting in IDEX Biometrics held on 16 June 2023	An extraordinary general meeting had been held on 16 June 2023 which, inter alia, had approved and resolved to issue the Tranche Two Shares of the Private Placement completed on 24 May 2023.

Inside information

Date	Title	Description
11 August 2022	IDEX Biometrics Receives Large Order for Digital Authentication	A new material order for IDEX's fingerprint sensor technology, to be deployed in the customer's digital authentication application, had been received by IDEX. Further announced was that the customer was a large US-based company with a global footprint, and that the order represented the largest single order in IDEX's history.
1 November 2022	Major UAE bank launches biometric payment card on IDEX Biometrics sensor technology	One of the largest banks in the Middle East had deployed a full-scale biometric payment card launch with the IDEX partner IDEMIA, powered by IDEX's sensor technology. Further it was announced that the launch was the first volume deployment of biometric payment cards to consumers in the Middle East, confirming the expected commercial acceleration in 2022 and a market inflection in 2023.
16 November 2022	IDEX Biometrics receives volume production order as IDEMIA accelerates biometric payment card expansion	IDEX had received a volume production order from its partner IDEMIA which, at the time of disclosure, represented the largest order to date for IDEX's TrustedBio sensors. Further it was announced that the order represented more than USD 2 million in revenue for IDEX and that the order would begin shipping in Q1 2023.
10 January 2023	IDEX Biometrics is accelerating expansion of biometric payment cards with a second Turkish bank	Announcement of a second biometric payment card program in Turkey with a regional bank. Further it was announced that cards from this bank would be available throughout Turkey and was estimated to be in consumer hands in the first half of 2023.
3 March 2023	IDEX Biometrics turnkey solution begins volume production with Linxens and Infineon Technologies	Linxens, a global leading technology company specializing in the manufacture of secure electronic components for smart cards, had placed a volume production order with Infineon for SLC38 chips including the IDEX card operating system software. It was further announced that Linxens orders, totaling 1 million units of the SLC38 secure element, would be

		assembled into custom EMV modules for the IDEX Biometric Payment turnkey solution manufactured by Linxens to support demand for the complete IDEX biometric reference card solution.
13 April 2023	IDEX Biometrics payment card solution reaches certification milestone with Mastercard	IDEX had successfully passed Mastercard’s Fingerprint Test Assessment Summary (FTAS) for its latest generation biometric sensor. It was further announced that the sensor is a core element of IDEX Biometrics’ complete payment card solution, which also included Infineon’s SLC38 secure element and IDEX Biometrics proprietary card operating system.
11 May 2023	IDEX Biometrics continues expansion of biometric payment cards with a third issuer in Turkey	IDEX had continued its expansion of biometric payment card programs with another Turkish issuer, and the cards from such issuer would be available throughout Turkey as of the fourth quarter of 2023.
12 May 2023	IDEX Biometrics launches a complete Biometric Payment Card solution leveraging products and technologies from STMicroelectronics	IDEX had launched a complete biometric payment card solution by leveraging products and technologies from STMicroelectronics, a leading semiconductor security provider. Further it was announced that the new IDEX Biometrics smart card solution was targeted for deployment with banks and issuers in the first half of 2024.
16 May 2023	IDEX Biometrics adds another issuer in Turkey as the expansion of biometric payment cards continues	IDEX was expanding biometric payment card programs in Turkey with a fourth issuer, announced to be a growing bank challenger and which was announced to represent a customer portforlio of more than 10 million customers. The biometric payment cards from the issuer was announced to be expected in the hands of consumers by the first quarter of 2024.
24 May 2023	IDEX Biometrics ASA - Contemplated Private Placement 24 May 2023	IDEX had retained ABG Sundal Collier ASA and Arctic Securities AS as joint bookrunners to advise on and effect a private placement of new shares to raise gross proceeds of NOK 100-150 million. It was further announced that the offer price

and number of offer shares would be determined by the Board following an accelerated bookbuilding process, which was announced to start at 16:30 CEST on 24 May 2023 and end on 08:00 CEST on 25 May 2023.

16 June 2023	IDEX Biometrics receives first production order for IDEX Pay complete biometric solution	IDEX had received a volume production order totalling nearly USD 1 million from a European manufacturer, such order announced to represent the first scale production order for the IDEX Pay certified solution including IDEX biometric software operating system and sensor technology.
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Further, in the period from 1 June 2022 and up to the date of the Prospectus, three announcements have been issued by IDEX in relation to changes in shareholdings by primary insiders and eight announcements have been made on behalf of large shareholders in respect to transactions in the share causing a statutory threshold to be reached or passed by such shareholders.

7 BOARD OF DIRECTORS AND MANAGEMENT

7.1 Board of Directors, management, and other corporate committees

7.1.1 Board of Directors

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

At the general meeting of shareholders, the Board members are elected to serve for a term of two years from the time of election. There are presently six Board members including the Chair. The Board members consist of Lawrence John Ciaccia (Chair), Deborah Lee Davis, Annika Olsson Roth, Morten Opstad, Adriana Saitta and Stephen Andrew Skaggs. All members of the Board of Directors were elected for a term of two years at the Annual General Meeting on 23 May 2023.

Lawrence (Larry) John Ciaccia, Chair

Mr. Ciaccia has served on the Board of IDEX since May 2015 and was appointed as Deputy Chair in May 2019. Mr. Ciaccia was appointed Chair at the Annual General Meeting in 2023. He has broad expertise from the semiconductor industry, most notably playing a pivotal role in transforming AuthenTec, Inc. from a start-up into the world's leading fingerprint sensor supplier. Mr. Ciaccia served as AuthenTec, Inc's CEO from September 2010 until the company's acquisition by Apple Inc. in October 2012. He remained with Apple Inc. through February 2013 to assist in the acquisition integration and transition. Mr. Ciaccia was born in 1958, is a United States citizen and maintains a business address at 187 Ballardvale Street, Suite A260, Wilmington, Massachusetts, 01887, USA.

Deborah Lee Davis, Board member

Ms. Davis has served on the Board of IDEX since May 2015. Ms. Davis is independent of the Company's executive management, material business contacts, and larger shareholders. Ms. Davis serves on the boards of directors of International Personal Finance Plc, The Institute of Directors, Diaceutics plc, and Lloyds Banking Group Insurance Board. She also serves as a trustee of the Southern African Conservation Trust in South Africa. During her career, she held senior executive leadership roles at PayPal, eBay, Verizon, and Symantec. Ms. Davis holds 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. She also holds a Diploma in Company Direction with distinction from The Institute of Directors. Ms. Davis was born in 1963, is a dual citizen of Australia and the United Kingdom, and maintains a business address at Abbey House, 282 Farnborough Road, Farnborough GU14 7NA, United Kingdom.

Annika Olsson Roth, Board member

Ms. Olsson has served on the Board of IDEX since May 2021. Ms. Olsson is independent of the Company's executive management, material business contacts, and larger shareholders. Ms. Olsson is the CEO of Ekspres Bank A/S, a unit of the BNP Paribas Group. During her 20-year career in consumer financial services, Ms. Olsson has held various executive positions. Before joining Ekspres Bank A/S in 2010, she served as Commercial Director for Resurs Bank, a leader in retail finance in the Nordic region. Ms. Olsson also serves on the board of directors of Finans & Leasing (the Association of Danish Finance Houses). She holds a B.S. in finance and marketing from IHM Business School. Ms. Olsson was born in 1976, is a Swedish citizen and maintains a business address at Oldenburg Allé 3, DK-2630 Taastrup, Denmark.

Morten Opstad, Board member

Mr. Opstad has served as chair of the Board in IDEX from March 1997 until the Annual General Meeting in 2023, at which time Mr. Opstad became a Board member. He is a partner in Advokatfirmaet Ræder AS in Oslo, Norway. He has rendered legal assistance with respect to establishing and organizing several technology and innovation companies within this line of business. He is board member in Ensurge Micropower ASA, a publicly listed technology company (where he served as Chair for a number of years until May 2023). His directorships over the last five years include current Board positions in Nikki AS (Chair), Marc O Polo Norge AS (Chair), Dobber Corporation AS (Chair), K-Konsult AS (Chair), Bikeloop AS (Chair), Forenede Industrier Finans AS (Board member), Hammerfestgaten 1 AS (deputy), and Chaos Capital AS (deputy). He previously served as Chair of the Board of Directors in Cxense ASA and Advokatfirmaet Ræder AS, in addition to previous directorships in Fileflow Technologies AS, Solli Consultants I AS, and A. Sundvall 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, is a Norwegian citizen and maintains a business address at Dronning Eufemias gate 11, NO-0191 Oslo, Norway.

Adriana Saitta, Board member

Ms. Saitta has served on the Board of IDEX since May 2023, and was elected as Board member at the 2023 Annual General Meeting. Ms. Saitta is independent of the Company's executive management, material business contacts, and larger shareholders. Ms. Saitta has extensive experience in the banking and business sector, both as a board member and in executive positions. She was from 2015 to 2023 the General Manager of Intesa Sanpaolo Paris, a business operating in the large corporate business in France. She is currently, and has been since 2020, an independent board member at Covivio Hotels, a listed European investment and development company. Ms. Saitta has formerly been an independent board member at Beni Stabili (Groupe Covivio), located in Italy, chair of the supervisory board at Intesa Sanpaolo Card d.o.o., located in Croatia, and chair of the supervisory board at Consumer Finance Holding, located in Slovakia. In addition, Ms. Saitta has held several other positions within the Intesa Sanpaolo system, prior to this she was Associate Principal at McKinsey. She graduated summa cum laude with a bachelor's degree in business administration from Università Commerciale Luigi Bocconi in 1994, and with a master in business administration from INSEAD in 1998. Ms. Saitta is an Italian citizen, resides in France, and maintains a business address at 5 Avenue Bosquet, F-75007 Paris, France.

Stephen (Steve) Andrew Skaggs, Board member

Mr. Skaggs has served on the Board of IDEX since May 2019. Mr. Skaggs is independent of the Company's executive management, material business contacts, and larger shareholders. Mr. Skaggs has more than 25 years of experience in the semiconductor industry and most recently served as Senior Vice President and CFO of Atmel Corporation, a leading supplier of microcontrollers, prior to its acquisition by Microchip Technology, Inc. in 2016. Mr. Skaggs served as CEO and, earlier, as CFO of Lattice Semiconductor Corporation, a supplier of programmable logic devices and related software. Earlier in his career, he worked for Bain & Company, a global management consulting firm. He currently serves as a non-executive director of Coherent Corporation, a global leader in engineered materials, optoelectronics and lasers. Mr. Skaggs holds a B.S. in Chemical Engineering from the University of California, Berkeley, and an M.B.A. from the Harvard Business School. Mr. Skaggs was born in 1962, is a United States citizen, and maintains a business address at 187 Ballardvale Street, Suite A260, Wilmington, Massachusetts, 01887, USA.

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

The Board has appointed an Audit Committee and a Compensation Committee. As of the date of this Prospectus, the Audit Committee consists of Steve Skaggs, chair, and Deborah Davis. The Compensation Committee consists of Deborah Davis, chair, and Larry Ciaccia. Note, following the Annual General Meeting on 23 May 2023, the Board will reconsider the composition of its committees, and will need to elect one or two supplemental members of the Audit Committee.

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

7.1.2 Management

Vincent (Vince) Graziani, Chief Executive Officer

Mr. Graziani has served as IDEX’s Chief Executive Officer (“CEO”) since February 2020. He joined IDEX from Infineon Technologies, for which he was most recently Vice President of Strategy Development and Implementation, with responsibility for leading new business development and strategic partnerships. Mr. Graziani has also led technology companies from the pre-revenue stage to significant revenues and scale while serving as CEO of Sand 9, Vbrick Systems, and Sandburst. Earlier in his career, he held positions of increasing responsibility in engineering as well as marketing and sales at Intel, Broadcom, and Siemens Semiconductor. Mr. Graziani holds a B.S. in Electrical Engineering from the University of New Hampshire and a M.S. in Electrical Engineering from Northeastern University. Mr. Graziani is a US citizen and maintains a business address at 187 Ballardvale Street, Wilmington, Massachusetts 01887, USA.

Eileen Wynne, Interim Chief Financial Officer

Ms. Wynne has served as IDEX’s Interim Chief Financial Officer (“CFO”) since August 2022. Prior to August 2022, Ms. Wynne provided interim and part-time accounting and finance services to businesses, including IDEX. From December 2020 until August 2022, Ms. Wynne provided consulting services to IDEX. Prior to joining us, and from May 2013 to June 2019, Ms. Wynne served as Vice President and Chief Accounting Officer of Analog Devices, Inc. (NASDAQ: ADI) where she was responsible for ADI’s accounting processes and controls globally. From March 2017 to September 2017, Ms. Wynne served as interim Chief Financial Officer of Analog Devices, Inc. Before 2013, Ms. Wynne held various corporate accounting roles within Analog Devices, Inc. and was an audit manager for Grant Thornton, LLP. Ms. Wynne also serves on the board of directors of Monolithic Power Systems, Inc. Ms. Wynne holds a B.A. from Saint Anselm College and an M.S.A. in Accounting from Bentley University. Ms. Wynne is a US citizen and maintains a business address at 187 Ballardvale Street, Wilmington, Massachusetts 01887, USA.

Catharina Eklof, Chief Commercial Officer

Ms. Eklof has served as IDEX’s Chief Commercial Officer (“CCO”) since June 2021. Prior to joining IDEX, Ms. Eklof held the position as Chief Commercial Officer at Defentry, a cyber safety solutions provider, for which she led market and sales, leading the company’s international expansion. Ms. Eklof has over 20 years of experience as a global executive leading business transformation across financial services, retail, travel, and information security. Notably, she had roles of increasing responsibility over 12 years with Mastercard. She was instrumental in establishing Mastercard’s global strategic merchant program, bringing digital payment solutions and new, data-driven business models to the organization. Ms. Eklof serves on the board of directors of Avanza Bank Holding AB (Nasdaq Stockholm: AZA). Ms. Eklof holds an M.B.A. in International Business and a M.S. in Economics from the University of Uppsala, Sweden, resides

and works in Belgium and maintains a business address at Dronning Eufemias gate 16, 0191 Oslo, Norway.

Anthony Eaton, Chief Technology Officer

Mr. Eaton has served as IDEX’s Chief Technology Officer (“CTO”) since March 2019. Mr. Eaton served as our Vice President of Systems Engineering from February 2017 to February 2019, and our Senior Director of Engineering from August 2016 to January 2017. Prior to joining us, 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. Earlier, Mr. Eaton held senior engineering roles at NVIDIA Corporation, Mirics Semiconductor, Inc. and Sony Semiconductor Solutions Group. Mr. Eaton holds Bachelor’s and Master’s degrees in Engineering from Cambridge University, is a British citizen and maintains a business address at Abbey House, 282 Farnborough Road, Farnborough GU14 7NA, United Kingdom.

7.2 Conflict of interest

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

Larry Ciaccia, deputy chair, has served on IDEX’s Strategy Advisory Counsel (“SAC”) since January 2014. The SAC was discontinued effective June 30, 2022. From time to time, Mr. Ciaccia also provides consulting services to IDEX. The fees paid to Mr. Ciaccia for his services totaled \$ 58,000 in 2022.

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

Name	Title	Shares	Subscription Rights
Lawrence Ciaccia	Chair Board	415,021	600,000
Deborah Davis	Member Board	564,479	0
Annika Olsson	Member Board	52,631	0
Morten Opstad	Member Board	7,398,916	0
Adriana Saitta	Member Board	0	0
Stephen Skaggs	Member	1,018,053	0

Vincent Graziani	CEO	1,729,411	7,420,800
Eileen Wynne	Interim CFO	0	0
Anthony M. Eaton	CTO	284,639	2,710,300
Catharina Eklof	CCO	89,684	2,210,300
TOTAL		12,309,472	12,941,400

CEO Vince Graziani and CTO Anthony Eaton participated in the Company's 2021 and 2022 Employee Share Purchase Plans (ESPP) and acquired the following shares during 2022: Vince Graziani acquired 52,446 shares on 1 March 2022 at NOK 1.70 per share, and 133,565 shares on 1 September 2022 at 0.73 per share, and Anthony Eaton acquired 19,683 shares on 1 March 2022 at NOK 1.70 per share. In 2023, Vince Graziani acquired 145,121 shares on 1 March 2023 at NOK 0.71 per share.

On 12 May 2022, CEO Vince Graziani acquired 3,000 ADSs, which represent 225,000 ordinary Shares in the Company, at an average price of USD 9.26 per ADS.

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

7.3 Convictions for fraudulent offences, bankruptcy, etc.

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

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

8 FINANCIAL INFORMATION

8.1 Overview and basis of presentation

The financial information in the summary has been extracted from the Group’s audited consolidated financial statements as of and for the year ended 31 December 2022 (the “**Financial Statements**”), including comparison numbers as of and for the year ended 31 December 2021 included in those Financial Statements, and the unaudited consolidated interim financial statements as of 31 March 2023 and 31 March 2022, for the three months’ periods ended 31 March 2023 and 31 March 2022 (the “**Interim Financial Statements**”, together referred to as the “**Financial Information**”). The Financial Information is incorporated herein by reference (see Section 14.5 “*Incorporation by reference*”).

The Company prepares its Consolidated Financial Statements in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”) and IFRS as endorsed by the European Union and the Norwegian Accounting Act of 17 July 1998 no 56 (“**Norwegian Accounting Act**”). The Interim Financial Statements have been prepared in accordance with the International Accounting Standard 34 - Interim Financial Reporting (“**IAS 34**”). The Interim Financial Statements do not include all the information and disclosures required in full-year Financial Statements and should be read in conjunction with the Financial Statements.

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

8.2 Auditor and information subject to audit

The Group’s auditor, Ernst & Young AS, as stated in Section 14.2, has audited the Financial Statements for the financial year 2022. The auditor’s opinion for 2022 included a matter of emphasis related to going concern:

“We draw attention to Note 2 in the consolidated financial statements and Note 1 in the parent company separate financial statements. As discussed in the Notes, the Company has incurred significant losses and negative cash flows from operations. Management’s evaluation of the events and conditions and management’s plans regarding these matters are also described in the Notes. These events or conditions, along with other matters as set forth in the Notes, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.”

The auditor’s reports are included in the Financial Statements. As for the interim financial report as of 31 March 2023, Ernst & Young AS has not audited, reviewed or produced any report on the Interim Financial Statements, or any other information provided in this Prospectus.

8.3 Significant changes since 31 December 2022

With exception of the Private Placement, there have not been any significant changes in the financial performance or financial position of the Group since 31 December 2022 and until the date of this

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

Further, to the best of the Company's knowledge and belief, there have been no material changes in recent trends as regards the operations of the Group since 31 December 2022 and until the date of this Prospectus.

8.4 Investments

The Group invested USD 0.3 million in property, plant and equipment in 2022. The new assets comprised of scientific and test equipment, engineering tools, leasehold outfitting, office equipment and furniture with useful lives of 3 to 7 years, as well as new or extended financial leases of office and laboratory space. No significant investments have been made between 31 December 2022 and the date of this Prospectus. There are no significant fixed assets ordered at the date of this Prospectus. The Group does not have any firm plans or obligations to make significant future investments in tangible or intangible assets, or financial assets. IDEX acknowledges that in order to ramp production, it may need to invest in certain bespoke manufacturing and test equipment to be placed on manufacturing partners' sites.

The future development activities to progress the technology and product roadmap will be conducted by the Group, its production partners and various technical and academic laboratories and institutions. The future programs are committed only insofar as the staff has been employed and hired. External assignments to providers of development services are normally for shorter periods than 12 months and included in the Group's budget. Such activities will be expensed unless the results satisfy the criteria for capitalization. There is little or no basis for estimating whether the results of future development projects will satisfy the criteria for capitalization. The Group has therefore not capitalized any development expenses in 2022 or 2021.

Please refer to section 9.2 "Working capital statement" regarding funding of future development activities and investments.

8.5 Dividend policy

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

IDEX has not to date declared or paid any dividends on its Shares and does not anticipate paying any cash dividends for 2023 or the next few years. IDEX intends to retain future earnings to finance operations and the expansion of its business. Any future determination to pay dividends will depend on the Company's financial condition, results of operations and capital requirements.

9 CAPITAL RESOURCES AND INDEBTEDNESS

9.1 Capitalization and indebtedness of the Group

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

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

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

The following tables have been derived from the consolidated Interim Financial Statements of the Group as of 31 March 2023. With exception of the Private Placement, there have not been any significant changes in the financial performance or financial position of the Group since 31 March 2023 and until the date of this Prospectus. The tables set forth the Group's capitalization and indebtedness per 31 March 2023 and adjusted for the New Shares, which is the only material change to the Group's capitalization and indebtedness position.

9.1.1 Capitalization and indebtedness

Capitalization and indebtedness				
Amounts in USD 1,000	Note	31 March 2023 (unaudited)	Adjustments (unaudited)	As adjusted (unaudited)
Total current debt (including current portion of non-current debt)		4 461	617	5 077
Guaranteed		-	-	-
Secured		-	-	-
Unguaranteed / Unsecured	1	4 461	617	5 077
Total non-current debt (excluding current portion of non-current debt)		1 254	-	1 254
Guaranteed		-	-	-
Secured		-	-	-
Unguaranteed / Unsecured		1 254	-	1 254
Shareholder equity		15 980	10 791	26 771
Share capital	2	22 800	2 013	24 813
Legal reserve(s)	3	315 658	8 778	324 436
Other reserves	4	-322 477	-	-322 477
Total		21 695	11 408	33 103

1. The increase in debt reflects costs related to the Private Placement on 24 May 2023.

2. The increase in share capital is share capital in Tranche One' of the Private Placement on 24 May 2023.
3. The increase in legal reserve (share premium) is net additional proceeds from Tranche One of the Private Placement on 24 May 2023.
4. Other reserves include retained earnings (losses).

9.1.2 Net financial indebtedness

<i>Consolidated net financial indebtedness</i>				
Amounts in USD 1,000	Note	31 March 2023 (unaudited)	Adjustments (unaudited)	As adjusted (unaudited)
A. Cash	1	7 381	11 408	18 789
B. Cash equivalents		-	-	-
C. Other current financial assets		2 134	-	2 134
D. Liquidity (A + B + C)		9 516	11 408	20 923
E. Current financial debt (including debt instruments, but excluding current portion of non-current financial debt)	2	4 181	617	4 797
F. Current portion of non-current debt		280	-	280
G. Current financial indebtedness (E + F)		4 461	617	5 077
			-	
H. Net current financial indebtedness (G - D)		-5 055	-10 791	-15 846
I. Non-current financial debt (excluding current portion and debt instruments)		-	-	-
J. Debt instruments		-	-	-
K. Non-current trade and other payables		1 254	-	1 254
L. Non-current financial indebtedness (I + J + K)		1 254	-	1 254
M Net financial indebtedness (H + L)	3	-3 800	-10 791	-14 592

1. The increase in cash is gross proceeds from the Private Placement on 24 May 2023.
2. The increase in debt reflects costs related to the Private Placement on 24 May 2023.
3. Negative sign on lines H and M means the company has a net favorable cash position at the date.

9.2 Working capital statement

The Company is of the opinion that the working capital available to the Group after the Private Placement is not sufficient for its present requirements for a period of at least 12 months from the date of this Prospectus.

There are a number of factors impacting the Company's ability to secure sufficient working capital for at least 12 months of operation from the date of the Prospectus:

- Current solvency as outlined in Section 9.1 Capitalization and indebtedness of the Group
- Cash flow from planned operations and investments for the next 12 months
- The possibility of obtaining co-funding from joint development agreements with other companies, and earning revenue from so-called non-recurring engineering activities. As outlined in Section 2 Risk factors, the timing and rate of revenue increase is dependent on factors that are outside of the Company's control and therefore uncertain.

- The possibility of increasing product revenues in 2023 and into 2024. As outlined in Section 2 Risk factors, the timing and rate of revenue increase is dependent on factors that are outside of the Company’s control and therefore uncertain.

IDEX anticipates that the Group will continue to incur operating losses and consume cash through 2023 and into 2024. Because IDEX intends to continue pursuing the Company’s product and business strategy and to rapidly grow its revenue, IDEX anticipates that additional capital will be required also for the funding of increased working capital requirements.

Without taking other measures than already planned, the Group’s working capital is expected to be depleted before the end of the fourth quarter of 2023. At 12 months from the date of this prospectus, the shortfall will be about USD 11.9 million.

IDEX plans to raise sufficient funding in due course by private placement(s) of shares or rights issue(s). The transaction details will be decided closer to the event, based on advice from the Company’s financial advisers and capital market conditions at the time. IDEX has been able to raise funds through private placements of shares in the past. During 2022, IDEX raised USD 15.1 million through private placements, and IDEX raised approximately USD 11.5 million in the Private Placement resolved on 24 May 2023, Tranche Two of which remains subject to approval by the Extraordinary General Meeting to be held on 16 June 2023.

While the Company has been successful in the past in raising funds through private placements of shares, there is no assurance that IDEX will be successful in the future. If or when it should become clear that adequate funding cannot be obtained, the Board will need to consider and implement strategic options like restructuring, sale, or controlled closure of the Group’s activities, disposal of assets and dissolution of the Company.

10 CORPORATE INFORMATION AND DESCRIPTION OF SHARE CAPITAL

10.1 Company corporate registration

The Company's registered name is IDEX Biometrics ASA. Commercially the Company is often referred to as "IDEX" or "IDEX Biometrics". The Company is organized as a public limited liability company in accordance with the Norwegian PLCA. The Company's legal entity identifier (LEI) is 5967007LIEEXZXHECW11.

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

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

10.2 The Shares and the share capital

The Company's Shares have been listed on Oslo Stock Exchange since 11 May 2015 under the ticker symbol IDEX..

Since 1 March 2021, IDEX has had ADSs listed and traded on the Nasdaq Stock Market, under the symbol "IDBA", each ADS representing 75 ordinary shares of the Company.

Other than the foregoing, IDEX's Shares or other securities are not listed on any other regulated marketplace and IDEX does not intend to seek such listing.

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

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

10.3 Board authorizations to issue shares

On 23 May 2023, the Annual General Meeting approved a board authorization to issue new shares for purposes of private placements and/or rights issues with a maximum total nominal value of NOK 17,534,623.80 (representing 10% of the share capital of the Company at the time of the authorization), i.e. a maximum of 116,897,492 new shares at NOK 0.15. The authorization was fully utilized by the Board on 24 May 2023 when the Board resolved Tranche One of the Private Placement and the issuance of Tranche One Shares.

On 16 June 2023, an Extraordinary General Meeting approved a board authorization to issue new shares for purposes of private placements and/or rights issues with a maximum total nominal value of NOK 19,740,506.16 (representing 10% of the share capital of the Company following the

completion of the Private Placement), i.e. a maximum of 131,603,374 new shares at NOK 0.15. As of the date of this Prospectus, the authorization has not been used.

A board authorization to issue new shares for purposes of the 2022 Employee Share Purchase Plan was approved on the 2022 Annual General Meeting on 12 May 2022, with a maximum total nominal value of NOK 7,594,114.91 (representing 5% of the registered share capital of the Company at the time of the authorization), i.e. a maximum of 50,627,432 new shares at NOK 0.15 (the “**2022 ESPP Authorization**”). The authorization is valid until 30 September 2023.

On 23 May 2023, the Annual General Meeting approved a board authorization for purposes of the 2023 Employee Share Purchase Plan, with a maximum total nominal value of NOK 8,767,311.90 (representing 5% of the registered share capital of the Company at the time of the authorization), i.e. a maximum of 58,448,746 new shares at NOK 0.15 (the “**2023 ESPP Authorization**”). The authorization is valid until 30 September 2024.

The 2022 ESPP Authorization and the 2023 ESPP Authorization may be used in connection with issuances of shares in the Company to employees in the Company or any of its Subsidiaries under the terms and conditions of the 2022 Employee Share Purchase Plan and the 2023 Employee Share Purchase Plan, respectively, whereby such employees may convert a certain portion of the employee’s cash remuneration from the Company or its Subsidiaries to shares in IDEX. The number of shares that may be issued to the employee shall under both plans be calculated based on the lowest of (i) the closing price of the shares, as reported by Oslo Stock Exchange, on the first day of the applicable contribution period, as determined in the Plan documents (or the first trading day immediately preceding the first day in such contribution period, if the first day is not a trading day), and (ii) the closing price of the share, as reported by Oslo Stock Exchange, on the last trading day of the applicable contribution period, with, at the Board’s discretion, a discount of, at a maximum, 15% from such subscription price. For US employees and with respect to applicable US tax regulation, the subscription price may not be less than 85% of the lower of the fair market value (as determined in a manner consistent with US tax regulation) on the first day of the applicable contribution period and the last day of the applicable contribution period.

The 2022 ESPP Authorization and the 2023 ESPP Authorization do not comprise share capital increases in connection with mergers, cf. Section 13-5 of the PLCA. The subscription price may be paid by way of non-cash consideration pursuant to Section 10-2 of the PLCA. The Board was also authorized to decide upon the other subscription terms. The new shares which may be subscribed for according to the authorizations shall have rights to dividends declared subsequent to the subscriber having paid the subscription price and the associated share capital increase having been registered in the Company Registry. In other respects, the shares shall have shareholder rights from the time of issuance, unless the Board otherwise determines.

The 2022 ESPP Authorization was registered in the Company Registry on 31 May 2022. The 2023 ESPP Authorization was registered in the Company Registry on 7 June 2023.

As of the date of this Prospectus, NOK 397,250.40 has been used of the 2022 ESPP Authorization. The 2023 ESPP Authorization has not been used.

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

10.4 Board authorization to acquire own shares

On the Annual General Meeting held on 23 May 2023, the shareholders approved a board authorization to acquire the Company's own shares, through ownership or charge, for a total nominal value of NOK 17,534,623.80 (representing 10% of the Company's share capital at the time of the authorization), i.e. a maximum of 116,897,492 shares at NOK 0.15.

If the Company acquires own shares in accordance with the authorization, the price per share to be paid by the Company shall be minimum NOK 0.15 and maximum equal to the closing price per share, as reported by Oslo Stock Exchange, as of the close of trading on the day the offer of acquisition is made; provided, however, that the amount shall not exceed the amount of NOK 1,000 per share. The Board is authorized to decide upon the manner and terms of the acquisition, disposition, transfer and sale of own shares, while, however, taking into consideration the statutory requirement of equal treatment of shareholders. The authorization is valid until the 2024 Annual General Meeting, but no later than 30 June 2024.

10.5 Subscription Rights and other Financial Instruments

10.5.1 Subscription Rights

At the 23 May 2023 Annual General Meeting, the shareholders adopted an incentive subscription rights plan available for employees in the Company and its Subsidiaries, and to individual contractors performing similar work (the “**2023 Plan**”). The Company has had annual corresponding subscription right plans for the years 2019 (the “**2019 Plan**”), 2020 (the “**2020 Plan**”), 2021 (the “**2021 Plan**”) and 2022 (the “**2022 Plan**”). Upon adoption of a new plan, the former plans have been closed for further grants.

To enable four years vesting period, IDEX renews its subscription right plans each year at the Annual General Meetings, whereby the preceding plan is closed for new grants when the new plan takes effect. The maximum number of Subscription Rights, which may be issued under the 2023 Plan, is 116,897,492 Subscription Rights; provided, however, that the maximum number of Subscription Rights that may be outstanding under all the plans may not collectively exceed 10 % of the registered number of shares in the Company at any given time.

Upon vesting, each Subscription Right entitles the holder to demand the issuance of one share in IDEX. As consideration for the shares to be issued in the Company upon exercise of the Subscription Rights issued under the 2023 Plan, the holder of the Subscription Rights shall pay to the Company a price per share, which at least shall equal the greater of (i) the average closing price on the Company's share, as reported on Oslo Stock Exchange, over a period of 10 (ten) trading days immediately preceding the date of grant of the Subscription Right, and (ii) the closing price of the Company's share, as reported by Oslo Stock Exchange, on the trading day immediately preceding the date of grant of the Subscription Rights. Notwithstanding the foregoing, if the Subscription Right holder is an owner of 10 % or more of the Company's Shares, in the case of a grant which is an “*Incentive Stock Option*” under the US Internal Revenue Code, the exercise price shall be not less than at least 110 % of the greater of (i) the average closing price of the Company's Share reported by Oslo Stock Exchange over ten trading days immediately preceding the date of grant of the Subscription Rights

and (ii) the closing price of the Company’s Share reported by Oslo Stock Exchange on the trading day immediately preceding the date of grant of the Subscription Rights.

In particular circumstances, subject to the Board’s discretion, the Subscription Right price per Share may be lower than stated above; provided that the price per Share shall not be less than the par value per Share at any given time. The maximum number of Shares that may be issued with a lower price per share, shall not exceed 11,689,749 Shares. The Subscription Rights under the 2023 Plan will expire five years after the resolution by the 2023 Annual General Meeting implementing the 2023 Plan.

The Subscription Rights shall become exercisable in installments during the individual’s period of employment or service and will be subject to earlier termination if the individual is no longer employed or retained by IDEX or any of its Subsidiaries. The Subscription Rights vest 25% each year, beginning one year after the vesting commencement date, being the latest of the following dates preceding a grant: i) 15 January, ii) 15 April, iii) 15 July or iv) 15 October. The Board may determine an accelerated vesting schedule, if deemed appropriate. The 25% per year vesting is chosen as it balances the short-term incentives and the long-term attractiveness. In case the subscription right holder is terminated for cause, all vested and non-exercised Subscription Rights will expire on the date of termination. In case the subscription right holder resigns or is terminated, without cause, he or she will be entitled to exercise, within three months after end of employment or service, the subscription rights that were vested at the end of the employment or service notice period. The Subscription Rights are non-assignable other than by will or by the laws of descent and distribution. The terms and conditions for vesting and exercise of subscription rights under the 2019 Plan, 2020 Plan, 2021 Plan, and 2022 Plan are substantially the same as the terms and conditions under the 2023 Plan.

In order for the 2023 Plan to qualify under the US Tax Code, the plan document was approved by the Company’s shareholders on the Extraordinary General Meeting held on 23 May 2023.

As of the date of this Prospectus, there are 84,515,381 outstanding Subscription Rights in the Company. If all the issued and outstanding Subscription Rights are exercised, IDEX’s share capital will increase by NOK 12,677,307.15.

10.5.2 Other Financial Instruments

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

10.6 The Employee Share Purchase Plans

In accordance with the 2022 ESPP Authorization and the 2023 ESPP Authorization, as described in Section 10.3 above, the Company has in place employee share purchase plans, in which the employees of the Company or any of its Subsidiaries, for such period as determined by the Board, may convert a certain portion of the employee’s cash remuneration from the Company or its Subsidiaries to shares in IDEX (the “ESPP”).

The ESPP is structured around two contribution periods a year, each of six (6) calendar months, each starting on the first day of the calendar month following each planned public disclosure on Oslo Børs of the half-yearly and fourth quarter financial results of the Company, respectively. The Company’s

2022 ESPP Authorization applies to the contribution period March through August 2023, and the 2023 ESPP Authorization will apply to the contribution periods September 2023 through February 2024 and March through August 2024. During the contribution period, a fixed amount (maximum 20% of the employees' gross base salary) is withheld from the employees' salary. The employees may sign up to participate in the ESPP from the date of a public disclosure of a half-yearly or fourth quarter financial results until the date before the commencement of a contribution period following such disclosure. Unless the employee explicitly withdraws from the ESPP, the employee's participation in the plan is automatically renewed for the same amount for subsequent contribution periods.

The share price for shares acquired by employees under the ESPPs is explained in Section 10.3 above.

10.7 Major shareholders

Pursuant to the Norwegian Securities Trading Act, shareholders that obtain holdings of shares that exceed 5% of the Company's share capital or a corresponding portion of the votes, have an interest in the issuer's capital or voting rights which is notifiable. As of the date of the Prospectus¹⁹, the following registered shareholders have holdings in excess of the statutory thresholds for disclosure requirements. Note: The list may include nominee shareholders, which holding may belong to one or more beneficial owners. In case of nominee shareholders, the disclosure requirement applies to the beneficial owner of the Shares. The list below includes the Tranche One Shares, but not the Tranche Two Shares.

Name of registered shareholder	Number of Shares	%
Sundt AS	66,629,424	5.18 %

On 6 June 2023, Sundt AS disclosed holding of 94,572,472 Shares, representing 7.4% of the share capital following Tranche One of the Private Placement. Sundt AS has subscribed to 2,218,284 Tranche Two Shares, and has temporarily lent 30,161,332 Shares in connection with the settlement of the Tranche Two Shares.

On 6 June 2023, Robert Napier Keith disclosed that Mr. Keith and close relations held 115,873,873 shares or rights to shares, equivalent to 12.3% of the total outstanding shares and votes in the Company, based on the share capital after completion of Tranche One of the Private Placement. Mr. Keith has subscribed to 3,334,201 Tranche Two Shares.

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

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

¹⁹ The overview is based on data from the VPS as of 26 June 2023.

11 SHAREHOLDER MATTERS AND COMPANY AND SECURITIES LAW

11.1 Introduction

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

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

11.2 Voting rights

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

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

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

In general, under Norwegian law, only shareholders registered in the VPS have been entitled to vote for shares. Beneficial owners of shares that are registered in the name of a nominee have generally not been entitled to vote for shares under Norwegian law, nor have persons who have been designated in the VPS register as the holders of such nominee-registered shares. Readers should note that there have been varying opinions as to the interpretation of Norwegian law in respect of the right to vote nominee-registered shares, and that the legal status on this point, currently in force, is unclear. Readers should also note that the Norwegian Parliament has passed new legislation on the topic, which will enter into force on 1 July 2023. The introduced legislation will both affirm the right to attend and vote on general meetings for holders of nominee-registered Shares, and in addition make it easier for holders of such Shares to exercise this right.

11.3 Additional issuances and preferential rights

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

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

11.4 Dividends

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

In the amount that may be distributed, a deduction shall be made for (i) the aggregate nominal value of treasury shares that the company has acquired as pledge created by an agreement before the balance day, with an amount equivalent to the accounts receivable secured by the pledge (but this shall however not apply if a deduction has been made for the accounts receivable in accordance with (ii) below), (ii) credit and collateral pursuant to Sections 8-7 to 8-10 of the PLCA, with the exception of credit and collateral repaid or settled prior to the time of decision or credit which is settled by a netting in the dividend and (iii) other dispositions after the balance sheet date which pursuant to law shall lie within the scope of the funds that the Company may use to distribute dividend. Even if all other requirements are fulfilled, the Company may only distribute dividend to the extent that it after the distribution has a sound equity and liquidity.

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

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

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

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

11.5 Rights on liquidation

Under the PLCA, a company may be liquidated by a resolution in a general meeting of the Company passed by a two thirds majority of the aggregate votes cast as well as two thirds of the aggregate share capital represented at such meeting. It is assumed that if a company is insolvent, it cannot be dissolved under the PLCA. The Shares rank *pari passu* in the event of a return on capital by the Company upon a liquidation or otherwise.

11.6 Disclosure obligations

If a shareholder's proportion of the total issued shares in a company listed on a regulated market in Norway (with Norway as its home state, which will be the case for the Company) reaches, exceeds or falls below the respective thresholds of 5%, 10%, 15%, 20%, 25%, 1/3, 50%, 2/3 or 90% of the share capital or the voting rights of that company, as a result of acquisition, disposal or other circumstances, the shareholder in question has an obligation under the Norwegian Securities Trading Act to notify the Financial Supervisory Authority (Finanstilsynet) or the person designated by the Financial Supervisory Authority, as well as the issuer. The lending and borrowing of shares and the return and receipt of borrowed shares shall be regarded as acquisition and disposal in this context.

The notification requirements apply accordingly to those who directly or indirectly hold, acquire, or dispose of certain financial instruments which give the holder a right to acquire already issued shares, including, *inter alia*, derivatives.

Holdings must be consolidated with, *inter alia*, the holdings of third parties with whom the party, subject to the notification requirements, has an agreed joint and long-term strategy regarding the exercise of voting rights, or persons or entities who, according to more detailed criteria, are controlled by the party.

11.7 The VPS and transfer of Shares

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

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

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

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

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

11.8 Shareholder register

Under Norwegian law, shares are registered in the name of the beneficial owner of the shares. Norwegian shareholders are not allowed to register their shares in VPS through a nominee. Foreign shareholders may, however, register their shares in the VPS either in their own name or in the name of a nominee (bank or other nominee) approved by the Financial Supervisory Authority. An approved and registered nominee has a duty to provide information on demand about beneficial shareholders to the company and to the Norwegian authorities. In the case of registration by nominees, the registration in the VPS must show that the registered owner is a nominee. A registered nominee has the right to receive dividends and other distributions, but cannot vote in general meetings on behalf of the beneficial owners. Reference is made to the legislation which has been passed, but which has not yet entered into force, described in Section 11.2, regarding the right to attend and vote on general meetings for holders of nominee-registered Shares.

11.9 Foreign investment in shares listed in Norway

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

11.10 Insider trading

According to Norwegian law, subscription for, purchase, sale or exchange of financial instruments that are listed, or subject to the application for listing, on a Norwegian regulated market, or incitement

to such dispositions, must not be undertaken by anyone who has inside information, pursuant to Articles 7 and 8 of the Market Abuse Regulation, and as implemented in Norway in accordance with Section 3-1 of the Norwegian Securities Trading Act. The same applies to the entry into, purchase, sale or exchange of options or futures/forward contracts or equivalent rights whose value is connected to such financial instruments or incitement to such dispositions.

11.11 Mandatory offer requirement

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

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

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

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

Any person, entity or consolidated group that owns shares representing more than one-third of the votes in a company listed on a Norwegian regulated market (with the exception of certain foreign companies) is obliged to make an offer to purchase the remaining shares of the company (repeated offer obligation) if the person, entity or consolidated group through acquisition becomes the owner of shares representing 40%, or more of the votes in the company. The same applies correspondingly

if the person, entity or consolidated group through acquisition becomes the owner of shares representing 50% or more of the votes in the company. The mandatory offer obligation ceases to apply if the person, entity or consolidated group sells the portion of the shares which exceeds the relevant threshold within four weeks of the date on which the mandatory offer obligation was triggered.

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

11.12 Compulsory acquisition

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

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

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

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

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

11.13 Foreign exchange controls

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

12 LEGAL MATTERS

12.1 Legal and arbitration proceedings

The Group is not involved in any governmental, legal or arbitration proceedings, nor is the Company aware of any such pending or threatened proceedings, nor has the Group during a period covering the previous 12 months been involved or threatened to be involved in any governmental, legal or arbitration proceedings, which may have or have had any significant effects on the Company or Group's financial position or profitability.

12.2 Related party transactions since 31 December 2022 and until the date of this Prospectus

There are no unusual or significant transactions with any senior managers in the Group or with any Subsidiaries in the group. Payroll and intra-group transactions have been conducted as per normal procedures.

Reference is made to the description in Section 7.2 of Morten Opstad, chair until 23 May 2023 and board member as of that date. Mr. Opstad is a partner in Advokatfirma Ræder AS. Advokatfirmaet Ræder AS provides services to the Company on an ongoing basis. In the period 1 January 2023 through 31 May 2023, IDEX has been invoiced approximately NOK 700 thousand for legal services provided by Advokatfirmaet Ræder AS. A limited part of the services invoiced by Advokatfirmaet Ræder AS have been provided by Mr. Opstad.

Reference is further made to the description in Section 7.2 of Larry Ciaccia, board member until 23 May 2023 and chair as of that date. Mr. Ciaccia also provides consulting services to IDEX beyond board duty. The fees paid to Mr. Ciaccia for his services 1 January 2023 through 31 May 2023 amounted to \$21 thousand.

In connection with the Private Placement conducted in the Company, IDEX entered into a share lending agreements with three shareholders in order to facilitate settlement of the new shares in the Private Placement. Each lender will receive a fee equaling 5% per annum of the sum of the subscription price per new share in the Private Placement multiplied by the number of borrowed shares lent by the respective lender, for the period the shares were lent. In total, the Company will pay approximately NOK 70 thousand under the share lending agreement of which approximately NOK 7 thousand paid to Alden AS, approximately NOK 49 thousand to Sundt AS, and approximately NOK 14 thousand to Mr. Robert N. Keith.

Other than the above-mentioned transactions, the Company has not, as of the date of this Prospectus, entered into any other related party transactions since 31 December 2022.

13 TAXATION

13.1 General

Set out in this chapter 13 is a summary of certain tax matters related to purchase, holding and disposal of shares. The statements herein are, unless otherwise stated, based on the laws, rules and regulations in force in Norway as of the date of this Prospectus, and are subject to any changes in law occurring after such date. Such changes could possibly be made on a retrospective basis. Tax rates indicated below are applicable for the income year 2023. The tax legislation of the investor's member state in the European Economic Area or country of residence/incorporation and of the Company's country of incorporation may have an impact on the income received from the securities.

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

13.2 Norwegian shareholders

13.2.1 Taxation of dividends – Individual shareholders

Dividends distributed to Norwegian individual shareholders are taxable as general income. The taxable dividend, less a calculated tax-free allowance, will be multiplied by 1.72 which amount is taxed at the general income tax rate of 22% ($22\% \times 1.72$ resulting in an effective tax rate of 37.84%). The tax-free allowance shall be calculated on a share-by-share basis, and the allowance for each share will be equal to the cost price of the share, multiplied by a risk-free interest rate. This risk-free interest rate is set in January of the year following the income year. Any part of the calculated allowance one year exceeding the dividend distributed on the share will be carried forward to the following years and reduce the taxable dividend income. Unused allowance will also be included in the basis for calculating the tax-free allowance later years. The tax-free allowance is calculated for each calendar year and is allocated solely to Norwegian individual shareholders holding shares at the expiry of the relevant income year.

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

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

13.2.3 Taxation on realization of shares – Individual shareholders

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

The capital gain is calculated on the consideration received less the cost price of the share and transactional expenses. The taxable gain, less any unused calculated tax-free allowance, will be multiplied by 1.72, which amount is taxed at the general income tax rate of 22% ($22\% \times 1.72$ resulting in an effective tax rate of 37.84%). The tax-free allowance for each share is equal to the total of any unused tax-free allowance amounts calculated for this share for previous years (ref. “Taxation of dividends – Individual shareholders” above), which exceeded dividends distributed on this share. The calculated tax-free allowance may only be deducted in order to reduce a taxable gain calculated upon the realization of the share and may not be deducted in order to produce or increase a loss for tax purposes.

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

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

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

13.2.5 Taxation related to independent subscription rights – Individual shareholders

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

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

Sale and other transfer of subscription rights is considered as realization for Norwegian tax purposes. A capital gain or loss generated by a Norwegian individual shareholder through a realization of independent subscription rights is taxable or tax deductible in Norway. Such capital gain or loss is generally included in or deducted from the basis for computation of general income in the year of disposal. The general income will be multiplied by 1.72 and taxed at the rate of 22% ($22\% \times 1.72$ resulting in an effective tax-rate of 37.84%).

However, please note that the gains related to independent subscription rights granted to employees as a consequence of their employment will be included in the basis for calculating their salary payments. Such salary payments are subject to taxation at a marginal tax rate of 47.4%. (2023). In addition, the employer will be obligated to pay social security contributions at a rate normally of 14.1%. For annual salary in excess of NOK 750,000 the rate for employer’s social security contributions is 19.1%.

13.2.6 Taxation related to independent subscription rights – Corporate shareholders

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

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

13.2.7 Net wealth tax

The value of shares is included in the basis for the computation of wealth tax imposed on Norwegian

individual shareholders. The marginal wealth tax rate is 1% of the value assessed. The wealth tax rate for wealth over NOK 20 million is 1.1%. The value for assessment purposes for shares on Oslo Børs is 80% (from 1 January 2023) of the listed value as of 1 January in the year of assessment. Norwegian corporate shareholders are not subject to net wealth tax.

13.2.8 Inheritance tax

Effective 1 January 2023, there is no inheritance tax in Norway.

13.3 Non-resident shareholders

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

13.3.1 Taxation of dividends

Dividends distributed to shareholders who are individuals not tax-resident in Norway (“**Non-resident individual shareholders**”), are as a general rule subject to withholding tax at a rate of 25%. The withholding tax rate of 25% is normally reduced through tax treaties between Norway and the country in which the shareholder is resident. The withholding obligation lies with the company distributing the dividends. Note that there are requirements for documentation if the shareholder requests a reduced withholding tax rate. Shareholders in publicly traded companies who hold shares in an account in the VPS, which is registered directly in the shareholder's own name, must submit the documentation to the account agent. Shareholders in publicly traded companies, who have shares registered in an account in the VPS in the name of a nominee, must submit the documentation to the nominee.

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

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

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

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

13.3.2 Taxation on realization of shares or independent subscription rights

Realization of shares or independent subscription rights by a Non-resident individual or corporate shareholder will not be subject to taxation in Norway unless the Non-resident shareholder is holding

the shares or warrants in connection with the conduct of a trade or business in Norway, in which case the tax treatment is as described for Norwegian shareholders.

13.3.3 Net wealth tax

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

13.4 VAT and transfer taxes

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

14 ADDITIONAL INFORMATION

14.1 Auditors

The Company's auditor, who also audits the Group's Financial Statements, is Ernst & Young AS, Stortorvet 7, NO-0155, Oslo, Norway, who has acted as the Company's auditors since being elected at the Extraordinary General Meeting on 13 November 2000. The partners of Ernst & Young AS are members of the Norwegian Institute of Public Accountants. Accordingly, no auditor of the Group has resigned, been removed or failed to be re-appointed during the period covered by the historical financial information discussed herein.

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

14.2 Expert Statements

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

14.3 Third party information

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

14.4 Documents available

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

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

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

14.5 Incorporation by reference

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

The following documents have been incorporated hereto by reference:

Section in the Prospectus	Disclosure Requirements of the Prospectus	Reference document and link
Section 8.1	Audited historical financial information 2022	https://www.idexbiometrics.com/investors/annual-reports/
Section 8.1	Interim financial information Q1 2022	https://www.idexbiometrics.com/investors/interim-results/
Section 8.1	Interim financial information Q1 2023	https://www.idexbiometrics.com/investors/interim-results/

15 DEFINITIONS AND GLOSSARY OF TERMS

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

“ADS”	American Depositary Shares
“ASIC”	Application Specific Integrated Circuit
“Articles of Association”	The Articles of Association of IDEX
“Board”	Board of Directors of the Company
“CCO”	Chief Commercial Officer
“CEO”	Chief Executive Officer
“CFO”	Chief Financial Officer
“Company” or “IDEX”	IDEX Biometrics ASA, the parent company of the IDEX Group
“Company Registry”	The Norwegian Register of Business Enterprises or “Foretaksregisteret”
“CTO”	Chief Technology Officer
“EMV”	Technical standard for smart payment cards and terminals
“ESPP”	The Group’s Employee Share Purchase Plan
“EU Prospectus Regulation”	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017, as incorporated in Norway by Section 7-1 of the Norwegian Securities Trading Act
“Existing Shares”	Existing and unencumbered shares in the Company, listed on Oslo Børs prior to the Private Placement
“FAR”	False Acceptance Rate
“Financial Information”	The Financial Statements and Interim Financial Statements together
“Financial Statements”	The Group’s consolidated financial statements as of and for the year ended 31 December 2022
“Financial Supervisory Authority”	Financial Supervisory Authority of Norway or “Finanstilsynet”
“Forward-looking Statements”	Statements, including, without limitation, projections and expectations regarding the Group’s future financial position, business strategy, plans and objectives
“FRR”	False Rejection Rate
“Group or IDEX Group”	IDEX Biometrics ASA and its Subsidiaries consolidated
“IAM”	Identity and Access Management
“IAS 34”	The International Accounting Standard 34 - Interim Financial Reporting
“IC”	Integrated Circuit
“IFRS”	International Financial Reporting Standards

“Interim Financial Statements”	The unaudited consolidated interim financial statements as of 31 March 2023 and 31 March 2022, for the three months’ periods ended 31 March 2023 and 31 March 2022
“IOT”	Internet of Things
“IP”	Intellectual property
“IPR”	Intellectual property rights
“ISIN”	International Securities Identification Number
“ISO”	International Organisation for Standardization
“LEI”	Legal Entity Identifier
“Managers”	ABG Sundal Collier ASA and Arctic Securities AS
“MAR” or “Market Abuse Regulation”	Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation)
“New Shares”	The 147,058,824 new shares issued in the Private Placement
“NFC”	Near Field Communications
“Norwegian kroner” or “NOK”	Norwegian Kroner, the lawful currency of the Kingdom of Norway
“Non-resident shareholders”	Shareholders who are not resident in Norway for tax purposes
“Non-resident corporate shareholders”	Shareholders who are limited liability companies not resident in Norway for tax purposes
“Non-resident individual shareholders”	Shareholders who are individuals not resident in Norway for tax purposes
“Norwegian Accounting Act”	The Norwegian Accounting Act of 17 July 1998
“Norwegian Securities Trading Act”	The Norwegian Securities Trading Act of 29 June 2007 No. 752 (as amended from time to time)
“Oslo Børs”	Oslo Børs ASA, being the Oslo Stock Exchange
“PIN”	Personal Identification Number
“PLCA”	The Norwegian Public Limited Liability Companies Act of 13 June 1997 no. 48 (as amended from time to time)
“Private Placement”	The private placement of 147,058,824 New Shares in IDEX resolved on 24 May 2023 and consisting of Tranche One and Tranche Two
“Prospectus”	This prospectus dated 28 June 2023
“Prospectus Shares”	63,860,016 of the New Shares issued in the Private Placement, the listing of which on Oslo Børs are subject to approval and publication of this Prospectus
“SAC”	IDEX’s Strategy Advisory Council
“SEC”	US Securities and Exchange Commission

“SE” or “Secure Element”	Industry-standard, certified chip for managing payment applications in smart cards. Designed to be tamper-proof.
“Shares”	The Shares in the Company
“Share Lending Agreement”	Agreement between the Managers, the Company and certain existing shareholders in the Company, pursuant to which Existing Shares in the Company were used to settle the New Shares in the Private Placement on a payment versus delivery basis
“Subscription Price”	NOK 0.85 per New Share
“Subscription Rights”	Independent subscription rights or “frittstående tegningsretter” issued in accordance with Section 11-12 of the PLCA.
“Subsidiaries”	The wholly-owned (directly or indirectly) subsidiaries of IDEX: IDEX Biometrics Holding Company Inc., a corporation incorporated and organized under the laws of the State of Delaware, IDEX Biometrics America Inc., a corporation incorporated and organized under the laws of the State of Delaware, IDEX Electronics (Shanghai) Co., Ltd, a company incorporated and existing under the laws of the People’s Republic of China, and IDEX Biometrics UK Ltd., a company incorporated and organized under the laws of England and Wales with organization number 9193617.
“TCO”	Total Cost of Ownership
“Tranche One” and the “Tranche One Shares”	The 116,897,492 new Shares resolved issued by the Board on 24 May 2023
“Tranche Two” and the “Tranche Two Shares”	The 30,161,332 new Shares resolved issued by the Extraordinary General Meeting held in the Company on 16 June 2023.
“USD”	United States dollar, the official currency of the United States
“VPS”	The Norwegian Central Securities Depository or “Verdipapirsentralen”, which organizes the Norwegian paperless securities registration system.
“2019 Plan”, “2020 Plan” “2021 Plan”, “2022 Plan” and “2023 Plan”	, The Group’s Subscription Rights Incentive Plans
“2022 ESPP Authorization”	The Board authorization to issue new shares in connection with an Employee Share Purchase Plan resolved by the Annual General Meeting on 12 May 2022
“2023 ESPP Authorization”	The Board authorization to issue new shares in connection with an Employee Share Purchase Plan resolved by the Annual General Meeting on 23 May 2023



IDEX Biometrics ASA

2022 Annual report

Statutory annual report in accordance with Norwegian requirements for IDEX Biometrics ASA for the year ended December 31, 2022.

This annual report is published to the company's shareholders and the general public as well as the European Regulatory Network which includes the Oslo Børs. The document is filed with the Norwegian Register of company accounts. This report and other public information about IDEX Biometrics ASA are available at the company's web site www.idexbiometrics.com.

All of the company's disclosures to the market and the general public are available at Oslo Børs's web sites live.euronext.com/en or www.newspoint.no.

IDEX also files an annual report on Form 20-F and related documents and exhibits with the U.S. Securities and Exchange Commission (SEC). All SEC filings by IDEX Biometrics ASA are available at www.sec.gov.

References included in this document or other documents are intended as an aid to where information can be found and the documents referenced are not incorporated by reference into this document unless explicitly stated.

Financial terms used in this report are in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and IFRS as endorsed by the European Union, effective December 31, 2022.

Date: April 26, 2023

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REPORT FROM THE BOARD OF DIRECTORS

We were incorporated as a public limited company under the laws of Norway on July 24, 1996. Our Ordinary Shares have been listed for trading in Norway on the Oslo Børs under the symbol “IDEX” since March 12, 2010, and our ADSs have been listed for trading on Nasdaq under the symbol “IDBA” since March 1, 2021. Our principal executive offices are located at Dronning Eufemias gate 16, NO-0191 Oslo, Norway, which is also our registered office address, and our telephone number is +47 6783 9119. We currently have subsidiaries in the United Kingdom, the United States and China.

BUSINESS OVERVIEW

Description of the Company

IDEX develops and markets differentiated fingerprint authentication solutions optimized for use in smart cards, based on patented and proprietary sensor technologies, integrated circuit designs, and highly-specialized firmware and software. We primarily target fingerprint authentication applications involving standardized smart cards without batteries, although our products also are applicable to battery-powered devices in different form factors.

Our extensive intellectual property portfolio, leveraging 175 patents awarded and 62 patents pending (as of December 31, 2022), across applicable jurisdictions worldwide, is a critical enabler of our strategy and competitive positioning.

From time to time, we may provide project-oriented engineering or design services to customers. We also license our intellectual property and software to third parties, although licensing currently does not contribute to our revenue.

Our current product portfolio consists of fingerprint authentication modules, related software, and cardholder enrolment solutions. Our latest generation of fingerprint authentication device,

introduced in 2020, the TrustedBio family of modules, is a single package solution consisting of our most advanced fingerprint imaging sensor and a proprietary application specific integrated circuit (“ASIC”), which is a multi-purpose microprocessor executing image processing, biometric processing, and power management functions. Our cardholder enrolment solutions currently are based on an innovative, reusable sleeve, which provides secure, convenient smart card enrolment.

Our current product portfolio is targeted at three applications, which we refer to as “market segments,” within the smart card market: financial payments (i.e., credit, debit, and stored value transaction cards), digital access (i.e., devices for identification and authorization of users for access to high-value electronic networks or sensitive physical facilities), and digital currency storage (i.e., devices for highly-secure authorized access to cryptocurrency trading platforms and the secure storage of digital currencies, both private and government-sponsored). The financial payments market segment is the largest of the three we target, and it is the most developed. The digital access and digital currency storage segments currently are far smaller, and application-specific form factors, performance requirements, and standards are evolving.

Our customer focus primarily is on manufacturers of smart cards. Other customers include integrators of authentication technologies and developers and vendors of security systems, across a broad market for identification-based authorization solutions. We also have individual corporate customers that design authentication solutions for their own consumption. Our products are not limited to use in smart cards, but also are applicable to a range of applications across varying form factors.

Because a critical element of demand for our solutions originates with these manufacturers’ own customers (e.g., the demand for financial payment cards with fingerprint authentication originates with a bank issuer interested in offering such cards), we also direct our marketing and demand creation efforts toward the education of customers of smart card manufacturers, as well as other influential participants in the smart card industry. We utilize a direct sales force and have customers around the world. At the present time, we do not sell our



A standard-format smart card, utilizing our fingerprint authentication solution, offered by First Abu Dhabi Bank and manufactured by our customer, IDEMIA France SAS

products through stocking distributors. Given the early-stage characteristics of the market segments we are targeting, including the extended and unpredictable sales cycles frequently associated with marketing new and innovative technology-based products, we expanded our marketing and sales staff in 2021 and increased our marketing spending in 2022.

We do not own or operate capital-intensive manufacturing facilities, but operate as a fabless manufacturer, utilizing third parties for outsourced manufacturing and product assembly capabilities. We currently rely on Taiwan Semiconductor Manufacturing Company, Limited (“TSMC”), the leading producer of semiconductor wafers, as the sole source of wafers for our proprietary ASIC designs. We also rely on a limited number of providers of outsourced semiconductor packaging, design, and test services, including Amkor Technology, Inc., and Silicon Precision Industries, Limited, both of which are leaders in outsourced semiconductor assembly and test services.

Fingerprint Authentication Steps

Every individual has unique, immutable fingerprints. A fingerprint consists of a series of ridges and valleys on the surface of a finger. The uniqueness of a fingerprint is established by each finger’s distinctive pattern of ridges, valleys, and minutiae points, which are specific ridge characteristics occurring at either the point at which a fingerprint ridge bifurcates or ends.

Biometric technologies are automated methods for identifying individuals based on a comparison of stored biological and behavioral characteristics with the current presentation of such characteristics. Of all biometric techniques, fingerprint-based identification is the oldest and most established. Fingerprint identification has been successfully used in numerous applications for over a century.

A fingerprint authentication solution, in summary, is an electronic system, combining hardware and software, that captures an image of these unique fingerprint characteristics, transforms that image into a mathematical representation, and then compares that representation with a valid representation. If the results of the comparison exceed a predefined verification threshold, the identity of the presenting individual is authenticated.

The following summarizes the primary elements of fingerprint authentication, addressing our approach to each:

Scanning

Scanning is the process of recognizing and capturing the necessary characteristics of an individual’s fingerprint using an electronic device. Ink and paper were originally used to capture fingerprint images. Optical scanning was an early method for electronic capture of a fingerprint, and remains common in certain high-volume applications, primarily in law enforcement. Other scanning technologies for the detection of fingerprint variances include those based on sensing variances in heat, pressure, and ultrasound.

Our scanning technology is based on capacitive sensing, which utilizes an electrical field to detect fingerprint characteristics such as ridges, valleys, and minutiae by measuring miniscule variances in current associated with those varying characteristics. The surface of the sensor, the platen, acts as one plate of a capacitor, and the finger acts as the other. Capacitive sensing, the most appropriate technology for resource-constrained applications, was the area in which the Company pioneered the signal processing innovations that remain foundational to our strategy.

We have developed a differentiated approach to capacitive image capture, using a polymer substrate (i.e., a flex circuit) in which a capacitive sensing array (i.e., a fine-pitched wire mesh, with each wire intersection representing an electrode) is embedded. Compared to conventional semiconductor-based capacitive sensors, for which the sensing array is on the surface of a rigid integrated circuit, our flexible sensor is relatively inexpensive to manufacture and allows for a larger sensor surface area, more than twice the size of competitive silicon sensors. Our capacitive sensor produces a larger image, yielding more data, which enables superior scanning, feature extraction, and matching performance.

Feature Extraction

The miniscule variations in current detected in scanning are a data set representing the fingerprint, and the common practice is to create from this data set an 8-bit gray-scale digital image for further processing (i.e., feature extraction). Feature extraction is a computationally-challenging process requiring speed and signal-

processing precision. Algorithms used in a resource-constrained environment such as a smart card must be highly efficient, reducing the burdens placed on processor, memory, and power resources.

We utilize proprietary algorithms to refine the image, allowing for precise identification of patterns, which are transformed into an accurate mathematical representation of the image, referred to as a “template.”

Matching

A matching algorithm compares the template created from the scanned image to the encrypted template stored within the system at the time of the user’s enrolment. These algorithms also are computationally-challenging, again requiring speed and precision, as well as consistency of outcomes. Matching performance is measured by the correlated rates of false acceptance (“FAR”) and false rejection (“FRR”), accuracy and reliability, and computational speed. Matching algorithms can be adjusted to meet the requirements of the application, addressing the trade-offs between desired security levels and end-user convenience (i.e., a low FAR, suggesting high security, implies a high FRR, suggesting low end-user convenience).

Our matching algorithms, which are compact and highly efficient, are well-suited for providing fast results in resource-constrained environments. They are differentiated by patented features such as insensitivity to image rotation and the ability to process incomplete images (i.e., partial touches), enabling high accuracy and reliability.

Our algorithms also are differentiated by the flexibility of how they may be used. In a smart card implementation, because of security requirements, matching algorithms are typically executed in a secure microcontroller (referred to as a secure element (“SE”). However, our TrustedBio is designed to allow matching algorithms to be executed in a distributed (i.e., shared) mode, whereby computationally intensive functions can be executed on our module’s faster ASIC, reducing the computational requirements of the SE. This allows customers the flexibility to optimize designs based on application requirements and available processing resources, reducing overall system costs.

Summary of Smart Cards and Applications

A smart card can be described as a compact microelectronic system, generally with the dimensions of a credit card or driver’s license, in which one or more embedded integrated circuits (“ICs”) enable secure storage, processing, and communication of encrypted data.

Because we primarily target the financial payments market segment, our fingerprint authentication solutions are designed in compliance with industry standards of EMV Company, LLC (“EMV”), a consortium established by Europay, Mastercard, and VISA to develop and maintain communications, security, and encryption specifications for the use of smart cards across financial payment networks. Because our solutions are used in smart cards utilizing the JavaCard card operating system and Java-based “applets,” we comply with the standards of GlobalPlatform, an independent standards body, for secure channel communications and the use of cryptographic data.

Smart Card Design

The enabling ICs in a smart card are typically a secure microcontroller, the SE, which functions as the system-level processor, and one or more secondary microcontrollers dedicated to functions such as power management or biometric processing. SE processors execute the card operating system and one or more applets, which are compact programs that execute proprietary functions (e.g., an applet for a payment network will coordinate communication of encrypted data using an encryption key only known by that payment network). SEs generally have robust memory blocks for encrypted data storage, with multiple memory types, but separate memory ICs may be necessary, depending on the smart card’s application.

Also embedded in the layers of a smart card are an antenna, for wireless communication and power harvesting, connecting circuitry (referred to as an inlay), and, depending on the design of the smart card, various passive electronic devices. Multi-layer smart cards are generally made of thermoplastics (polyvinyl chloride, or PVC, is the most common material used), although metal and ceramic compounds recently have been introduced.

Contact-only and dual-interface (i.e., contact and contactless functionality) smart cards do not have batteries and are powered, in the case of contact-only and dual-interface designs, through physical contact with a card reader, or, for dual-interface designs in contactless mode, through energy harvesting (i.e., resonant inductive coupling) enabled, most commonly, by near field communications (“NFC”) interface protocols.

A trend toward greater use of contactless communication continues across smart cards and reader infrastructure (e.g., point-of-sale terminals) has been underway, accelerated by heightened end-user concerns about hygiene caused by the COVID-19 pandemic. According to ABI Research, worldwide shipments of dual-interface cards for financial payments represented over 80% of the 3.1 billion smart cards shipped in 2022, and we expect this percentage to expand. ABI Research also estimates the worldwide volume of contactless smart card transactions grew by 36% from 2021 to 2022. However, contactless smart card transactions generally are limited by financial institutions and payment processing networks to small value transactions, given the absence of a required signature or personal identification number (“PIN”) as a second authentication factor.

Usage and Applications

The defining characteristic of a smart card is the security afforded by the SE and its use of data encryption to secure storage and communications, making it an ideal solution for a very broad range of applications. Smart cards are used worldwide in high volumes across the following applications (in descending order of estimated total unit volumes for 2022): financial payments; government identification (including healthcare and social-security applications); transportation and ticketing; and access control (for logical and physical applications).

The development of widely accepted standards for smart card performance uniformity and cross-vendor compatibility has contributed to the sustained growth of smart cards in circulation, notably for financial payment applications. ABI Research estimates approximately 11 billion smart cards, in the form of credit and debit cards, ATM cards, and stored value cards, were in circulation as of December 31, 2022, with 3.1 billion financial payment cards shipped during the year.

According to ABI Research, 71% of the total volume of smart cards shipped (excluding SIM cards) were for payments, while less than 5% of smart cards shipped in 2022 were access control applications. Physical access control applications commonly utilize keycards, also known as proximity cards, which are wireless devices enabling a relatively low level of security for contactless identification. Shipments for use in digital currency storage applications, an emerging market segment, were not material in volume.

Our Strategy

Our strategy emphasizes demonstrable solution advantages that address evolving customer and end-user requirements, leading to a sustainable competitive position and the avoidance of commoditizing pressures. Since the Company was founded, our strategy and competitive positioning have been based on continuous advances in technologies, innovations in design, and achievements in performance, enabled by our focus on research and development.

We believe the combination of our broad and substantive intellectual property portfolio, our expertise across a comprehensive range of challenging and complex domains, and our integrated, systems engineering approach represents a significant competitive advantage for IDEX.

Our intellectual property portfolio, as of December 31, 2022, consisted of 175 patents awarded and 62 patents pending, across applicable jurisdictions worldwide. Reflecting our core competencies, we have substantial intellectual property across the following areas: design of biometric sensors, ASICs, and modules; signals and data processing; and a broad range of solution features and functionalities.

Our core competencies, characterized by deep domain expertise and a multi-disciplined, systems engineering approach, are built on organizational strengths in the following domains: biometric imaging and processing; sensor architectures; integrated circuit design; materials, manufacturing, and packaging; algorithm, firmware, and software development; encryption technologies; NFC and power management; and industrial design.

Our value proposition is based on the differentiated functionality and performance of our fingerprint authentication solutions and our distinctive systems engineering approach to offering integrated solutions addressing multiple customer needs. These customer needs may vary among the market segments we target, but generally are associated with the enhancement of our customer’s competitive advantages, based on the differentiated functionality and performance of our solutions, and reduced total cost of ownership (“TCO”), based on our distinctive systems engineering capabilities, enabling comprehensive, integrated solutions.

TCO represents the sum of the purchase price of our products, which we believe are competitive, and the costs customers may encounter when implementing a fingerprint authentication solution in their own products. In

contrast to vendors of individual elements of a solution, our core competencies enable us to contribute to lowering the costs and challenges of system design for customers, while accelerating their time-to-market.

We believe many customers in the market segments we target could benefit from the TCO element of our value proposition, as only a few global card manufacturers currently have the depth of resources and experience to develop a fingerprint authentication solution on an expedited timeline. Design of a smart card incorporating fingerprint authentication can be challenging, as the interaction between the fingerprint sensor, the smart card electronics, and the environment is complex, particularly given the limitations on power, processing capacity, and form factor, and the stringent requirements for response time and accuracy. As such, we are committed to offering a differentiated, integrated approach to our customers.

An important element of our strategy, linked to our delivery of comprehensive, integrated solutions, is our development and use of strategic partnerships, which are intended to extend the scope of the integration of our TrustedBio modules and related elements of our software across the smart card supply chain, thereby enhancing our value proposition and, potentially, accelerating adoption of fingerprint authentication and demand for our solutions.

Our Solutions

Our solutions consist of integrated fingerprint authentication modules, which our customers use in their end-products, and our enrollment device, with which a user can securely and easily store his or her fingerprint on a smart card, thereby activating the smart card's fingerprint authentication capabilities. In 2021, we announced our intention to market and complete solutions for the manufacture of fully functioning biometric smart cards including fingerprint sensors, card inlay, antennae, EMV module with an SE released by Infineon Technologies AG, and proprietary software, including our card operating system, special purpose applets, and biometric algorithms.

Recent product and solution announcements are indicative of our strategy and value proposition, as well as the strategic shift we undertook late in the last decade toward market segments and applications for which the differentiated characteristics of our solutions provide a demonstrable and sustainable competitive advantage.

In 2017, we announced a patented solution architecture, which we believe is competitively unique: a small, and lightweight module containing two optimized components, a fingerprint imaging sensor made of a flexible polymer substrate for image scanning and a small, yet powerful, ASIC for feature extraction, matching, and a range of other advantageous functions. This architecture is ideal for use in smart cards and similar demanding applications.

TrustedBio Product Family

In 2020, we announced the latest generation of this architecture, the TrustedBio family of modules, and, in 2021, released an enhanced version, the TrustedBio Max.

The capacitive sensor in a TrustedBio module covered by a robust, protective coating, allowing for years of usage. Our flexible sensor is relatively inexpensive to manufacture and allows for an approximately 90 square millimeter sensor surface area, more than twice the size of competitive silicon sensors. The capacitive sensor in a TrustedBio module produces a larger image, yielding more data, which enables superior scanning, feature extraction, and matching performance. Semiconductor-based sensors can have higher electrode density, but their smaller sensor areas yield meaningfully less data for image processing, while increasing



A TrustedBio module, showing the sensor surface (left) and, on the reverse side (right), our ASIC and connection circuits

processing challenges to achieve equivalent results. Additionally, the flexibility of the polymer substrate, into which the wire mesh array is embedded, allows the TrustedBio module to easily meet industry specifications for torsion of plastic smart cards.

The ASIC used in a TrustedBio module is mounted on the reverse side of the polymer substrate in which our sensor array is embedded. The ASIC includes a proprietary microprocessor executing our third generation scanning and template-creation (i.e., image processing and feature extraction) algorithms, our patented anti-spoofing algorithm, NFC power harvesting and voltage management, and data encryption. Depending on a

customer's design or application requirements, our ASIC also can store and execute our proprietary matching algorithms.

The ASIC in our latest TrustedBio Max module provides a high level of single-device functionality for fingerprint authentication in a smart card. Fabricated on a 40-nanometer process node by TSMC, the approximately 10 square millimeter ASIC utilizes an ARM Cortex-M3 32-bit processor, operating at up to 200 MHz, enhanced memory, and a proprietary parallel-processing logic core for accelerating our template-creation and anti-spoofing algorithms.

The capabilities of the TrustedBio Max module reflect our strategy of creating competitive differentiation for our customers, while reducing TCO. The TrustedBio Max enables smart cards with fingerprint authentication that are secure, accurate, and power efficient, while providing a differentiated user experience characterized by fast transaction speed. The groundbreaking functionality of TrustedBio Max reduces computational burdens on a smart card's SE, thereby allowing smart card manufacturers to utilize standard, low-cost SEs, rather than more costly SEs with expanded capabilities to address biometric processing. The capabilities of the ASIC allow for a smart card with fingerprint authentication to be designed without separate microcontrollers for biometric processing and power management functions, reducing design complexity and costs. Our advanced algorithms and other proven software elements of our solution minimize software development by our customers, as well as reducing associated risks and delays. The TrustedBio Max solution is targeted at smart card manufacturers seeking faster time-to-market with a comprehensive fingerprint authentication design that maximizes performance, while reducing development and manufacturing costs.

Also in 2021, we announced a reference design based on integration of the SLC38 security controller, the latest SE released by Infineon Technologies AG, and the latest version of our TrustedBio module. Applicable to implementation of fingerprint authentication in smart card applications across all three of our targeted market segments, the high level of integration of this reference design enables differentiated authentication performance (e.g., low latency, high accuracy, and high electrical efficiency), while reducing integration challenges for the card manufacturer, thereby reducing costs and time-to-market.

This reference design, developed with the SE market share leader, represents an important achievement toward our strategic goal of offering to smart card manufacturers the most comprehensive solutions for fingerprint authentication, creating competitive advantages for their own smart card products, while lowering the barriers to adoption of fingerprint authentication by lowering TCO, reducing complexities, and accelerating time-to-market.

Complete Biometric Smart Card Solutions

In 2021, we began the development of complete solution for the manufacture of fully functional biometric smart cards. The hardware is based on the IDEX-Infineon reference platform described above. The complete solution adds elements of proprietary software, including our JavaCard operating system, special-purpose Java applets, biometric algorithms, and enrolment solutions. We believe our expanding capabilities in software development have the potential to meaningfully add to our value proposition, broadening customer engagements and increasing revenue.



IDEX Pay complete solution for card manufacturers

In 2017, we introduced a patented enrolment solution, addressing another significant barrier to adoption of fingerprint authentication, particularly within the financial payments market segment: user enrolment (i.e., the process of imaging and storing a user's fingerprint, in the form of a template, within the memory of the smart card, thereby enabling its use). IDEX was the first to release such an innovative device, incorporating proprietary hardware and software, which we developed in partnership with Mastercard Inc. We have continued to work together with leaders in the industry to further improve the enrolment process. In addition to the enrolment sleeve, we expect to soon be able to offer several options including enrolment via mobile phone, assisted enrolment (in-branch enrolment), and ultimately, enrolment at Point of Sale (PoS).



Using one of our proprietary solutions, a user can complete the enrolment process in less than a minute, following simple instructions. Enrollment is completed entirely within the biometric smart card and, importantly, the encrypted fingerprint template is immediately stored only on the card, never in the cloud or on any connected device such as a smart phone or PC.

Our enrolment solutions enable the creation of a user fingerprint template, which is encrypted and stored only on the smart card, never in the cloud.

We believe low-cost, simple, convenient, and secure user enrolment processes are necessary to accelerate the adoption of fingerprint authentication in smart cards. To further lower the costs of enrolment and improve user experience, we are developing software-based enrolment solutions, for which we have protected the associated intellectual property rights, to allow for enrolment over the user's mobile phone or, specifically for enrolment of financial payment card users, through a point-of-sale terminal.

Three-Year Revenue Summary

For the full year 2022, the Company recorded consolidated revenue of \$4.1 million, compared to \$2.8 million for 2021, and \$1.1 million for 2020. Product revenue, as a percentage of total revenue, represented 95.0 %, 99.9 % and 92.5 % for 2022, 2021, and 2020, respectively. Revenue from sensors for smart cards represented 52% of our total revenue for 2022. Revenue associated with our customer in the digital authentication market segment represented 48%, 85%, and 81% of our total revenue for 2022, 2021, and 2020, respectively. There was no licensing revenue for 2022, 2021, or 2020.

Order Backlog

We define order backlog as non-cancellable orders scheduled to be delivered within 12 months and any deferred revenue scheduled for recognition within 12 months. Customer order volume accelerated across 2022 from both existing customers and, notably, new customers adopting the TrustedBio – SLC38 reference design we developed with Infineon Technologies. Our backlog totaled \$3.3 million, \$2.5 million and \$1.7 million as of December 31, 2022, 2021, and 2020, respectively.

Marketing and Sales

Our customer focus primarily is on manufacturers of smart cards. Other customers include integrators of authentication technologies and developers and vendors of security systems, across a broad market for identification-based authorization solutions. We also have individual corporate customers that design authentication solutions for their own consumption. Our products are not limited to use in smart cards, but also are applicable to a range of applications across varying form factors.

Because a critical element of demand for our solutions originates with these manufacturers' own customers (e.g., the demand for financial payment cards with fingerprint authentication originates with a bank issuer interested in offering such cards), we also direct our marketing and sales efforts toward the customers of smart card manufacturers, as well as other influential participants in the smart card industry.

Within the digital access market segment, vendors of hardware- and software-based security systems and associated access control solutions represent the majority of our targeted customers, although, to date, the majority of our revenue has been derived from the development and sale of a customized network authentication solution to a single enterprise customer.

Within the digital currency storage market segment, which is less structured than our other targeted market segments, our customers have ranged from large smart card manufacturers addressing emerging digital currency applications to small technology innovators developing devices for secure access to proprietary cryptocurrency exchanges.

We utilize a direct sales force and have customers around the world. At the present time, we do not sell our products through stocking distributors. Given the early-stages of the market segments we are targeting, including the extended and unpredictable sales cycles frequently associated with marketing new and innovative technology-based products, we expanded our sales and marketing staff in 2021 and increased our marketing spending in 2022.

Our go-to-market strategy emphasizes the creation and maintenance of relationships with and between companies and organizations that are positioned to support the acceleration of the adoption of fingerprint authentication in smart card applications. An important element of this strategy is establishing collaborative agreements with well-positioned partners, leveraging their expertise and resources. Examples of these partnerships include: IDEMIA France SAS and E-Kart Elektronik Kart Sistemleri A.S., customers with which we have critical go-to-market engagements; Mastercard Inc., which is a valuable contributor to demand creation and the advancement of fingerprint authentication in financial payments; and Infineon Technologies AG and Tongxin Microelectronics Co., Ltd., leaders in SE design and smart card electronics, with which we are developing integrated solutions.

Other strategic initiatives involve integration projects with numerous developers of SEs and electronic components for financial payment smart card applications, as well as technology partners addressing the digital access and digital currency storage market segments. We consider our initiatives to extend the scope of the integration of our fingerprint authentication solutions across the smart card supply chain to be an important element of our strategy, and we intend to expand such initiatives in the future.

Our marketing and sales personnel work closely with our product line management personnel to support strategic sales activities. A broad range of marketing communications activities also help to expose and promote the benefits of our fingerprint authentication solutions to potential customers. We have invested significant time and resources to meet with card and device manufacturers to understand their requirements and performance issues.

Our Opportunity

Targeted Market Segments and Customers

We currently target fingerprint authentication applications involving smart cards without batteries (i.e., cards conforming to ISO/IEC standards for electronic identification cards), for which our solutions are especially well-suited. Customers for these and adjacent applications are within three emerging market segments, for which the solutions we offer and the applications served are summarized in the following table:

<i>Market Segment</i>	<i>IDEX Solutions</i>	<i>Representative Applications</i>
Financial Payments	<ul style="list-style-type: none"> • Smart cards <ul style="list-style-type: none"> – Dual-interface, NFC powered – Thermoplastic or metal • Customized COS and Applets • Enrolment sleeve or tablet-based solution 	<ul style="list-style-type: none"> • EMV-compliant transaction applications <ul style="list-style-type: none"> – Credit, debit and stored value cards • Dual- and multi-use applications <ul style="list-style-type: none"> – Co-branded with partners
Cyber Authentication	<ul style="list-style-type: none"> • Smart cards and similar devices <ul style="list-style-type: none"> – ID-1 form factor or customer design – RFID/NFC or battery powered • Customized COS and Applets • Enrolment sleeve or tablet-based solution 	<ul style="list-style-type: none"> • Secure user authorization for high value assets <ul style="list-style-type: none"> – Critical networks or applications – High security facilities – Easily integrated with IAM platforms – FIDO Alliance compliance

<i>Market Segment</i>	<i>IDEX Solutions</i>	<i>Representative Applications</i>
<p>Digital Currency Storage</p>	<ul style="list-style-type: none"> • Enhanced smart cards and similar devices <ul style="list-style-type: none"> – ID-1 form factor or customer design – RFID/NFC or battery powered – Optional displays and keypads – Optional Bluetooth connectivity • Customized COS and Applets • Enrolment sleeve or tablet-based solution 	<ul style="list-style-type: none"> • Secure devices for government digital currency <ul style="list-style-type: none"> – Example: e-CNY initiative of Chinese central bank • Card-like “wallets” issued by state-owned banks – Dual- and multi-use applications <ul style="list-style-type: none"> • Secure storage of health and welfare records • Highly secure cryptocurrency management devices <ul style="list-style-type: none"> – Authorized user access to trading platforms – Secure storage of cryptocurrencies

Our targeted customers in the financial payments market segment primarily are smart card manufacturers. We believe this market segment has the potential to be significantly larger and more well-defined than the other two targeted market segments. According to ABI Research, three global companies, IDEMIA France SAS (France), Giesecke+Devrient GmbH (Germany), and Thales Group SAS (France), represent approximately 50% of total 2022 revenue associated with shipments of smart cards for financial payments, and the top six represent close to 70% of such revenue. Other regionally-focused smart card manufacturers represented the balance. As previously disclosed, IDEMIA currently is our largest customer in the financial payment market segment.

Within the digital access and digital currency storage market segments, our targeted customers include vendors of access control and identity and access management (“IAM”) platforms, vendors and integrators of authentication technologies, and developers of application-specific devices. As previously disclosed, we also have a long-standing relationship with a customer that designs network authentication solutions for its own consumption. As indicated in the preceding table, our fingerprint authentication solutions are not limited to use in smart cards without batteries and are suitable for a range of applications within the access control and digital currency storage market segments, across varying form factors and power requirements.

Smart cards are used in a variety of other applications appropriate for fingerprint authentication, each of which could develop in the future into a compelling market segment for us. A primary example of a potential opportunity outside of our targeted market segments is within health care, for which a non-transferable form of identification, on which an individual’s personal details, health records, and insurance or similar social-security data is encrypted and stored, addresses an important need for both providers and patients for immediate, secure access to necessary information. We have investigated, and will continue to investigate, such opportunities for new use cases, but our limited resources currently inhibit our ability to adequately support such activities.

The market segments we currently target are not subject to seasonal shifts in demand.

Demand Drivers

Demand for fingerprint authentication in our targeted market segments starts with the evolving needs of the end-users. Across all smart card market segments, demand drivers for our solutions at the consumer level uniformly include the following “ease of use” requirements: convenient enrolment; fast, convenient transactions; and accuracy and security of transactions.

With the onset of the COVID-19 pandemic, hygienic, touch-free transactions became an important demand driver for end-users, particularly within the financial payments market segment. Given evidence of a substantial shift toward contactless transactions, the Smart Payment Association in December 2021 concluded that “tap and go” transactions, whether using smart cards or mobile phone applications, had become the preferred payment option for all age groups. This trend continued in 2022.

The shift toward contactless transactions is evidenced by ABI Research estimates of worldwide shipments of dual-interface cards for financial payments, which represented over 80% of the 3.1 billion smart cards shipped in 2022. ABI Research also estimates the worldwide volume of contactless smart card transactions grew by 36% from 2021 to 2022. However, contactless smart card transactions generally are limited by financial institutions

and payment processing networks to small value transactions, given the absence of a second authentication factor, such as a user-entered PIN.

Another contributor to end-user satisfaction, in our opinion, is a desire to reduce abstract uncertainties and perceptions of risk associated with fraud, identity theft, and other information security risks. Cybersecurity events have become frequent and high profile, and public opinion surveys indicate that consumers are aware of biometric authentication solutions and are willing to adopt such solutions to offset their concerns. According to a 2020 Gallup survey, respondents reported that identify theft and loss of personal information were their greatest concerns, by more than a two-to-one margin over other forms of crime.

Mobile devices (e.g., cell phones) are considered particularly vulnerable to a wide variety of security threats, primarily because they are connected to public networks. According to recently published research by a provider of fraud prevention solutions, mobile devices account for greater than 60% of reported digital fraud, with mobile digital wallets, cryptocurrency applications, and payment services applications experiencing significant increases in fraudulent transactions.

Bridging consumer preference for contactless transactions and ease of use requirements is a demand driver shared with the issuers of smart cards: the elimination of the password or PIN as an authentication factor. Long established as the “what you know” element of two- or multi-factor authentication (“MFA”), MFA has become a core component of a security-conscious organization’s IAM policy and procedures, increasing security and user confidence, while lowering risks and costs of access to, or usage of, a secured device, a secured network or online application, or a secured facility. Despite their prevalent use, passwords and PINs are acknowledged as now as a burden, cost, and source of risk for end-users and organizations relying on them. Passwords and PINs frequently are forgotten and must be replaced or reinstated. Entering passwords and PINs can inconveniently slow the MFA process, impacting user experience, particularly when making a purchase with a credit or debit card, causing such delays to be a concern for end-users, merchants, issuers, and transaction processors. Also, the vulnerabilities of MFA using passwords or PINs to phishing and other social engineering techniques are well-known and associated with costly and disruptive data breaches.

A consequence of the shift to contactless transactions has been the imposition of transaction value limits on end-users, who are required to enter a PIN at the point-of-sale when a purchase exceeds a threshold value. In response to end-user preferences, financial institutions and transaction processing networks have raised these threshold values, but doing so increases risk of loss, increases the volume and costs of charge-backs to merchants, and taxes the fraud detection and prevention systems of issuers and transaction processing networks. Contactless biometric cards enable offer a convenient tap and go experience for users with higher security than PIN transactions. Therefore, enabling a contactless payment experience with no threshold on transaction value.

Fingerprint authentication represents a compelling security solution for smart cards, particularly in the financial payments market segment, as a fingerprint, unlike a password or PIN, cannot be lost, forgotten, transferred, stolen, or easily compromised. Fingerprint authentication:

- meets end-user requirements for convenience and ease of use;
- addresses end-user concerns about biometric information collection and storage, as the fingerprint template never leaves the smart card;
- addresses end-user concerns about transaction security risks;
- provides a secure alternative to vulnerable mobile devices for payments and financial transactions;
- enables contactless transactions, while eliminating passwords, PINs, and limits on transaction value; and
- maintains the higher security level of MFA, while efficiently combining two authentication factors (“what you have” and “what you are”).

Fingerprint authentication demand drivers for issuers and transaction processors include:

- maintaining the superior fraud protection of MFA, while improving end-user experience;
- given the improved end-user experience, the possibility of higher frequency card usage (i.e., the “top of wallet” effect), thereby increasing transaction-based revenue;
- increased differentiation for their smart card offerings and brands, potentially improving customer retention and customer acquisition rates;
- addition of tangible value, potentially supporting new or higher fees for a premium card offering; and

- minimal investment in infrastructure to support fingerprint authentication;
- no modification of existing protocols for encrypted communications and transactions;
- existing contactless point-of-sale terminals seamlessly process such transactions; and
- limited modifications to back-end transaction processing.

For smart card issuers and transaction processors in the EU, fingerprint authentication satisfies the revised Stronger Customer Authentication requirements for two-factor authentication under the Second Payment Services Directive, or PSD2.

Many of these demand drivers are applicable to the Digital Access and Digital Currency Storage market segments we target. Ease of use considerations are important for end-users, and the efficiencies of fingerprint authentication as an alternative to passwords and PINs in MFA applications are compelling to end-users and organizations relying on MFA. Given the different characteristics and development stages of these market segments, however, our experience has been that demand drivers are frequently very specific to individual customers.

Advantages of Our Fingerprint Authentication Solution for Smart Card Manufacturers

We believe the historically high cost of manufacturing smart cards with fingerprint authentication has impeded their adoption. In response, we have focused on reducing the upfront cost of our products to smart card manufacturers, while developing a value proposition emphasizing our differentiated approach to addressing multiple customer needs. Our approach to providing fingerprint authentication solutions is to contribute to a comprehensive design and bill of materials that should significantly reduce development and manufacturing costs, while accelerating time to market.

Our TrustedBio module, integrating a low-cost polymer sensor and advanced biometric processing circuitry, has been designed to be cost-competitive with alternative solutions, while delivering high levels of accuracy, reliability, and power efficiency. The TrustedBio module has been designed to provide smart card manufacturers numerous advantages, including the ability to design a smart card optimized for cost and performance objectives by:

- utilizing a general-purpose SE, thereby reducing component costs and increasing design flexibility;
- eliminating the need for separate microcontrollers for biometric processing or power management, reducing component costs, integration challenges, layout complexity, and manufacturing risks;
- offering a large, yet flexible, sensor surface, enabling superior image capture, processing, and matching performance, improving user experience;
- providing design flexibility (e.g., our matching algorithms can operate entirely on the SE, or be partitioned to also operate on the ASIC within our TrustedBio module, maximizing resource efficiency and system performance).

We have developed and are marketing a certified payment card solution integrating our TrustedBio module with the SLC38 security controller from Infineon Technologies, thereby allowing our manufacturing customers to further minimize their own integration costs and improve manufacturing yields (through reduced design complexity), while accelerating their time-to-market.

For this certified payment card solution:

- with a leading smart card module supplier, we developed a custom EMV module with an SLC38;
- the SLC38 can include our proprietary card operating system, substantially reducing software development time and costs;
- with a leading inlay vendor, we have developed an optimized, cost-effective card inlay, consisting of a card antenna and connective circuits, reducing customer design and procurement costs; and
- with a leading production equipment vendor, we have optimized the vendor's tooling and process management software, thereby facilitating for a customer rapid creation of manufacturing capacity delivering increased card production volume and lower yield losses.

Card manufacturers can choose this complete solution which is pre-certified by Visa and Mastercard thereby eliminating the time and expense of the certification process. Alternatively, manufacturers can utilize subcomponents of the solution as they see fit to maximize their own contribution to the value chain.

We also have valuable relationships with standards bodies and leading global payment processors, which provide the necessary certifications for a new financial payment card design before that design can be released for production. We have had our fingerprint authentication solutions incorporated into smart card designs approved by Mastercard, VISA, and China UnionPay. We also were the first biometric vendor to have passed a development site security evaluation performed by EMV.

Given our breadth of experience and core competencies, as well as the breadth of our collaborative relationships with vendors across the smart card supply chain, we add value well beyond that associated with the cost of our products. We believe many customers in the market segments we target could benefit from the comprehensive, systems engineering element of our value proposition, as only a few global card manufacturers currently have the depth of resources and experience to develop a fingerprint authentication solution on an expedited timeline. Design of a smart card incorporating fingerprint authentication can be challenging, as the interaction among the fingerprint sensor, the smart card electronics, and the environment is complex, particularly given the limitations on power, processing capacity, and form factor, and the stringent requirements for response time and accuracy.

Potential Size and Growth Rates of Targeted Market Segments

Within the financial payment market segment, we consider the annual volume of dual-interface smart cards shipped to be a reasonable approximation of our addressable market opportunity. Because approximately 20% of worldwide point-of-sale terminals and related reader infrastructure are contact-only, and because a dual-interface capability allows for a transaction to occur when contactless functionality is not available, end-users and issuers prefer dual-interface cards. Significant demand drivers are the increasing preference by end-users for contactless payments and the desire of both end-users and issuers and transaction payment processors to replace passwords and PINs with fingerprint authentication, thereby efficiently combining two authentication factors into one device. As such, we believe a reasonable and appropriate measurement of our strategic progress in the financial payment market segment is the rate at which our fingerprint authentication solutions are incorporated into the annual volume of dual-interface smart cards shipped. ABI Research refers to this measurement as the “penetration rate.”

According to ABI Research (February 2023), worldwide shipments of dual-interface smart cards, enabling contactless transactions, totaled 2.4 billion units for 2022, representing a record 79% of total smart card shipments. This annual shipment volume of dual-interface smart cards is expected to expand to 3.1 billion units by 2027, representing a five-year CAGR of 5.2%.

ABI Research also estimates the worldwide volume of contactless smart card transactions grew by 36% from 2021 to 2022, forecasting growth for the next five years at a compound annual rate exceeding 21%.

While we believe dual-interface card volumes represent an approximation of our addressable market for payment cards, we expect that the adoption rate for biometric payment cards will be faster than the historical rate of adoption for contactless payments.

According to the Smart Payment Association, contactless smart cards transaction volume took approximately six years to reach 15% of total transaction volume at the point-of-sale. According to Mastercard, that total today has reached 50%. Contactless capabilities (e.g., NFC) were introduced in parallel with the introduction of the SE-enabled smart card in 2004. Prior to that introduction, payment card transactions utilized cards with end-user account information stored on a strip of exposed magnetic tape (the “mag stripe”). Both contact-only and contactless transaction volumes were inhibited for the following decade by the slow pace at which merchants upgraded point-of-sale infrastructure. Several events contributed to rapid shift in smart card transactions toward contactless volumes during the latter half of the last decade, including mandates by major transaction processing networks requiring the installation by merchants of point-of-sale systems capable of accepting contactless payments. The most recent driver of contactless volume has been the onset of the COVID-19 pandemic, which significantly changed consumer behavior. The Smart Payment Association in December 2021 concluded that “tap and go” transactions, whether using smart cards or mobile phone applications, had become the preferred payment option for all age groups.

Fingerprint authentication adoption is not inhibited by the challenges faced by contactless transaction methods when they were introduced. Today, contactless-capable point-of-sale infrastructure, as a percentage of total infrastructure, varies from approximately 50% to 90% by region globally, with expectations for that figure to continue higher, driven by consumer demand for contactless smart card and mobile device transactions. Also, the major transaction processing networks, aligned with EMV in support of fingerprint authentication, have facilitated streamlined integration of match-on-card fingerprint authentication at the point-of-sale. Fingerprint

authentication occurs within the processing capabilities of the smart card, with the matching algorithm determining if the presented fingerprint template matches the template stored in the memory of the Secure Element. All user information, including the stored template, is encrypted within the smart card and never leaves the smart card at any time. A data element indicating the transaction originated with a smart card incorporating fingerprint authentication is the only additional information communicated to the point-of-sale reader.

Deployment of smart cards with fingerprint authentication has been limited to date, with numerous program trials of various volumes since 2018. In 2021, one major bank in Europe launched a full-scale commercial launch, using a competitor's silicon image sensor. As of December 31, 2022, we are aware of 9 banks who have launched biometric payment card programs involving the use of our fingerprint authentication solutions through our partnerships with IDEMIA France SAS and Zwipe AS. Since we announced in July 2021, with Infineon Technologies, a reference design based on an integration of our TrustedBio fingerprint authentication module with their SLC38 secure controller, we have secured 11 important design wins with smart card manufacturers, each of which we believe could be in mass production by the end of 2023. Based on these announcements and design wins, we believe the financial payment market segment is in the early-adopter stage, characterized by visionaries who are willing to accept a degree of risk for the opportunity to lead in their own markets.

With an expanding list of customer design wins and announced bank launches we are now better able to create bottom-up product forecasts to manage our supply chain. For overall market forecasting, we utilize a modified version of the framework published by ABI Research for assessing the types of deployments expected to be associated with an issuer's introduction of smart cards incorporating fingerprint authentication to its customers:

- Stage 1: an initial trial, consisting of several hundred smart cards, generally distributed to a controlled group within the issuer, intended as "proof of concept" and used to assess systems requirements. Our experience has been that a Stage 1 trial is generally for less than 90 days.
- Stage 2: an expanded pilot, consisting of several thousand smart cards, more broadly distributed to a targeted cohort of users, and intended to identify deployment risks and evaluate usage patterns. We anticipate many of the 20 announced programs of which we are aware are Stage 2 deployments.
- Stage 3: an initial commercial launch, consisting of multiple, phased deployments of tens of thousands of smart cards over six to 12 months, supported by consumer education and high-touch marketing initiatives. A Stage 3 deployment may be a distinct program, for example, targeting an exclusive customer cohort with a premium service level, or it may be a preparatory deployment in anticipation of a full commercial launch.
- Stage 4: a full commercial launch, also consisting of multiple, phased deployments, but of hundreds of thousands of smart cards, over an extended period, with broad marketing support highlighting the program as a mature element of the issuer's product portfolio.

Based on our own research and estimates independently developed by biometric industry analysts and securities analysts covering the Company and its competitors, we have developed, using this four-stage framework, multiple scenarios for the "penetration rate" (i.e., the percentage of annual shipments of dual-interface smart cards represented by smart cards incorporating fingerprint authentication) we might achieve over the five-year forecast period. All of these scenarios are characterized by single-digit rates of penetration over the first three years, reflecting our assumptions regarding the number and sequencing of trials, pilots, and launches for which our customers, the smart card manufacturers, are supplying smart cards incorporating our fingerprint authentication solutions. Our scenarios' revenue levels markedly diverge, beginning in year four, based on our assumptions regarding our ability over the preceding three years to "cross the chasm" of technology adoption. Based on our recent accomplishments, we are confident we can reduce costs, improve our solutions, and, through development of innovative, complementary software, notably addressing scalable, low-cost enrolment solutions, deliver a compelling fingerprint authentication solution to mainstream, high-volume customers. If we successfully reach the mainstream of the financial payment market segment, our potential long-term growth could be substantial.

The digital access market segment we are targeting shares certain characteristics with the financial payment market segment, but we estimate it to be far smaller. As is the case with the financial payment market segment, we believe the annual unit volume of smart cards shipped for access control applications is a reasonable approximation of our addressable market opportunity. Based on ABI Research estimates in Biometrics Payment Cards Development, Project and Market Opportunities (April 2022), the annual unit volume is expected to be between 41 million and 254 million units by 2026.

As is the case with the financial payment market segment, we also believe measurement of our strategic progress in the digital access market segment could be based on the rate at which our fingerprint authentication solutions are incorporated into the annual volume of smart cards shipped. However, given the characteristics of the broader access control market and the varying nature of our customer engagements to date, our revenue forecasting based on such penetration assumptions is less certain. We have achieved success with a high-profile customer with which we developed a customized network authentication solution for that customer's own consumption. In 2021, we secured a design win for a government identification card with digital authorization features, and we also have multiple design wins for digital access solutions with smart card manufacturers. Currently, estimating any penetration rate for the digital access market segment is difficult and unreliable.

Within the digital currency storage market segment, which is very early in its development, accurately estimating the size and growth rate of our opportunity is difficult. We have experienced encouraging success in developing customized solutions with a small number of early innovators. Based on this limited experience, and our assessment of the opportunity, we believe the market segment has the potential to develop into a meaningful contributor to our revenue.

Competition

We compete worldwide with many companies offering identification and authentication solutions, and some of these companies have substantially greater financial, engineering, marketing and sales, customer support, and other resources than we do. We compete directly with other companies providing biometric sensors and solutions, including our principal competitors, Fingerprint Cards AB and NEXT Biometrics ASA. On January 25, 2022, Samsung Electronics, a global leader in semiconductors, introduced a device integrating a fingerprint sensor, secure element, and a microprocessor. The device is targeted at the same market segments and applications as our TrustedBio solution. While we have yet to encounter Samsung in the market segments we are targeting, nor can we predict when we will, we consider Samsung's announcement to be a confirmation of our own positive view of the business opportunity for fingerprint authentication in applications using smart cards.

The principal competitive factors upon which we compete include breadth of solution, engineering and manufacturing support, solution performance (i.e., accuracy, ease of use, power consumption, reliability, and transaction speed), and total cost of ownership. We maintain our ability to compete effectively primarily through our engineering activities and the ongoing development of new and enhanced technologies, methods, and processes.

We also may face competition from companies that may expand into our industry and introduce additional competitive products. Existing and potential customers and partners are also potential competitors. These customers may internally develop or acquire competitive technologies or comparable products, which may cause them to reduce or end their purchases of our products.

Research and Development

Our research and development activities are conducted primarily in the United Kingdom and the United States. As of December 31, 2022, we had an engineering staff of 64 employees and six individual contractors, representing approximately 70% of our staff. As of December 31, 2021, the numbers were 77 employees and eight contractors, and 77% of the staff. While we maintain a high level of development activities, we have made a moderate shift of resources to our commercialization activities.

Innovation through research and development is critical for us to remain competitive and to help our customers maintain cost and performance leadership. Our technology roadmap includes:

- further reduction of system costs through optimized architecture and integration;
- continuous solution performance improvements through enhancing sensor and ASIC designs;
- further refinement and enhancement of our scanning, feature extraction, and matching algorithms;
- development of compelling software to complement our solution strategy, including innovative software-only enrolment solutions and card-not-present applications; and
- developing and integrating technologies (e.g., displays) for use in next-generation smart cards.

Manufacturing and Supply Chain

Our fabless operational strategy is to maximize efficiency and cost competitiveness by designing our 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 our solutions, we have established a supply chain capable of satisfying forecast demand. We currently utilize external partners for the fabrication, assembly, and testing of our products. We believe this strategy provides the best combination of performance, cost, and feature attributes necessary for our products.

We develop the production test solutions for use by our assembly and test partners. In addition, to accelerate the development of future mass production test solutions for our products, we have invested in sophisticated test equipment at our facility in Rochester, New York. Production test routines are fully verified in-house, prior to installation on production lines at our partners' facilities, reducing cycle time, engineering support, and costs.

Our selected manufacturing partners for sensor production are Amkor Technology, Inc. and Silicon Precision Industries Limited, both of which are leaders in outsourced semiconductor assembly and test services. TSMC, one of the leading semiconductor manufacturers in the world, is our partner for ASIC wafer production. The TSMC relationship gives us access to the newest and most competitive silicon manufacturing processes and geometries, while providing the capacity and cost structure to serve high volume opportunities. The TSMC facility producing our semiconductor wafers is located in China, which exposes us to risk associated with international trade policy, tariffs, and related policy matters, all of which are outside of our influence or control.

We select our manufacturing partners based on a comprehensive supplier capability analysis, in order to meet the high quality and reliability standards required of our products. Our engineers and supply chain personnel work closely with manufacturing and supply chain partners to increase yield, reduce manufacturing costs, improve product quality, and ensure component sourcing strategies are in place to support our manufacturing needs.

We believe our fabless manufacturing model enables us to focus our resources and expertise on the design, development, sales, marketing and support of our products. We also believe this manufacturing model provides us the flexibility required to quickly respond to new market opportunities and shifts in customer demand. It also simplifies the scope of our operations and administrative processes and significantly reduces our working capital requirements.

Intellectual Property

Our intellectual property rights cover individual inventions and complete biometric systems ranging from measurement principles, algorithms, sensor design, and system solutions. Our extensive intellectual property portfolio, leveraging 175 patents awarded and 62 patents pending, across applicable jurisdictions worldwide (as of December 31, 2022), is a critical enabler of our strategy and competitive positioning. We maintain a program designed to identify technology appropriate for patent and trade secret protection, and we file patent applications in the United States and certain other countries for inventions we consider significant. We continuously seek to protect aspects of our technology that provide significant competitive advantage.

Although our business is not materially dependent upon any one intellectual property right, our intellectual property rights and the products made and sold under them, taken as a whole, are a significant element of our business and our ability to compete. We rely on patents, trademark and copyright laws, trade secret protection efforts, contractual terms, and confidentiality agreements to protect our intellectual property rights. In addition, we require employees and consultants to execute appropriate non-disclosure and proprietary rights agreements. These agreements acknowledge our exclusive ownership of intellectual property developed for, and by, us, requiring confidential treatment of all proprietary information.

In addition to patents, we also possess other forms of intellectual property rights, including trademarks, know-how, trade secrets, design rights and copyrights. We control access to and use of our software, technology, and other proprietary information. Our software is protected by the copyright, patent, and trade secret laws of appropriate jurisdictions. Despite our efforts to protect our software, technology, and other proprietary information, unauthorized parties may copy or otherwise obtain and use our software, technology, and other proprietary information. In addition, as we further expand our international operations and markets, effective patent, copyright, trademark and trade secret protections may not be available, may be limited, or may not be enforceable in certain foreign countries.

Companies in the markets in which we operate frequently are sued or receive informal claims of patent infringement or infringement of other intellectual property rights. As we become more successful, we believe it is likely that competitors will attempt to develop products similar to ours, which may infringe our intellectual property rights. It also is possible competitors or other third parties will claim our products infringe on their

intellectual property rights. Successful adjudication of claims of infringement by a third-party could result in: injunctions that could prevent us from selling some of our products in certain markets; penalties, settlements, or judgements that require payment of royalties or financial damages; and settlements or judgements requiring us to develop non-infringing products at significant expense. We cannot provide assurance we will not be accused of infringing any third-party intellectual property rights at any time in the future.

The wordmark “IDEX,” the IDEX logo, and the brand name TrustedBio are registered trademarks of, and owned by, IDEX Biometrics ASA.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Overview

Our competitive positioning has been, and is, based on continuous advances in technologies, innovations in design, and achievements in performance, enabled by our focus on research and development. After the commoditization (and subsequent competitive consolidation) of the mobile device market in the latter half of the last decade, IDEX undertook a strategic pivot toward applications for which our differentiated characteristics could provide demonstrable and sustainable competitive advantages, reducing our exposure to commoditization. Our focus today is on incorporating fingerprint authentication into smart cards, which present the challenging form factors, demanding performance requirements, and extreme power limitations for which our solutions are ideally suited.

IDEX has established customer relationships with innovators and early adopters sharing our vision for the potential of fingerprint authentication in smart card applications, and, over the last three years, we have experienced increasing strategic momentum, successfully attracting new customers and increasing our revenue for ten consecutive quarters up to June 30, 2022. In the second half of 2022, shipments were limited by supply chain delays and component shortage. Revenue in 2022 increased 44% from 2021.

Since we released a reference design integrating our TrustedBio fingerprint authentication module and the SLC38, the latest SE from Infineon Technologies, we have marketed this reference design to smart card manufacturers. By the end of 2022, we had 12 design wins (i.e., contractual commitments) for this reference design with smart card manufacturers worldwide and anticipate these designs could be in full production by the end of 2023.

Customer order volume accelerated across 2022 from both existing customers and, notably, new customers adopting the TrustedBio—SLC38 reference design. Our backlog, consisting of confirmed customer orders scheduled for delivery within the following 12 months (and amounts, if any, of deferred revenue scheduled for recognition during the period), totaled \$3.3 million, \$2.5 million and \$1.7 million as of December 31, 2022, 2021, and 2020, respectively.

IDEX recorded revenue of \$4.1 million for 2022, compared to \$2.8 million for 2021, and \$1.1 million for 2020. Product revenue, as a percentage of total revenue, represented 95.0 %, 99.9 % and 92.5 % for 2022, 2021, and 2020, respectively. Revenue associated with our early-adopting customer in the digital access market segment, inclusive of services revenue associated with product development, represented 48.2%, 85.4%, and 89.7% of our total revenue for 2022, 2021, and 2020, respectively. We began to ship production volumes of our TrustedBio solution in 2021 and experienced significant growth in 2022, and expect such volumes to represent an increasing percentage of total revenue in the future.

We do not own or operate capital-intensive manufacturing facilities, but operate as a *fabless* manufacturer, outsourcing manufacturing and product assembly activities. We currently rely on TSMC, the leading producer of semiconductor wafers, as the sole source of wafers for our proprietary ASICs. We also rely on a limited number of providers of semiconductor packaging, design, and test services, including Amkor Technology, Inc., and Silicon Precision Industries Limited, both of which are leaders in outsourced semiconductor assembly and test services. Like many other companies in the electronics markets we experienced some disruptions in the supply chain which restricted our revenue in the second half of 2022. We have ordered, and may continue to order, relatively high values of raw materials and carry relatively large quantities of finished goods with the aim that customer delivery schedules can be met. While inventory levels likely will continue to expand as order backlog increases and expectations of higher orders and shipments increase, we do not believe the quantities of inventory represent, for the foreseeable future, a material risk to our financial position.

Due to inflationary pressures, primarily in the semiconductor supply chain, we expect our costs and expenses likely will increase, which could negatively influence cash flow and profitability, even if we are able to

significantly increase our revenue. Given our fables model, our manufacturing costs for the products we currently sell are most influenced by the discounts our vendors offer for sustained, high-volume production orders. We may not achieve the necessary volume of production orders to obtain advantageous pricing for the manufacture of our current products. Also, we may not be able to pass on increased costs to customers by increasing the prices of our products.

Variable costs are associated primarily with cost of materials, net of inventory change. Our operating cost structure is largely fixed, reflecting our business model and strategic focus on research and development. Because we believe the Company's leadership in fingerprint authentication technologies is an important competitive differentiator, we intend to maintain research and development activities to maintain this leadership.

We utilize a direct sales force and have customers around the world. At the present time, we do not sell our products through stocking distributors. Given the early-stage characteristics of the market segments we are targeting, including the extended and unpredictable sales cycles frequently associated with marketing new and innovative technology-based products, we expanded our marketing and sales staff in 2021 and increased our marketing spending in 2022.

As a Norwegian public company, with Ordinary Shares listed on the Oslo Børs, and an SEC registrant, with ADSs listed on Nasdaq Capital Markets, we are required to comply with two sets of applicable laws, rules, and regulations. From time to time, this may result in a complex compliance framework, with the consequence being higher costs associated with analysis of dual legal regimes, ongoing revisions to disclosure requirements, and adherence to different governance practices. We devote a substantial amount of time to compliance, which has increased our legal and accounting costs. These compliance costs and commitments of management time likely will continue to expand.

Our largest expenses are associated with personnel costs, including salaries, variable, performance-based compensation, sales commissions, benefits, and charges for the recognition of share-based compensation costs. Our total staff, consisting of employees and individual contractors located in countries in which we do not have operations, totaled 99, 111, and 102 as of December 31, 2022, 2021, and 2020, respectively. As of December 31, 2022, 16 were assigned to our head office in Oslo, 42 were assigned to our two offices in the United States, 36 were assigned to our office in the United Kingdom, and five were assigned to our offices in China. We expect to maintain a stable staff level during 2023, but there may be shifts from engineering to marketing and sales.

We anticipate our profitability could improve as revenue increases, as our forecasts for operating expenses are based on our assumed ability to increase revenue without proportional increases in our operating cost structure. However, because of the uncertainties associated with accurately forecasting revenue levels, inventory planning, and achieving operational economies of scale, we cannot predict whether, or when, we might achieve profitability.

Impact of COVID-19

The future progression of the COVID-19 pandemic and its effects on the Company's business and operations are unknown and not predictable. There have not been any significant delays in our development projects or material operating cost increases due to COVID-19. However, the pandemic did cause certain, short-term delays of projects in 2021, and 2022.

Disruption of supply chains, and significant price increases, particularly the semiconductor supply chain, have been attributed to the pandemic. We did experience some supply chain disruptions during 2022, and operational planning and management of inventory levels were challenging, given uncertainties associated with vendor capacity availability and allocations to us of such capacity. Because we expect such uncertainties may continue through 2023, we may place orders for, and hold balances of, inventory at higher levels than would be expected if such uncertainties did not exist.

We believe the pandemic has had an adverse influence on the timing of activities of smart card manufacturers and issuers, including delaying product development and the initiation of trials and pilots involving smart cards incorporating our fingerprint authentication solutions.

The full impact of COVID-19 on the Company's business, results of operations, and financial condition may depend on numerous evolving factors that are highly uncertain and cannot be accurately predicted. The Company will continue to monitor the evolving situation and will assess the relevant implications for its consolidated financial statements. Should governments in the countries in which IDEX Biometrics, its suppliers or customers operate reimpose restrictions on interpersonal contact, workplace access, and travel, IDEX

Biometrics may experience reduced productivity, customers and potential customers may delay orders, or there may be disruptions in the supply chain.

Operating Results

The following table summarizes the results of our operations for the years ended December 31, 2022, 2021, and 2020.

(\$000s)	Year Ended December 31,			2022-2021 Change	2021-2020 Change
	2022	2021	2020		
Revenue:					
Product	\$ 3,889	\$ 2,837	\$ 1,013	37%	180%
Service	203	3	82	6654%	(96)%
Total revenue	4,091	2,840	1,095	44%	159%
Operating expenses:					
Cost of materials, net of inventory change	3,244	1,254	275	159%	356%
Compensation and benefits	19,213	21,107	17,672	(9)%	19%
Research and development	3,250	2,680	1,895	21%	41%
Other operating expenses	8,402	7,347	5,936	14%	24%
Amortization and depreciation	1,352	1,802	1,719	(25)%	5%
Total operating expenses	35,460	34,190	27,497	4%	24%
Loss from operations	(31,369)	(31,350)	(26,402)	0%	19%
Finance income	97	11	26	781%	(58)%
Finance cost	(1,425)	(1,123)	(477)	27%	135%
Loss before tax	(32,698)	(32,462)	(26,853)	1%	21%
Income tax expense (benefit)	(36)	90	(99)	(140)%	(191)%
Net loss for the year	<u>\$ (32,662)</u>	<u>\$ (32,552)</u>	<u>\$ (26,754)</u>	0%	22%

Revenue

Revenue for the year ended December 31, 2022, was \$4.1 million, consisting of \$3.9 million of revenue from product sales and \$0.2 million from services. The increase in product sales of \$1.1 million from 2021 to 2022, representing an annual increase of 37%, is associated with significant growth in sales to customers in the card market, while sales to the customized digital access solution were lower than in the previous year. Service revenue is a minor element of customer engagement. Our two largest customers represented 48% and 25%, respectively, of total revenue for the year.

We expect shipments of our TrustedBio modules will expand through 2023, based on our backlog and our current forecast for additional orders, production lead times, and shipments. Such shipments are expected to contribute to important diversification of our customer base. We expect that shipments of our customized digital access solution may decline in 2023.

Revenue for the year ended December 31, 2021, was \$2.8 million consisting of \$2.8 million of revenue from product sales, and negligible amount of revenue from services, associated with the completion of development of a customized digital access solution to an existing customer. As such, this single customer represented approximately 85% of our revenue for 2021. Our second largest customer represented approximately 9% of total revenue for the year.

Revenue for the year ended December 31, 2020, was \$1.1 million, consisting of \$1.0 million of revenue from product sales, and \$0.1 million of revenue from services associated with the development of the customized digital access solution for the customer referenced above. Revenue from this customer represented approximately 81% of our revenue for 2020. Our second largest customer represented approximately 4% of total revenue for the year.

We categorize origin of revenue based on the billing addresses of our deliveries. Certain customers may request delivery to other countries than the customer's domicile. Customers' contract manufacturers may place orders with us under the terms of the customer's contract. We are potentially exposed to the risks associated with the countries to which delivery is requested and in countries where the contract manufacturers are domiciled (e.g., risks associated with customs delays and other logistical delays).

Cost of materials, net of inventory change

Cost of materials, net of inventory change, rose 159% from 2021 to 2022, to \$3.2 million, reflecting the 37% increase for the year in product revenue and also the product mix. For 2021, the figure was \$1.3 million, a sequential increase of 356%, reflecting a 180% increase for the year in product revenue. For 2020, services represented 7% of total revenue, in 2021, almost nil, and in 2022, 5% of revenue. Because we present our Consolidated Financial Statements reflecting the nature of expenses, the costs of personnel delivering engineering services associated with services revenue are not included in Cost of materials, net of inventory change.

Certain costs typically associated with manufacturing and manufacturing overhead, such as personnel costs and depreciation charges, are excluded from Cost of materials, net of inventory change, given the presentation of operating expenses based on the nature of expenses rather than by function. These excluded costs have not been material to date. Pursuant to IAS 1 and our presentation of operating expenses based on the nature of expenses, we do not present in our Consolidated Statements of Profit and Loss a line representing “gross margin,” reflecting the subtraction of Cost of materials, net of inventory change, from Revenue. We assess product-level profitability by calculating a *proxy* gross margin based on subtraction of Cost of materials, net of inventory change, from revenue derived from product sales. Under IFRS, the gross margin and ratio figures are alternative performance measures (“APMs”), as they are not defined in IFRS. We believe these figures are useful indicators of our performance. We also believe these figures are consistent with IFRS, as no adjustments to other IFRS-defined figures have been made, and their use in no way represents pro forma presentation of non-IFRS figures in our Consolidated Financial Statements. For 2022, such a product gross margin to product revenue was 17% . For 2021, and 2020, the product gross margins were 56% and 73% respectively. The declining gross margin ratios reflect sequentially higher shipment volumes and shifts in product mix. In 2022, the margin was additionally adversely impacted by several factors: higher component prices have not yet been passed on to customers, manufacturing costs have not yet achieved high-volume level, and a write-off of inventory of a discontinued product.

Compensation and benefits

Compensation and benefits expenses include, for all departments and activities, the following employee-related expenses: salaries, variable, performance-based compensation, sales commissions, benefits, and charges for the recognition of share-based compensation costs.

Compensation and benefits expenses for the year ended December 31, 2022, were \$19.2 million, as compared to \$21.1 million for the year ended December 31, 2021, a decrease of \$1.9 million or minus 9%, reflecting a reduction in number of employees, and a lower level of share-based compensation costs.

Such expenses for the year ended December 31, 2021, were \$21.1 million, as compared to \$17.7 million for the year ended December 31, 2020, an increase of \$3.4 million, or 19%. The increase was due to a higher number of employees, customary merit-based salary increases, and increased levels of share-based compensation costs. Additionally, salary expenses for 2020 reflected a temporary reduction of salaries for approximately one quarter of the year, implemented in response to the COVID-19 pandemic.

The year-end numbers of employees for 2022, 2021, and 2020 were 82, 93, and 90, respectively, reflecting staff reductions and attrition in engineering during the three years and the expansion of our marketing and sales team during 2021 and 2022. We expect staffing levels through 2023 will not change notably, as we anticipate any incremental hiring for specific needs will be offset by attrition.

For more information regarding compensation and the composition of our staff, see Footnote 4 to our Consolidated Financial Statements, which are presented in Part III of this Annual Report.

Research and development

Research and development expenses are presented on a net basis, reflecting the reduction of gross expenses through application of grants approved, if any. As described, we regularly apply for and receive grants under government programs, in Norway and the United Kingdom, supporting research and development activities.

For the year ended December 31, 2022, research and development expenses were \$3.2 million, reflecting gross expenses of \$4.0 million, offset by government grants of \$0.7 million. For the year ended December 31, 2021, research and development expenses were \$2.7 million, reflecting gross expenses of \$3.4 million, offset by

government grants of \$0.7 million. For the year ended December 31, 2020, research and development expenses were \$1.9 million, reflecting gross expenses of \$4.2 million, offset by government grants of \$2.3 million.

Research and development expenses include the cost of individual contractors assigned to engineering roles. As of December 31, 2022, December 31, 2021, and December 31, 2020, compensation for six, eight, and six individual contractors, respectively, were included in Research and development expenses.

The variations in gross research and development costs between the years reflect primarily the use of third-party service providers for outsourced engineering activities, particularly related to ASIC development and initiation of fabrication. Variances in the values of government grants approved reflect the timing of our applications and when we are notified of approvals. During the first quarter of 2020, we filed claims in the United Kingdom for research and development grants applicable to activities in 2017, 2018, and 2019. As a result, we received \$1.5 million of grant funds in 2020, which contributed to the significantly higher level of grant value for that year.

For 2023, we have focused our research and development activities on a narrower range of priorities associated with near-term product introduction objectives. Going forward we expect gross expenses associated with these activities will be comparable to gross expenses incurred in 2022. Similarly, we expect government grant funding for 2023 will be approximately the same as received in 2022.

Other operating expenses

As described above, expenses in this category consist of costs associated with our marketing and sales activities and costs associated with administrative activities.

Other operating expenses for the year ended December 31, 2022, were \$8.4 million, as compared to \$7.3 million for the year ended December 31, 2021, an increase of \$1.1 million or 14%. Other operating expenses for the year ended December 31, 2021, were \$7.3 million, as compared to \$5.9 million for the year ended December 31, 2020, an increase of \$1.4 million, or 24%.

The expansion of our marketing and sales staff in 2021 and higher activity level in 2022 has contributed to the increase in Other operating expenses. The costs of individual contractors assigned to such roles are included in marketing and sales expenses. The number of individual contractors in marketing and sales roles expanded to nine as of December 31, 2022, up from five at the end of 2020. Due to the restrictions associated with the COVID-19 pandemic, travel and related customer engagement costs in 2021 remained significantly below pre-pandemic level, partially offsetting other increases.

Other operating expenses increased significantly from 2020 to 2021 and into 2022 also because of higher professional services fees associated with the Company's listing of ADSs on the Nasdaq during the first quarter of 2021, as well as the related expanded scope of regulatory compliance and investor relations. Expanded liability insurance coverage for our Directors and Executive Officers caused insurance costs to rise significantly from 2020 to the following years.

While we seek to identify opportunities to reduce our use of outside providers of professional services, we rely on the expertise of such providers given our dual listing of Ordinary Shares and ADSs and the resulting exposure to the complex legal and regulatory requirements of Norway and the United States. If we increase our revenue as we currently anticipate, these expenses should decline as a percentage of revenue, but we do not expect an absolute decline in these expenses for the foreseeable future.

Finance income and Finance cost

As described above, Finance income generally includes interest received on bank balances, the net gain associated with aggregated foreign exchange translation adjustments for the period, and upward revisions, if any, to provisions, reserves, or the recorded fair values of financial assets or liabilities. Finance cost generally includes interest expenses on lease liabilities, interest expenses on VAT obligations, the net loss associated with aggregated foreign exchange translation adjustments for the period, and downward revisions, if any, to provisions, reserves, or the recorded fair values of financial assets or liabilities.

For the year ended December 31, 2022, Finance income totaled \$97 thousand, consisting primarily of interest income on our bank deposits. Finance cost for the year, totaled \$1.4 million consisting primarily of the net amount of losses associated with foreign exchange translation adjustments.

In 2021 and 2020, Finance income of \$11 thousand and \$26 thousand, respectively, consisted primarily of interest income, while Finance cost in those years, \$1.1 million and \$0.5 million, respectively, were net foreign exchange translation losses.

Income tax expense (benefit)

The provision for income tax presented in the Consolidated Statements of Profit and Loss represents, for the reporting period, the sum of current taxes due and changes in deferred tax. Current taxes due represents the sum of income tax expense (benefit) for each of our taxable entities. Income tax expense (benefit) for each entity is calculated using the income tax rates of the tax jurisdiction in which it operates.

Changes in deferred tax represent the periodic reconciliation of differences between financial reporting values and tax reporting values. The Company does not capitalize any deferred tax asset. Hence, any potential gain from increase in deferred tax asset is not recognized. For further details of tax calculations, see Footnote 6 to our Consolidated Financial Statements, which are presented in Part III of this Annual Report.

For the years ended December 31, 2022, 2021, and 2020, the provision for income tax presented in the Consolidated Statements of Profit and Loss was a benefit of \$36 thousand, an expense of \$90 thousand and a benefit of \$99 thousand. During the years ended December 31, 2022, 2021 and 2020, the parent company did not record or pay income taxes in Norway.

Net loss for the year

Net loss for the years ended December 31, 2022, 2021, and 2020 was \$32.7 million, \$32.6 million, and \$26.8 million, respectively.

On a per share basis for these three years, these losses were \$0.03, \$0.04, and \$0.03 per share, respectively. For the Company, pursuant to IAS 33 *Earnings per Share*, these loss per share figures are the same on a basic and fully-diluted basis. Because the Company has recorded a loss, loss per share on a fully-diluted basis excludes any Ordinary Shares issuable upon exercise of outstanding subscription rights, as doing so, given the loss, would be anti-dilutive (i.e., reduce loss per share).

For the Company, basic earnings per share is the quotient of the profit or loss for the period divided by the weighted average number of Ordinary Shares outstanding for the period. The weighted average number of Ordinary Shares outstanding during the period is the number of Ordinary Shares outstanding at the beginning of the period, adjusted by the number of Ordinary Shares issued or bought back during the period, multiplied by a time-weighting factor representing the number of days the Ordinary Shares are outstanding as a proportion of the total number of days in the period.

Similarly, for the Company, fully-diluted earnings per share is the quotient of the profit or loss for the period divided by the weighted average number of Ordinary Shares outstanding for the period, but, if profit is recorded for the period, the weighted average number of Ordinary Shares also includes the weighted average number of Ordinary Shares that would be issued upon exercise of vested subscription rights at a share price equal to the Ordinary Share price for the period. Such weight average of dilutive Ordinary Shares shall be calculated on a time-weighting basis, assuming subscription rights vested at the beginning of the period would be exercised at the beginning of the period or, if vesting occurs after the beginning of the period, assuming exercise of subscription rights would occur on the subsequent vesting date.

Liquidity and Capital Resources

Overview

Since our establishment, we have incurred significant operating losses and negative cash flows. We anticipate we will continue to incur operating losses and consume cash through 2023. There is significant doubt about our ability to continue as a going concern. We will require additional funding to defray anticipated future operating losses. Because we intend to continue pursuing our strategy and to rapidly grow our revenue, we anticipate additional capital will be required (i.e., for the funding of increased working capital requirements).

We expect our revenue for 2023 will be higher than the level in 2022. We expect shipments of our TrustedBio modules will expand through 2023, based on our backlog and our current forecast for additional orders, production lead times, and shipments. Maintaining and improving product-level profitability in 2023

compared to 2022 will depend on our ability to pass along expected increases in the costs to manufacture, assemble, and test our products.

Compensation and related personnel expenses are our largest costs and we anticipate a decrease in such expenses in 2023 compared to 2022, reflecting the reduction in number of employees in the second half of 2022 and given our expectation of a stable number of employees in 2023. Our research and development spending is expected to continue at its current level through 2023, reflecting ongoing technology and product development, some of which is funded by grants from the governments of Norway and the United Kingdom. Other operating expenses likely will increase modestly in connection with expanded marketing and sales activities, as well as the likelihood of increased travel costs, given reduced restrictions on travel.

On November 16, 2022, we completed a private placement of 150 million Ordinary Shares, with gross proceeds of \$15.6 million.

As of December 31, 2022, we had cash and cash equivalents of \$16.1 million, representing approximately 56% of total assets.

We have no debt to financial institutions or other lenders. Our ongoing material financing commitments are limited to the lease agreements we entered into associated with our office and lab facilities.

Cash Flows

Pursuant to IAS 7 *Statement of Cash Flows*, we present our Consolidated Statements of Cash Flow following the indirect method. The following table summarizes the results of our cash flows for the periods presented:

(\$000s)	Year Ended December 31,		
	2022	2021	2020
Net cash used in operating activities	\$ (31,914)	\$ (27,533)	\$ (23,294)
Net cash used in investing activities	(160)	(143)	(232)
Net cash provided by financing activities	14,520	54,148	17,438
Net change in cash and cash equivalents	<u>\$ (17,555)</u>	<u>\$ 26,472</u>	<u>\$ (6,088)</u>

Net cash flow used in operating activities

During the year ended December 31, 2022, operating activities consumed cash of \$31.9 million, primarily as a consequence of our net loss before tax of \$32.7 million, and a net working capital increase of \$2.3 million, partially offset by non-cash charges of \$4.1 million included in the net loss for the year.

Operating activities during 2021 consumed cash of \$27.5 million, primarily as a result of our net loss before tax of \$32.5 million and a net working capital decrease of \$0.1 million partially offset by non-cash charges of \$4.6 million included in net loss for the year.

Operating activities during 2020 consumed cash of \$23.3 million primarily as a result of our net loss before tax of \$26.9 million and a net working capital increase of \$0.5 million, partially offset by non-cash charges of \$4.5 million included in net loss for the year.

Net cash flow used in investing activities

During the year ended December 31, 2022, investing activities consumed cash of \$160 thousand reflecting the use of \$267 thousand for capital expenditures for engineering equipment, partially offset by the receipt of \$97 thousand of interest income associated with higher interest rates for the period.

Investing activities during 2021 consumed cash of \$143 thousand, reflecting the use of \$141 thousand for capital expenditures for engineering equipment.

Investing activities during 2020 consumed cash of \$232 thousand, reflecting the use of \$152 thousand for capital expenditures for engineering equipment and the use of \$181 thousand for the acquisition of certain patents.

Net cash flow provided by financing activities

During the year ended December 31, 2022, share issuance generated net cash of \$14.4 million, which included the proceeds from a private placement of Ordinary Shares, as well as proceeds from share issuances associated with our Employee Share Purchase Plan and the exercise of incentive subscription rights, partially offset by reductions of lease liabilities totaling \$400 thousand.

Financing activities during 2021 generated cash of \$54.1 million, which included the net proceeds from two private placements of Ordinary Shares, as well as proceeds from share issuances associated with our Employee Share Purchase Plan and the exercise of incentive subscription rights, partially offset by reductions of lease liabilities totaling \$844 thousand.

Financing activities during 2020 generated cash of \$17.4 million, representing net proceeds of \$18.0 million from a private placement of Ordinary Shares and proceeds of \$731 thousand from share issuances associated with our Employee Share Purchase plan and the exercise of incentive subscription rights, partially offset by reductions of lease liabilities totaling \$793 thousand and the final payment of \$500 thousand associated with the purchase of intangible assets.

Operating and Capital Expenditure Requirements

We have not achieved profitability on an annual basis since our inception. While we expect our revenue for 2023 will be higher than the revenue in 2022, we also expect to incur net losses and consume cash for the year. We expect our operating expenses will remain stable as we continue to spend on the development of new products and expanded product features and the development of new customers in our three targeted markets. Additionally, as we have Ordinary Shares listed in Norway and ADSs listed in the United States, we expect we will continue to incur the costs of regulatory compliance.

We do not anticipate an increase in capital expenditures above the level incurred during 2022 and 2021. We also are not planning to acquire intangible assets or have significant investment activities for the foreseeable future.

Our future funding requirements will depend on many factors, including but not limited to:

- the pace and amount of new production orders placed with us by existing customers and customers with which we have secured design wins;
- the scope, rate of progress, and costs of our expanded marketing and sales activities;
- the scope, rate of progress, and costs of our product development activities;
- our ability to secure manufacturing capacity and address other ongoing supply chain uncertainties;
- the cost of manufacturing our products and our ability to pass on cost increases to our customers;
- the cost of developing our software and the timing thereof;
- the costs involved in filing and prosecuting patent applications and enforcing and defending potential patent claims; and
- the costs of retaining existing personnel and hiring additional skilled individuals to support our continued growth.

Among other factors, our history of losses, limited revenue and negative cash flows from operations raise significant doubt about our ability to continue as a going concern. As a result, our independent registered public accounting firm has included an explanatory paragraph in their opinion for the year ended December 31, 2022 as to the significant doubt about our ability to continue as a going concern. Our consolidated financial statements contemplate that we will continue to operate as a going concern. We have been able to raise funds through private placements of shares in the past. During 2022, we raised \$15.1 million through private placements. We regularly review all strategic options to fund ongoing operations, research and development projects and working capital needs, including a capital raise. While we have been successful in the past in raising funds through private placements of shares, there is no assurance that we will be successful in the future.

Parent Company Financial Statements

The Financial Review above of 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 the group's 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 operating expenses. The entities are funded through a combination of equity and intercompany loans or advances, as required.

Only two of the group's 82 employees are employed in the parent company. Hence, the parent has a small share of the group's payroll expenses. The parent company purchases development services from the subsidiaries, whose charges include the payroll cost of the development staff. Thus, the parent company reports higher development costs than the consolidated group. The parent company purchases marketing and other services from the subsidiaries, whose charges include the payroll cost of the staff performing the service. In addition, most of the commercial team, who work and live in various countries where IDEX does not have a subsidiary, are individual contractors to the parent company, and the cost is included in Other operating expenses. Thus, the parent company reports higher Other operating expenses than the consolidated group.

The parent company's long-term interest-bearing loans to the subsidiaries were fully repaid in 2021. The short-term receivables from group companies are mainly from IDEX UK. IDEX UK carries its development cost in order to qualify for SME research and development tax relief in the UK. Other aspects of the parent company's balance sheet are covered by the comments for the consolidated balance sheet for the group.

Allocation of the Net Loss for the Year

The net loss for 2022 of the parent company IDEX Biometrics ASA was \$31,023,240.87 compared to a net loss of \$38,889,352.72 in 2021. The board proposes that the loss shall be added to Accumulated loss. \$18,000,000.- of the Share premium has been transferred to Capital reduction reserve to partly absorb Accumulated loss. The board does not propose any dividend payments for 2022.

Going Concern

The going concern assumption has been applied in the preparation of the consolidated 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 losses, net of capital reduction reserve of \$33,901 as of December 31, 2022, and reported cash outflow amounting to \$17,555, after obtaining new equity in a net amount of \$14,334. The company has no debt to financial institutions. Net equity amounted to \$22,841 and the balance sheet solvency amounted to \$13,370 at December 31, 2022. The Company aims to increase revenue generation through sales of its products, however, it does not currently have the cash resources to fully meet its operating commitments for the next twelve months. These factors, among others, cast significant doubt on the Company's ability to continue as a going concern.

As an ongoing activity, we monitor liquidity and the board is prepared to take appropriate measures if and when required. We have been successful in the past with implementing cost reductions and raising capital through private placements of equity. However, there is no assurance that cash generated by future operations will be adequate to meet our needs or that we will be successful in the future in raising additional capital in the form of equity or debt. The Company plans to undertake a private placement of shares or procure other substantial funding by the end of the third quarter of 2023 to provide additional funding to support research and development and fund working capital.

On balance, the board has concluded that the conditions for the going concern assumption are met.

HEALTH AND SAFETY

Talented, highly-motivated contributors are important to executing the Company's strategy. In order to maintain our leadership position in fingerprint authentication in a highly competitive employment market, attracting and retaining the best employees and individual contractors worldwide is a priority. Accordingly, we offer compelling compensation and benefits, and seek to foster a culture of innovation in which personnel are empowered to do (and are rewarded for) their best work. 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.

As of December 31, 2022, the Company had 104 individuals on staff, consisting of 85 employees and 19 individual contractors (individual contractors typically reside in countries in which we do not have business

operations). Of this total, 17 were assigned to our Oslo office, 46 were assigned to our two offices in the United States, 36 were assigned to our office in the United Kingdom, and five were assigned to our office in China.

Some of our staff serve on a part-time basis. We assess staffing needs based on a full-time equivalent (“FTE”) basis. As of December 31, 2022, we had 82 FTE employees and 17 FTE individual contractors. Of this total of 99 FTEs:

- 70 were engaged in engineering functions (hardware design, systems design, and software development);
- 15 were engaged in marketing and sales functions;
- seven were engaged in administrative and financial functions; and
- seven were engaged in production planning and supply chain management.

None of our employees are represented by a labor union or covered by a collective bargaining agreement and we have not experienced any work stoppages in 2022.

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 1.2% in 2021, compared to 0.6% in 2021. Due to the low number of employees, statistics for the parent company are not presented. The sick leave data are not considered reason for concern.

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.

Our compensation program is designed to attract and reward talented individuals who possess the skills necessary to support our business objectives, assist in the achievement of our strategic goals, and create long-term value for our holders of our equity securities. We provide employees with compensation packages including a competitive base salary and benefits, which may vary from country to country, such as life and health insurance, supplemental insurance, paid time off, paid parental leave, and an Employee Share Purchase Plan in which eligible employee may participate. Generally (and subject to local laws), new employees and individual contractors are awarded subscription rights for the purchase of the Company’s Ordinary Shares. Staff members also generally are eligible to participate in an annual performance-based variable compensation plan, as well as be eligible for periodic awards of subscription rights based on the performance of the Company and that of the staff member. We believe a compensation program with the appropriate balance of short- and long-term incentives aligns the interests of holders of our equity securities and our personnel.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

We acknowledge and embrace the importance of Environmental, Social, and Governance (“ESG”) considerations in the development and execution of the Company’s strategy, which must be sustainable and contribute to the well-being of the communities in which we operate.

Our values are set forth in our Code of Conduct and Code of Ethics (“the Code,” available on our website). The Code states, “The purpose of the Company is to create value for the shareholders, while the business shall also be to the benefit for the Company’s customers, staff, suppliers, other business relations and the society at large.”

The Code also states, “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 safe 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.”

As a *fabless* developer and supplier of high-technology products, we outsource all manufacturing activities. We select manufacturing partners and other providers of products and services that follow responsible practices in all ESG aspects. Our own operations do not have a significant impact on the natural environment, and the end-products in which our fingerprint authentication solutions are used (e.g., PVC smart cards) can be

efficiently recycled. The Company is committed to minimizing use of energy, raw materials, water, and other resources, and makes every reasonable effort to minimize the waste we generate. We have recycling programs in place in all our facilities.

As set forth in our Code, we consider shareholders, staff, customers, business partners, authorities, and society in general to be important stakeholders, with interests to be protected and served. We consider how we interact with and treat our stakeholders to be the most efficient way we can have a meaningful impact on their wellbeing. As such, IDEX is committed to fulfill its obligation to be a responsible member of society through the conduct of its business in an ethical, socially-responsible, and transparent manner.

As of December 31, 2022, women represented 19% of our staff, and four departments are led by women. The composition of our Board meets Norwegian statutory requirements, with three women among our seven members.

ESG risks are not considered to be material to our financial statements. We have not identified any such risks that could have the potential to materially harm our business in a non-financial manner.

As our business grows, our operations and the elements of our ESG profile likely will evolve. When our ESG profile evolves to include measurable and material matters, we will supply investors and other stakeholders with decision-useful information regarding our ESG objectives and indicators of our progress toward those objectives.

The current corporate governance review is included in the 2022 annual report to Norway and is also available at the company's website, <https://www.idexbiometrics.com/about-idex/>.

The Company will publish its annual due diligence review of the Company's impact on human rights and working conditions, pursuant to the Norwegian transparency act, by June 30, 2023. The review will be available at the Company's web site, <https://www.idexbiometrics.com/>.

MANAGEMENT REMUNERATION, DIRECTORS' AND OFFICERS' INSURANCE

The annual general meeting in 2021 resolved a policy for executive remuneration. The full policy is available at the company's website, <https://www.idexbiometrics.com/about-idex/>. The actual remuneration in 2022 has been disclosed in a note to the parent company financial statements. The executive remuneration report will be presented to the 2023 annual general meeting in a separate document.

Since the company's shares were admitted to listing on Oslo Børs, the company has had a conventional Norway-based insurance policy covering directors' and officers' liability world wide, except for liabilities arising from U.S. Securities Act. Since 2021, ADSs representing the company's shares are listed on the Nasdaq Capital Market in the United States. The company and its directors and officers are subject to incremental liability in the U.S. In order to attract and retain qualified individuals to the board and executive management, the company maintains also a U.S.-based liability insurance with worldwide coverage to protect directors and officers in the company from certain liabilities. The company has contractually obligated itself to indemnify, and to advance expenses on behalf of, the directors and officers to the fullest extent permitted by applicable Norwegian law so that they will serve the company free from undue concern. The U.S.-based insurance and the indemnification agreements were authorized by the extraordinary general meeting of the company on December 15, 2020. Subject to various terms and sub-limits, the total insured amount is up to NOK 50 million in the Norway-based policy and USD 5.0 million for liabilities exceeding USD 5.0 million or USD 10.0 million, as the case may be, in the U.S.-based policy.

OUTLOOK

During 2022 IDEX made good progress transitioning from research and development to commercial activities. Even with the continuing challenges created by COVID-19 on business and society, the team stayed focused and executed on the 2022 business plan. We grew our revenue by 44%, launched the turnkey solution for card manufacturers, achieved 11 design wins, and expanded our technological base.

IDEX Biometrics is partnering with leading vendors throughout the card supply chain. We consider these industry partnerships an important element of our strategy and are pursuing opportunities to leverage the strengths and resources of well-positioned companies that share our vision for fingerprint biometrics.

Our value proposition is based on providing highly-integrated, high-performance solutions enabling our customers to design products that are as differentiated as our own. We have highly-differentiated solutions to meet the demanding technical challenges of card-based applications and are aggressively pursuing still-evolving market segments. We have developed proprietary software that differentiates our fingerprint solutions. We continue to invest in development of hardware and software and expand the Company's know-how and intellectual property base in order to maintain the Company's technological leadership.

Despite the uncertain environment brought on by the challenges of a global pandemic and a constrained semiconductor supply chain, IDEX Biometrics continues to make progress executing on a strategy positioning the Company as the leading provider of biometric authentication solutions for payment cards and adjacent market applications.

April 26, 2023

The board of directors of IDEX Biometrics ASA

/s/ Morten Opstad
Morten Opstad
Chair

/s/ Lawrence John Ciaccia
Lawrence John Ciaccia
Deputy chair

/s/ Deborah Lee Davis
Deborah Lee Davis
Board member

/s/ Hanne Høvdning
Hanne Høvdning
Board member

/s/ Annika Olsson
Annika Olsson
Board member

/s/ Thomas Quindlen
Thomas Quindlen
Board member

/s/ Stephen Andrew Skaggs
Stephen Andrew Skaggs
Board member

/s/ Vincent Arthur Graziani
Vincent Arthur Graziani
CEO

CONSOLIDATED FINANCIAL STATEMENTS

IDEX Biometrics ASA **Consolidated Statements of Profit and Loss** **(\$000s, except per share amounts)**

	Note	Year Ended December 31,		
		2022	2021	2020
Revenue:				
Product		\$ 3,889	\$ 2,837	\$ 1,013
Service		203	3	82
Total revenue		4,091	2,840	1,095
Operating expenses:				
Cost of materials, net of inventory change		3,244	1,254	275
Compensation and benefits	4	19,213	21,107	17,672
Research and development	5, 6	3,250	2,680	1,895
Other operating expenses	18	8,402	7,347	5,936
Amortization and depreciation	8, 9, 10	1,352	1,802	1,719
Total operating expenses		35,460	34,190	27,497
Loss from operations		(31,369)	(31,350)	(26,402)
Finance income		97	11	26
Finance cost		(1,425)	(1,123)	(477)
Loss before tax		(32,698)	(32,462)	(26,853)
Income tax expense (benefit)	6	(36)	90	(99)
Net loss for the year		<u>\$ (32,662)</u>	<u>\$ (32,552)</u>	<u>\$ (26,754)</u>
Loss per share, basic and diluted	7	<u>\$ (0.03)</u>	<u>\$ (0.04)</u>	<u>\$ (0.03)</u>

Consolidated Statements of Comprehensive Income (\$000s)

	Note	Year Ended December 31,		
		2022	2021	2020
Net loss for the year		\$ (32,662)	\$ (32,552)	\$ (26,754)
Other comprehensive income that may be reclassified to profit (loss) in subsequent periods:				
Foreign currency translation adjustment		680	10	670
Total comprehensive income (loss) for the period (net of tax)		<u>\$ (31,981)</u>	<u>\$ (32,542)</u>	<u>\$ (26,084)</u>

The accompanying notes are an integral part of these consolidated financial statements.

IDEX Biometrics ASA**Consolidated Statements of Financial Position (\$000s)**

	Note	December 31, 2022	December 31, 2021
Assets			
Non-current assets:			
Goodwill	8	\$ 968	\$ 968
Intangible assets	8	1,488	1,965
Property, plant, and equipment	9	1,107	1,301
Right-of-use assets	10	1,545	357
Non-current receivables		73	87
Total non-current assets		5,181	4,678
Current assets:			
Prepaid expenses		986	851
Inventory	13	4,447	1,234
Accounts receivable, other	11	929	703
Accounts receivable, trade	11	1,349	801
Cash and cash equivalents	14	16,124	33,759
Total current assets		23,835	37,348
Total assets		<u>\$ 29,016</u>	<u>\$ 42,026</u>
Equity and liabilities			
Share capital (NOK 0.15 par value per share, 1,166,326,584 and 1,010,388,454 shares issued and outstanding at December 31, 2022 and 2021, respectively)			
	15	\$ 22,762	\$ 20,410
Share premium		4,036	9,452
Share-based payment reserve		23,576	21,414
Foreign currency translation effects		(11,632)	(12,312)
Capital reduction reserves		287,500	269,500
Accumulated loss		(303,401)	(270,739)
Total equity		22,841	37,725
Non-current liabilities:			
Non-current lease liabilities	10, 12	1,142	11
Total non-current liabilities		1,142	11
Current liabilities:			
Accounts payable	12	1,540	685
Current lease liabilities	10, 12	402	362
Public duties payable		394	393
Other current liabilities	12	2,697	2,850
Total current liabilities		5,033	4,290
Total liabilities		6,175	4,301
Total equity and liabilities		<u>\$ 29,016</u>	<u>\$ 42,026</u>

The accompanying notes are an integral part of these consolidated financial statements.

April 26, 2023

The board of directors of IDEX Biometrics ASA

/s/ Morten Opstad
Morten Opstad
Chair

/s/ Lawrence John Ciaccia
Lawrence John Ciaccia
Deputy chair

/s/ Deborah Lee Davis
Deborah Lee Davis
Board member

/s/ Hanne Høvdning
Hanne Høvdning
Board member

/s/ Annika Olsson
Annika Olsson
Board member

/s/ Thomas Quindlen
Thomas Quindlen
Board member

/s/ Stephen Andrew Skaggs
Stephen Andrew Skaggs
Board member

/s/ Vincent Arthur Graziani
Vincent Arthur Graziani
CEO

IDEX Biometrics ASA**Consolidated Statements of Changes in Equity (\$000s)**

	Share capital	Share premium	Share based payment	Foreign currency translation effects	Capital reduction reserve *	Accumulated loss *	Total equity
Balance at December 31, 2019	\$ 15,445	\$ 197,639	\$ 15,903	\$ (12,992)	\$ 13,250	\$ (211,433)	\$ 17,812
Share issuance	1,729	16,219	—	—	—	—	17,948
Share-based compensation	77	—	2,761	—	—	—	2,838
Net loss for the year	—	—	—	—	—	(26,754)	(26,754)
Transfer of share premium	—	(210,250)	—	—	210,250	—	—
Other comprehensive income	—	—	—	670	—	—	670
Balance at December 31, 2020	\$ 17,251	\$ 3,608	\$ 18,664	\$ (12,322)	\$223,500	\$ (238,187)	\$ 12,514
Share issuance	3,107	51,205	—	—	—	—	54,312
Share-based compensation	52	639	2,750	—	—	—	3,441
Net loss for the year	—	—	—	—	—	(32,552)	(32,552)
Transfer of share premium	—	(46,000)	—	—	46,000	—	—
Other comprehensive income	—	—	—	10	—	—	10
Balance at December 31, 2021	\$ 20,410	\$ 9,452	\$ 21,414	\$ (12,312)	\$269,500	\$ (270,739)	\$ 37,725
Share issuance	2,273	12,103	—	—	—	—	14,376
Share-based compensation	79	481	2,161	—	—	—	2,721
Net loss for the year	—	—	—	—	—	(32,662)	(32,662)
Transfer of share premium	—	(18,000)	—	—	18,000	—	—
Other comprehensive income	—	—	—	680	—	—	680
Balance at December 31, 2022	<u>\$ 22,762</u>	<u>\$ 4,036</u>	<u>\$ 23,576</u>	<u>\$ (11,632)</u>	<u>\$287,500</u>	<u>\$ (303,401)</u>	<u>\$ 22,841</u>

*Refer also to Note 2: Basis of Preparation and to Note 15: Share Capital to the consolidated financial statements.

The accompanying notes are an integral part of these consolidated financial statements.

IDEX Biometrics ASA**Consolidated Statements of Cash Flow (\$000s)**

	Note	Year Ended December 31,		
		2022	2021	2020
Operating activities				
Profit (loss) before tax		\$ (32,698)	\$ (32,462)	\$ (26,853)
Amortization and depreciation expense	8, 9, 10	1,352	1,802	1,719
Share-based compensation expense	16	2,721	2,750	2,755
(Increase) decrease in inventories	13	(3,215)	(375)	(139)
(Increase) decrease in accounts receivable	11	(548)	(314)	(414)
Increase (decrease) in accounts payable	12	858	53	141
Change in other working capital items		564	577	(39)
Interest paid		(33)	(11)	(27)
Taxes paid (received)		(372)	447	(437)
Net cash flows from operating activities		<u>(31,370)</u>	<u>(27,533)</u>	<u>(23,294)</u>
Investing activities				
Purchases of property, plant, and equipment	9	(267)	(141)	(152)
Purchases of intangible assets	8	—	—	(181)
(Payment) collection of non-current receivables	11	9	(13)	75
Interest received		97	11	26
Net cash flows from investing activities		<u>(160)</u>	<u>(143)</u>	<u>(232)</u>
Financing Activities				
Net proceeds from issuance of shares	15	14,376	54,992	18,731
Payment of principal portion of lease liabilities	10	(400)	(844)	(793)
Payment related to a financed asset purchase	9	—	—	(500)
Net cash flows from financing activities		<u>13,976</u>	<u>54,148</u>	<u>17,438</u>
Net change in cash and cash equivalents		<u>(17,555)</u>	<u>26,472</u>	<u>(6,088)</u>
Effect of foreign exchange on cash balances		(80)	(11)	(740)
Opening cash and cash equivalents balance		33,759	7,298	14,126
Cash and cash equivalents at December 31	14	<u>\$ 16,124</u>	<u>\$ 33,759</u>	<u>\$ 7,298</u>

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands, except per share amounts)

1. Corporate Information

IDEX Biometrics ASA and its wholly-owned subsidiaries (collectively, “IDEX” or the “Company”) specialize in the design, development, and sale of fingerprint authentication solutions. The Company’s fingerprint authentication solutions are used primarily in contactless smart cards, including financial payment cards, access control cards, and card-based devices for the storage of digital currencies.

IDEX Biometrics ASA, the parent company, is a public limited liability company incorporated in 1996 in Norway. The address of the head office is Dronning Eufemias gate 16, NO-0191 Oslo, Norway. The Company’s Ordinary Shares, representing the only class of equity securities issued and outstanding, are listed on the Oslo Børs, the stock exchange in Oslo, Norway, under the ticker symbol IDEX. The Company’s American Depositary Shares (“ADSs”), each ADS representing 75 Ordinary Shares, are listed on Nasdaq, under the ticker symbol IDBA.

IDEX is comprised of the Norwegian parent company and its subsidiaries in the United States (IDEX Biometrics Holding Company Inc. and IDEX Biometrics America Inc. (together, “IDEX America”)), the United Kingdom (IDEX Biometrics UK Ltd. (“IDEX UK”)), and China (IDEX Electronics (Shanghai) Co., Ltd. (“IDEX China”)). The parent company is the owner of all intellectual property of IDEX and is the contractual party to all customer and manufacturing partner agreements. All sales are generated by the parent company. The subsidiaries provide various services to the parent company, mainly associated with engineering, supply-chain administration, and customer service functions.

2. Basis of Preparation

The Company prepares its Consolidated Financial Statements in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and IFRS as endorsed by the European Union. The consolidated financial statements are presented in U.S. Dollars (“USD”), and all values are rounded to the nearest thousand (\$000), except when otherwise indicated. As of January 1, 2020, the parent company changed its presentation currency from the Norwegian Krone (“NOK”) to USD, and, as of January 1, 2021, the parent company changed its functional currency from NOK to USD. The change of functional currency from NOK to USD, was determined by to be appropriate, given that the parent company’s operational transactions had come to be primarily dominated in USD.

The Consolidated Financial Statements, prepared on a historical cost basis, include the accounts of the parent company and its subsidiaries, with all intercompany transactions, balances, revenue, expenses, and unrealized internal profit or losses eliminated upon consolidation.

During the year ended December 31, 2022, the Company revised its classification related to the presentation of Capital Reduction Reserve to reflect the legal decision of the absorption of historical accounting losses into Share Premium. Previously, the Company presented transfer of Share premium to absorb losses as a component of Accumulated Loss. The Company changed its presentation to reflect the amount of transfer losses to Share Premium separately from accumulated losses on the Consolidated Statements of Financial Position and Consolidated Statements of Changes in Equity. The Company has applied this change to all periods.

The consolidated financial statements for the year ended December 31, 2022, were approved by the Board on April 26, 2023.

Going Concern

The Company has evaluated whether there are conditions and events, considered in the aggregate, that raise significant doubt about the Company’s ability to continue as a going concern within one year after the date the consolidated financial statements are issued. From its inception through December 31, 2022, IDEX has incurred significant operating losses and has reported negative cash flows from operations. As of December 31, 2022, the Company has accumulated losses of \$303,401. The Company has no debt to financial institutions. Net equity amounted to \$22,841 and the consolidated statement of financial position solvency amounted to \$13,370 at the end of 2022. The Company does not expect that its existing cash would enable it to fund its operating expenses and capital expenditures requirements for the next twelve months. The future viability of the Company beyond

that point is largely dependent on its ability to generate cash from operating activities and to raise additional capital to finance its operations.

The Company plans to undertake a private placement of shares or procure other substantial funding by the end of the third quarter of 2023 to provide additional funding to support research and development and fund working capital. While the Company has been successful in the past in raising funds through private placements of shares, there is no assurance that we will be successful in the future. The Company's failure to raise capital as and when needed could have a negative impact on its financial condition and its ability to pursue its business strategies.

Based on its recurring losses from operations incurred since inception, expectation of continuing losses for the foreseeable future and need to raise additional capital to finance its future operations, the Company has concluded that there is significant doubt about its ability to continue as a going concern.

The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Accordingly, the consolidated financial statements have been prepared on a basis that assumes the Company will continue as a going concern and which contemplates the realization of assets and satisfaction of liabilities and commitment in the ordinary course of business.

3. Significant Accounting Policies

Accounting policies that are significant to the Company's results and financial position, in terms of materiality of the items to which the policy is applied, are discussed below.

The statements of profit and loss are presented by the nature of expense. The cash flow statements are presented by the indirect method.

There have not been any changes to the Company's accounting policies applied in the financial statements for 2022 compared to those applied in the annual financial statements for 2021.

Accounting estimates, based on the use of judgment and assumptions

The application of certain accounting standards requires estimates based on considerable judgment and assumptions that may involve high levels of uncertainty at the time the estimates are made. Estimates are continually evaluated. Assumptions are based on historical experience and other factors, including expectations of future events and parameters that are believed to be reasonable under the circumstances. Actual outcomes may deviate from estimates.

Changes in estimates and deviations between estimated result and actual outcome may have a material influence on the financial statements in the periods when estimates or assumptions are changed or when uncertainty is resolved. The following represent the most significant accounting items based on estimates, based on management's judgment and assumptions.

Goodwill

Goodwill represents the future economic value of assets acquired in a business combination above the separately recorded values of the assets. Subsequent impairment testing involves quantitatively comparing the recorded value to the estimated value of the business unit to which the goodwill is assigned. The estimate is based on judgments of when and whether there will be an economic benefit from the business unit, and assumptions about the amounts. As of December 31, 2022, such comparison indicated the carried value of goodwill was appropriate, and no impairment was recorded.

Intangible assets

IDEX's patents and other intellectual property rights created by the Company are capitalized and recorded in the Consolidated Statements of Financial Position only when they satisfy the criteria for capitalization. No development costs have been capitalized in 2022, 2021, or 2020.

Acquired intangible assets are capitalized initially at fair value, normally the purchase price. Intangible assets are amortized over their useful economic lives. An assessment of impairment losses on non-current assets is made when there is an indication of a decrease in value. An intangible asset's carrying amount is compared to the asset's recoverable amount. The recoverable amount is the higher of the fair value (less costs to sell to an

independent third party) or the calculated value based on the discounted estimated cash flow from continued use. The estimate is based on judgments of when and whether there will be an economic benefit from the asset, and assumptions about the amounts. As of December 31, 2022, the Company determined that there were no indicators of impairment, and no impairment was recorded.

Inventory

Inventories consist of raw materials, work in process, and finished goods. Inventory is recorded at the lower of cost and net realizable value. Impairment is assessed quarterly, based on management's judgment of when and whether the inventory may be sold, and assumptions about the sales price and selling costs. The estimate is uncertain, because timing of sales are subject to many risks. Selling prices are uncertain in the market for IDEX's products. Reselling components or other commodity raw materials at any value may not be easily achieved, and elements of work in progress and finished goods, if impaired (i.e., considered excess or obsolete inventory), generally have no resale value and are held for disposal.

Share-based compensation

IDEX estimates the fair value of incentive subscription rights ("SRs") at the grant date by using the Black-Scholes option pricing model, and record share-based remuneration cost over the vesting period of the SRs. The valuation is based on share price and exercise price, share price volatility, interest rates, and the expected term of the SRs, based on historical data. The parameters may in the future deviate from the historical observations. The accrued cost of the Company's employment taxes associated with the earned intrinsic value of the SRs will vary with share price, which is a highly unpredictable parameter.

IDEX estimates the fair value of the Employee Share Purchase Plan ("ESPP") at the grant date, i.e. the first date of the contribution period, by using the Black-Scholes option pricing model. The share-based compensation is expensed over the contribution period. The valuation is based on share price and exercise price, share price volatility, interest rates, and the term of the contribution period. The parameters may in the future deviate from the historical observations.

Climate Change

As of December 31, 2022, the possible future financial impact to the Company resulting from climate change is uncertain. Given the nature of the Company's operations and products, the Company believe any such impact not to be material. The Company is monitoring current and expected climate change effects, as well as measures considered or implemented by government and industry, in order to minimize any negative impact and to take advantage of any favorable opportunities that may arise.

COVID-19

The COVID-19 pandemic, including the global emergence of new variants, continues to cause business and economic uncertainties. The full impact of COVID-19 on the Company's business, results of operations, and financial condition may depend on numerous evolving factors that are highly uncertain and cannot be accurately predicted. The Company will continue to monitor the evolving situation and will assess modifying its response to the pandemic, as well as any relevant implications for its operations or financial reporting.

The Company has not experienced significant delays in its development projects, and it has not incurred additional costs as a result of its response to the pandemic. Disruption of supply chains, particularly the semiconductor supply chain, has been attributed to the pandemic. While the Company did not experience supply chain disruptions that were material to its operations or financial results during 2021 or 2022, operational planning and management of inventory levels were challenging, given uncertainties associated with vendor capacity availability and allocations to the Company of such capacity. Because management expects such uncertainties will continue through 2023, the Company may place orders for, and hold balances of, inventory at higher levels than would be expected if such uncertainties did not exist.

Management believes the pandemic has had an adverse influence on the timing of activities of smart card manufacturers and issuers, including delaying product development and the initiation of trials and pilots involving smart cards incorporating our fingerprint authentication solutions.

Financial risks

IDEX emphasizes capital preservation and liquidity in managing its cash, which is held in bank accounts, which are denominated in USD, NOK, GBP, and CNY.

Short-term capital requirements include funding operating losses and supporting net working capital requirements. Reflecting the Company's operating model, investments in property, plant, and equipment are modest, and have been funded with proceeds from issuance of the Company's Ordinary Shares. IDEX has been funded through the issuance of Ordinary Shares since it was established in 1996.

The current cash position and financial forecasts indicate that in 2023, the Company will need significant funding in the form of equity injection, debt or other. The board is considering various funding options and believes that the Company will obtain further financing for its planned operation, growth and working capital requirements. Refer to the comments regarding going concern in Note 2.

Interest Rate Risk

As of December 31, 2022, IDEX had cash of \$16.1 million. The Company's exposure to interest rate sensitivity is influenced primarily by changes in the underlying bank interest rates in the various currencies. IDEX's cash is held in bank accounts, all of which are considered highly liquid. Accordingly, an immediate one percentage point change in interest rates would not have a material effect on the fair market value the Company's cash accounts. As the Company has no debt to financial lenders, it is not exposed interest rate risks associated with variable rate debt. In calculating the recorded and carrying values of leases, interest rates are a variable in the calculations of these values, but do not represent a meaningful level of risk of material changes in these values.

Currency Risk

The Company's trading transactions are commonly denominated in U.S. Dollars ("USD"), which is the Company's consolidation and presentation currency. The functional currency of the parent company, IDEX Biometrics ASA, is USD, while the functional currencies of the subsidiaries are the currency in their respective domiciles. The Company incurs a portion of its expenses in other currencies than the USD, primarily British Pounds ("GBP"), Norwegian Krone ("NOK"), Euro ("EUR"), and Chinese Yuan ("CNY"). The Company's cost level is exposed to changes in the rates of exchange between the USD and these currencies. IDEX seeks to minimize this exposure by maintaining currency cash balances at targeted levels appropriate to meet foreseeable short-term expenses in these other currencies. The Company does not use forward exchange contracts or other hedging strategies to manage exchange rate exposure. Excess cash balances are generally held in USD-denominated accounts.

Each subsidiary's assets and liabilities are naturally hedged by being held and denominated in the functional currency of the subsidiary.

In addition to USD, the parent company holds bank deposits in NOK and GBP; receivables in NOK, GBP and EUR; and payables in NOK, GBP and EUR. A 10% change in the relative value of USD to NOK would not have had a material effect on the carrying value of the Company's net financial assets and liabilities in foreign currencies at December 31, 2022 and December 31, 2021. The same applies to the value of USD to CNY or EUR. A 10% increase in the value of the GBP relative to the USD would have had a corresponding effect on the carrying value of our net financial assets and liabilities in foreign currencies at December 31, 2022 of approximately \$750 thousand.

Credit and Liquidity Risk

IDEX extends customary credit terms to customers, reflecting its assessment of their individual creditworthiness. The Company does not believe it was exposed to significant credit risk associated with its Accounts receivable, trade, balance as of December 31, 2022. (See Note 11 – Accounts receivable.) If revenue continues to increase, such balances from a broadening customer base will expand, potentially increasing the Company's exposure to credit risk.

As of December 31, 2022, the parent company had extended advances to IDEX UK denominated in GBP, in the equivalent to \$7,597. It is expected that IDEX UK will eventually repay these advances.

The Company believes it faces minimal risk on its cash position, as IDEX's cash is on deposit with reputable, regulated banks. The Company has no debt to financial institutions.

The balance sheet solvency amounted to \$13,370 at December 31, 2022. The Company aims to increase revenue generation through sales of its products; however, it does not currently have the cash resources to fully meet its

operating commitments for the twelve months following the date of the financial statements. This cast significant doubt on the Company's ability to continue as a going concern.

Other accounting policies

Consolidation

The Company's Consolidated Financial Statements are comprised of the financial statements of IDEX Biometrics ASA and its wholly-owned subsidiaries, with all intercompany transactions, balances, revenue, expenses, and unrealized internal profit or losses eliminated upon consolidation.

Equity

Equity is comprised of the following:

- Share Capital: comprised of the nominal amount of the parent's ordinary shares. This capital is not distributable in the form of dividends under the Norwegian Public Limited Liability Companies Act (the "PLLC Act") (refer to Note 15: Share Capital and Share Premium).
- Share Premium: comprised of: (1) the amount received attributable to Share Capital, in excess of the nominal amount of shares issued by the parent company, reduced by; (2) issuance costs directly attributable to the capital increase and; (3) transfers into the Capital Reduction Reserve, (refer to Note 15: Share Capital and Share Premium).
- Share Based Payment Reserve: comprised of Share-based payment reserve.
- Foreign Currency Translation Effects: comprised of Currency Translation Difference.
- Capital Reduction Reserve: comprised of the absorption of accumulated losses of the Company by the Share Premium, as resolved by the Company's Board of Directors (refer to Note 15: Share Capital and Share Premium).
- Accumulated Loss: is comprised of cumulative historical losses of the Company.

Revenue recognition

Revenue is recognized when control of the promised goods or services is transferred to a customer, in an amount reflecting the consideration the Company expects to be entitled to in exchange for those goods or services. Sales, value add, and other taxes incurred concurrent with revenue producing activities are excluded from revenue. Shipping and handling charges to customers are included in revenue, and costs incurred associated with outbound freight after control over a product has transferred to a customer are accounted for as revenue reductions.

The Company's primary source of revenue comes from the sale of its products, which principally are biometric fingerprint modules, consisting of a sensor and an ASIC in a single package. Each module also contains embedded software. The hardware and the embedded software are interdependent, in that each needs the other to provide the intended fingerprint authentication function to the customer. The primary customers for the Company's products are smart card manufacturers and similar solution integrators. The Company currently does not utilize distributors for the resale of its products.

The Company, from time to time, licenses its intellectual property under right to use licenses, in which royalties due to the Company are based upon a percentage of the licensee's sales and/or unit volumes. For the years ended December 31, 2022, 2021, and 2020, the Company recognized no revenue from licensing its intellectual property.

Certain contracts with customers contain multiple performance obligations, which typically may include a combination of non-recurring engineering ("NRE") services, prototype units, and production units. For these contracts, if the individual performance obligations are distinct, they are accounted for separately. Generally, the Company has determined the NRE services and prototype units represent one distinct performance obligation, and the production units represent a separate distinct performance obligation. For such arrangements, revenue is allocated to each performance obligation based on its relative standalone selling price, based on prices charged to other customers or based on expected cost plus a customary profit margin. The Company generally recognizes revenue for NRE services and prototype units at the point in time when a defined milestone under the arrangement is completed and control is transferred to the customer, which is generally the shipment or delivery of the prototype units. Revenue for production units is recognized upon shipment or delivery, consistent with product revenue recognition summarized above.

The Company also recognizes revenue from contracts with customers associated with the delivery of certain services, ranging from standalone NRE to advisory services. Generally, these contracts include a single performance obligation (i.e., service element), and revenue is recognized upon the completion of the defined service element and final acceptance by the customer of the project deliverable, if any. However, revenue from services may be recognized over time, if recognition of multiple service elements is based on completion of substantive and results-based contractual milestones, and acknowledgement by the customer of such completion.

The Company does not have material obligations or reserves for warranties, returns, or customer refunds. The Company does not have material obligations or reserves for warranties, returns, or customer refunds. There were no contract asset or contract liability balances at December 31, 2020, 2021 or 2022.

Cost of materials, net of inventory change

Cost of materials, net of inventory change, primarily consists of the costs of raw materials, contract manufacturing, and transportation associated with production and storage of products for sale to customers, net of inventory change.

Foreign currencies

The Company's Consolidated Financial Statements are presented in USD. The functional currency of the parent company is USD, while the functional currency for each foreign subsidiary is its local currency. Transactions involving the translation to the respective functional currencies of values denominated in foreign currencies are classified as monetary or non-monetary, thereby defining the measurement and recognition of foreign currency translation gains and losses applicable to a transaction.

Monetary assets and liabilities generally have values fixed by explicit or implicit contract. Examples include bank deposits, debt, accounts receivable, and accounts payable. Monetary assets and liabilities subject to foreign currency adjustments are measured on the initial transaction date using the exchange rates in effect at that date. At each subsequent reporting date and through the date of settlement (i.e., payment) or derecognition, such monetary assets and liabilities are remeasured using the then-current exchange rate, and any foreign currency translation gains or losses are recorded by the entity within Financial income or Financial cost.

Non-monetary assets and liabilities generally are those assets and liabilities for which the recorded values are not subject to contractual or other formal definitions (i.e., those assets and liabilities that are not classified as monetary assets or liabilities). Non-monetary assets and liabilities are not subject to foreign currency adjustments at entity level.

Assets and liabilities in entities with another functional currency than the USD, including goodwill and fair value adjustments, if any, are translated into USD using the exchange rates in effect at the reporting date of the Consolidated Statements of Financial Position. Amounts reported on the Consolidated Statements of Profit and Loss are translated to USD using the average exchange rates in effect for the reporting period. Significant, large transactions may be translated using the rate at the transaction date.

Foreign exchange differences arising on translation from functional currency to presentation currency are reported in Other comprehensive income ("OCI"). Translation gains or losses previously recognized in OCI are reversed and recognized in the Consolidated Statements of Profit and Loss, if and when the entity is disposed.

Research and development expenses

Expenses in this category consist primarily of the costs of services and materials used in engineering activities and certain outsourced development activities. Payroll costs related to research and development employees are classified as Compensation and benefit expenses, not as research and development expenses, on the Consolidated Statement of Profit and Loss. However, the compensation paid to individual contractors serving in engineering roles is included in Research and development expenses.

Research costs are expensed as incurred. Development expenses that do not meet the criteria of capitalization are expensed as incurred. Development expenses are capitalized when (i) the technical feasibility of completing development has been demonstrated, (ii) the costs of development can be measured reliably, (iii) it is probable IDEX will realize future economic benefits from the asset, and (iv) IDEX has committed to complete the development. Once the development is complete and the resulting asset is available for use, the capitalized development cost (i.e., the asset value) is amortized over its expected useful life.

The Company applies for and has received government grants associated with certain research and development projects. The earned (i.e., recognized) value, if any, of government grants applicable to research and development activities are credited against costs. Generally, the applications or claims for such grants are submitted after completion of the qualifying activities. When it is realistic that the application or claim will be successful and the amount can be determined reliably, the Company credit the value of the grant against research and development expenses for that reporting period. Due to the timing difference between the completion of the qualifying activities, the approval of our grant application or claim, and the receipt of the funds associated with the grant, we may record, pending receipt of funds, the value of the grant as an Account receivable, other.

Finance income and finance cost

Finance income and finance cost consists of interest income, interest expense, and net foreign exchange losses (gains) arising from settlement of obligations denominated in foreign currencies during the period and foreign currency translation adjustments recognized at period-end.

Segment reporting

IDEX manages its operations as a single segment for the purposes of assessing performance and making operating decisions. IDEX operates as one operating segment, fingerprint imaging and authentication technology. IDEX has determined that its chief operating decision maker is its Chief Executive Officer. The Company's chief operating decision maker reviews the Company's financial information on an aggregated basis for the purposes of allocating resources and assessing financial performance.

IDEX categorizes customers by geographic region utilizing the addresses to which we invoice our products or services. The Company's product and service revenue by geographic region is as follows:

(\$000s)	Year Ended December 31,		
	2022	2021	2020
Product Revenue:			
Europe, Middle East, and Africa	\$ 3,574	\$ 2,807	\$ 952
Americas	252	0	5
Asia-Pacific	63	30	56
Total product revenue	<u>3,889</u>	<u>2,837</u>	<u>1,013</u>
Service Revenue:			
Europe, Middle East, and Africa	10	3	2
Americas	193	0	77
Asia-Pacific	—	0	3
Total service revenue	<u>203</u>	<u>3</u>	<u>82</u>
Total Revenue	<u>\$ 4,091</u>	<u>\$ 2,840</u>	<u>\$ 1,095</u>

The Company's revenue has in the past come from a limited number of customers. During 2022, the top two customers accounted for approximately 48% and 24% of the Company's revenue, respectively, and in 2021, the top two customers accounted for 85% and 9% of revenue, respectively. In 2020, the top two customers accounted for 81% and 4% of revenue, respectively.

Accounting standards issued but not effective

The Company will adopt applicable new and amended accounting standards, including interpretations, when they become effective. We do not expect any significant impact on the Company's result or financial position from the new and amended standards issued but not yet effective.

Amendments to IAS 1—Classification of liabilities as current or non-current — The amendments clarify the requirements for classifying liabilities as current or non-current. The amendments are effective for reporting periods beginning on or after January 1, 2023, and must be applied retrospectively. The amendments will not have a material impact on any of the Company's liabilities as of December 31, 2022, 2021 or 2020.

Amendments to IAS 8—Definition of accounting estimates — The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for reporting periods beginning on or after January 1, 2023, and apply to changes

in accounting policies and changes in accounting estimates that occur on or after the start of such period. The amendments are not expected to have a material impact on the company's financial statements.

Amendments to IAS 1 and IFRS Practice statement 2—Disclosure of accounting policies — The amendments replace the requirement to disclose the ‘significant’ accounting policies with a requirement to disclose the ‘material’ accounting policies. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023. The Company will revise the accounting policy information disclosures for 2023 to become consistent with the amended IAS 1.

Amendments to IAS 12—Deferred tax related to assets and liabilities arising from a single transaction — The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. The amendments are not expected to have a material impact on the company's financial statements.

4. Compensation and benefits

Compensation and benefits expenses consist of costs for direct employees of the Company. Compensation of individual contractors is reported as Research and development expenses or Other operating expenses, as applicable, based on the roles assigned to the individuals.

(\$000s)	Year Ended December 31,		
	2022	2021	2020
Salary, payroll tax, benefits, other	\$ 17,389	\$ 18,197	\$ 14,917
Share-based compensation	1,824	2,910	2,755
Total	<u>\$ 19,213</u>	<u>\$ 21,107</u>	<u>\$ 17,672</u>

The table below sets forth the number of employees and individual contractors by their function, measured in full-time equivalents. Most of the contractors live and work in countries in which the Company does not have a formal business presence.

	December 31, 2022		December 31, 2021		December 31, 2020	
	Employees	Contractors	Employees	Contractors	Employees	Contractors
Research and development	64	6	77	8	75	6
Marketing and sales	6	9	6	9	6	5
General and administrative	5	2	8	1	7	1
Supply chain and distribution	7	-	2	—	2	—
Total staff	82	17	93	18	90	12

The average number of employees for the years 2022, 2021, and 2020 were 90, 95 and 93 full-time equivalents, respectively.

The Company provides health and other benefits to employees consistent with common practice in the countries in which it operates. No such benefits are provided to individual contractors.

The parent company contributes to a pension insurance plan for all its Norwegian employees. The plan satisfies the Norwegian mandatory service pension rules. The pension plan is a fully insured, defined contribution plan.

Employees of IDEX America may participate in a health, dental, and vision insurance plan. IDEX America also offers employer-funded plans for life insurance, short-term disability, and long-term disability. IDEX America does not offer or plan to offer any pension plans, except for a 401(k) defined-contribution plan. The Company currently does not match participant contributions to this plan.

IDEX China contributes to the mandatory social security plans in China, including contribution of 21% of eligible salary to each employee's personal retirement fund.

IDEX UK contributes up to 6% of an employee participant's base salary to IDEX UK's pension plan, subject to the employee contributing the same percentage through a salary reduction arrangement. The pension plan is a fully insured, defined-contribution plan.

Share-based compensation includes non-cash expenses associated with the recognition of the costs of share-based awards granted pursuant to the Company's subscription rights plans and its employee share purchase plan (“ESPP”). See Note 16.

Compensation of Key Management

For 2022 and 2021 key management consisted of the Chief Executive Officer (“CEO”), Chief Financial Officer (“CFO”), Chief Technology Officer (“CTO”), and Chief Commercial Officer (“CCO”). For 2020, key management consisted of the CEO, CFO, and CTO.

	Year Ended December 31,		
	2022	2021	2020
		(in thousands)	
Compensation and short-term benefits	\$ 1,362	\$ 1,425	\$ 906
Medical and similar benefits, contributions to pension schemes	62	73	66
Share-based compensation	271	443	449
Total compensation of key management	<u>\$ 1,695</u>	<u>\$ 1,941</u>	<u>\$ 1,421</u>

Compensation and other short-term benefits, whether cash or in kind, are the amounts declared for tax purposes for the respective years. Pension cost and share-based remuneration are expensed amounts in the respective years. Gains on exercise of incentive subscription rights, if any, are not included. Employers' tax is not included. The variable incentive pay paid in one year relate to achievements in the previous year. No officers exercised incentive subscription rights in 2022 or 2020. One former officer exercised options in 2021, after employment was terminated.

Key management held the following subscription rights to Ordinary Shares under the subscription rights incentive plans with the following expiration dates and exercise prices:

Grant Date	Expiration Date	Exercise Price (NOK)	Number outstanding as of December 31,		
			2022	2021	2020
August 14, 2019	May 9, 2024	1.65	327,800	327,800	2,327,800
February 26, 2020	May 9, 2024	1.11	5,000,000	5,000,000	5,000,000
June 17, 2020	May 15, 2025	1.71	1,125,000	1,125,000	1,125,000
April 20, 2021	May 15, 2025	2.71		2,750,000	
June 3, 2021	May 12, 2026	2.38	2,000,000	2,000,000	
August 11, 2021	May 12, 2026	2.40	1,420,700	1,668,100	
March 23, 2022	May 12, 2026	2.08	836,900		
August 10, 2022	May 12, 2027	1.18	1,631,000		
Total			<u>12,341,400</u>	<u>12,870,900</u>	<u>8,452,800</u>

Compensation paid to the Board is presented in Note 17.

5. Research and development expenses

Research costs are expensed when incurred. Development costs are capitalized and held in the balance sheet only if they satisfy the criteria for capitalization. The same applies to IDEX’s patents and other intellectual property rights created by IDEX. IDEX has not capitalized any development costs in 2022, 2021 or 2020. Development costs related to creation of intellectual property have been expensed when incurred.

Research and development expenses include the cost of independent contractors assigned to engineering roles.

Government grants earned by the Company in support of research and development activities are credited against research and development costs when it is realistic that the application or claim will be successful and the amount can be determined reliably.

(\$000s)	Year Ended December 31,		
	2022	2021	2020
Gross research and development expenses	\$ 3,959	\$ 3,356	\$ 4,196
Government grants credited	(709)	(676)	(2,301)
Net research and development expenses	<u>\$ 3,250</u>	<u>\$ 2,680</u>	<u>\$ 1,895</u>

Government grants

(\$000s)	Year Ended December 31,		
	2022	2021	2020
Norway	\$ 312	\$ 538	\$ 506
United Kingdom	397	138	1,795
Total	<u>\$ 709</u>	<u>\$ 676</u>	<u>\$ 2,301</u>

The Norwegian SkatteFUNN is a government program supporting research and development activities in Norway. Under the program, the Company, in its current loss position, is eligible for a cash grant in support of approved projects, subject to meeting the requirements of the Research Council of Norway.

The Company's IDEX UK subsidiary participates in a program by which the government of the United Kingdom offers financial support for qualifying research and development activities of small and medium-sized enterprises, SME R&D tax relief. Under the program, the Company, in its current loss position, is eligible for a cash grant in support of approved projects, subject to approvals and meeting program requirements.

6. Income tax provision

The Company is subject to income taxes in the jurisdictions in which it operates. The Company's provision for income taxes (i.e., expense (benefit)) is based on income tax rates in the tax jurisdictions in which it operates, tax credits available in these jurisdictions, and reconciliation of differences between financial reporting values and tax reporting values.

As of December 31, 2022, the Company has a tax loss carryforward balance in Norway of \$252.8 million, representing a potential deferred tax asset, if recognized and calculated at the current corporate tax rate of 22.0%, of \$55.6 million. The Company also has a tax loss carryforward balance in the United Kingdom of \$3.4 million, representing a potential deferred tax asset, if recognized and calculated at the current corporate tax rate of 19.0%, of \$0.6 million. The Company does not have a tax loss carryforward balance or a deferred tax liability in China. In the United States, the Company has tax credits, associated with research and development activities in the United States, totaling \$1.4 million.

Because the Company has concluded there is not sufficiently convincing evidence the Company will generate sufficient taxable profit, against which the unused tax losses could be applied, the Company has not recognized to date any deferred tax assets in its statement of financial position, consistent with IFRS standards. A deferred tax asset will be recognized when the Company determines it is more likely than not it will have sufficient future taxable profit to apply the tax loss carryforward against future income taxes.

The major components of income tax provision for the years shown are:

<i>Tax expense (benefit) for the year</i> (\$000s)	Year Ended December 31,		
	2022	2021	2020
Taxes payable on the result of the year	\$ 33	\$ 90	\$ 44
Adjustment in respect to prior years	(69)	—	(112)
Change in recorded deferred tax liability	—	—	(31)
Income tax expense (benefit)	<u>\$ (36)</u>	<u>\$ 90</u>	<u>\$ (99)</u>

<i>Elements of deferred tax</i> (\$000s)	Year Ended December 31,		
	2022	2021	2020
Employer's tax on share-based compensation	\$ (24)	\$ (371)	\$ (216)
Fixed Assets differences	987	1,154	675
Inventory differences	(131)	(5)	(213)
Accruals differences	(993)	(1,152)	(1,144)
Research and development tax credits	(1,404)	(1,563)	(1,787)
Losses carried forward	(256,201)	(253,300)	(225,951)
Basis for calculation of deferred tax asset	(257,766)	(255,237)	(228,636)
Calculated net deferred tax expense (benefit), local tax rates 5-22%	(56,592)	(55,953)	(51,251)
Unrecognized deferred tax asset *	56,592	55,953	51,251
Deferred tax liability (asset) in the balance sheet	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

Reconciliation of tax expense (benefit) (\$000s)	Year Ended December 31,		
	2022	2021	2020
Loss before tax	\$ (32,698)	\$ (32,552)	\$ (26,853)
Norway statutory tax, calculated at rate of 22%	(7,194)	(7,132)	(5,908)
Difference in subsidiary taxes, using local rates vs 22%	68	(179)	22
Estimated tax on permanent differences	(267)	(568)	389
Adjustment in respect of prior years	(69)	—	(112)
Use of and change in tax loss carried forward	7,426	7,969	5,510
Income tax expense (benefit)	<u>\$ (36)</u>	<u>\$ 90</u>	<u>\$ (99)</u>

* As of December 31, 2022, there was not sufficiently convincing evidence the Company will generate sufficient taxable profit, against which the unused tax losses could be applied. Consequently, no deferred tax asset has been recognized. There are no restrictions as to how long tax losses may be carried forward in Norway or the United Kingdom. In China, the tax loss carryforwards that had not been utilized by the end of 2022, expired as of Dec 31, 2022. Tax credits associated with research and development activities in the United States, totaling \$1.4 million as of December 31, 2022, can be applied against taxable income for the following for 20 years.

** The various deferred tax assets that have not been recognized are denominated in their respective local currencies. As such, the change in the year-end value in USD of these unrecognized deferred tax assets includes foreign currency translation adjustments arising from changes in the exchange rates between USD and these local currencies from the prior year-end.

There are no deferred tax charges included in other comprehensive income in 2022, 2021, or 2020.

7. Loss per share calculation

The loss per share is the quotient of the net loss for the period divided by the weighted average number of Ordinary Shares outstanding for the year.

	Year Ended December 31,		
	2022	2021	2020
Net loss for the year (\$000s)	\$ (32,662)	\$ (32,552)	\$ (26,754)
Number of ordinary shares issued at December 31	1,166,326,584	1,010,388,454	832,146,748
Weighted average basic number of ordinary shares	1,026,932,569	918,847,427	767,069,645
Dilution effect (treasury stock method)	5,058,154	21,586,108	6,323,417
Weighted average diluted number of shares	1,031,990,723	940,433,535	773,393,062
Loss per share for the year (basic and diluted*)	\$ (0.03)	\$ (0.04)	\$ (0.03)

* The effects of potentially dilutive Ordinary Shares issuable upon exercise of outstanding subscription rights are not included in the calculation due to the Company's net losses for the periods presented, as their effect would be anti-dilutive.

8. Goodwill and other intangible assets

Goodwill is the recorded difference between the consideration paid and the net value of identifiable assets acquired and held, less impairment charges, if any. Goodwill balances as of December 31, 2022, and December 31, 2021, reflected the following activity:

(\$000s)	Year Ended December 31,	
	2022	2021
Cost at the beginning of the year	\$ 968	\$ 968
Cost at the end of the year	<u>\$ 968</u>	<u>\$ 968</u>

There is only one cash generating unit in the Company and goodwill is allocated to this. IDEX performed the annual impairment test on December 31, 2022. Based on the 2022 assessment, no impairment charge has been made. The Company used a discounted cash flow model which utilized Level 3 measures that represent unobservable inputs. Key assumptions used to determine the estimated fair value include: (a) internal cash flows forecasts for 4 years following the assessment date, including expected revenue growth, costs to produce, operating profit margins and estimated capital needs; (b) an estimated terminal value using a terminal year long-term future growth rate of 3.0% determined based on the long-term expected prospects of the Company; and (c) a discount rate (post-tax) of 12 % which reflects the weighted-average cost of capital adjusted for the relevant

risk associated with the Company's operations. No reasonably possible changes in any key assumptions would cause the carrying amount to exceed the recoverable amount.

Acquired identifiable intangible assets, consisting primarily of patents, are held at cost, less accumulated amortization and impairment charges. Other intangible asset balances as of December 31, 2022, and December 31, 2021, reflected the following activity:

(\$000s)	Year Ended December 31,	
	2022	2021
<i>Amortization period (straight-line, in years)</i>	<i>10 - 17</i>	<i>10 - 17</i>
Cost at the beginning of the year	\$ 5,173	\$ 5,173
Additions	—	—
Impact of currency translation	—	—
Cost at the end of the year	\$ 5,173	\$ 5,173
Accumulated Amortization at the beginning of the year	\$ 3,208	\$ 2,731
Amortization	477	477
Impact of currency translation	—	—
Accumulated Amortization at the end of the year	3,685	3,208
Carrying amount at the end of the year	\$ 1,488	\$ 1,965

Acquired patents are capitalized and amortized over the estimated useful life, which is the lifetime of the respective patent(s).

9. Property, plant, and equipment

Property, plant, and equipment is held at cost, less accumulated depreciation and impairment charges. When assets are sold or retired, such assets are no longer recorded in the Consolidated Statements of Financial Position. Any gain or loss on the sale or retirement is recognized in the Consolidated Statements of Profit and Loss.

The capitalized amount of property, plant, and equipment is the purchase price, including freight, installation, duties, taxes, and direct acquisition costs related to preparing the asset for use. Costs related to training and commissioning are expensed as incurred. Subsequent costs, such as expenses for repair and maintenance, are recognized as incurred in the Consolidated Statements of Profit and Loss. Subsequent enhancements creating future economic benefits are recognized in the Consolidated Statements of Financial Position as additions to property, plant, and equipment.

These 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.

Property, plant, and equipment balances as of December 31, 2022, and December 31, 2021, reflected the following activity:

2022 (\$000s)	Plant and machinery, fixtures and fittings	Office furniture and office equipment	Instruments and lab equipment, software tools	Total
<i>Depreciation period (straight line, in years)</i>	<i>3-5</i>	<i>3-5</i>	<i>3-5</i>	
Accumulated cost at December 31, 2021	\$ 855	\$ 782	\$ 2,281	\$ 3,918
Additions	125	38	104	267
Impact of currency translation	(11)	(18)	(37)	(66)
Accumulated cost at December 31, 2022	969	803	2,348	4,120
Accumulated depreciation at December 31, 2021	\$ 367	\$ 671	\$ 1,579	\$ 2,617
Depreciation	125	73	246	443
Impact of currency translation	(6)	(10)	(33)	(48)
Accumulated depreciation at December 31, 2022	486	734	1,793	3,012
Carrying amount at December 31, 2022	\$ 483	\$ 69	\$ 556	\$ 1,107

2021 (\$000s)	Plant and machinery, fixtures and fittings	Office furniture and office equipment	Instruments and lab equipment, software tools	Total
<i>Depreciation period (straight line, in years)</i>	3-5	3-5	3-5	
Accumulated cost at December 31, 2020	\$ 855	\$ 710	\$ 2,217	\$ 3,782
Additions	—	74	67	141
Impact of currency translation	—	(2)	(3)	(5)
Accumulated cost at December 31, 2021	855	782	2,281	3,918
Accumulated depreciation at December 31, 2020	\$ 236	\$ 572	\$ 1,307	\$ 2,115
Depreciation	131	101	275	507
Impact of currency translation	—	(2)	(3)	(5)
Accumulated depreciation at December 31, 2021	367	671	1,579	2,617
Carrying amount at December 31, 2021	<u>\$ 488</u>	<u>\$ 111</u>	<u>\$ 712</u>	<u>\$ 1,301</u>

There were no assets under construction at the end of 2022 or 2021.

10. Leases

The Company's leases are for office and laboratory space occupied by employees. There are no exposure to future variable lease payments that are not reflected in the measurement of lease liabilities. Activity during 2022 and 2021 related to right-of-use assets are shown below.

(\$000s)	Year Ended December 31,	
	2022	2021
<i>Depreciation periods (straight-line, in years)</i>	3-5	3-5
Cost at the beginning of the year	\$ 2,691	\$ 2,543
Additions	1,654	158
Disposal of right to use assets	(1,569)	—
Impact of currency translation	(133)	(10)
Cost at the end of the year	<u>\$ 2,643</u>	<u>\$ 2,691</u>
Accumulated depreciation at the beginning of the year	\$ 2,334	\$ 1,527
Depreciation	431	818
Accumulated depreciation of disposed right of use assets	(1,566)	—
Impact of currency translation	(101)	(11)
Accumulated depreciation at the end of the year	1,098	2,334
Recorded value at the end of the year	<u>\$ 1,545</u>	<u>\$ 357</u>

Costs related to right-of-use assets included in the Consolidated Statements of Profit and Loss include the following:

Leases in the Consolidated Statements of Profit and Loss

(\$000s)	Year Ended December 31,		
	2022	2021	2020
Depreciation	\$ 431	\$ 818	\$ 810
Finance cost	33	31	63

Lease liabilities included in the Consolidated Statements of Financial Position and related activity in the Consolidated Statements of Profit and Loss and Consolidated Statements of Cash Flows include the following:

Leases in the Consolidated Statements of Financial Position

(\$000s)	2022	2021
Balance at January 1	\$ 373	\$ 1,058
Additions	1,575	158
Accretion of interest	33	31
Payments	(437)	(874)
Balance at December 31	<u>1,544</u>	<u>373</u>
Non-current	1,142	11
Current	402	362
Total lease liabilities	<u>\$ 1,544</u>	<u>\$ 373</u>

11. Accounts receivable

Accounts receivable, trade, includes amounts billed and currently due from customers. The amounts due are stated at their estimated realizable value. The Company's payment terms vary by the type and location of its customers and the products or services offered, although terms generally include a requirement of payment within 30 to 60 days. When necessary, the Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments, based on assessments of customers' credit-risk profiles and payment histories. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The Company does not require collateral from its customers, although there have been circumstances when the Company has required cash in advance (i.e., a partial down-payment) to facilitate orders in excess of a customer's established credit limit. To date, such amounts have not been material.

The balances reported as Accounts receivable, other, consist primarily of amounts due to the Company associated with Value Added Tax refund activity and amounts due to the Company from governments associated with approved research and development grants.

Balances of accounts receivable at December 31, 2022, and December 31, 2021, are as follows:

Year ended December 31, 2022

(\$000s)	Maturity			
	Less than 3 months	3-6 months	6-12 Months	Total
Accounts receivable, trade	\$ 1,349	\$ —	\$ —	\$ 1,349
Accounts receivable, other	198	33	698	929
Total	<u>\$ 1,547</u>	<u>\$ 33</u>	<u>\$ 698</u>	<u>\$ 2,278</u>

Year ended December 31, 2021

(\$000s)	Maturity			
	Less than 3 months	3-6 months	6-12 Months	Total
Accounts receivable, trade	\$ 801	\$ 0	\$ 0	\$ 801
Accounts receivable, other	133	31	539	703
Total	<u>\$ 934</u>	<u>\$ 31</u>	<u>\$ 539</u>	<u>\$ 1,504</u>

There were no provisions for bad debts at December 31, 2022, and December 31, 2021.

12. Accounts payable and other financial liabilities

The Company did not have any liabilities at December 31, 2022, or December 31, 2021, which represented debt to financial institutions. The Company's monetary liabilities at December 31, 2022, and December 31, 2021, were as follows:

Year ended December 31, 2022

(\$000s)	Maturity				Total
	Less than 3 months	3-6 months	6-12 months	1-5 years	
Non-current lease liabilities	\$ —	\$ —	\$ —	\$ 1,142	\$ 1,142
Accounts payable	1,540	—	—	—	1,540
Current lease liabilities	125	105	172	—	402
Other liabilities	838	1,400	459	—	2,697
Total	\$ 2,503	\$ 1,505	\$ 631	\$ 1,142	\$ 5,781

Year ended December 31, 2021

(\$000s)	Maturity				Total
	Less than 3 months	3-6 months	6-12 months	1-5 years	
Non-current lease liabilities	\$ —	\$ —	\$ —	\$ 11	\$ 11
Accounts payable	685	—	—	—	685
Current lease liabilities	132	107	123	—	362
Other liabilities	1,640	251	588	371	2,850
Total	\$ 2,457	\$ 358	\$ 711	\$ 382	\$ 3,908

Other current liabilities include accruals for earned compensation, earned vacation days not taken, potential employer's tax on share-based compensation, and accruals for goods and services received but not yet invoiced by the supplier.

The estimated employer's payroll tax liability related to share-based compensation amounted to \$24 on December 31, 2022, and \$371 on December 31, 2021. It will be due only when the associated subscription rights are exercised. The exercise will, in all likely circumstances, fund the payable employer's payroll tax.

Interest expense including interest on lease liabilities in the Consolidated Statement of Profit and Loss in Finance expense was \$33 in 2022 and \$31 in 2021.

IDEX had no other significant current or non-current monetary obligations at the end of 2022 or 2021. Also, the Company had no contingent liabilities at the end of 2022 or 2021.

13. Inventory

Inventories consist of raw materials, work in process, and finished goods. Materials and components purchased for use in research and development activities are expensed at the time of purchase and excluded from inventory. Inventory is recorded at the lower of cost and net realizable value, less impairment, if any. Impairment is assessed quarterly, based on management's estimates of future consumption of inventories by category.

(\$000s)	December 31,					
	2022			2021		
	Cost	Reserves	Net	Cost	Reserves	Net
Raw materials	\$ 2,280	\$ —	\$ 2,280	\$ 562	\$ —	\$ 562
Work in progress	1,486	—	1,486	107	—	107
Finished goods	812	(130)	681	570	(5)	565
Total Inventory	\$ 4,577	\$ (130)	\$ 4,447	\$ 1,239	\$ (5)	\$ 1,234

In 2022, 2021, and 2020, materials with values of \$154, \$124, and \$32 respectively, were consumed in new product development and charged to development expense.

14. Cash and cash equivalents

USD-valued cash and cash equivalent balances by currency were as follows:

(\$000s)	Year Ended December 31,	
	2022	2021
Denominated in USD	\$ 14,917	\$ 28,217
Denominated in NOK	990	3,707
Denominated in GBP	128	978
Denominated in CNY	90	857
Total	\$ 16,124	\$ 33,759

Of the amounts above, employees' withheld payroll tax deposits amounted to \$26 and \$31 at the end of 2022 and 2021, respectively. Only the withheld payroll tax deposits were restricted. Deposits for facilities rent or utilities have not been included in cash equivalents.

15. Share capital and Share Premium

There is one class of shares, and all such Ordinary Shares have equal rights. The par value of an Ordinary Share is NOK 0.15 per share. IDEX does not hold any of its own Ordinary Shares.

During the years ended December 31, 2022 and December 31, 2021, the Board of Directors approved the transfer of \$18.0 million and \$46.0 million, respectively, of Share Premium to absorb uncovered losses as allowed under Norwegian law. As a result, Share Premium has been reduced by a cumulative amount of \$287.5 million as of the year ended December 31, 2022 and \$269.5 million as of the year ended December 31, 2021 against Capital Reduction Reserve. The transfer has no impact on the total equity, comprehensive income (loss), assets (including cash) nor liabilities.

	Number of Ordinary Shares
Balance at December 31, 2020	832,146,748
Private placement of Ordinary Shares on February 15	83,214,674
Share issue (exercise of subscription rights)	1,767,606
Share issue (in lieu of Board compensation)	535,583
Private placement of Ordinary Shares on November 12	89,777,824
Share issue (Employee Share Purchase Plan)	2,946,019
Balance at December 31, 2021	1,010,388,454
Share issues (Employee Share Purchase Plan)	4,947,546
Share issue (exercise of subscription rights)	990,584
Private placement of Ordinary Shares on November 16	150,000,000
Balance at December 31, 2022	1,166,326,584

Costs related to share issuance have been charged against equity and amounted to \$737 in 2022, \$2,827 in 2021, and \$689 in 2020.

16. Share-based compensation

Subscription rights plans

IDEX follows the practice of renewing its subscription rights plan at each Annual General Meeting, when the preceding plan is closed for further grants and a new plan is established. On May 12, 2022, at the Annual General Meeting, the shareholders resolved to adopt the 2022 Subscription Rights Incentive Plan (the "2022 Plan"). The Board is responsible for administration of subscription rights plans and approves grants under the plans and the terms of each grant.

Under the 2022 Plan, the Board may grant up to 101,254,865 subscription rights, provided the total number of grants does not exceed 10 percent of the number of registered (i.e., issued and outstanding) Ordinary Shares.

Subscription rights may be granted to employees and individuals rendering services to the Company. The exercise price shall be, at a minimum, the higher of the average closing price of an Ordinary Share, as reported on the Oslo Børs, for the ten trading days preceding the date of the grant, or the closing price of an Ordinary Share, as reported on the Oslo Børs, on the trading day preceding the date of the grant. Unless resolved otherwise by the Board, 25% of each grant of subscription rights vests per year. The annual vesting dates are the latest of

the following dates before the date of grant of the subscription rights; (i) January 15, (ii) April 15, (iii) July 15 or (iv) October 15. The subscription rights expire on the fifth anniversary of the Annual General Meeting at which the shareholders resolved to establish the plan under which the subscription rights were granted. Unvested subscription rights terminate on the holder's last day of employment or, in the case of non-employees, the last day of the individual's service to the Company. Vested subscription rights may be exercised up to 90 days after the holder's last day of employment or, in the case of non-employees, the last day of the individual's service to the Company. There are no cash settlement alternatives for exercising subscription rights.

The fair value of the subscription rights granted is calculated, for recognition of share-based compensation expenses, using the Black-Scholes option pricing model, applying the following assumptions:

	Year Ended December 31,		
	2022	2021	2020
Exercise price (NOK)	1.03 – 2.08	2.38 – 3.10	1.10 – 1.80
Weighted average exercise price per share	1.54	2.53	1.62
Weighted average share price at date of grant	1.42	2.45	1.42
Expected term (years)	4.45	4.62	4.77
Weighted average term (years)	3.27	3.35	2.96
Share price volatility (percent)	72 – 100	85 – 112	78 – 113
Risk-free interest rate	2.653 %	0.983 %	0.354 %
Expected dividend payment	-	-	-
Forfeiture	None	None	None

Replacement of subscription rights

On June 17, 2020, the Board approved a subscription rights replacement program whereby eligible employees could exchange existing subscription rights, granted under Subscription Rights Incentive Plans from 2016 to 2018, that were of no value, with new subscription rights granted under the 2020 Subscription Rights Incentive Plan. On October 2, 2020, a combined total of 25,962,800 subscription rights under the Company's 2020 Subscription Rights Incentive Plan were granted at an exercise price of NOK 1.71 per share. The subscription rights vest by 1/3 on each of April 15, 2021, 2022, and 2023, and expire on May 15, 2025.

Subscription rights outstanding at year end

Subscription rights activity	2022		2021	
	Number of Subscription Rights	Weighted Average Exercise Price (NOK)	Number of Subscription Rights	Weighted Average Exercise Price (NOK)
Outstanding as of January 1	71,756,399	1.84	56,344,093	1.66
Granted	19,342,900	1.54	21,885,200	2.53
Exercised	(930,184)	0.29	(1,767,879)	1.33
Forfeited	(8,987,484)	2.25	(3,165,015)	1.97
Expired	(75,000)	8.42	(1,540,000)	5.22
Outstanding as of December 31	81,106,631	1.74	71,756,399	1.84
Subscription rights exercisable as of December 31	36,416,302	1.65	18,657,117	1.59
	Number of Subscription Rights	Weighted Average Fair Value (NOK) per Subscr. Right	Number of Subscription Rights	Weighted Average Fair Value (NOK) per Subscr. Right
Subscription rights granted in the year	19,342,900	0.82	21,885,200	1.51

Composition of outstanding and exercisable subscription rights at December 31, 2022

<u>Outstanding Subscription Rights</u>					<u>Vested (Exercisable) Subscription Rights</u>		
<u>Exercise Price (in NOK)</u>	<u>Number of Subscription Rights Outstanding</u>	<u>Weighted Average Exercise Price (NOK)</u>	<u>Weighted Average Remaining Term (Years)</u>	<u>Weighted Average Remaining Time to Vest (Years)</u>	<u>Number of Vested Subscription Rights</u>	<u>Weighted Average Exercise Price (NOK)</u>	<u>Weighted Average Remaining Term (Years)</u>
0.00 - 0.49	3,486,882	0.15	1.36	0.00	3,486,882	0.15	1.35
0.50 - 0.99	720,800	0.71	1.36	0.22	515,600	0.71	0.97
1.00 - 1.49	16,507,000	1.14	3.34	1.48	2,759,850	1.11	0.68
1.50 - 1.99	36,300,174	1.70	2.15	0.16	24,589,220	1.70	1.42
2.00 - 2.49	17,218,050	2.28	3.37	1.27	2,732,625	2.40	0.87
2.50 - 2.99	5,412,900	2.65	3.37	1.34	1,353,225	2.65	0.84
3.00 - 4.99	960,825	3.34	1.96	0.48	479,200	3.52	0.79
5.00 - 9.99	500,000	5.10	0.36	0.00	500,000	5.10	0.35
Total	81,106,631	1.74	2.68	0.74	36,416,602	1.65	1.27

Composition of outstanding and exercisable subscription rights at December 31, 2021

<u>Outstanding Subscription Rights</u>					<u>Vested (Exercisable) Subscription Rights</u>		
<u>Exercise Price (in NOK)</u>	<u>Number of Subscription Rights Outstanding</u>	<u>Weighted Average Exercise Price (NOK)</u>	<u>Weighted Average Remaining Term (Years)</u>	<u>Weighted Average Remaining Time to Vest (Years)</u>	<u>Number of Vested Subscription Rights</u>	<u>Weighted Average Exercise Price (NOK)</u>	<u>Weighted Average Remaining Term (Years)</u>
0.00 - 0.50	4,330,366	0.15	2.36	0.04	2,165,186	0.15	2.36
0.50 - 1.00	720,800	0.71	2.36	1.29	310,400	0.71	2.36
1.00 - 1.50	5,542,500	1.11	2.36	1.04	1,385,625	1.11	2.36
1.50 - 2.00	38,760,433	1.70	3.14	0.96	14,045,131	1.69	3.14
2.00 - 3.00	20,588,700	2.51	4.24	2.04	—	—	4.24
3.00 - 5.00	1,238,600	3.29	3.05	1.32	175,775	3.94	3.05
5.00 - 10.00	575,000	5.53	1.23	0.00	575,000	5.53	1.23
Total	71,756,399	1.84	3.32	1.22	18,657,117	1.59	3.32

Employee Share Purchase Plan

The Employee Share Purchase Plan (“ESPP”) is revoked each year at the Annual General Meeting. The current ESPP was approved by shareholders at the 2022 Annual General Meeting. Under the ESPP, an IDEX employee based in Norway, the United Kingdom, or the United States may contribute up to 20% (subject to statutory limits) of his or her annual base salary, through payroll deductions, toward periodic purchases of newly issued Ordinary Shares. Under the ESPP, an option for the purchase of an Ordinary Share is granted to a participating employee on the first day of a 6-months’ “offering period” to purchase new issued Ordinary Shares at the end of that offering period at a purchase price equal to 85% of the lesser of the fair market value, based on the closing price of an Ordinary Share reported by the Oslo Børs, on either the first day or the last day of that offering period. The offering periods occur from March through August, and from September through February. The shares are not restricted.

The ESPP is intended to qualify as an “employee stock purchase plan” under Section 423 of the U.S. Internal Revenue Code, thereby affording certain tax advantages to employees who are taxpayers in the United States. There are no tax advantages for ESPP participants who are taxpayers in Norway or the United Kingdom.

The share-based remuneration cost of the ESPP is calculated at the start of each contribution period, and amortized over that period. The cost is based on the contribution amount and amounts to the discount of 15% at the beginning of the period, plus the option value of an 85% call and 15% put option granted at the beginning of the period. The option value is based on a Black-Scholes option pricing model applying prevailing interest rates and share price volatility at the beginning of the period.

<u>ESPP cost calculation parameters</u>	<u>September 1, 2022</u>	<u>March 1, 2022</u>	<u>September 1, 2021</u>
Expected contribution amount (NOK 1,000)	2,025	2,307	3,009
Share price on start date (NOK per share)	0.83	1.96	2.65
Share price volatility	68%	66%	64%
Risk-free interest rate	2.82%	0.95%	0.25%
Expected dividend payment	—	—	—
Expected number of shares	2,854,899	1,385,049	1,335,810
Share-based compensation cost per expected share	0.32	0.75	1.01

In the two offering periods completed within 2022, an average of 43 employees (2021: 53) participated in the ESPP and purchased a total of 4,947,546 Ordinary Shares at a weighted average price of NOK 1.08 (2021: 2,946,019 shares at average NOK 2.00 per share).

17. Related party transactions

The Company's significant shareholders, Board members, and management, as well as their related parties, are considered related parties of the Company.

Compensation of key management is disclosed in Note 4 – Compensation and benefits.

Board compensation

Board compensation is paid in arrears after being approved by the shareholders, generally at the Annual General Meeting. The following amounts were paid in 2022, 2021 and 2020:

(\$000s)	Year Ended December 31, 2022		
	Cash Compensation	Shared-based Compensation	Total
Morten Opstad, Board chair	\$ 53	\$ —	\$ 53
Lawrence J. Ciaccia, Board deputy chair	53	—	53
Deborah Davis	68	—	68
Hanne Hovding	55	—	55
Annika Olsson	44	—	44
Thomas M. Quindlen	55	—	55
Stephen A. Skaggs	62	—	62
	<u>\$ 390</u>	<u>\$ —</u>	<u>\$ 390</u>

(\$000s)	Year Ended December 31, 2021		
	Cash Compensation	Shared-based Compensation	Total
Morten Opstad, Board chair	\$ 59	\$ —	\$ 59
Lawrence J. Ciaccia, Board deputy chair	28	33	61
Deborah Davis	67	—	67
Hanne Hovding	52	—	52
Annika Olsson	—	—	—
Thomas M. Quindlen	2	32	34
Stephen A. Skaggs	4	58	62
	<u>\$ 212</u>	<u>\$ 123</u>	<u>\$ 335</u>

(\$000s)	Year Ended December 31, 2020		
	Cash Compensation	Shared-based Compensation	Total
Morten Opstad, Board chair	\$ 40	\$ —	\$ 40
Lawrence J. Ciaccia, Board deputy chair	38	—	38
Deborah Davis	10	36	46
Hanne Hovding	32	—	32
Stephen A. Skaggs	4	34	38
	<u>\$ 124</u>	<u>\$ 70</u>	<u>\$ 194</u>

Outstanding subscription rights awarded to members of the Board under the Company's subscription rights plans have the following expiration dates and exercise prices. For further information describing these plans, see Note 16 – Share-based compensation.

Grant Date	Expiration Date	Exercise Price (NOK per share)	Subscription rights outstanding as of December 31,		
			2022	2021	2020
June 17, 2020	May 15, 2025	1.71	600,000	600,000	600,000

The subscription rights granted on August 15, 2018, were replaced by the grant on June 17, 2020, as part of an exchange of subscription rights approved at the 2020 Annual General Meeting. This exchange was offered to all eligible holders.

Related party transactions

Morten Opstad, Board chair, is a partner at Advokatfirmaet Ræder AS, the Company's primary law firm, which provided services to the Company resulting in charges of \$234 in 2022, \$338 in 2021, and \$477 in 2020.

Lawrence J. Ciaccia, who was elected to the Board at the Annual General Meeting on May 12, 2015, has served on the Company's Strategy Advisory Council ("SAC") since January 2014. The SAC was discontinued effective June 30, 2022. From time to time, Mr. Ciaccia also provides consulting services to IDEX. The fees paid to Mr. Ciaccia for his services totaled \$58 in 2022, \$65 in 2021, and \$65 in 2020.

In connection with our November 2022 private placement, we entered into a share lending agreement with three shareholders in order to facilitate settlement of the new shares in the private placement. As a fixed fee for the share lending, each lender received a fee equaling 5% per annum of the sum of the subscription price per new share in the private placement multiplied by the number of borrowed shares lent by the respective lender. In total, we paid approximately \$14 thousand under the share lending agreement with approximately \$6 thousand paid to Sundt AS and approximately \$4 thousand each paid to Sundvall Holding AS and Mr. Robert Keith.

There were no overdue balances with any related parties at the end of 2022, 2021 or 2020.

18. Other Operating Expenses

(\$000s)	Year Ended December 31,		
	2022	2021	2020
Sales and marketing activities	\$ 2,840	\$ 1,387	\$ 764
Legal, audit, accounting and other services	2,073	2,332	2,906
IT expenses	1,894	2,047	1,621
Travel expenses	230	132	125
Other operating expenses	1,364	1,449	520
Total other operating expenses	<u>\$ 8,402</u>	<u>\$ 7,347</u>	<u>\$ 5,936</u>

Auditor remuneration

The following table sets out the aggregate fees related to professional services rendered by the Company's independent auditor, Ernst & Young AS ("EY"), for the calendar years 2022, 2021, and 2020:

(\$000s)	Year Ended December 31,		
	2022	2021	2020
Audit services	\$ 447	\$ 352	\$ 235
Audit-related services	43	22	8
Tax services	7	7	0
Other services	4	24	12
	<u>\$ 501</u>	<u>\$ 405</u>	<u>\$ 255</u>

Audit services represents the fees for the audit that must be performed by EY in order to issue an opinion on the Company's consolidated financial statements and to issue reports on the Company's statutory financial statements. The definition also includes fees for certain other audit services, which are services only the designated independent auditor reasonably can provide, such as the auditing of non-recurring transactions, the application of new accounting policies, and limited reviews of quarterly financial results.

Audit-related services represents fees for other assurance and related services provided by EY, but not limited to those that only reasonably can be provided by EY, which are reasonably related to the performance of the audit.

Tax services represent fees, approved by our Audit Committee, for tax services not related to the audit provided by EY, pursuant to the provisions of the Sarbanes-Oxley Act.

Other services represent other fees, approved by our Audit Committee, for services not related to the audit provided by EY, pursuant to the provisions of the Sarbanes-Oxley Act.

19. Subsequent Events

The Board resolved on February 21, 2023, to grant 1,423,800 incentive subscription rights to five new employees and individual contractors. The grant was made under the Company's 2022 Subscription Rights Incentive Plan. The exercise price of the subscription rights is NOK 0.72 per share. The grants vest by 25% per year and expire on May 15, 2027. Following the grants, there were 82,065,247 subscription rights outstanding.

The Board resolved on February 28, 2023, to issue 2,648,336 Ordinary Shares at NOK 0.71 per share to employees participating in the Company's ESPP.

There have been no events between December 31, 2022, and the date of these financial statements that have had any material impact on the Company's results for 2022, or the value of the Company's assets and liabilities as of December 31, 2022.

PARENT COMPANY SEPARATE FINANCIAL STATEMENTS

IDEX Biometrics ASA **Parent Company Separate Statements of Profit and Loss** (In thousands, except per share amounts)

	Note	Year Ended December 31,	
		2022	2021
Revenue:			
Product		\$ 3,889	\$ 2,837
Service		203	3
Total revenue	2	4,091	2,840
Operating expenses:			
Cost of materials, net of inventory change		3,244	1,254
Compensation and benefits	3	2,906	4,038
Research and development	4, 5, 6	16,079	25,301
Other operating expenses	7, 21	10,943	9,383
Amortization and depreciation	9, 10, 11	599	600
Total operating expenses		33,771	40,575
Loss from operations		(29,679)	(37,735)
Finance income	19	544	1,705
Finance cost	19	(1,888)	(2,859)
Loss before tax		(31,023)	(38,889)
Income tax expense	8	—	—
Net loss for the year		<u>\$ (31,023)</u>	<u>\$ (38,889)</u>
Loss per share, basic and diluted	15	<u>\$ (0.03)</u>	<u>\$ (0.04)</u>

Statements of Comprehensive Income

	Year Ended December 31,	
	2022	2021
Net loss for the year	\$ (31,023)	\$ (38,889)
Other comprehensive income that may be reclassified to profit (loss) in subsequent periods:	—	(9)
Total comprehensive income (loss) for the period (net of tax)	<u>\$ (31,023)</u>	<u>\$ (38,898)</u>

The accompanying notes are an integral part of these financial statements.

IDEX Biometrics ASA
Parent Company Separate Statements of Financial Position
(In thousands, except share numbers and per share amounts)

	Note	December 31,	
		2022	2021
Assets			
Non-current assets:			
Goodwill	9	\$ 968	\$ 968
Intangible assets	9	1,488	1,965
Property, plant and equipment	10	367	463
Right-of-use assets	11	62	12
Shares in subsidiaries	1, 12	1,749	1,749
Non-current receivables	18	7	8
Total non-current assets		4,641	5,165
Current assets:			
Prepaid expenses	18	562	469
Inventory	20	4,447	1,234
Accounts receivable, other	18	465	726
Accounts receivable, trade	18	1,349	801
Receivables from group companies	18	7,597	6,101
Cash and cash equivalents	13	14,242	30,298
Total current assets		28,663	39,629
Total assets		\$ 33,304	\$ 44,795

The accompanying notes are an integral part of these financial statements.

	Note	December 31,	
		2022	2021
Equity and liabilities			
Share capital (NOK 0.15 par value per share, 1,166,326,584 and 1,010,388,454 shares issued and outstanding at December 31, 2022 and 2021, respectively)		\$ 22,762	\$ 20,410
Share premium		4,036	9,452
Share-based payment		23,575	21,414
Capital reduction reserves		287,500	269,500
Accumulated loss		(312,369)	(281,345)
Total equity		25,505	39,431
Non-current liabilities:			
Non-current lease liabilities	11	13	—
Total non-current liabilities		13	—
Current liabilities:			
Accounts Payable	19	1,400	640
Payables to group companies	19	5,057	3,314
Current lease liabilities	19	46	10
Public duties payable		98	89
Other current liabilities	19	1,185	1,311
Total current liabilities		7,786	5,364
Total liabilities		7,799	5,364
Total equity and liabilities		\$ 33,304	\$ 44,795

The accompanying notes are an integral part of these financial statements.

April 26, 2023

The board of directors of IDEX Biometrics ASA

/s/ Morten Opstad Morten Opstad Chair	/s/ Lawrence John Ciaccia Lawrence John Ciaccia Deputy chair	/s/ Deborah Lee Davis Deborah Lee Davis Board member
/s/ Hanne Høvdning Hanne Høvdning Board member	/s/ Annika Olsson Annika Olsson Board member	/s/ Thomas Quindlen Thomas Quindlen Board member
/s/ Stephen Andrew Skaggs Stephen Andrew Skaggs Board member		/s/ Vincent Arthur Graziani Vincent Arthur Graziani CEO

IDEX Biometrics ASA
Parent Company Separate Statements of Changes in Equity
(In thousands)

	Share capital	Share premium	Share-based payment	Foreign currency translation effects	Capital reduction reserve *	Accumulated loss *	Total equity
Balance at January 1, 2021	\$ 17,251	\$ 3,608	\$ 18,664	\$ (11,630)	\$ 223,500	\$ (230,817)	\$ 20,576
Allocation at change of functional currency				11,630		(11,630)	—
Share issuance	3,107	51,205	—	—	—	—	54,312
Share-based compensation	52	639	2,750	—	—	—	3,441
Loss for the year	—	—	—	—	—	(38,889)	(38,889)
Transfer of share premium	—	(46,000)	—	—	46,000	—	—
Other comprehensive income	—	—	—	—	—	(9)	(9)
Balance at December 31, 2021	<u>20,410</u>	<u>9,452</u>	<u>21,414</u>	<u>—</u>	<u>269,500</u>	<u>(281,346)</u>	<u>39,431</u>
Share issuance	2,273	12,103	—	—	—	—	14,376
Share-based compensation	79	481	2,161	—	—	—	2,721
Loss for the year	—	—	—	—	—	(31,023)	(31,023)
Transfer of share premium	—	(18,000)	—	—	18,000	—	—
Other comprehensive income	—	—	—	—	—	—	—
Balance at December 31, 2022	<u>\$ 22,762</u>	<u>\$ 4,036</u>	<u>\$ 23,576</u>	<u>\$ —</u>	<u>\$ 287,500</u>	<u>\$ (312,369)</u>	<u>\$ 25,505</u>

*Refer also to Note 1: Organization, basis of presentation, and significant accounting policies and Note 15: Share capital and share premium.

The accompanying notes are an integral part of these financial statements.

IDEX Biometrics ASA
Parent Company Separate Statements of Cash Flow
(In thousands)

	Note	December 31,	
		2022	2021
Operating activities			
Profit (loss) before tax		\$ (31,023)	\$ (38,889)
Amortization and depreciation expense	9, 10, 11	599	600
Share-based compensation expense		2,721	2,751
(Increase) in inventories		(3,213)	(375)
(Increase) in accounts receivable		(2,045)	(314)
Increase in accounts payable		2,503	120
Change in other working capital items		(1)	4,989
Other operating activities		(1,435)	(1,190)
Interest paid		(2)	(1)
Other financial items		1,346	1,154
Net cash flow from operating activities		(30,549)	(31,156)
Investing activities			
Purchases of property, plant and equipment	9, 10, 11	(2)	(2)
Repayments on loans to subsidiaries		1	1,050
Interest received		92	38
Net cash flows from investing activities		91	1,086
Financing activities			
Net proceeds from issue of shares	15, 16	14,376	54,992
Payment of principal portion of lease liabilities	11	25	(29)
Net cash flow from financing activities		14,401	54,963
Net change in cash and cash equivalents		(16,056)	24,892
Opening cash and cash equivalents balance		30,298	5,406
Cash and cash equivalents at December 31	13	\$ 14,242	\$ 30,298

The accompanying notes are an integral part of these financial statements.

NOTES TO PARENT COMPANY SEPARATE FINANCIAL STATEMENTS

(Amounts in thousands, except per share amounts)

1. Organization, basis of presentation, and significant accounting policies

IDEX Biometrics ASA and its wholly-owned subsidiaries (collectively, “IDEX” or the “Company”) specialize in the design, development, and sale of fingerprint authentication solutions. The Company’s fingerprint authentication solutions are used primarily in contactless smart cards, including financial payment cards, access control cards, and card-based devices for the storage of digital currencies.

IDEX Biometrics ASA, the parent company, is a public limited liability company incorporated in 1996 in Norway. The address of the head office is Dronning Eufemias gate 16, NO-0191 Oslo, Norway. The Company’s Ordinary Shares, representing the only class of equity securities issued and outstanding, are listed on the Oslo Børs, the stock exchange in Oslo, Norway, under the ticker symbol IDEX. The Company’s American Depositary Shares (“ADSs”), each ADS representing 75 Ordinary Shares, are listed on Nasdaq, under the ticker symbol IDBA.

IDEX is comprised of the Norwegian parent company and its subsidiaries in the United States (IDEX Biometrics Holding Company Inc. and IDEX Biometrics America Inc. (together, “IDEX America”)), the United Kingdom (IDEX Biometrics UK Ltd. (“IDEX UK”)), and China (IDEX Electronics (Shanghai) Co., Ltd. (“IDEX China”)). The parent company is the owner of all intellectual property of IDEX and is the contractual party to all customer and manufacturing partner agreements. All sales are generated by the parent company. The subsidiaries provide various services to the parent company, mainly associated with engineering, supply-chain administration, and customer service functions.

IDEX Biometrics ASA prepares its Financial Statements on a historical cost basis, and in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and IFRS as endorsed by the European Union. The financial statements are presented in U.S. Dollars (“USD”), and all values are rounded to the nearest thousand (\$000), except when otherwise indicated. As of January 1, 2020, the parent company changed its presentation currency from the Norwegian Krone (“NOK”) to USD, and, as of January 1, 2021, the parent company changed its functional currency from NOK to USD. The change of functional currency from NOK to USD, was determined by to be appropriate, given that the parent company’s operational transactions had come to be primarily dominated in USD.

During the year ended December 31, 2022, the Company revised its classification related to the presentation of Capital Reduction Reserve to reflect the legal decision of the absorption of historical accounting losses into Share Premium. Previously, the Company presented transfer of Share premium to absorb losses as a component of Accumulated Loss. The Company changed its presentation to reflect the amount of transfer losses to Share Premium separately from accumulated losses on the Consolidated Statements of Financial Position and Consolidated Statements of Changes in Equity. The Company has applied this change to all periods.

The Company has evaluated whether there are conditions and events, considered in the aggregate, that raise significant doubt about the Company’s ability to continue as a going concern within one year after the date the consolidated financial statements are issued. From its inception through December 31, 2022, IDEX has incurred significant operating losses and has reported negative cash flows from operations. As of December 31, 2022, the Company has accumulated losses of \$303,401. The Company has no debt to financial institutions. Net equity amounted to \$22,841 and the consolidated statement of financial position solvency amounted to \$13,370 at the end of 2022. The Company does not expect that its existing cash would enable it to fund its operating expenses and capital expenditures requirements for the next twelve months. The future viability of the Company beyond that point is largely dependent on its ability to generate cash from operating activities and to raise additional capital to finance its operations.

The Company plans to undertake a private placement of shares or procure other substantial funding by the end of the third quarter of 2023 to provide additional funding to support research and development and fund working capital. While the Company has been successful in the past in raising funds through private placements of shares, there is no assurance that we will be successful in the future. The Company’s failure to raise capital as and when needed could have a negative impact on its financial condition and its ability to pursue its business strategies.

Based on its recurring losses from operations incurred since inception, expectation of continuing losses for the foreseeable future and need to raise additional capital to finance its future operations, the Company has concluded that there is significant doubt about its ability to continue as a going concern.

The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Accordingly, the consolidated financial statements have been prepared on a basis that assumes the Company will continue as a going concern and which contemplates the realization of assets and satisfaction of liabilities and commitment in the ordinary course of business.

IDEX Biometrics ASA is the parent company in the IDEX group. The Consolidated Financial Statements of IDEX Biometrics ASA including its subsidiaries are published separately.

The parent company separate financial statements for the year ended December 31, 2022 were approved by the board on April 26, 2023.

Significant accounting policies

Accounting policies that are significant to the Company's results and financial position are discussed below.

The statements of profit and loss are presented by the nature of expense. The cash flow statements are presented by the indirect method.

There have not been any changes to the Company's accounting policies applied in the financial statements for 2022 compared to those applied in the annual financial statements for 2021.

Accounting estimates, based on the use of judgment and assumptions

The application of certain accounting standards requires estimates based on considerable judgment and assumptions that may involve high levels of uncertainty at the time the estimates are made. Estimates are continually evaluated. Assumptions are based on historical experience and other factors, including expectations of future events and parameters that are believed to be reasonable under the circumstances. Actual outcomes may deviate from estimates.

Changes in estimates and deviations between estimated result and actual outcome may have a material influence on the financial statements in the periods when estimates or assumptions are changed or when uncertainty is resolved. The following represent the most significant accounting items based on estimates, based on management's judgment and assumptions.

Goodwill

Goodwill represents the future economic value of assets acquired in a business combination above the separately recorded values of the assets. Subsequent impairment testing involves quantitatively comparing the recorded value to the estimated value of the business unit to which the goodwill is assigned. The estimate is based on judgments of when and whether there will be an economic benefit from the business unit, and assumptions about the amounts. As of December 31, 2022, such comparison indicated the carried value of goodwill was appropriate, and no impairment was recorded.

Intangible assets

IDEX's patents and other intellectual property rights created by the Company are capitalized and recorded in the Consolidated Statements of Financial Position only when they satisfy the criteria for capitalization. No development costs have been capitalized in 2022, 2021, or 2020.

Acquired intangible assets are capitalized initially at fair value, normally the purchase price. Intangible assets are amortized over their useful economic lives. An assessment of impairment losses on non-current assets is made when there is an indication of a decrease in value. An intangible asset's carrying amount is compared to the asset's recoverable amount. The recoverable amount is the higher of the fair value (less costs to sell to an independent third party) or the calculated value based on the discounted estimated cash flow from continued use. The estimate is based on judgments of when and whether there will be an economic benefit from the asset, and assumptions about the amounts. As of December 31, 2022, the Company determined that there were no indicators of impairment, and no impairment was recorded.

Inventory

Inventories consist of raw materials, work in process, and finished goods. Inventory is recorded at the lower of cost and net realizable value. Impairment is assessed quarterly, based on management's judgment of when and whether the inventory may be sold, and assumptions about the sales price and selling costs. The estimate is uncertain, because timing of sales are subject to many risks. Selling prices are uncertain in the market for IDEX's products. Reselling components or other commodity raw materials at any value may not be easily achieved, and elements of work in progress and finished goods, if impaired (i.e., considered excess or obsolete inventory), generally have no resale value and are held for disposal.

Share-based compensation

IDEX estimates the fair value of incentive subscription rights (“SRs”) at the grant date by using the Black-Scholes option pricing model, and record share-based remuneration cost over the vesting period of the SRs. The valuation is based on share price and exercise price, share price volatility, interest rates, and the expected term of the SRs, based on historical data. The parameters may in the future deviate from the historical observations. The accrued cost of the Company’s employment taxes associated with the earned intrinsic value of the SRs will vary with share price, which is a highly unpredictable parameter.

IDEX estimates the fair value of the Employee Share Purchase Plan (“ESPP”) at the grant date, i.e. the first date of the contribution period, by using the Black-Scholes option pricing model. The share-based compensation is expensed over the contribution period. The valuation is based on share price and exercise price, share price volatility, interest rates, and the term of the contribution period. The parameters may in the future deviate from the historical observations.

Climate Change

As of December 31, 2022, the possible future financial impact to the Company resulting from climate change is uncertain. Given the nature of the Company’s operations and products, the Company believe any such impact not to be material. The Company is monitoring current and expected climate change effects, as well as measures considered or implemented by government and industry, in order to minimize any negative impact and to take advantage of any favorable opportunities that may arise.

COVID-19

The COVID-19 pandemic, including the global emergence of new variants, continues to cause business and economic uncertainties. The full impact of COVID-19 on the Company’s business, results of operations, and financial condition may depend on numerous evolving factors that are highly uncertain and cannot be accurately predicted. The Company will continue to monitor the evolving situation and will assess modifying its response to the pandemic, as well as any relevant implications for its operations or financial reporting.

The Company has not experienced significant delays in its development projects, and it has not incurred additional costs as a result of its response to the pandemic. Disruption of supply chains, particularly the semiconductor supply chain, has been attributed to the pandemic. While the Company did not experience supply chain disruptions that were material to its operations or financial results during 2021 or 2022, operational planning and management of inventory levels were challenging, given uncertainties associated with vendor capacity availability and allocations to the Company of such capacity. Because management expects such uncertainties will continue through 2023, the Company may place orders for, and hold balances of, inventory at higher levels than would be expected if such uncertainties did not exist.

Management believes the pandemic has had an adverse influence on the timing of activities of smart card manufacturers and issuers, including delaying product development and the initiation of trials and pilots involving smart cards incorporating our fingerprint authentication solutions.

Financial risks

IDEX emphasizes capital preservation and liquidity in managing its cash, which is held in bank accounts, which are denominated in USD, NOK, GBP, and CNY.

Short-term capital requirements include funding operating losses and supporting net working capital requirements. Reflecting the Company’s operating model, investments in property, plant, and equipment are modest, and have been funded with proceeds from issuance of the Company’s Ordinary Shares. IDEX has been funded through the issuance of Ordinary Shares since it was established in 1996.

The current cash position and financial forecasts indicate that in 2023, the company will need significant funding in the form of equity injection, debt or other. The board is considering various funding options and believes that the Company will obtain further financing for its planned operation, growth and working capital requirements.

Interest Rate Risk

As of December 31, 2022, IDEX had cash of \$16.1 million. The Company’s exposure to interest rate sensitivity is influenced primarily by changes in the underlying bank interest rates in the various currencies. IDEX’s cash is held in bank accounts, all of which are considered highly liquid. Accordingly, an immediate one percentage point change in interest rates would not have a material effect on the fair market value the Company’s cash accounts. As the Company has no debt to financial lenders, it is not exposed interest rate risks associated with variable rate debt. In calculating the recorded and carrying values of leases, interest rates are a variable in the calculations of these values, but do not represent a meaningful level of risk of material changes in these values.

Currency Risk

The Company's trading transactions are commonly denominated in U.S. Dollars ("USD"), which is the Company's consolidation and presentation currency. The functional currency of the parent company, IDEX Biometrics ASA, is USD, while the functional currencies of the subsidiaries are the currency in their respective domiciles. The Company incurs a portion of its expenses in other currencies than the USD, primarily British Pounds ("GBP"), Norwegian Krone ("NOK"), Euro ("EUR"), and Chinese Yuan ("CNY"). The Company's cost level is exposed to changes in the rates of exchange between the USD and these currencies. IDEX seeks to minimize this exposure by maintaining currency cash balances at targeted levels appropriate to meet foreseeable short-term expenses in these other currencies. The Company does not use forward exchange contracts or other hedging strategies to manage exchange rate exposure. Excess cash balances are generally held in USD-denominated accounts.

In addition to USD, the parent company holds bank deposits in NOK and GBP; receivables in NOK, GBP and EUR; and payables in NOK, GBP and EUR. A 10% change in the relative value of USD to NOK would not have had a material effect on the carrying value of the Company's net financial assets and liabilities in foreign currencies at December 31, 2022 and December 31, 2021. The same applies to the value of USD to CNY or EUR. A 10% increase in the value of the GBP relative to the USD would have had a corresponding effect on the carrying value of our net financial assets and liabilities in foreign currencies at December 31, 2022 of approximately \$750 thousand.

Credit and Liquidity Risk

IDEX extends customary credit terms to customers, reflecting its assessment of their individual creditworthiness. The Company does not believe it was exposed to significant credit risk associated with its Accounts receivable, trade, balance as of December 31, 2022. (See Note 11 – Accounts receivable.) If revenue continues to increase, such balances from a broadening customer base will expand, potentially increasing the Company's exposure to credit risk.

As of December 31, 2022, the parent company had extended advances to IDEX UK denominated in GBP, in the equivalent to \$7,597. It is expected that IDEX UK will eventually repay these advances.

The Company believes it faces minimal risk on its cash position, as IDEX's cash is on deposit with reputable, regulated banks. The Company has no debt to financial institutions.

The balance sheet solvency, excluding intercompany items, amounted to \$13,328 at December 31, 2022. The Company aims to increase revenue generation through sales of its products, however, it does not currently have the cash resources to fully meet its operating commitments for the next twelve months. This cast significant doubt on the Company's ability to continue as a going concern.

Other accounting policies

Equity

Equity is comprised of the following:

- Share capital: comprised of the nominal amount of the parent's ordinary shares. This capital is not distributable in the form of dividends under the Norwegian Public Limited Liability Companies Act (the "PLCA") (refer to Note 15: Share capital).
- Share premium: comprised of: (1) the amount received attributable to Share capital, in excess of the nominal amount of shares issued by the parent company, reduced by; (2) issuance costs directly attributable to the capital increase and; (3) transfers into the Capital Reduction Reserve, (refer to Note 15: Share Capital and Share Premium).
- Share based payment: comprised of cost of share-based payment.
- Foreign currency translation effects: comprised of currency translation difference on equity at historical rate vs. equity at conversion date rate at implementation of USD as functional currency.
- Capital reduction reserve: comprised of the absorption of accumulated losses of the Company by the Share premium, as resolved by the Company's Board of Directors (refer to Note 15: Share capital).
- Accumulated loss: is comprised of cumulative historical losses of the Company.

Revenue recognition

Revenue is recognized when control of the promised goods or services is transferred to a customer, in an amount reflecting the consideration the Company expects to be entitled to in exchange for those goods or services. Sales, value add, and other taxes incurred concurrent with revenue producing activities are excluded from revenue.

Shipping and handling charges to customers are included in revenue, and costs associated with outbound freight after control over a product has transferred to a customer are accounted for as revenue reductions.

The Company's primary source of revenue comes from the sale of its products, which principally are biometric fingerprint modules, consisting of a sensor and an ASIC (i.e., application-specific integrated circuit) in a single package. Each module also contains embedded software. The hardware and the embedded software are interdependent, in that each needs the other to provide the intended fingerprint authentication function to the customer. The primary customers for the Company's products are smart card manufacturers and similar solution integrators. The Company currently does not utilize stocking distributors for the resale of its products.

The Company, from time to time, licenses its intellectual property under right to use licenses, in which royalties due to the Company are based upon a percentage of the licensee's sales and/or unit volumes. For the years ended December 31, 2022 and 2021, the Company recognized no revenue from licensing its intellectual property.

Certain contracts with customers contain multiple performance obligations, which typically may include a combination of non-recurring engineering ("NRE") services, prototype units, and production units. For these contracts, if the individual performance obligations are distinct, they are accounted for separately. Generally, the Company has determined the NRE services and prototype units represent one distinct performance obligation, and the production units represent a separate distinct performance obligation. For such arrangements, revenue is allocated to each performance obligation based on its relative standalone selling price, based on prices charged to other customers or based on expected cost plus a customary profit margin. The Company generally recognizes revenue for NRE services and prototype units at the point in time when a defined milestone under the arrangement is completed and control is transferred to the customer, which is generally the shipment or delivery of the prototype units. Revenue for production units is recognized upon shipment or delivery, consistent with product revenue recognition summarized above.

The Company also recognizes revenue from contracts with customers associated with the delivery of certain services, ranging from standalone NRE to advisory services. Generally, these contracts include a single performance obligation (i.e., service element), and revenue is recognized upon the completion of the defined service element and final acceptance by the customer of the project deliverable, if any. However, revenue from services may be recognized over time, if recognition of multiple service elements is based on completion of substantive and results-based contractual milestones, and acknowledgement by the customer of such completion.

The Company does not have material obligations or reserves for warranties, returns, or customer refunds. There were no contract asset or contract liability balances at December 31, 2020, 2021 or 2022.

Cost of materials, net of inventory change

Cost of materials, net of inventory change, primarily consists of the costs of raw materials, contract manufacturing, and transportation associated with production and storage of products for sale to customers, net of inventory change.

Foreign currencies

The functional currency of IDEX Biometrics ASA is USD, and the USD is also the presentation currency. Transactions involving the translation to USD of values denominated in foreign currencies are classified as monetary or non-monetary, thereby defining the measurement and recognition of foreign currency translation gains and losses applicable to a transaction.

Monetary assets and liabilities generally have values fixed by explicit or implicit contract. Examples include bank deposits, debt, accounts receivable, and accounts payable. Monetary assets and liabilities subject to foreign currency adjustments are measured on the initial transaction date using the exchange rates in effect at that date. At each subsequent reporting date and through the date of settlement (i.e., payment) or derecognition, such monetary assets and liabilities are remeasured using the then-current exchange rate, and any foreign currency translation gains or losses are recorded by the entity within Financial income or Financial cost.

Non-monetary assets and liabilities generally are those assets and liabilities for which the recorded values are not subject to contractual or other formal definitions (i.e., those assets and liabilities that are not classified as monetary assets or liabilities). Non-monetary assets and liabilities are held at historical rate.

Shares in subsidiaries

Shares in subsidiaries are held at the lower of cost and net realizable value. Any dividends are recognized as financial income, and impairments, if any, as finance costs. There have not been any dividends or impairments in the years ended December 31, 2022 or 2021.

Research and development expenses

Expenses in this category consist primarily of the costs of services and materials used in engineering activities and development activities outsourced to group companies or other providers. Costs are presented by nature of expense, thus payroll costs related to research and development employees are classified as Compensation and benefit expenses, not as research and development expenses, on the Statement of Profit and Loss. However, the compensation paid to individual contractors serving in engineering roles is included in Research and development expenses.

Research costs are expensed as incurred. Development expenses that do not meet the criteria of capitalization are expensed as incurred. Development expenses are capitalized when (i) the technical feasibility of completing development has been demonstrated, (ii) the costs of development can be measured reliably, (iii) it is probable IDEX will realize future economic benefits from the asset, and (iv) IDEX has committed to complete the development. Once the development is complete and the resulting asset is available for use, the capitalized development cost (i.e., the asset value) is amortized over its expected useful life.

The Company applies for and has received government grants associated with certain research and development projects. The earned (i.e., recognized) value, if any, of government grants applicable to research and development activities are credited against costs. Generally, the applications or claims for such grants are submitted after completion of the qualifying activities. When it is realistic that the application or claim will be successful and the amount can be determined reliably, we credit the value of the grant against research and development expenses for that reporting period. Due to the timing difference between the completion of the qualifying activities, the approval of our grant application or claim, and the receipt of the funds associated with the grant, the Company may record, pending receipt of funds, the value of the grant as an Account receivable, other.

Finance income and finance cost

Finance income and finance cost consists of interest income, interest expense, and net foreign exchange losses (gains) arising from settlement of obligations denominated in foreign currencies during the period and foreign currency translation adjustments recognized at period-end.

Segment reporting

IDEX manages its operations as a single segment for the purposes of assessing performance and making operating decisions. IDEX operates as one operating segment, fingerprint imaging and authentication technology. IDEX has determined that its chief operating decision maker is its Chief Executive Officer. The Company's chief operating decision maker reviews the Company's financial information on an aggregated basis for the purposes of allocating resources and assessing financial performance.

Accounting standards issued but not effective

The Company will adopt applicable new and amended accounting standards, including interpretations, when they become effective. We do not expect any significant impact on the Company's result or financial position from the new and amended standards issued but not yet effective.

Amendments to IAS 1—Classification of liabilities as current or non-current — The amendments clarify the requirements for classifying liabilities as current or non-current. The amendments are effective for reporting periods beginning on or after January 1, 2023, and must be applied retrospectively. The amendments will not have a material impact on any of the Company's liabilities as of December 31, 2022, 2021 or 2020.

Amendments to IAS 8—Definition of accounting estimates — The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for reporting periods beginning on or after January 1, 2023, and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of such period. The amendments are not expected to have a material impact on the company's financial statements.

Amendments to IAS 1 and IFRS Practice statement 2—Disclosure of accounting policies — The amendments replace the requirement to disclose the 'significant' accounting policies with a requirement to disclose the 'material' accounting policies. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023. The Company will revise the accounting policy information disclosures for 2023 to become consistent with the amended IAS 1.

Amendments to IAS 12—Deferred tax related to assets and liabilities arising from a single transaction — The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative

period presented. The amendments are not expected to have a material impact on the company's financial statements.

2. Revenue from contracts with customers

The balances of trade receivables at December 31, 2022 and 2021 were \$1,349 and \$801, respectively, reflecting the business growth in 2022. There were no contract asset or contract liability balances at December 31, 2022 or 2021.

IDEX categorizes customers by geographic region utilizing the addresses to which we invoice our products or services. The Company's product and service revenue by geographic region is as follows:

(\$000s)	Year Ended December 31,	
	2022	2021
Product Revenue:		
Europe, Middle East, and Africa	\$ 3,574	\$ 2,807
Americas	252	—
Asia-Pacific	63	30
Total product revenue	3,889	2,837
Service Revenue:		
Europe, Middle East, and Africa	10	3
Americas	193	—
Asia-Pacific	—	—
Total service revenue	203	3
Total Revenue	\$ 4,091	\$ 2,840

The Company's revenue has historically come from a limited number of customers. During 2022, the top two customers accounted for approximately 48% and 24% of the Company's revenue, respectively, and in 2021, the top two customers accounted for 85% and 9% of revenue, respectively.

3. Compensation and benefits

(\$000s)	Year Ended December 31,	
	2022	2021
Salaries	\$ 814	\$ 871
Social security taxes	97	107
Pension contribution	22	17
Other personnel expenses	149	133
Share-based compensation	2,161	2,751
Net employer's tax on share-based compensation	(337)	159
Total	\$ 2,906	\$ 4,038
<i>Average no. of employees (full-time equivalents)</i>		
In the parent company	2	2
In the group	88	95

At year-end 2022, there were 1 female and 1 male employee in IDEX Biometrics ASA (2021: 1 female and 1 male). Salary statistics per gender have not been prepared.

IDEX Biometrics ASA provides a contribution-based pension insurance plan for all its employees. The plan satisfies the Norwegian mandatory service pension rules (obligatorisk tjenestepensjon, OTP). The contribution is 2% and 10% of the employee's annual eligible salary. The pension plan is a fully insured, defined contribution plan.

In 2022, IDEX operated two share-based compensation programs: Incentive subscription rights (SRs), and an employee share purchase plan (ESPP). The parent company carries the full notional cost of the programs for the group, and accrues the potential employer's tax. The expense is non-cash, and the same amount is added to equity. The notional cost of SRs is based on the fair value of SRs at grant. The cost is expensed over the vesting period of each tranche of grant, which means the cost is front-loaded over the duration. The potential employer's tax liability is calculated on the intrinsic value of the pro-rata earned subscription rights at year end, and the net change from the year before is expensed or reversed. Upon exercise, the notional cost remains as recognized, while actual employer's tax, if any, on exercise is recognized by the relevant entity when incurred. The cost of the ESPP is the fair value at enrolment date into ESPP, and is expensed over the six months contribution period. The fair value is determined using a Black-Scholes option pricing model, based on share prices quoted on the

Oslo Børs, and published interest rates. Any related employer's tax is recognized by the relevant entity on the date the employer's tax is incurred, which date varies by jurisdiction and employee disposition.

Remuneration to officers

2022

Remuneration to the group's CEO and officers reporting to the CEO. All officers are employed in the subsidiary in the country where they work, or a contractor to the parent company.

(\$000s)	Salary	Incentive variable pay	Pension contribution	Other benefits	Share-based remuneration (1)	Total
Vince Graziani, CEO	\$ 400	\$ —	\$ —	\$ 26	\$ 139	\$ 565
Eileen Wynne, interim CFO (2)	37	—	—	—	—	37
James A. Simms, former CFO (2)	290	—	—	21	(56)	255
Anthony Eaton, CTO	237	—	14	—	74	325
Catharina Eklof, CCO (3)	398	—	—	—	114	512
Total	\$ 1,362	\$ —	\$ 14	\$ 47	\$ 271	\$ 1,694

- (1) The amount is the amortised cost in the year under IFRS 2 Share-based payments, for incentive subscription rights. The amount for ESPP is the option value at date of enrollment earned in 2022. Both amounts represent an upfront calculation and do not necessarily represent any gain from the plans. Any gain on subscription rights is reported separately in the year of exercise.
- (2) Ms. Wynne joined IDEX as interim Chief Financial Officer as of August 15, 2022. Mr. Simms left his position with IDEX as of the same date.
- (3) Ms. Eklof is an individual contractor on assignment for IDEX as of June 1, 2021. The salary and incentive amounts reported are the gross invoiced amounts.

Salary, bonus and other benefits, whether cash or in kind, are the amounts declared for tax purposes for the full year 2022, while pension cost and share-based remuneration are expensed amounts in the year. Gains on exercise of incentive subscription rights, if any, are reported separately. Employers' tax is not included. The bonuses paid in 2022, if any, relate to achievements in 2021.

No officers exercised incentive subscription rights in 2022.

2021

(\$000s)	Salary	Incentive variable pay	Pension contribution	Other benefits	Share-based remuneration (1)	Total
Vince Graziani, CEO (2)	\$ 400	\$ 44	\$ —	\$ 25	\$ 126	\$ 595
James A. Simms, CFO (3)	211	—	—	20	180	411
Derek D'Antilio, former CFO (3)	100	56	—	10	(25)	141
Anthony Eaton, CTO	254	22	15	2	60	354
Catharina Eklof, CCO (4)	259	76	—	—	108	442
Total	\$ 1,224	\$ 198	\$ 15	\$ 57	\$ 449	\$ 1,944

- (1) The amount is the amortised cost in the year under IFRS 2 Share-based payments, for incentive subscription rights. The amount for ESPP is the nominal discount on shares acquired in 2021. Both amounts represent an upfront calculation and does not necessarily represent any gain from the plans. Any gain on subscription rights, is reported separately in the year of exercise.
- (2) Mr. Graziani joined IDEX as Chief Executive officer February 27, 2020.
- (3) Mr. Simms joined IDEX as Chief Financial Officer as of April 20, 2021. Mr. D'Antilio was employed as Chief Financial Officer until April 20, 2021. He remained under contract for no cash compensation through September 30, 2021.
- (4) Ms. Eklof is an individual contractor on assignment for IDEX as of June 1, 2021. The salary and incentive amounts reported are the gross invoiced amounts. The 2021 incentive was a signon fee.

Salary, bonus and other benefits, whether cash or in kind, are the amounts declared for tax purposes for the full year 2021, while pension cost and share-based remuneration are expensed amounts in the year. Gains on exercise of incentive subscription rights, if any, are reported separately. Employers' tax is not included. The bonuses paid in 2021 relate to achievements in 2020.

Mr. D'Antilio exercised 1,000,000 subscription rights at NOK 1.65 per share on November 11, 2021. No other officers exercised incentive subscription rights in 2021.

Grants of incentive subscription rights to officers

<u>Year ended December 31,</u> <u>2022</u>	<u>Grant date</u>	<u>Exercise price</u> <u>(NOK per share)</u>	<u>Number of</u> <u>subscription</u> <u>rights</u>
Vincent Graziani, CEO	August 10, 2022	1.18	1, 210,400
Eileen Wynne, interim CFO			—
James A. Simms, former CFO			—
Anthony Eaton, CTO	February 23, 2022	2.08	836,900
	August 10, 2022	1.18	210,300
Catharina Eklof, CCO	August 10, 2022	1.18	210,300
<u>2021</u>			
Vincent Graziani, CEO	August 11, 2021	2.40	1, 210,400
James A Simms, CFO	April 20, 2021	2.71	2,750,000
	August 11, 2021	2.40	247,400
Derek D'Antilio, former CFO			—
Anthony Eaton, CTO	August 11, 2021	2.40	210,300
Catharina Eklof, CCO	June 3, 2021	2.38	2,000,000

Guidelines for remuneration to officers

IDEX's remuneration policy for the supervisory board and executives as well as guidelines for incentive programmes were approved at the Annual General Meeting on May 12, 2021.

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 officers participate in the same share-based programs approved by the general meeting, that are in effect for all employees. In 2022 IDEX operated a subscription rights-based incentive program (SR program) and an employee share purchase plan (ESPP).

SR grants are scaled based on position, results and competitive considerations. The purpose of SR grants is to strengthen the company by providing to employees, management and individual contractors additional performance incentive.

The ESPP allows the participant to convert up to 20% of the base salary into shares, by contributing an amount from each paycheck during six months, and purchasing new issue shares at 15% discount on lower of the share price at beginning and end of the contribution period.

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 incentive payments in the respective years are reported in the tables above. The incentives may have been earned partly or in full in the calendar year before the payment was made. Incentives are paid only after evaluation against 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. 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 2022, the number of outstanding subscription rights to present officers including their close associates was 12,341,400, corresponding to 1.1 percent of the share capital (2021: 12,870,900 outstanding subscription rights to then-present officers, corresponding to 1.3 percent of the share capital at the time).

Compensation paid to the board of directors is presented in Note 6.

4. Research and development expenses

Research costs are expensed when incurred. Development costs are capitalized and held in the balance sheet only if they satisfy the criteria for capitalization. The same applies to IDEX Biometrics ASA's patents and other intellectual property rights created by IDEX. IDEX has not capitalised any development costs in 2022 or 2021. Development costs related to creation of intellectual property have been expensed when incurred. Government grants related to research and development are credited against costs.

(\$000s)	Year Ended December 31,	
	2022	2021
Gross R&D expenses	\$ 16,380	\$ 25,840
Government grants credited to cost	(301)	(539)
Net R&D expenses	<u>\$ 16,079</u>	<u>\$ 25,301</u>

5. Government grants

(\$000s)	Year Ended December 31,	
	2022	2021
SkatteFunn (recognized as cost reduction of R&D expenses)	\$ 301	\$ 539

The Norwegian SkatteFunn support for research and development is delivered through the tax administration. The scheme is a direct, cash grant to pre-approved research and development projects, subject to approved annual or completion reports to the Research Council of Norway, as well as audited confirmation of costs. The recognized amount in 2022 represents IDEX's claim based on the cost of the approved project applications.

6. Related Party Transactions

The Company's significant shareholders, board members and management, as well as related parties of these are considered related parties. 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.

Compensation of key management is disclosed in Note 3.

There were no overdue balances with any related parties at the end of 2022 or 2021. See also Note 17.

Shareholders

In connection with our November 2022 private placement, we entered into a share lending agreement with three shareholders in order to facilitate settlement of the new shares in the private placement. As a fixed fee for the share lending, each lender received a fee equaling 5% per annum of the sum of the subscription price per new share in the private placement multiplied by the number of borrowed shares lent by the respective lender. In total, we paid approximately \$14 thousand under the share lending agreement with approximately \$6 thousand paid to Sundt AS and approximately \$4 thousand each paid to Sundvall Holding AS and Mr. Robert Keith.

Board of Directors

The following board compensation has been paid in 2022 and 2021. The board remuneration is paid in arrears, after approval by the shareholders at the general meeting, covering the period up to that general meeting.

(\$000s)	Year ended December 31, 2022		
	Cash Compensation	Share-based Compensation	Total
Morten Opstad, chair	\$ 53	\$ —	\$ 53
Lawrence John Ciaccia, deputy chair (1)	53	—	53
Deborah Davis (2)	68	—	68
Hanne Høvdning (3)	55	—	55
Annika Olsson	44	—	44
Thomas M. Quindlen (4)	55	—	55
Stephen Andrew Skaggs (5)	62	—	62
Total	<u>\$ 390</u>	<u>\$ —</u>	<u>\$ 390</u>

- (1) Mr. Ciaccia was member of the Compensation Committee in the periods that the remuneration paid in 2022 related to.
- (2) Ms. Davis was chair of the Compensation Committee and member of the Audit Committee in the period that the remuneration paid in 2022 relates to.
- (3) Ms. Høvdning was member of the Audit Committee in the period that remuneration paid in 2022 related to.

- (4) Mr. Quindlen member of the Audit Committee in the period that remuneration paid in 2022 related to.
 (5) Mr. Skaggs was chair of the Audit Committee in the period that remuneration paid in 2022 related to.

(\$000s)	Year ended December 31, 2021		
	Cash Compensation	Shared-based Compensation	Total
Morten Opstad, chair	\$ 59	\$ —	\$ 59
Lawrence John Ciaccia, deputy chair (1)	28	33	61
Deborah Davis (2)	67	—	67
Hanne Høvdning (3)	52	—	52
Annika Olsson (4)	na	na	na
Thomas M. Quindlen, observer (5)	2	32	34
Stephen Andrew Skaggs (6)	4	58	62
Total	\$ 212	\$ 123	\$ 335

- (1) Mr. Ciaccia was member of the Compensation Committee in the period that the remuneration paid in 2021 related to.
 (2) Ms. Davis was chair of the Compensation Committee and member of the Audit Committee in the period that the remuneration paid in 2021 relates to.
 (3) Ms. Høvdning was member of the Audit Committee in the period that remuneration paid in 2021 related to.
 (4) Ms. Olsson was elected to the board on 12 May 2021. The board remuneration for tenure from 2021 annual general meeting to 2022 annual general meeting was paid in arrears, after approval by the 2022 annual general meeting
 (5) Mr. Quindlen was non-voting observer at the board as of October 2020, and was elected board member at the annual general meeting on May 12, 2021.
 (6) Mr. Skaggs was chair of the Audit Committee in the period that remuneration paid in 2021 related to.

Following the annual general meeting of IDEX on May 12, 2021, board members Lawrence John Ciccia and Steve Skaggs and then board observer Tom Quindlen elected to receive part of the board remuneration in shares. Mr. Ciaccia acquired 143,458 shares against payment of NOK 0.15 per share, in lieu of \$28 of the board remuneration. Mr. Ciaccia took the remainder of the board remuneration in cash. Mr. Skaggs acquired 253,144 shares against payment of NOK 0.15 per share, in lieu of \$50 of the board remuneration. Mr. Skaggs took the remainder of the board remuneration in cash. Mr. Quindlen acquired 138,981 shares against payment of NOK 0.15 per share, in lieu of \$28 of the board remuneration. Mr. Quindlen took the remainder of the board remuneration in cash.

The chair of the board is a partner at Advokatfirmaet Ræder AS. The law firm provided services to the Company amounting to \$234 in 2022 and \$338 in 2021. The recognized amounts include accruals for services received but not yet billed.

Mr. Ciaccia, who was first elected board member at the annual general meeting on May 12, 2015, has served on IDEX's Strategy Advisory Council (SAC) since January 2014 through June 2022, when the SAC was discontinued. Mr. Ciaccia also provides consulting services to IDEX. The combined fee for SAC service and consulting services amounted to \$58 in 2022 and \$65 in 2021.

There were no grants of incentive subscription rights to any board member in 2022 or 2021.

Nomination Committee

The following fees has been paid to the nomination committee in 2022 and 2021 for the services up to the 2022 annual general meeting and the 2021 annual general meeting, respectively. 2022: Chair Robert Keith \$2.6, members Håvard Nilsson and Harald Voigt \$1.6 each. 2021: Chair Robert Keith \$2.7, members Håvard Nilsson and Harald Voigt \$1.6 each.

Officers

Remuneration to key management is disclosed in note 3.

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 adequate equity and interest-free advances in order not encounter thin capitalization issues. Interest-bearing loans at arm's length interest rate have been issued in prior years but all loans were fully repaid by December 31, 2022.

(\$000s)	IDEX Biometrics ASA's cost of services from subsidiaries		Interest income to IDEX Biometrics ASA from subsidiaries	
	2022	2021	2022	2021
Intra-group transactions				
IDEX Biometrics Holding Company Inc.	\$ —	\$ —	\$ —	\$ —
IDEX Biometrics America Inc.	15,256	15,830	—	4
IDEX Biometrics UK Ltd. (1)	2,133	9,992	—	24
IDEX Electronics (Shanghai) Co., Ltd.	1,153	1,819	—	—
Total	<u>\$ 18,542</u>	<u>\$ 27,641</u>	<u>\$ —</u>	<u>\$ 28</u>

(1) The amount in 2021 includes \$ 8,317 for the purchase of an IP package.

There were no overdue payables between any of the group companies at the end of 2022 or 2021.

7. Audit and audit fees

Ernst & Young AS (EY) is the auditor of the group as well as the parent company. The audit fees in the respective years are as follows:

(\$000s)	Year ended December 31,	
	2022	2021
Audit services	\$ 381	\$ 265
Audit-related services	43	22
Tax services	7	7
Other services	4	24
Total	<u>\$ 435</u>	<u>\$ 318</u>

8. Income tax expense

Tax expense for the year (\$000s)	Year ended December 31,	
	2022	2021
Payable taxes on the result of the year	\$ —	\$ —
Change in deferred tax asset/liability	—	—
Income tax expense	<u>\$ —</u>	<u>\$ —</u>

Computation of payable taxes for the year (\$000s)	Year ended December 31,	
	2022	2021
Profit (loss) before taxes	\$ (31,023)	\$ (38,891)
Permanent differences	1,656	(632)
Changes in temporary differences	(170)	(131)
Basis for payable taxes	<u>\$ (29,537)</u>	<u>\$ (39,654)</u>
Calculated payable taxes on current year's loss. 22 % tax, representing payable taxes on current year's loss in Norway	—	—
Payable taxes on current year's result	<u>\$ —</u>	<u>\$ —</u>

Reconciliation of tax expense (benefit) (\$000s)	Year ended December 31,	
	2022	2021
Profit (loss) before taxes	\$ (31,023)	\$ (38,891)
Norway statutory tax rate of 22%	(6,825)	(8,556)
Tax on permanent differences	364	(139)
Change in deferred tax asset not recognized on December 31	6,461	8,695
Actual tax expense	<u>\$ —</u>	<u>\$ —</u>

The change in deferred tax asset not recognized contains foreign currency exchange effects on the loss carry forward in Norway, denominated in NOK.

There are no deferred tax charges to other comprehensive income in 2022 or 2021 and no tax payable balances.

<i>Elements of deferred tax</i> (\$000s)	Year ended December 31,	
	2022	2021
Employer's tax on share-based compensation	\$ (24)	\$ (371)
Fixed Assets differences	375	434
Inventory differences	(131)	(5)
Other differences	(20)	3
Losses carried forward	(252,798)	(250,675)
Basis for calculation of deferred taxes	(252,598)	(250,614)
Calculated net deferred tax expense (benefit) 22%	(55,572)	(55,135)
Unrecognized deferred tax asset	55,572	55,135
Deferred tax liability (asset) in the balance sheet	\$ —	\$ —

The accumulated unrecognized deferred tax assets amounting to \$55,572 and \$55,135 at December 31, 2022 and 2021, respectively, are related to tax losses carry forward in Norway. IDEX Biometrics ASA has not generated taxable profits in prior years. At December 31, 2022 there was not sufficiently convincing evidence that sufficient taxable profit will be generated, against which the unused tax losses could be applied.

Consequently, no deferred tax asset has been recognized. There are no restrictions as to how long tax losses may be carried forward in Norway.

9. Intangible assets

(\$000s)	Year ended December 31, 2022		
	Goodwill	Acquired patents	Total
Cost at December 31, 2021	\$ 968	\$ 5,173	\$ 6,141
Additions	—	—	—
Disposals at cost	—	—	—
Cost at December 31, 2022	968	5,173	6,141
Accumulated amortization at December 31, 2021	—	3,208	3,208
Amortization	—	477	477
Accumulated amortization of disposed items	—	—	—
Accumulated amortization at December 31, 2022	—	3,685	3,685
Carrying amount at December 31, 2022	\$ 968	\$ 1,488	\$ 2,456

(\$000s)	Year ended December 31, 2021		
	Goodwill	Acquired patents	Total
Cost at December 31, 2020	\$ 968	\$ 5,173	\$ 6,141
Additions	—	—	—
Disposals at cost	—	—	—
Cost at December 31, 2021	968	5,173	6,141
Accumulated amortization at December 31, 2020	—	2,731	2,731
Amortization	—	477	477
Accumulated amortization of disposed items	—	—	—
Accumulated amortization at December 31, 2021	—	3,208	3,208
Carrying amount at December 31, 2021	\$ 968	\$ 1,965	\$ 2,933

There is only one cash generating unit in the Company and goodwill is allocated to this. IDEX performed the annual impairment test on December 31, 2022. Based on the 2022 assessment, no impairment charge has been made. The Company used a discounted cash flow model which utilized Level 3 measures that represent unobservable inputs. Key assumptions used to determine the estimated fair value include: (a) internal cash flows forecasts for 4 years following the assessment date, including expected revenue growth, costs to produce, operating profit margins and estimated capital needs; (b) an estimated terminal value using a terminal year long-term future growth rate of 3.0% determined based on the long-term expected prospects of the Company; and (c) a discount rate (post-tax) of 12 % which reflects the weighted-average cost of capital adjusted for the relevant risk associated with the Company's operations. No reasonably possible changes in any key assumptions would cause the carrying amount to exceed the recoverable amount.

Acquired patents are capitalized and amortized over the estimated useful life, which is the lifetime of the respective patent(s).

10. Property, plant and equipment

(\$000s)	Plant and machinery, fixtures and fittings	Office furniture and office equipment	Total
<i>Depreciation period, straight line, in years</i>	<i>3 – 10</i>	<i>3 – 10</i>	
Cost at December 31, 2021	\$ 679	\$ 4	\$ 683
Additions	—	2	2
Disposals at cost	—	—	—
Cost at December 31, 2022	679	6	685
Accumulated amortization at December 31, 2021	218	2	220
Amortization	97	1	98
Accumulated amortization of disposed items	—	—	—
Accumulated amortization at December 31, 2022	315	3	318
Carrying amount at December 31, 2022	<u>\$ 364</u>	<u>\$ 3</u>	<u>\$ 367</u>

(\$000s)	Plant and machinery, fixtures and fittings	Office furniture and office equipment	Instruments and lab equipment, software tools	Total
<i>Depreciation period, straight line, in years</i>				
Cost at December 31, 2020	\$ 679	\$ 2	\$ 119	\$ 800
Additions	—	—	—	—
Disposals at cost	—	2	—	—
Cost at December 31, 2021	—	—	—	—
Accumulated amortization at December 31, 2020	679	4	119	802
Amortization	121	2	119	242
Accumulated amortization of disposed items	97	—	—	97
Accumulated amortization at December 31, 2021	—	—	—	—
Carrying amount at December 31, 2021	218	2	119	339

11. Leases

IDEX Biometrics ASA leases an office in Oslo.

<i>Right-of-use assets</i>	Year ended December 31,	
(\$000s)	2022	2021
<i>Depreciation period, straight line, years</i>	<i>3 – 5</i>	<i>3 – 5</i>
Cost at the beginning of the year	\$ 66	\$ 66
Additions	77	—
Disposals at cost	(66)	—
Currency translation	—	—
Cost at December 31	76	66
Accumulated depreciation at the beginning of the year	54	28
Depreciation	25	26
Accumulated depreciation of disposed items	(65)	—
Currency translation	—	—
Accumulated depreciation at December 31	14	54
Carrying amount at December 31	<u>\$ 62</u>	<u>\$ 12</u>

<i>Leases included in the statements of profit and loss</i>	Year ended December 31,	
(\$000s)	2022	2021
Amortization and depreciation	25	26
Finance cost	2	1

<i>Leases included in the statements of financial position</i> (\$000s)	Year ended December 31,	
	2022	2021
Balance at the beginning of the year	\$ 10	\$ 38
Additions	75	—
Accretion of interest	2	1
Payments	(25)	(29)
Balance at December 31	\$ 62	\$ 10
Non-current	13	—
Current	49	10
Balance at December 31	\$ 62	\$ 10

There are no exposure to future variable lease payments that are not reflected in the measurement of lease liabilities.

12. Subsidiaries

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

	<u>Ownership</u> Dec. 31, 2022	<u>Share of votes</u> Dec. 31, 2022	<u>Net profit or (loss)</u> 2022	<u>Equity</u> Dec. 31, 2022
IDEX Biometrics Holding Co. Inc., Delaware, USA	100%	100%	—	(5)
IDEX Biometrics America Inc., Delaware, USA	100%	100%	1,015	5,136
IDEX Biometrics UK Ltd., England	100%	100%	(2,668)	(6,505)
IDEX Electronics (Shanghai) Co., Ltd, China	100%	100%	16	385
	Dec. 31, 2021	Dec. 31, 2021	2021	Dec. 31, 2021
IDEX Biometrics Holding Co. Inc., Delaware, USA	100%	100%	—	(5)
IDEX Biometrics America Inc., Delaware, USA	100%	100%	745	4,121
IDEX Biometrics UK Ltd., England	100%	100%	5,634	(4,302)
IDEX Electronics (Shanghai) Co., Ltd, China	100%	100%	76	350

IDEX Biometrics Holding Company Inc. (IDEX Holding) is a holding company for the activities in the USA. The operating company, IDEX Biometrics 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 and the main facility is in Farnborough, England. IDEX UK was profitable in 2021 but had negative equity at the end of 2021, and made a loss in 2022. The parent company has provided funding as needed. It is expected that IDEX UK will eventually become profitable and achieve positive equity from sale of IP development packages.

IDEX Electronics (Shanghai) Co., Ltd. (IDEX China) was established and commenced activities in 2015. The company is registered in Shanghai and has one branch in Beijing and one branch in Shenzhen.

13. Cash and cash equivalents

Of the cash and cash equivalents, employees' withheld payroll tax deposits amounted to \$26 and \$31 at the end of 2022 and 2021, respectively. Only the withheld payroll tax deposits were restricted. Deposits for facilities rent or utilities are reported as Non-current receivables and have not been included in cash equivalents.

14. Restricted assets

For the office lease, IDEX Biometrics ASA has placed an amount corresponding to about 3 months' rent and allocations of its leasehold facilities in an escrow account in the landlord's name for the benefit of the landlord. Such escrow accounts and other deposits amounted to \$7 at the end of 2022 and \$8 at the end of 2021.

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

15. Share capital and share premium

There is one class of shares, and all shares have equal rights and are freely negotiable. The share capital is fully paid in. The par value of the shares is NOK 0.15 per share. IDEX does not beneficially own any of its own shares.

	Number of Ordinary Shares
Balance at December 31, 2020	832,146,748
Private placement of Ordinary Shares on Feb 15	83,214,674
Share issue (exercise of subscription rights)	1,767,606
Share issue (in lieu of Board compensation)	535,583
Private placement of Ordinary Shares on November 12	89,777,824
Share issue (Employee Share Purchase Plan)	2,946,019
Balance at December 31, 2021	1,010,388,454
Share issues (Employee Share Purchase Plan)	4,947,546
Share issue (exercise of subscription rights)	990,584
Private placement of Ordinary Shares on November 16	150,000,000
Balance at December 31, 2022	<u>1,166,326,584</u>

As of December 31, 2022 there were 7,430 shareholder accounts on record, compared to 7,288 at December 31, 2021.

Costs related to share issuance have been charged against equity and amounted to \$737 in 2022 and \$2,827 in 2021.

Subscription rights are presented in note 16.

<i>Shareholders</i>	As of December 31, 2022	
	Number of shares	Percent of total
Sundt AS	85,974,977	7.4
Société Générale	54,652,807	4.7
Sundvall Holding AS	47,667,645	4.1
Pictet & Cie (Europe) S.A.	46,604,017	4.0
HSBC Bank PLC	45,030,909	3.9
Goldman Sachs International	44,717,305	3.8
Robert Keith	42,109,394	3.6
Alden AS	41,868,000	3.6
The Bank of New York Mellon	38,905,050	3.3
BNP Paribas Arbitrage SNC	17,480,491	1.5
Fender Eiendom AS	15,744,350	1.3
Tigerstaden AS	15,000,000	1.3
RBC Investor Services Trust	14,993,779	1.3
Citibank, N.A.	14,905,768	1.3
Guttis AS	13,400,000	1.1
F2 funds AS	13,000,000	1.1
Smart Riches Limited	11,968,240	1.0
Colargol Invest AS	11,350,000	1.0
F1 funds AS	11,000,000	0.9
Hortulan AS	10,830,718	0.9
Others	569,123,134	48.8
Total	<u>1,166,326,584</u>	<u>100</u>

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. Robert Keith has disclosed to Oslo Børs that, as of November 18, 2022, Mr. Keith, together with his close associates, held 135,145,579 shares in the company, representing 12.1% of the number of shares at that time.

During the year ended December 31, 2022, the Board of Directors approved the transfer of \$18.0 million of share premium to absorb accumulated losses. As a result, Share Premium has been reduced by a cumulative amount of \$287.5 million as of the year ended December 31, 2022 against Capital Reduction Reserve. The transfer has no impact on the total equity, comprehensive income (loss), assets (including cash) nor liabilities.

Shares and subscription rights held or controlled by board members, officers and their close relations

	Year Ended December 31,			
	2022		2021	
	Shares	Incentive Subscription Rights	Shares	Incentive Subscription Rights
Morten Opstad, chair	7,398,916	—	7,398,916	—
Lawrence John Ciaccia, deputy chair (1)	415,021	600,000	415,021	600,000
Deborah Davis, board member	564,479	—	564,479	—
Hanne Høvdning, board member	487,778	—	487,778	—
Annika Olsson, board member	52,631	—	52,631	—
Thomas M. Quindlen, board member	413,981	—	413,981	—
Stephen Andrew Skaggs, board member	1,018,053	—	1,018,053	—
Vincent Graziani, CEO	1,584,290	7,420,800	1,173,279	6,210,400
Eileen Wynne, interim CFO (2)	—	—	na	na
James A. Simms, former CFO (2)	na	na	1,494,736	2,997,400
Anthony, Eaton, CTO	284,639	2,710,300	264,956	1,663,100
Catharina Eklof, CCO	89,684	2,210,300	89,684	2,000,000
Total	12,309,472	12,941,400	13,373,514	13,470,900

- (1) The grant to Mr. Ciaccia, originally on August 15, 2018, was in his capacity of service provider beyond board duty and not as board remuneration. The grant on June 17, 2020 was made against cancellation of the 2018 grant.
- (2) Ms. Wynne joined IDEX as interim Chief Financial Officer as of August 15, 2022. Mr. Simms left his position with IDEX as of the same date.

16. Share-based remuneration

Incentive subscription rights

IDEX has the practice of renewing its incentive subscription rights program at each annual general meeting, when the preceding program is closed for further grants and a new program opened. In 2022, the board granted incentive subscription rights to employees and individual contractors under the 2021 program in the period January 1–May 11, 2022 and made grants under the 2022 program in the period May 12–December 31, 2022.

Under the 2022 subscription rights-based incentive program approved at the annual general meeting on May 12, 2022, the board may grant up to 101,254,865 incentive subscription rights, but limited in such a way that the total number of subscription rights outstanding under all programs may not exceed 10 percent of the number of shares. The subscription rights may be granted to employees and individual contractors performing similar work in IDEX. The exercise price shall be, at minimum, the higher of the average closing price of the IDEX shares on ten trading days preceding the date of the grant, or the closing price of the IDEX shares on the trading day preceding the date of the grant. The board may in cases of particular circumstances issue up to a total of 10,125,486 subscription rights at a lower price but not less than NOK 0.15 per share. Unless resolved otherwise by the board, 25 percent of each grant of subscription rights vest per year. The annual vesting dates are the latest of the following dates before the date of grant of the subscription rights; (i) January 15, (ii) April 15, (iii) July 15 or (iv) October 15. The subscription rights lapse on the fifth anniversary after the annual general meeting that approved the program. Grants under programs for prior years have similar pricing rules, vesting schedules and durations. Unvested subscription rights terminate on the holder's last day of employment. Vested subscription rights may be exercised up to 90 days after the holder's last day of employment. The holder may not request cash settlement. The company may elect to settle in cash.

<i>Subscription rights activity</i>	2022		2021	
	Number of Subscription Rights	Weighted Average Exercise Price (NOK)	Number of Subscription Rights	Weighted Average Exercise Price (NOK)
Outstanding as of January 1	71,756,399	1.84	56,344,093	1.66
Granted	19,342,900	1.54	21,885,200	2.53
Exercised	(930,184)	0.29	(1,767,879)	1.33
Forfeited	(8,987,484)	2.25	(3,165,015)	1.97
Expired	(75,000)	8.42	(1,540,000)	5.22
Outstanding as of December 31	81,106,631	1.74	71,756,399	1.84
Subscription rights exercisable as of December 31	36,416,302	1.65	18,657,117	1.59
	Number of Subscription Rights	Weighted Average Fair Value (NOK) per Subscr. Right	Number of Subscription Rights	Weighted Average Fair Value (NOK) per Subscr. Right
Subscription rights granted in the year	19,342,900	0.82	21,885,200	1.51

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 2022 and 2021:

Black-Scholes option pricing parameters

	Year ended December 31,	
	2022	2021
Exercise price (NOK)	1.03 – 2.08	2.38 – 3.10
Weighted average exercise price per share	1.54	2.53
Weighted average share price at date of grant	1.42	2.45
Expected term (years)	4.45	4.62
Weighted average term (years)	3.27	3.35
Share price volatility (percent)	72 – 100	85 – 112
Risk-free interest rate	2.65%	0.98%
Expected dividend payment	-	-
Forfeiture	None	None

Outstanding and vested incentive subscription rights:

Exercise Price (in NOK)	December 31, 2022				December 31, 2022		
	Outstanding Subscription Rights			Weighted Average Remaining Time to Vest (Years)	Vested (Exercisable) Subscription Rights		
	Number of Subscription Rights Outstanding	Weighted Average Exercise Price (NOK)	Weighted Average Remaining Term (Years)		Number of Vested Subscription Rights	Weighted Average Exercise Price (NOK)	Weighted Average Remaining Term (Years)
0.00 - 0.49	3,486,882	0.15	1.36	—	3,486,882	0.15	1.35
0.50 - 0.99	720,800	0.71	1.36	0.22	515,600	0.71	0.97
1.00 - 1.49	16,507,000	1.14	3.34	1.48	2,759,850	1.11	0.68
1.50 - 1.99	36,300,174	1.70	2.15	0.16	24,589,220	1.70	1.42
2.00 - 2.49	17,218,050	2.28	3.37	1.27	2,732,625	2.40	0.87
2.50 - 2.99	5,412,900	2.65	3.37	1.34	1,353,225	2.65	0.84
3.00 - 4.99	960,825	3.34	1.96	0.48	479,200	3.52	0.79
5.00 - 9.99	500,000	5.10	0.36	—	500,000	5.10	0.35
Total	81,106,631	1.74	2.68	0.74	36,416,602	1.65	1.27

December 31, 2021							
Exercise Price (in NOK)	Outstanding Subscription Rights				Vested (Exercisable) Subscription Rights		
	Number of Subscription Rights Outstanding	Weighted Average Exercise Price (NOK)	Weighted Average Remaining Term (Years)	Weighted Average Remaining Time to Vest (Years)	Number of Vested Subscription Rights	Weighted Average Exercise Price (NOK)	Weighted Average Remaining Term (Years)
0.00 - 0.49	4,330,366	0.15	2.36	0.04	2,165,186	0.15	2.36
0.50 - 0.99	720,800	0.71	2.36	1.29	310,400	0.71	2.36
1.00 - 1.49	5,542,500	1.11	2.36	1.04	1,385,625	1.11	2.36
1.50 - 1.99	38,760,433	1.70	3.14	0.96	14,045,131	1.69	3.14
2.00 - 2.99	20,588,700	2.51	4.24	2.04	—	-	4.24
3.00 - 4.99	1,238,600	3.29	3.05	1.32	175,775	3.94	3.05
5.00 - 9.99	575,000	5.53	1.23	—	575,000	5.53	1.23
Total	71,756,399	1.84	3.32	1.22	18,657,117	1.59	3.32

Employee Share Purchase Plan (ESPP)

The Employee Share Purchase Plan (“ESPP”) is revoked each year at the Annual General Meeting. The current ESPP was approved by shareholders at the 2022 Annual General Meeting. Under the ESPP, an IDEX employee based in Norway, the United Kingdom, or the United States may contribute up to 20% (subject to statutory limits) of his or her annual base salary, through payroll deductions, toward periodic purchases of newly issued Ordinary Shares. Under the ESPP, an option for the purchase of an Ordinary Share is granted to a participating employee on the first day of a 6-months’ “offering period” to purchase new issued Ordinary Shares at the end of that offering period at a purchase price equal to 85% of the lesser of the fair market value, based on the closing price of an Ordinary Share reported by the Oslo Børs, on either the first day or the last day of that offering period. The offering periods occur from March through August, and from September through February. The shares are not restricted.

The share-based remuneration cost of the ESPP is calculated at the start of each contribution period, and amortized over that period. The cost is based on the contribution amount and amounts to the discount of 15% at the beginning of the period, plus the option value of an 85% call and 15% put option granted at the beginning of the period. The option value is based on a Black-Scholes option pricing model applying prevailing interest rates and share price volatility at the beginning of the period.

ESPP cost calculation parameters	September 1, 2022	March 1, 2022	September 1, 2021
Expected contribution amount (NOK 1,000)	2,025	2,307	3,009
Share price on start date (NOK per share)	0.83	1.96	2.65
Share price volatility	68%	66%	64%
Risk-free interest rate	2.82%	0.95%	0.25%
Expected dividend payment	—	—	—
Expected number of shares	2,854,899	1,385,049	1,335,810
Share-based compensation cost per expected share	0.32	0.75	1.01

In the two offering periods completed within 2022, an average of 43 employees (2021: 53) participated in the ESPP and purchased a total of 4,947,546 Ordinary Shares at a weighted average price of NOK 1.08 (2021: 2,946,019 shares at average NOK 2.00 per share).

17. Board authorizations to issue shares or acquire own shares

The board has been authorized by the respective annual or extraordinary general meetings to issue shares upon exercise of incentive subscription rights granted under the various incentive subscription rights programs, and to issue shares under the Employee Share Purchase Plan. See note 16.

Authorizations that were in effect on December 31, 2022

Date and purpose of authorization	Authorized number of shares	Number of shares issued by Dec. 31, 2022
Extraordinary general meeting December 9, 2022:		
Issue of shares in a rights issue to raise additional capital *	116,632,658	—
Private placement of shares to raise additional capital *	116,632,658	—

* The combined issue under these two authorisations may not exceed 116,632,658 shares.

At the annual general meeting on May 12, 2022, the board was authorized to acquire up to 101,254,865 of the company's shares. The authorization had not been used by the end of 2022.

18. Non-current and current receivables

<i>Non-current receivables</i> (\$000s)	December 31,	
	2022	2021
Long-term loans to group companies	\$ —	\$ —
Non-current receivables	7	8
Balance at December 31	\$ 7	\$ 8

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

<i>Maturity of current receivables</i> (\$000s)	Year ended December 31, 2022			
	Less than 3 months	3-6 months	6-12 months	Total
Accounts receivable, other	\$ 164	\$ —	\$ 301	\$ 465
Accounts receivable, trade	1,349	—	—	1,349
Receivables from group companies	7,597	—	—	7,597
Total	<u>\$ 9,110</u>	<u>\$ —</u>	<u>\$ 301</u>	<u>\$ 9,412</u>

<i>Maturity of current receivables</i> (\$000s)	Year ended December 31, 2021			
	Less than 3 months	3-6 months	6-12 months	Total
Accounts receivable, other	\$ 188	\$ —	\$ 539	\$ 726
Accounts receivable, trade	801	—	—	801
Receivables from group companies	6,101	—	—	6,101
Total	<u>\$ 7,090</u>	<u>\$ —</u>	<u>\$ 539</u>	<u>\$ 7,628</u>

Trade receivables amounting to \$328 were overdue by more than 30 days at the end of 2022 (2021: \$-). No expected loss had been accrued for at the end of 2022 or 2021. There were no other provisions for expected credit losses in 2022 and 2021. No group or other receivables were overdue at the end of 2022 or 2021. A significant share of the receivables from group companies is related to IDEX UK. IDEX UK operated at a loss in 2022 but was profitable in 2021 and is expected to eventually repay the receivable.

IDEX Biometrics ASA had no contingent assets at the end of 2022 or 2021.

19. Payables and Financial Liabilities

The Company did not have any liabilities at December 31, 2022 or 2021 which represented debt to financial institutions. The table below shows maturity of undiscounted cash flows.

<i>Payables and Financial liabilities</i> (\$000s)	Maturity as of December 31, 2022					
	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Total
Non-current lease liabilities	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Accounts payable	1,400	—	—	—	—	1,400
Current lease liabilities	12	12	23	—	—	46
Short-term payables to group companies	5,057	—	—	—	—	5,057
Other current liabilities	861	324	—	—	—	1,185
Total	<u>\$ 7,330</u>	<u>\$ 335</u>	<u>\$ 23</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 7,688</u>

<i>Payables and Financial liabilities</i> (\$000s)	Maturity as of December 31, 2021					
	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Total
Non-current lease liabilities	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Accounts payable	640	—	—	—	—	40
Current lease liabilities	5	5	—	—	—	10
Short-term payables to group companies	3,314	—	—	—	—	3,314
Other current liabilities	1,004	307	—	—	—	1,311
Total	<u>\$ 4,963</u>	<u>\$ 312</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 5,275</u>

Other current liabilities include accruals for earned compensation, vacation days not taken, ESPP contributions and accruals for goods and services received but not yet invoiced by the supplier.

Interest expense including interest on lease liabilities in statement of profit and loss in finance expense was \$2 in 2022 and \$1 in 2021. Remaining amount of finance expense is currency losses.

Accrued employer's tax on share-based compensation

The estimated employer's tax liability related to share-based compensation amounted to \$24 on December 31, 2022 and \$371 on December 31, 2021. The employer's tax will be due only if and when the incentive subscription rights are exercised. The exercise will, in all likely circumstances, fund the payable employer's tax.

IDEX Biometrics ASA had no other significant current or non-current financial obligations at the end of 2022 or 2021. IDEX Biometrics ASA had no contingent liabilities at the end of 2022 or 2021.

20. Inventory

(\$000s)	December 31,					
	2022			2021		
	Cost	Reserves	Net	Cost	Reserves	Net
Raw materials	\$ 2,280	\$ —	\$ 2,280	\$ 562	\$ —	\$ 562
Work in progress	1,486	—	1,486	107	—	107
Finished goods	812	(130)	681	570	(5)	565
Total	<u>\$ 4,577</u>	<u>\$ (130)</u>	<u>\$ 4,447</u>	<u>\$ 1,239</u>	<u>\$ (5)</u>	<u>\$ 1,234</u>

Inventory, consisting mainly of fingerprint sensors which have been manufactured by the company's manufacturing services providers for sale to customers, as well as components for such fingerprint sensors, is held at cost, which is less than recoverable value. Inventory value has been reduced to reflect aging, obsolescence and estimated shrinkage.

In 2022 and 2021, \$154 and \$124 of materials, respectively, were used in product development and was charged to development expense.

21. Other operating expenses

	Year ended December 31,	
	2022	2021
Sales and marketing activities	\$ 2,833	\$ 1,374
Legal, audit, accounting and other services	1,507	1,880
Office and other expenses, Insurance	1,215	1,359
IT expenses	559	692
Travel expenses	39	12
Intercompany charges other than R&D	4,790	4,066
Total other operating expenses	<u>\$ 10,943</u>	<u>\$ 9,383</u>

The increase in Sales and marketing activities reflects the increase in the activity level in this function from 2021 to 2022. Legal, audit, accounting and other services were higher in 2021 than in 2022 because of the Nasdaq listing project that was completed in 2021. The increase in Intercompany charges other than R&D was mainly due to administrative functions taken on by subsidiaries on assignment for the parent company.

22. Subsequent Events

The Board resolved on February 21, 2023, to grant 1,423,800 incentive subscription rights to five new employees and individual contractors. The grant was made under the Company's 2022 Subscription Rights Incentive Plan. The exercise price of the subscription rights is NOK 0.72 per share. The grants vest by 25% per year and expire on May 15, 2027. Following the grants, there were 82,065,247 subscription rights outstanding.

The Board resolved on February 28, 2023, to issue 2,648,336 Ordinary Shares at NOK 0.71 per share to employees participating in the Company's ESPP.

There have been no events between December 31, 2022, and the date of these financial statements that have had any material impact on the Company's results for 2022, or the value of the Company's assets and liabilities as of December 31, 2022.

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 December 31, 2022.

The consolidated annual financial statements and the annual financial statements for IDEX Biometrics ASA have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and IFRS as endorsed by the European Union and the additional requirements in the Norwegian accounting act effective December 31, 2022. 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.

April 26, 2023

The board of directors of IDEX Biometrics ASA

/s/ Morten Opstad
Morten Opstad
Chair

/s/ Lawrence John Ciaccia
Lawrence John Ciaccia
Deputy chair

/s/ Deborah Lee Davis
Deborah Lee Davis
Board member

/s/ Hanne Høvdning
Hanne Høvdning
Board member

/s/ Annika Olsson
Annika Olsson
Board member

/s/ Thomas Quindlen
Thomas Quindlen
Board member

/s/ Stephen Andrew Skaggs
Stephen Andrew Skaggs
Board member

/s/ Vincent Arthur Graziani
Vincent Arthur Graziani
CEO

REPORT OF INDEPENDENT AUDITOR



Statsautoriserte revisorer
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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 (the Company), which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company and the Group comprise the statement of financial position as at December 31, 2022 and the statement of profit and loss, statement of comprehensive income, statement of cash flows and statement of 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 comply with applicable legal requirements and give a true and fair view of the financial position of the Company and the Group as at December 31, 2022 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and IFRS as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with 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 requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities 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.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 23 years from the election by the general meeting of the shareholders on November 13, 2000 for the accounting year 2000.

Material uncertainty related to going concern

We draw attention to Note 2 in the consolidated financial statements and Note 1 in the parent company separate financial statements. As discussed in the Notes, the Company has incurred significant losses and negative cash flows from operations. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Notes. These events or conditions, along with other matters as set forth in the Notes, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



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 2022. In addition to the matter 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 goodwill

Basis for the key audit matter

Carrying amount of goodwill was USD 968 thousand as of December 31, 2022, which is unchanged from December 31, 2021. The recoverable amount has been determined based on a value in use calculation. Estimating the value in use requires management judgment, including estimates of future revenues, gross margin, operating costs, capital expenditures and discount rate. Management's assessment of the valuation of goodwill was a key audit matter because the assessment requires significant judgement and implies significant estimation uncertainties.

Our audit response

We evaluated management's assessment of impairment indicators of the goodwill. We tested management's assumptions used in the value in use calculations and assessed the historical accuracy of management's estimates. This included comparing estimates of future revenues, gross margin, operating costs and capital expenditures to the budget approved by the board of directors. We also evaluated the level of consistency applied in the valuation methodology from previous years. Our audit procedures further included testing of the mathematical accuracy of the valuation model and an assessment of the appropriateness of the disclosures.

We refer to notes 3 and 8 of the consolidated financial statements and notes 3 and 9 of the parent company separate financial statements regarding goodwill.

Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and the Chief Executive Officer) is 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 board of directors' report, the statement on corporate governance and the statement on corporate social responsibility contain the information required by applicable legal requirements and whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that the other information is materially inconsistent with the financial statements, there is a material misstatement in this other information or that the information



required by applicable legal requirements is not included in the board of directors' report, the statement on corporate governance or the statement on corporate social responsibility, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report, the statement on corporate governance and the statement on corporate social responsibility are consistent with the financial statements and contain the information required by applicable legal requirements.

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 issued by the IASB and IFRS as endorsed by the European Union, 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 and the Group'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 the Group, 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 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 and the Group'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 and the Group'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 and the Group 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 the board of directors 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 the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 the board of directors, 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

Report on compliance with regulation on European Single Electronic Format (ESEF)

Opinion

As part of the audit of the financial statements of IDEX Biometrics ASA we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name 5967007LIEEXZXHECW11-2022-12-31-en.zip, have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF Regulation.

Management's responsibilities

Management is responsible for the preparation of the annual report in compliance with the ESEF Regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

Auditor's responsibilities

Our responsibility, based on audit evidence obtained, is to express an opinion on whether, in all material respects, the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation. We conduct our work in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance



about whether the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation.

As part of our work, we perform procedures to obtain an understanding of the company's processes for preparing the financial statements in accordance with the ESEF Regulation. We test whether the financial statements are presented in XHTML-format. We evaluate the completeness and accuracy of the iXBRL tagging of the consolidated financial statements and assess management's use of judgement. Our procedures include reconciliation of the iXBRL tagged data with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Bergen, April 26, 2023
ERNST & YOUNG AS

The auditor's report is signed electronically

Trine Hansen Bjerkvik
State Authorised Public Accountant (Norway)

ARTICLES OF ASSOCIATION OF IDEX BIOMETRICS ASA

Last amended on 28 February 2023 – Office translation from Norwegian

- § 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 175,346,238.- divided into 1,168,974,920 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

Last updated by the board of directors on April 20, 2022 with editorial updates April 19, 2023

1. IMPLEMENTING AND REPORTING

This statement outlines the position of IDEX Biometrics ASA (IDEX or the Company) in relation to the recommendations contained in the Norwegian Code of Practice for Corporate Governance dated October 14, 2021 (the Code). The Code was not updated in 2022. 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 value for the shareholders in a sustainable manner, while taking into account financial, social and environmental considerations. 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 a code of conduct and ethical guidelines which apply to all employees, consultants and contractors as well as the elected board members. The code of conduct also incorporates the Company's guidelines on corporate social responsibility. The at all times current code of conduct is available on the Company's website, www.idexbiometrics.com.

3. CAPITAL STRUCTURE, EQUITY AND DIVIDENDS

IDEX has until now been a development company and funded on equity. The capital structure may change during the commercial growth stage. IDEX's working capital and fixed assets will most likely 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 several occasions, 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 for many years had in place a moderate incentive scheme for its employees and individual contractors 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 implemented in 2020 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 shareholders have authorized the Board to acquire up to 10% of the Company's own shares. The authorization ends at the next annual general meeting of shareholders. No such share purchases have been made as yet.

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 within the current planning horizon. 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 related-party transactions shall be subject to review by the audit committee or other independent third-party valuation unless the transaction by law requires shareholder approval. The Company takes legal and financial advice on these matters when relevant. The Company has a policy for transactions with related parties, available at the Company's website, www.idexbiometrics.com.

There are no clauses in the articles of association about trading in the Company's own shares. Any such trade must be authorized by the general meeting of shareholders.

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 attend the general meeting. The Company's CEO and the auditor shall also attend 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 timely have been made available on the Company's web site, www.idexbiometrics.com.

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. The Board may choose whether to hold a general meeting as a physical meeting or as an electronic meeting, pursuant to the Norwegian public limited companies act (the PLCA). 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. If a general meeting is held as a physical meeting, shareholders have a right to attend by electronic means, unless the Board finds that there is sufficient cause to refuse this. The notice shall contain a proxy form as well as information of the procedure for proxy representation. Advance voting has not been introduced in the articles of association. 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 may be a member of the nomination committee. One nomination committee member was a board member of the Company before 2007.

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, www.idexbiometrics.com.

8. BOARD OF DIRECTORS; COMPOSITION AND INDEPENDENCE

Currently there are seven board members including the chair. 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 PLCA. It follows from the articles of association that the chair of the Board shall be elected separately.

All board members are required to make decisions objectively in the best interest of the Company. 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. 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 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 (CEO) 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 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 approve the CEO's hiring, termination and remuneration of his or her direct reports. The Board shall ensure that the organization of the accounting and management of funds 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 sets out an annual plan for its work, focusing on business goals and key strategies as described. 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 Board, 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.

Any and all related party transactions are handled pursuant to the Company's related party transaction policy, to ensure that the Company is made aware of any possible conflicts of interest and to ensure that any such transactions are handled in a sufficiently thorough manner.

The full, then five-person, board served as audit committee until 2021, when IDEX established a separate audit committee. The audit committee currently consists of four independent Board members. The audit committee is advisory to the Board. The Board has set up an audit committee charter that is compliant with the rules that follows from the Norwegian PLCA and the U.S. Securities Exchange Act of 1934 and the listing rules of the Nasdaq Capital Market.

Since 2019, the Board has 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 Board has set up a charter for the compensation committee.

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

10. RISK MANAGEMENT AND INTERNAL CONTROL

The Board has adopted rules and guidelines regarding, amongst other matters, risk management and internal control. The rules and guidelines duly take into account the extent and nature of the Company's activities as well as the Company's corporate values and code of conduct, 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.

Effective February 24, 2021, IDEX established a separate audit committee consisting of three, later four, independent Board members. Before that date, the full, then five-person, board was also the audit committee. The audit committee is advisory to the Board. The Board has set up an audit committee charter that is compliant with the rules in the Norwegian PLCA and the U.S. Securities Exchange Act of 1934 and the listing rules of the Nasdaq Capital Market.

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 meets separately with the external auditor at least once per year 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. The manual is reviewed annually by the audit committee, and updated as and when appropriate. The Board acknowledges that, having operations outside Norway that are spread over four sites on three continents, 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 are intended to ensure adequate business controls.

IDEX does not operate a separate internal audit function or department. 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 2021 until the annual general meeting in 2022 was proposed to and resolved at the annual general meeting 2022. 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. No board members took up this option in 2022.

The nomination committee shall propose board remuneration for the period between the annual general meetings of 2022 and 2023. 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 12 May 2021, has served on IDEX's Strategy Advisory Council (SAC) since January 2014 and continued his tenure on the SAC through June 2022, when the SAC was discontinued. A fixed annual fee was paid to Mr. Ciaccia for his tenure on the SAC. 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. SALARY AND OTHER REMUNERATION FOR EXECUTIVE PERSONNEL

Salary and other remuneration to the executive personnel in the Company is determined pursuant to the Company's executive remuneration policy, as approved by the 2021 annual general meeting. The executive remuneration policy is publicly available on the Company's web site, www.idexbiometrics.com.

The executive remuneration policy seeks to align the interests of the Company's executives and its shareholders, and to continuously improve sustainable performance. Furthermore, the policy is designed to align the interests of the Company and its executives to ensure its contribution to the Company's commercial strategy, long-term interests and financial viability.

On an annual basis the Company's compensation committee shall review the terms of the executive remuneration policy, to determine if any revisions are necessary. Where revisions are required, the compensation committee shall make proposals to the Board which, if significant and subject to Board approval, are proposed by the Board to the annual general meeting for approval. In the absence of any significant revisions, the executive remuneration policy shall be presented and explained by the Board to the annual general meeting every four years at minimum. At each annual general meeting, the Board shall present an executive remuneration report for the previous financial year.

In the event of significant changes to the executive remuneration policy, these must be described and explained in the policy document. The policy shall describe and explain how the shareholders' views on the guidelines, the general meeting's vote and the salary reports since the previous vote on the policy have been taken into account.

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 opportunities for shareholders to discuss any matters with the Board.

In December, 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 regulatory public filings in the USA, are published on the Securities and Exchange Commission's EDGAR site, <https://www.sec.gov/edgar/searchedgar/companysearch.html>. 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 at all times current 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 when 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 2000. Latest partner rotation was in 2022. Audit firm rotation procedure will need to take place latest in 2026, effective 2027.

The audit committee and the Board reviews the auditor's annual plan, and the auditor presents to the committee and the Board the findings and recommendations after the audits. The auditor communicates in writing with the committee and the Board on all matters brought to light by the audit of which the committee and/or the Board should be apprised in order to be able to discharge its responsibility and functions. The auditor attends the audit committee and board meetings when annual financial statements are considered and resolved, and the committee as well as 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.

Annually, the auditor shall submit an additional report to the Company's audit committee in which the auditor declares its independence and explains the results of the statutory audit carried out by providing a range of information about the audit. The specific information to be provided is regulated by EU's Audit Regulation, which is applicable in Norway in accordance with Section 12-1 of the Auditor's Act.

The Board shall make arrangements for the auditor to attend all general meetings in the Company.

All audit and other assignments to the auditor shall be approved by the audit committee before the assignment begins. The Board shall otherwise ensure full compliance with section 15 of the Code.

BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth information concerning our executive officers and board directors as of December 31, 2022:

Name	Age	Position(s)
<i>Executive Officers:</i>		
Vincent Graziani	62	Chief Executive Officer
Eileen Wynne	56	Chief Financial Officer (interim)
Anthony Eaton	50	Chief Technology Officer
Catharina Eklof	53	Chief Commercial Officer
<i>Directors:</i>		
Morten Opstad	69	Chair
Lawrence J. Ciaccia ²	64	Deputy Chair
Deborah Lee Davis ^{1,2}	59	Director
Hanne Høvdning ¹	68	Director
Annika Olsson	46	Director
Thomas M. Quindlen ¹	60	Director
Stephen A. Skaggs ¹	60	Director

1. Member of Audit Committee.
2. Member of Compensation Committee.

Board of Directors

Our Board held seven meetings during the period from our Annual General Meeting on May 12, 2022, until and including April 19, 2023. The meetings have been conducted as in-person and virtual meetings via live webcast.

Morten Opstad has served as Board Chair since March 1997. Mr. Opstad is a partner in Advokatfirmaet Ræder AS in Oslo, Norway. He has rendered legal assistance with respect to establishing and organizing several technology and innovation companies. He currently serves as chair of the board of Ensurge Micropower ASA (Oslo Børs: ENSU). Mr. Opstad holds a legal degree (Cand.Jur.) from the University of Oslo and was admitted to the Norwegian Bar Association in 1986. Mr. Opstad was born in 1953, is a Norwegian citizen, and resides in Oslo. Mr. Opstad attended 7 Board meetings in the period.

Lawrence J. Ciaccia has served as a Director since May 2015 and was appointed as Deputy Chair in May of 2019. He has broad expertise from the semiconductor industry, most notably playing a pivotal role in transforming AuthenTec, Inc. from a start-up into the world's leading fingerprint sensor supplier. He served as AuthenTec, Inc's CEO from September 2010 until the company's acquisition by Apple Inc. in October 2012. He remained with Apple Inc. through February 2013 to assist in the acquisition integration and transition. Mr. Ciaccia holds a B.S. in Electrical Engineering from Clarkson University and an M.B.A. from the Florida Institute of Technology. Mr. Ciaccia was born in 1958, is a United States citizen, and resides in Florida. Mr. Ciaccia attended 6 Board meetings in the period.

Deborah Lee Davis has served as a Director since May 2015. She is independent of the Company's executive management, material business contacts, and larger shareholders. Ms. Davis serves on the boards of directors of International Personal Finance Plc, The Institute of Directors, Diaceutics plc, and Lloyds Banking Group Insurance Board. She also serves as a trustee of the Southern African Conservation Trust in South Africa. During her career, she held senior executive leadership roles at PayPal, eBay, Verizon, and Symantec. Ms. Davis holds 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. She also holds a Diploma in Company Direction with distinction from The Institute of Directors. Ms. Davis was born in 1963, is a dual citizen of Australia and the United Kingdom. Ms. Davis attended 7 Board meetings in the period.

Hanne Høvdning has served as a Director since December 2007. She is independent of the Company's executive management, material business contacts, and larger shareholders. During her professional career, Ms. Høvdning held several management positions within personnel administration, finance, credit card administration, and debt collection. She holds a B.S. in Economics and Business Administration from the Norwegian School of Economics and Business Administration. Ms. Høvdning was born in 1954, is a Norwegian citizen, and resides in Oslo. Ms. Høvdning attended 7 Board meetings in the period.

Annika Olsson was elected as a Director in May 2021. She is independent of the Company's executive management, material business contacts, and larger shareholders. Ms. Olsson is the CEO of Ekspres Bank A/S, a unit of the BNP Paribas Group. During her 20-year career in consumer financial services, Ms. Olsson has held various executive positions. Before joining Ekspres Bank A/S in 2010, she served as Commercial Director for Resurs Bank, a leader in retail finance in the Nordic region. Ms. Olsson also serves on the board of directors of Finans & Leasing (the Association of Danish Finance Houses). She holds a B.S. in finance and marketing from IHM Business School. Ms. Olsson was born in 1976, is a Swedish citizen, and resides in Copenhagen, Denmark. Ms. Olsson attended 6 Board meetings in the period.

Thomas M. Quindlen was elected as a Director in May 2021. From October 2020 until his election, he attended Board meetings as a non-voting observer. He is independent of the Company's executive management, material business contacts, and larger shareholders. Mr. Quindlen has worked in financial services for three decades and was the CEO of Retail Card, a division of Synchrony, a Fortune 200 company, from January 2014 until his recent retirement in January 2023. Earlier in his career, Mr. Quindlen served in several leadership roles for GE Capital, the financial services subsidiary of the General Electric Company. Mr. Quindlen holds a B.S. in accounting from Villanova University. Mr. Quindlen was born in 1962, is a United States citizen, and resides in Connecticut. Mr. Quindlen attended 5 Board meetings in the period.

Stephen A. Skaggs has served as a Director since May 2019. He is independent of the Company's executive management, material business contacts, and larger shareholders. Mr. Skaggs has more than 25 years of experience in the semiconductor industry and most recently served as Senior Vice President and CFO of Atmel Corporation, a leading supplier of microcontrollers, prior to its acquisition by Microchip Technology, Inc. in 2016. Mr. Skaggs served as CEO and, earlier, as CFO of Lattice Semiconductor Corporation, a supplier of programmable logic devices and related software. Earlier in his career, he worked for Bain & Company, a global management consulting firm. He currently serves as a non-executive director of Coherent Corporation, a global leader in engineered materials, optoelectronics and lasers. Mr. Skaggs holds a B.S. in Chemical Engineering from the University of California, Berkeley, and an M.B.A. from the Harvard Business School. Mr. Skaggs was born in 1962, is a United States citizen, and resides in Nevada. Mr. Skaggs attended 7 Board meetings in the period.

Family Relationships and Selection Arrangements

There are no family relationships between any of the Directors. There are no family relationships between any Director and any member of senior management of our Company. There is no arrangement or understanding with major shareholders, customers, suppliers, or others, pursuant to which Directors were elected or members of management was selected.

Board Diversity Matrix

Under the Board Diversity Rule of Nasdaq, we are required to publicly disclose statistics describing the diversity of our Board. Our philosophy regarding candidates for the Board is to identify, nominate, and elect the most qualified individuals available to us, regardless of race, creed, sexual orientation, nationality, ethnicity, language, or religion.

The following table sets forth a profile of the composition of our seven-member Board as of December 31, 2022:

Board Diversity Matrix	Female	Male
Part I: Gender Identity		
Directors:	3	4
Part II: Demographic Background		
Norway Citizen	1	1
Swedish Citizen	1	
United Kingdom Citizen ¹	1	
United States Citizen		3
Ethnicity: White	2	4
Ethnicity: Underrepresented Individual in Home Country Jurisdiction ²	1	

1. This Director holds dual citizenship in Australia and the United Kingdom.
2. Pursuant to Nasdaq instructions, underrepresentation is based definitions of "national, racial, ethnic, indigenous, cultural, religious, or linguistic identity" in the country of the Company's principal executive offices (i.e., Norway).

Executive officers

Vincent Graziani has served as our Chief Executive Officer (“CEO”) since February 2020. He joined IDEX from Infineon Technologies AG, for which he was most recently Vice President of Strategy Development and Implementation, with responsibility for leading new business development and strategic partnerships. Mr. Graziani has also led technology companies from the pre-revenue stage to significant revenues and scale while serving as CEO of Sand 9, Vbrick Systems, and Sandburst. Earlier in his career, he held positions of increasing responsibility in engineering as well as marketing and sales at Intel, Broadcom, and Siemens Semiconductor. Mr. Graziani holds a B.S. in Electrical Engineering from the University of New Hampshire and a M.S. in Electrical Engineering from Northeastern University. Mr. Graziani is located at the Company’s offices in Wilmington, Massachusetts.

Eileen M. Wynne has served as our Interim Chief Financial Officer (“CFO”) since August 2022. Prior to August 2022, Ms. Wynne provided interim and part-time accounting and finance services to businesses, including IDEX. From December 2020 until August 2022, Ms. Wynne provided consulting services to IDEX. Prior to joining us, and from May 2013 to June 2019, Ms. Wynne served as Vice President and Chief Accounting Officer of Analog Devices, Inc. (NASDAQ: ADI) where she was responsible for ADI’s accounting processes and controls globally. From March 2017 to September 2017, Ms. Wynne served as interim Chief Financial Officer of Analog Devices, Inc. Before 2013, Ms. Wynne held various corporate accounting roles within Analog Devices, Inc. and was an audit manager for Grant Thornton, LLP. Ms. Wynne also serves on the board of directors of Monolithic Power Systems, Inc. Ms. Wynne holds a B.A. from Saint Anselm College and an M.S.A. in Accounting from Bentley University. She is located at the Company’s offices in Wilmington, Massachusetts.

Anthony Eaton has served as our Chief Technology Officer (“CTO”) since March 2019. Mr. Eaton served as our Vice President of Systems Engineering from February 2017 to February 2019, and our Senior Director of Engineering from August 2016 to January 2017. Prior to joining us, 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. Earlier, Mr. Eaton held senior engineering roles at NVIDIA Corporation, Mirics Semiconductor, Inc. and Sony Semiconductor Solutions Group. Mr. Eaton holds Bachelor’s and Master’s degrees in Engineering from Cambridge University. He is located at the Company’s offices in Farnborough, United Kingdom.

Catharina Eklof has served as our Chief Commercial Officer (“CCO”) since June 2021. Prior to joining us, Ms. Eklof held the position as Chief Commercial Officer at Defentry, a cyber safety solutions provider, for which she led marketing and sales, leading the company’s international expansion. Ms. Eklof has over 20 years of experience as a global executive leading business transformation across financial services, retail, travel, and information security. Notably, she had roles of increasing responsibility over 12 years with Mastercard. She was instrumental in establishing Mastercard’s global strategic merchant program, bringing digital payment solutions and new, data-driven business models to the organization. Ms. Eklof serves on the board of directors of Avanza Bank Holding AB (Nasdaq Stockholm: AZA). Ms. Eklof holds an M.B.A. in International Business and a M.S. in Economics from the University of Uppsala, Sweden. Ms. Eklof is assigned to our office in Oslo, Norway, but resides and works in Belgium.



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Corp. ID: NO 976 846 923 MVA/VAT



IDEX

INTERIM REPORT FOR FIRST QUARTER 2022

ABOUT IDEX BIOMETRICS

IDEX Biometrics ASA is a leading developer of fingerprint identification and authentication solutions, based on patented and proprietary sensor technologies, integrated circuit designs, and software, targeting battery-less, card-based applications. We also may license our technologies to third parties. Manufacturing is outsourced to large and established semiconductor fabrication companies and established providers of manufacturing, assembly, and test services.

We are incorporated in Norway, where our ordinary shares are listed on the Oslo Børs. Additionally, we have American Depositary Shares listed on Nasdaq. Our corporate headquarters is in Oslo, and we have operations in Farnborough, England (U.K.), Rochester, New York (U.S.A.), Wilmington, Massachusetts (U.S.A.), and Shanghai, China.

Products and Technology

In 2020, we launched our next-generation solution, the TrustedBio® family of products and, in 2021, released the latest member of the product family, the TrustedBio Max. This third generation of products was specifically designed to substantially reduce biometric payment cards costs and manufacturing challenges, while significantly improving both performance and security.

Our products are based on a portfolio of proprietary technologies, many of which are patented, including fingerprint sensors, fingerprint ASICs (i.e., application specific integrated circuits executing a range of functions), biometric software and matching algorithms, card operating system and applet software, and remote enrollment solutions. Our fingerprint solutions can be used in dual interface, contactless-only, and contact only payment cards, offering a complete biometric authentication capability, integrating fingerprint image sensing, biometric processing, system power management, and encryption functions. We believe IDEX Biometrics offers the highest performing and most cost-effective fingerprint authentication solutions on the market.

Using our proprietary remote enrollment solutions, cardholders can easily store their fingerprints and activate their cards remotely (i.e., without the need to visit a bank branch or ATM), without communicating sensitive biometric information to third parties. We are also developing new approaches to enrolment, reducing costs, increasing security, and further simplifying the process. As with all of our innovations, we are committed to investing in patents

and other intellectual property protection strategies that ensure that our products are, and remain, unique to the Company in our target markets.

Competitive Positioning

Our core competencies are based on proven expertise in biometric applications and include integrated system design, software development, circuit design, and manufacturing/packaging. We are adept at problem-solving and creative collaboration with customers and partners across the card industry supply chain.

Our mission is to provide differentiated solutions to customers, enabling those customers to meaningfully differentiate their own products. By pursuing differentiation, we seek to avoid the commoditization pressures that have characterized the broader market for stand-alone fingerprint sensors. With the redirection of our strategy in 2018, we have focused our competencies solely on the emerging market for biometrically-enabled authentication applications, primarily delivered in card form factors with no batteries (i.e., our solution is powered through harvesting electromagnetic energy emitted by point-of-sale terminals or other card reading devices using near-field communications (NFC) standards).

The Company's solutions utilize a patented sensor design, which separates the fingerprint sensor into two components sharing a single package: a flexible, polymer-based sensor array and a separate ASIC (described above), delivering demonstrably superior performance and compelling economics. Our primary competitor in fingerprint sensors utilizes semiconductor-based image sensors, with no onboard authentication. Such sensors offer one-dimensional functionality, essentially capturing an image, rendering a bitmap, and transferring that bitmap to a third-party microprocessor for image processing and authentication functions. Biometrically-secured cards using competitors' sensors must be designed to address this limited functionality, and such designs typically require multiple components (e.g., separate microprocessors (MCUs) for biometric functions and power harvesting/power management), while burdening the secure element (SE) microprocessor with computational tasks that require additional on-board memory and customized software development. Such cards can be notably slower in transaction time, in part because of the memory and power management challenges of the complex design.

Additional components and system customization contribute to higher card costs, manufacturing complexities, and development delays, the elimination of which is the foundation of the TrustedBio value proposition.

In January 2022, Samsung Electronics introduced a module integrating a SE, a biometric MCU, and a sensor. We welcome the competition, as we consider Samsung's entry into the market as a confirmation of our own view of the compelling opportunity before us. We

applaud the single-module design, as it is intended to reduce the complexity and costs of card manufacturing, following the roadmap we established with TrustedBio.

Our Opportunity

We are confident the development of the market for biometric payment cards is accelerating. The Company's goal, since our strategic repositioning in 2018 to focus on card-based fingerprint authentication, has been to address the primary supply-side cause of delayed market development: the cost of a high-performance card. With TrustedBio, we believe IDEX offers a highly-differentiated level of performance at a compelling price point, positioning the Company to achieve its objective of becoming the leading provider of fingerprint biometric solutions for payment cards and adjacent market applications.

As of this writing, our customer, IDEMIA France S.A.S., has announced the launch of two Visa® credit cards based on the F.CODE platform, which utilizes our TrustedBio module. We expect an increasing number of similar announcements through 2022.

In July 2021, we announced the integration of the TrustedBio module and the SLC38, the latest SE from Infineon Technologies AG, the market leader in SEs for smart cards. Subsequently, we announced our development of a proprietary card operating system and the development by a third-party vendor of a customized inlay/antenna design, both of which are optimized for the TrustedBio / SLC38 reference design. As of March 31, 2022, we have announced six smart card design wins for this reference design, five of which utilize our card operating system and three of which utilize our custom inlay/antenna design.

Note Regarding the COVID-19 Pandemic

From March 2020 until May 2021, we ceased all travel and face-to-face meetings, and most staff were asked to work from home. Staff that needed to work at one of our facilities did so in line with local government guidelines. During the second quarter of 2021, we resumed corporate travel, although at a reduced level through the fourth quarter of 2021. We also relaxed our policies associated with remote work and office attendance, although we allow employees and contractors to make their own choices regarding how best to remain productive while remaining healthy and safe. We do not have a corporate vaccination policy, but we strongly encourage all employees and contractors to be vaccinated for COVID-19.

To date, we have not experienced any significant delays in development projects. However, the pandemic did cause certain, short-term delays in 2021, including delays in card certifi-

cation and the temporary postponement of customer activities (e.g., the start-dates of certain biometric card pilots were delayed). We believe the uncertainties brought about by the pandemic have contributed to greater caution across the market segments we target, delaying customer commitments. As the pandemic abates, we anticipate such uncertainties will fade.

Until recently, authorities worldwide had been relaxing restrictions put in place to limit the spread of the virus, including limitations on international travel. However, during the first quarter of 2022, China reimposed strict restrictions on interpersonal contact, workplace access, and travel. As a consequence, a subcontractor we utilize is experiencing delays in production. While the subcontractor has expressed confidence that it will be able to meet its second quarter commitments to us, we are monitoring this situation closely. As of this writing, we cannot determine the impact, if any, on our shipping schedule for the second quarter of 2022 of any delayed shipments from the subcontractor.

CEO'S COMMENTS / COMMERCIAL HIGHLIGHTS

May 11, 2022

IDEX Biometrics reached an important milestone during the first quarter of 2022 when Rocker AB, a challenger bank based in Stockholm, Sweden, launched a Visa® credit card based on IDEMIA's F.CODE® platform, which is secured by our TrustedBio™ fingerprint authentication module. This is the first commercial deployment of the F.CODE platform with our solution, and its popularity with Rocker's customers has exceeded expectations.

After the close of the first quarter, in April 2022, IDEMIA announced the launch of a Visa credit card based on the F.CODE platform by manager.one, a collaboration of Banque Wormser Freres and software developer SaGa Corp., both of which are based in Paris, France. The manager.one service is an innovative, online expense management application for businesses. We anticipate an increasing number of payment card launches with other IDEMIA customers later this year.

Also during the first quarter of 2022, IDEX Biometrics announced three new design wins for our TrustedBio / SLC38 reference design, which we developed with Infineon Technologies AG. Since announcing this reference design in July 2021, we have recorded six substantive design wins with smart card manufacturers around the world. We expect these cards to come to market late this year and have the potential to contribute meaningfully to 2023 revenue. As our opportunity pipeline is very promising, we also expect additional design wins through 2022.

The successes of the IDEMIA F.CODE platform and our TrustedBio / SLC38 reference design are indicative of the demand from issuers and smart card manufacturers for turnkey solutions minimizing card development challenges and accelerating time-to-market. IDEMIA is a comprehensive solution provider for issuers and has integrated our TrustedBio module seamlessly into the F.CODE platform, which utilizes IDEMIA's proprietary secure element and card operating system. This level of integration facilitates IDEMIA's responsiveness to issuers, which we believe will be an increasingly important competitive advantage for IDEMIA as card-based fingerprint authentication becomes mainstream. Similarly, the tight integration of our TrustedBio module with the SLC38, Infineon's latest secure

element, enables faster and easier card development by smart card manufacturers. Five of the six design wins we have announced for this reference design will be utilizing our proprietary card operating system, optimized for the SLC38, and three of the six card manufacturers will be using an optimized inlay/antenna design we developed with a leading supplier of such components.

The IDEX Biometrics value proposition is based on the differentiated functionality and performance of our fingerprint authentication solutions and our distinctive systems engineering approach to offering integrated solutions addressing multiple customer needs. A critical customer need is a compelling total cost of ownership (“TCO”), which we seek to minimize through delivery of comprehensive, integrated solutions, which are enabled by our distinctive systems engineering capabilities. TCO represents the sum of the purchase prices of our products, which we believe are competitive, and the costs customers may encounter when implementing a fingerprint authentication solution in their own smart card designs. In contrast to vendors of individual elements of a solution, we have core competencies that enable us to contribute to lowering the costs and challenges of system design for customers, while accelerating their time-to-market. Our experience with IDEMIA and the encouraging uptake of our TrustedBio / SLC38 reference design represent confirmation, we believe, of the strength of our value proposition.

We also believe most smart card manufacturers could benefit from the TCO element of our value proposition, as many currently do not have the depth of resources and experience to develop a card-based fingerprint authentication solution on an expedited timeline. Design of such a solution can be challenging for the most sophisticated smart card manufacturer, given the stringent requirements for response time and accuracy, the inherent limitations of the form factor (e.g., processing capabilities and power availability), and the necessary integration of multiple components from disparate vendors. The high levels of integration and capabilities of our TrustedBio / SLC38 reference design, especially when delivered with our card operating system and optimized inlay/antenna, enables differentiated authentication performance (e.g., low latency, high accuracy, and high electrical efficiency), while reducing design, development, and manufacturing challenges for the smart card manufacturer, thereby reducing costs and time-to-market.

Emerging technology markets commonly are characterized by early-adopting customers that are willing to take on the risks of a new technology for the benefit of being a leader in

that market. When that new technology reaches a level of maturity, reducing the risks of adoption, the emerging market frequently enters a period of sustained expansion, as the previously risky technology becomes mainstream and is broadly adopted by risk-averse customers. We believe the market for smart cards incorporating fingerprint authentication is following this pattern, and we see our delivery of turnkey solution designs as an important contributor to lowering the risks of adoption for both smart card manufacturers and issuers.

As stated, our opportunity pipeline is expanding, and we anticipate announcing numerous design wins across the remainder of 2022. As discussed earlier in this interim report, we are aware of production delays at one of our subcontractors, brought about by the recent reimposition of COVID-related restrictions by the Chinese government. The subcontractor has expressed confidence that it will be able to meet its second quarter commitments to us, but we are monitoring this situation closely. We continue to pursue opportunities in China, but current circumstances have significantly reduced our visibility. We remain hopeful that identified opportunities, particularly those associated with card-based e-CNY wallets, will resume development once the COVID-related restrictions end.

We acknowledge various factors beyond our control, such as bottlenecks in the semiconductor supply chain, have contributed to delays in customer production ramps, which may impact the timing of revenues across the coming quarters. However, we continue to have expectations for improving near-term circumstances, additional design wins, and increasing backlog.

Vince Graziani
Chief Executive Officer

FINANCIAL REVIEW

Statements of profit and loss

For the first quarter ended March 31, 2022, IDEX Biometrics recorded consolidated revenue of \$989 thousand. Sequentially, first quarter revenue increased approximately 26% from the fourth quarter of 2021, reflecting the increased shipments to our primary customer in the payment card segment. By comparison, first quarter 2021 revenue was \$624 thousand, for a year-over-year quarterly increase of 58%.

During the first quarter of 2022, the Company did not incur delays in customer shipments due to supply chain constraints within the semiconductor industry. As discussed above, China reimposed severe COVID-related restrictions during the first quarter of 2022, and, as a consequence, a subcontractor we utilize is experiencing delays in production. While the subcontractor has expressed confidence that it will be able to meet its second quarter commitments to us, we are monitoring this situation closely. As of this writing, we cannot determine the impact, if any, on our shipping schedule for the second quarter of 2022 of any delayed shipments from the subcontractor.

Total operating expenses for the first quarter of 2022, inclusive of Cost of materials, were \$9.0 million, which was a decrease of 8% sequentially from the fourth quarter of 2021. Total operating expenses were \$8.1 million in the first quarter of 2021, with the approximately 11% year-over-year increase associated with increased Cost of materials, driven by both higher sales and lower margins from initial shipments of payment cards. Also driving the increase were additional Research and development expenses and increased costs related to intellectual property filings.

Sequentially, Cost of materials increased 57%, reflecting increased sales and a shift in the mix of products shipped during the quarter. Cost of materials increased by \$456 thousand, compared to \$220 thousand for the first quarter of 2021, reflecting higher consumption of inventories associated with increased product sales.

Gross profit margin, as a percentage of revenue¹, was approximately 32% for the first quarter of 2022, compared sequentially to approximately 45% in the fourth quarter of 2022. For the first quarter of 2021, a similarly calculated gross profit margin was approximately 65%, with the higher figure reflecting product mix. The lower margin for the first quarter of 2022 reflected a shift in mix to lower margin payment products and higher costs of wafers, assembly services, and certain components.

Compensation and benefits expenses totaled \$5.0 million for the first quarter of 2022, down from \$5.1 million for the first quarter of 2021, reflecting a decrease in share-based compensation expense, inclusive of employer taxes on share-based compensation.

Share-based compensation expense, which is non-cash, totaled \$504 thousand for the first quarter of 2022, in contrast to \$806 thousand recorded for the first quarter of 2021 and \$1.0 million recorded for the fourth quarter of 2021. Quarterly variances in share-based compensation are attributable to the number of new subscription rights granted during a period, the number of outstanding subscription rights for which vesting (and, hence, expense recognition) has ended, and changes in the price of an Ordinary Share (which influences the calculated amount of our accrual of the estimated employer's tax which will be due when a subscription right is exercised).

Our staff is made up of employees and individual contractors. On a full-time equivalent (FTE) basis, our staff totaled 108, 106, and 100 as of March 31, 2022, December 31, 2021, and March 31, 2021, respectively. The year-over-year increase of staff reflects net personnel additions in marketing and sales, which are associated with the organizational pivot of the Company from development activities to a commercial focus.

Research and development (R&D) expenses, as presented, include the costs of product development, prototype manufacturing, and pre-release product testing, but do not include the cost of employees engaged in R&D, which are presented in Compensation and benefits. R&D expenses also include, as offsets to expense, earned government grants in support of R&D activities. Timing of the receipt of such grants are subject to the

¹ The gross profit and gross profit margin figures discussed herein are alternative performance measures (APM) under International Financial Reporting Standards (IFRS). The Company is a fabless developer of semiconductor-based products and outsources its manufacturing operations. The gross profit and gross profit margin is measured as Revenue less the Cost of materials, net of inventory change. The cost of materials is the purchased cost of manufactured finished goods shipped to customers. Supply chain staff compensation is included in Compensation and benefits, and expenses related to supply chain and procurement activities are included in Other operating expenses.

completion of qualifying activities. Net R&D expenses, as presented, totaled \$1.0 million for the first quarter of 2022, in contrast to \$608 thousand for the first quarter of 2021 and (\$144 thousand) for the fourth quarter of 2021. The Norwegian SkatteFUNN grants are recognised in the fourth quarter when projects have been approved and amount can be determined reliably.

Other operating expenses, primarily expenses associated with marketing, sales, and administrative activities, totaled \$1.9 million for the first quarter of 2022, in contrast to \$1.7 million for the first quarter of 2021. Other operating expenses totaled \$2.1 million in the fourth quarter of 2021, reflecting higher professional services fees associated with our November 2021 private placement. The year-over-year increase is associated largely with higher marketing and sales costs, reflecting the expansion of our commercial activities.

Amortization and depreciation charges² totaled \$369 thousand for the first quarter of 2022, in contrast to \$454 thousand for the first quarter of 2021 and \$428 thousand for the fourth quarter of 2021. The decreased level of depreciation charges is primarily associated with lower depreciation of right-of-use assets.

Net financial items, consisting primarily of the net effect of currency adjustments and the net amount of interest income and interest expense, totaled expense of \$120 thousand for the first quarter of 2022, in contrast to expense of \$56 thousand recorded for the first quarter of 2021. Net financial items totaled to an expense of \$1.2 million for the fourth quarter of 2021. The variation in net financial items between periods primarily is the result of fluctuations of the exchange rate of the U.S. Dollar to other currencies of countries in which IDEX Biometrics has operations.

The Company has recorded no income tax expense for either of the first quarters of 2022 or 2021. An income tax expense of \$90 thousand was recorded for the fourth quarter of 2021. While the Company operates at a loss and has a substantial tax loss carryforward

² Under IFRS 16 Leases, leased assets are capitalized, with corresponding assets and liabilities recorded on the Company's Statements of financial position. As the Company presents operational expenses based on the nature of such expenses, payments on lease obligations are not recorded as Other operating expenses, but as a combination of Depreciation of right-of-use assets (a component of Amortization and depreciation expenses) and Interest expenses on lease liabilities (a component of Financial items). The amount of cash lease payments made by the Company is reported in the Consolidated statements of cash flows as Payments on lease liabilities (a component of Financing activities).

position in Norway, it has not recognized to date any deferred tax assets in its Statement of financial position.

Net loss for the first quarter of 2022 totaled (\$8.1 million), representing a loss per share of (\$0.01), in contrast to a net loss of (\$7.5 million) for the first quarter of 2021, representing a loss per share of (\$0.01), and a net loss of (\$10.3 million) for the fourth quarter of 2021, representing a loss per share of (\$0.02).

Cash Flows

The Company incurred an operating cash deficit of (\$8.4 million) for the first quarter of 2022, in contrast to operating cash deficits of (\$6.9 million) for the first quarter of 2021 and (\$7.6 million) for the fourth quarter of 2021. The increased cash deficit for the first quarter was a consequence of the quarter's higher net loss and increases in accounts receivable and inventory.

Investing activities (i.e., capital expenditures) were not significant for these periods.

Total cash flow from financing activities, including the net proceeds from the issuance of shares and the net proceeds from the exercise of subscription rights, net of payments associated with lease liabilities and debt obligations, totaled \$235 thousand for the first quarter of 2022, in contrast to \$18.6 million for the first quarter of 2021.

IDEX Biometrics completed private placement transactions with net proceeds of approximately \$28.5 million, \$25.5 million, \$8.0 million, and \$10.0 million during the fourth quarter of 2021 (November 9, 2021), first quarter of 2021 (February 15, 2021), the fourth quarter of 2020 (November 9, 2020), and the second quarter of 2020 (May 11, 2020), respectively.

The Company's cash balance totaled \$25.5 million as of March 31, 2022, in contrast to \$25.9 million as of March 31, 2021, and \$33.8 million as of December 31, 2021.

Financial position

The largest assets held on the Company's Statement of financial position as of March 31, 2022, were cash of \$25.5 million and acquired intangible assets of \$2.8 million, representing 74% and 8% of total assets, respectively. Total intangible assets included goodwill of \$968 thousand.

IDEX Biometrics has developed intellectual property and has incurred product development costs, the value of which generally are not recorded on the Statement of financial position, as, in management's judgment, such value does not satisfy accounting

criteria for capitalization. No development costs were capitalized during the quarter ended March 31, 2022.

Tangible fixed assets, including the right-of-use value of leased assets, totaled, net of accumulated depreciation, \$1.5 million as of March 31, 2022, in contrast to \$2.4 million as of March 31, 2021. Tangible fixed assets are comprised of scientific and test equipment, engineering tools, leasehold improvements, office equipment, and furniture with useful lives of three to seven years.

Inventory totaled \$2.0 million as of March 31, 2022, in contrast to \$912 thousand as of March 31, 2021, and \$1.2 million as of December 31, 2021. IDEX Biometrics is a fabless developer of semiconductor-based products, and its manufacturing operations are outsourced. Inventory consists of raw materials (primarily semiconductor components and substrates provisioned to the Company's contract manufacturing partners), work-in-progress (primarily incomplete assemblies held by manufacturing partners), and finished goods (completed fingerprint sensing devices held by the Company and available for sale).

As a result of significant and uncertain lead times across the electronics industry, the Company may hold historically high quantities of raw materials from time to time to satisfy expected demand. Similarly, given recent uncertainties associated with wafer foundry capacity and contract manufacturer scheduling, the Company has and may continue to opportunistically order raw materials and carry relatively large quantities of finished goods so that customer delivery schedules can be met. While inventory levels likely will continue to expand as order backlog increases and expectations of higher orders and shipments increase, management does not believe such large quantities of inventory represent, for the foreseeable future, a material risk to the Company's financial position.

Customer accounts receivable totaled \$1.3 million as of March 31, 2022, in contrast to \$537 thousand as of March 31, 2021, and \$801 thousand as of December 31, 2021. The increase in accounts receivable was the result of increased product shipments during the first quarter of 2022. No customer accounts necessitated a bad debt reserve as of March 31, 2022.

Total short-term liabilities totaled \$3.7 million as of March 31, 2022, compared to \$3.8 million as of March 31, 2021, and \$4.3 million as of December 31, 2021. Quarterly

variations in short-term liabilities are the result of activity levels (e.g., increased accounts payable levels associated with higher purchases of inventories) and the timing of expense accruals and the settlement of obligations.

Net working capital (i.e., short-term assets, excluding cash, less short-term liabilities) totaled \$4.0 million as of March 31, 2022, \$3.2 as of March 31, 2021, and \$2.9 million as of December 31, 2021. Should revenue continue to increase in the foreseeable future, as management anticipates, net working capital will increase, as levels of inventory and customer accounts receivable, partially offset by an increase in trade accounts payable, likely will rise with such an increase in revenue.

Equity totaled \$31.0 million as of March 31, 2022, in contrast to \$31.5 million as of March 31, 2021, and \$37.7 million as of December 31, 2021. The net change year-over-year was primarily the result of the issuance of shares associated with the Company's private placements during the period, offset by the net losses recorded for the four quarters.

In connection with its 2021 Annual Report, IDEX Biometrics allocated \$46.0 million of Paid-in capital against Accumulated losses. Total equity was not affected by the allocation.

As of March 31, 2022, the Company had no debt to financial institutions or lenders.

Liquidity

As stated, the Company incurred an operating cash deficit of (\$8.4 million) for the first quarter of 2022, in contrast to operating cash deficits of (\$6.9 million) for the first quarter of 2021 and (\$7.6 million) for the fourth quarter of 2021.

The primary operating cash items are the operating losses in each period, less non-cash expenses, including share-based compensation, depreciation, and amortization. Net working capital varies between quarters, mainly due to the timing of shipments, collections from customers, receipt of inventoried materials, and disbursements to vendors.

The Company incurred capital expenditures of \$51 thousand for the first quarter of 2022, in contrast to capital expenditures of \$70 thousand for the first quarter of 2021, and \$12 thousand for the fourth quarter of 2021.

The Company's balance sheet solvency, defined as the value of cash and accounts receivable, less short-term liabilities, totaled \$24.5 million as of March 31, 2022, in contrast to \$25.0 million as of March 31, 2021, and \$31.8 million as of December 31, 2021.

U.S. regulatory matters

On February 26, 2021, the Company's securities registration statement on Form F-1 was declared effective by the U.S. Securities and Exchange Commission (SEC). This filing was associated with the listing of 800,000 American Depositary Shares (each representing 75 of the Company's ordinary shares, which are listed on the Oslo Børs) on the Nasdaq Capital Market.

Pursuant to the Jumpstart Our Business Startups Act of 2012 (JOBS Act), IDEX Biometrics is considered an "emerging growth company," and thereby is exempt from various certain U.S. reporting requirements. These exemptions allow for reduced disclosure in periodic U.S. filings and deferral of the auditor attestation requirements of Section 404(b) of the U.S. Sarbanes-Oxley Act of 2002. The Company will remain an emerging growth company until 2025, unless it reaches certain revenue, market capitalization, or debt issuance thresholds beforehand. As of March 31, 2022, the Company continued to be considered an emerging growth company.

Similarly, the Company is considered a "foreign private issuer" pursuant to SEC rules, promulgated under the U.S. Securities Exchange Act of 1934, as amended, (Exchange Act). As such, the Company is not required, among various exemptions, to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. registrants.

Notably, IDEX Biometrics currently is not required to file quarterly reports with the SEC on Form 10-Q or current reports on Form 8-K. The Company is required to file a Form 6-K in association with the disclosure of significant events, including the filing of this report with Norwegian regulatory authorities.

Companies utilizing the foreign private issuer exemptions must confirm their status at the conclusion of their second fiscal quarter, which, for the Company, is June 30. To maintain such status, a majority of the Company's voting securities must be either directly or indirectly owned of record by non-residents of the U.S., or the following criteria must be met: (i) a majority of the Company's executive officers or directors cannot be U.S. citizens or residents; (ii) more than 50% of the Company's assets must be located outside the U.S.; and (iii) the Company's business must be administered principally outside the U.S. As of June 30, 2021, the Company met the criteria to remain considered a foreign private issuer.

May 11, 2022

The Board of Directors of IDEX Biometrics ASA

CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED)

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS

Amounts in USD 000s	Note	Quarters		Full year
		Q1 2022	Q1 2021	2021
Operating revenue				
Product revenue	4	989	623	2,837
Service revenue	4	-	1	3
Total revenue		989	624	2,840
Operating expenses				
Cost of materials, net of inventory change		676	220	1,254
Compensation and benefits	5	4,978	5,101	21,107
Research and development	6	1,029	608	2,680
Other operating expenses	7	1,938	1,713	7,347
Amortization and depreciation	8	369	454	1,802
Total operating expenses		8,990	8,096	34,190
Loss from operations		(8,001)	(7,472)	(31,350)
Financial income	9	6	5	11
Financial cost	9	(126)	(61)	(1,123)
Loss before tax		(8,121)	(7,529)	(32,462)
Income tax benefit (expense)	10	-	-	(90)
Net loss for the period		(8,121)	(7,529)	(32,552)
Loss per share, basic and diluted	11	(0.01)	(0.01)	(0.04)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Amounts in USD 000s	Quarters		Full year
	Q1 2022	Q1 2021	2021
Net loss for the period	(8,121)	(7,529)	(32,552)
Foreign currency translation differences	297	(91)	10
Total comprehensive income (loss) for the period, net of tax	(7,824)	(7,620)	(32,542)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Amounts in USD 000s	Note	March 31, 2022	March 31, 2021	December 31, 2021
Assets				
Non-current assets				
Goodwill		968	969	968
Intangible assets		1,846	2,323	1,965
Total intangible assets		2,814	3,292	2,933
Property, plant and equipment		1,228	1,612	1,301
Right-of-use assets		224	812	357
Non-current receivables		80	79	87
Total non-current assets	8	4,346	5,795	4,678
Current assets				
Prepaid expenses		867	1,088	851
Inventory	13	2,010	912	1,234
Accounts receivable, trade		1,306	537	801
Accounts receivable, other		671	1,277	703
Cash and cash equivalents		25,532	25,892	33,759
Total current assets		30,386	29,706	37,348
Total assets		34,732	35,501	42,026
Equity and liabilities				
Equity				
Share capital		20,446	18,760	20,410
Share premium		9,768	27,865	9,452
Other paid-in capital		22,194	19,470	21,414
Total paid-in capital	12	52,408	66,095	51,276
Foreign currency translation effects		(12,015)	(12,413)	(12,312)
Accumulated loss		(9,360)	(22,216)	(1,239)
Total equity		31,033	31,466	37,725
Non-current liabilities				
Non-current lease liabilities		7	238	11
Total non-current liabilities		7	238	11
Current liabilities				
Accounts payable		813	593	685
Current lease liabilities		228	610	362
Public duties payable		365	302	393
Other current liabilities		2,286	2,292	2,850
Total current liabilities		3,692	3,797	4,290
Total liabilities		3,699	4,035	4,301
Total equity and liabilities		34,732	35,501	42,026

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Amounts in USD 000s	Note	Share capital	Share premium	Other paid-in capital	Foreign currency translation effects	Accumulated loss	Total equity
Balance at January 1, 2022		20,410	9,452	21,414	(12,312)	(1,239)	37,725
Mar 9th: Share issue	12	6	15	-	-	-	21
Employee Share Purchase Program	5,7,12	30	301	-	-	-	331
Share-based compensation	5,7,12	-	-	780	-	-	780
Loss for the period		-	-	-	-	(8,121)	(8,121)
Other comprehensive income		-	-	-	297	-	297
Balance at March 31, 2022		20,446	9,768	22,194	(12,015)	(9,360)	31,033
		20,446	9,768	22,194	(12,015)	(9,360)	31,033
Balance at January 1, 2021		17,251	3,608	18,664	(12,322)	(14,687)	12,514
Feb 15th: Share issue	12	1,485	24,028	-	-	-	25,513
Mar 10th: Share issue	12	5	20	-	-	-	25
Employee Share Purchase Program	5,7,12	19	209	-	-	-	228
Share-based compensation	5,7,12	-	-	806	-	-	806
Loss for the period		-	-	-	-	(7,529)	(7,529)
Other comprehensive income		-	-	-	(91)	-	(91)
Balance at March 31, 2021		18,760	27,865	19,470	(12,413)	(22,216)	31,466
Balance at January 1, 2021		17,251	3,608	18,664	(12,322)	(14,687)	12,514
Feb 15th: Share issue	12	1,485	24,070	-	-	-	25,555
Mar 10th: Share issue	12	5	20	-	-	-	25
May 12th: Share issue	5,7,12	10	-	-	-	-	10
Aug 20th: Share issue	12	6	31	-	-	-	37
Nov 12th: Share issue	12	1,601	27,084	-	-	-	28,685
Employee Share Purchase Program	5,7,12	52	639	-	-	-	691
Share-based compensation	5,7,12	-	-	2,750	-	-	2,750
Loss for the period		-	-	-	-	(32,552)	(32,552)
Allocation of Share Premium		-	(46,000)	-	-	46,000	-
Other comprehensive income		-	-	-	10	-	10
Balance at December 31, 2021		20,410	9,452	21,414	(12,312)	(1,239)	37,725

CONSOLIDATED STATEMENTS OF CASH FLOWS

Amounts in USD 000s	Note	Quarters		Full year
		Q1 2022	Q1 2021	2021
Operating activities				
Loss before tax		(8,121)	(7,529)	(32,462)
Amortization and depreciation expense	8	369	454	1,802
Share-based compensation expense		780	806	2,750
Other non-cash operating expenses		142	(218)	95
Increase in inventories		(776)	(52)	(375)
Increase in accounts receivables		(505)	(50)	(314)
(Increase) decrease in accounts payable		129	(39)	53
Change in other working capital items		(426)	(247)	482
Interest expense	9	(6)	(5)	(11)
Change in income taxes		-	-	447
Net cash flow used in operating activities		(8,414)	(6,880)	(27,533)
Investing activities				
Purchases of property, plant and equipment	8	(51)	(70)	(141)
Settlements of non-current receivables		6	-	-
Payments on non-current receivables		-	(4)	(13)
Interest received	9	6	4	11
Net cash flow used in investing activities		(39)	(70)	(143)
Financing activities				
Net proceeds from issuance of shares		369	25,755	54,992
Payments on lease liabilities	8	(134)	(215)	(844)
Net cash flow from financing activities		235	25,540	54,148
Net change in cash and cash equivalents		(8,218)	18,590	26,472
Effect of foreign exchange rate changes		(9)	4	(11)
Opening cash and cash equivalents balance		33,759	7,298	7,298
Cash and cash equivalents at period end		25,532	25,892	33,759

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 The Company and its business

IDEX Biometrics ASA (the Company) specializes in the design, development, and sale of fingerprint identification and authentication solutions based on patented and proprietary sensor technologies, circuit designs, software and algorithms, and enrolment techniques. IDEX Biometrics' largest potential market is the biometric payment card market. The Company is a public limited liability company incorporated and domiciled in Norway. The address of the head office is Dronning Eufemias gate 16 at NO-0191 Oslo, Norway. There is one class of ordinary (i.e., common) shares, and all shares have equal rights. The Company's Ordinary Shares are listed on the Oslo Børs, the stock exchange in Oslo, Norway, under the ticker IDEX. As of March 1, 2021, the Company registered 60,000,000 Ordinary Shares with the U.S. Securities and Exchange Commission, in association with the listing of 800,000 American Depositary Shares (each representing 75 of the Company's Ordinary Shares) on the Nasdaq Capital Market, under the ticker IDBA.

IDEX Biometrics has wholly-owned subsidiaries in the United States, the United Kingdom, and China. The subsidiaries provide technical development services, sales facilitation, marketing assistance, and/or logistics processing for the parent company.

2 Basis of preparation and accounting policies

These Consolidated interim financial statements for the three -month period ended March 31, 2022, have been prepared in accordance with IAS 34 *Interim Financial Reporting* and have not been subject to audit. These interim financial statements should be read in conjunction with the audited annual financial statements for the year ended December 31, 2021, which were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in conformity with IFRS as adopted by the European Union. The accounting policies applied herein are consistent with those applied in the preparation of the annual financial statements for the year ended December 31, 2021. Amounts presented may not sum precisely due to rounding.

IDEX Biometrics operates in one operating segment, fingerprint imaging and recognition technology, and these interim financial statements present the full consolidation of the accounts of the Company and all subsidiaries, reflecting this operational focus.

Pursuant to IAS 1 *Presentation of Financial Statements*, a going concern assumption has been applied in the preparation of these interim financial statements.

These interim financial statements and the accompanying report were approved by the Board of Directors on May 11, 2022.

3 Risks

It is the duty of the Board of Directors to present the principal risks facing the Company in the conduct of its business. The Company's major risk is its business risk, broadly meaning risks to its ability to generate revenue and earn profit. Future revenue generation will depend, among other such risks, on the Company's

ability to market and profitably deliver products on a sustained basis, its ability to legally protect its intellectual property rights, its ability to scale its operations to maximize efficiencies, and its ability to retain current employees and to attract new employees. The ability to generate future revenue is also highly dependent on the pace of development of the market for biometric payment cards, which remains in an early stage.

The Company's assets primarily consist of cash, working capital, and intangible assets. As of March 31, 2022, the Company had no indebtedness to financial institutions or other third-party lenders. The Company maintains liquidity by investing available funds in readily accessible, floating-interest rate bank accounts. The Company's exposure to currency exchange rate changes is managed by maintaining an appropriate mix of cash deposits in the various currencies it utilizes for its operations. The Company does not engage in any active hedging strategies. The U.S. Dollar is the dominant currency of the Company's receivables and payables.

During the first quarter of 2022, the Company experienced vendor shipment delays associated with supply chain constraints within the semiconductor industry. The delays did not reduce first quarter revenue, but continued supply chain constraints may affect future inventory planning and timing of customer shipments. Semiconductor component availability may become a more significant risk factor as the Company's backlog and unit volumes expand, as anticipated.

COVID-19 RISK:

The future progression of the COVID-19 pandemic and its effects on the Company's business and operations are unknown and not predictable. There have not been any significant delays in development projects due to COVID-19. However, the pandemic did cause certain, short-term delays in 2020, 2021, and 2022, including card certifications and the temporary postponement of customer activities (e.g., the start date of certain biometric card pilots).

The Company continues to monitor the potential impact of COVID-19 on its business and consolidated financial statements. During the second quarter of 2021, many restrictions on interpersonal contact, workplace access, and travel were relaxed or terminated. However, during the fourth quarter of 2021 and the first quarter of 2022, the emergence of the "Delta" and "Omicron" variants and other problematic strains of the COVID-19 virus caused authorities worldwide to reconsider steps to limit the spread of these more contagious strains of the virus. Should governments in the countries in which IDEX Biometrics operates reimpose restrictions on interpersonal contact, workplace access, and travel, it may experience reduced productivity, and customers and potential customers may delay orders.

4 Revenue from contracts with customers

The Company records revenue from the sale of biometric fingerprint sensor products and the delivery of technical development and other engineering services to its customers. Product-related revenue is recognized upon shipment, generally on an Incoterms EXW (i.e., ex-works) basis. Revenue is recognized according to the criteria of IFRS 15 Revenue from Contracts with Customers.

The balances of customer accounts receivable as of March 31, 2022, March 31, 2021, and December 31, 2021, were \$1.3 million, \$537 thousand, and \$801 thousand, respectively. There were no contract asset or contract liability balances at either of these dates.

Amounts in USD 1,000	Quarters		Full year
	Q1 2022	Q1 2021	2020
EMEA	944	612	2,807
Americas	4	-	-
Asia-Pacific	41	11	30
Product revenue	989	623	2,837
EMEA	-	1	3
Americas	-	-	-
Asia-Pacific	-	-	-
Service revenue	-	1	3
Total revenue	989	624	2,840

5 Compensation and benefits

Amounts in USD 1,000	Quarters		Full year
	Q1 2022	Q1 2021	2021
Salary, payroll tax, benefits, other	4,474	4,295	18,197
Share-based compensation	504	806	2,910
Payroll expenses	4,978	5,101	21,107

Compensation and benefit expenses consist of costs for direct employees of the Company. Individual contractors are classified as Research and development expenses or Other operating expenses, as applicable.

The table below sets forth the number of employees and individual contractors by their function. Certain individuals are classified as contractors because they live in countries in which the Company does not have a formal business presence.

	March 31, 2022		December 31, 2021		March 31, 2021	
	Employees	Contractors	Employees	Contractors	Employees	Contractors
Research and development	75	8	77	8	70	6
Marketing and sales	9	11	6	9	8	5
General and administrative	8	1	8	1	8	2
Supply chain and distribution	2	-	2	-	6	-
Total staff	94	20	93	18	92	13

Under IFRS, the presentation format of the Consolidated statement of profit and loss is not prescribed. Since the Company was established, management has elected to present operating expenses by their nature, in contrast to their function. Accordingly, Compensation and benefits expenses, as presented, includes the compensation and benefit costs for all employees. Cost of materials, net of inventory change, as presented, does not include the cost of personnel engaged in supply chain and distribution activities, Research and development expenses, as presented, does not include the cost of personnel assigned to departments engaged in research and development activities, and Other operating expenses, as presented, does not include the cost of personnel assigned to marketing, sales, general, and administrative activities.

6 Research and development expenses

Research costs are expensed when incurred. Development costs are expensed unless they qualify for capitalization. The Company's patents and other intellectual property rights created are capitalized and recorded on the Statement of financial position only if they satisfy the criteria for capitalization. The Company has not capitalized development costs in any of the periods presented. Development costs related to the creation of intellectual property have been expensed when incurred.

Amounts in USD 1,000	Quarters		Full Year
	Q1 2022	Q1 2021	2021
Gross R&D expenses	1,029	608	3,356
Government grants credited to cost	-	-	(676)
Net R&D expenses	1,029	608	2,680

UK tax relief is recorded as grants and credited to Research and development expenses. Government support is recognized when it is probable the Company will qualify and receive support, and the amount can be measured reliably. Norwegian SkatteFUNN grants are recorded in the fourth quarter each year.

7 Related party transactions

The chair of the Board of Directors, Morten Opstad, is a partner in the law firm Advokatfirma Ræder AS (Ræder). Ræder provided legal services to the Company during the first three months of 2022, resulting in charges of \$46 thousand. Mr. Opstad's work on behalf of the Company beyond his Director duties is invoiced by Ræder.

Lawrence J. Ciaccia, a member of the Board of Directors, has served on the Company's Strategy Advisory Council (SAC) since 2014, and is compensated \$15 thousand per year for such service. Mr. Ciaccia also provides to the Company, pursuant to a written agreement, other consulting services, outside of his service on the SAC, for a fixed fee of \$50 thousand per year.

8 Non-current assets

Amounts in USD 1,000	Goodwill	Intangible assets	Property, Plant, and Equipment	Right-of-use assets	Non-current receivables	Total non-current assets
Balance at January 1, 2022	968	1,965	1,301	357	87	4,678
Additions	-	-	51	-	-	51
Settlements	-	-	-	-	(6)	(6)
Depreciation and amortization	-	(119)	(121)	(129)	-	(369)
Effects of changes in foreign currency	-	-	(3)	(4)	(1)	(8)
Balance at March 31, 2022	968	1,846	1,228	224	80	4,346
Balance at January 1, 2021	968	2,442	1,667	1,016	75	6,168
Additions	-	-	70	-	4	74
Depreciation and amortization	-	(119)	(126)	(209)	-	(454)
Effects of changes in foreign currency	1	-	1	5	-	7
Balance at March 31, 2021	969	2,323	1,612	812	79	5,795
Balance at January 1, 2021	968	2,442	1,667	1,016	75	6,168
Additions	-	-	142	158	13	313
Depreciation and amortization	-	(477)	(507)	(818)	-	(1,802)
Effects of changes in foreign currency	-	-	(1)	1	(1)	(1)
Balance at December 31, 2021	968	1,965	1,301	357	87	4,678

Acquired intangible assets and intellectual property rights have been capitalized at the time of acquisition. These assets are depreciated over their respective economic lives. The major items depreciate over 9.5 years and 17.3 years from acquisition, through July 2024 and to the end of 2030, respectively. Goodwill is not amortized, but is tested for impairment at least annually or more frequently, if circumstances merit. The Company is one cash generating unit for purposes of impairment testing.

9 Financial items

Amounts in USD 1,000	Quarters		Full year
	Q1 2022	Q1 2021	2021
Interest income	6	5	11
Currency exchange gain	-	-	-
Total financial income	6	5	11
Interest expenses on lease liabilities	4	11	31
Currency exchange loss	122	50	1,092
Total financial expense	126	61	1,123

10 Income tax expense

As of December 31, 2021, the Company had significant accumulated tax losses. No deferred tax asset associated with these accumulated tax losses has been recorded on the Statement of financial position, as there is not sufficient evidence that taxable profit will be generated, against which the unused tax losses could be applied. There are no restrictions as to how long tax losses may be carried forward in Norway.

11 Loss per share

	Quarters		Full year
	2022	2021	2021
Profit (loss) attributable to the shareholders (USD 1,000)	(8,121)	(7,529)	(32,552)
Weighted average basic number of shares	1,011,119,376	870,493,893	918,847,427
Weighted average diluted number of shares	1,026,667,785	898,451,048	940,433,535
Profit (loss) per share, basic and diluted	USD (0.01)	USD (0.01)	USD (0.04)

The profit or loss per share is calculated by dividing the profit (loss) for the period by the weighted average number of ordinary shares outstanding for the period. Loss per share is calculated per basic share (i.e., without consideration for the dilutive effect of exercisable subscription rights).

12 Shares and subscription rights

Number of financial instruments	Incentive subscription rights	Shares
Balance at January 1, 2022	71,756,397	1,010,388,454
Mar 3rd: Share issue		394,409
Employee Stock Purchase Plan		1,765,791
Granted incentive subscription rights	8,089,200	
Exercised incentive subscription rights	(394,407)	
Expired/forfeited incentive subscription rights	(1,150,733)	
Balance at March 31, 2022	78,300,457	1,012,548,654
Balance at January 1, 2021	56,344,093	832,146,748
Feb 15th: Share issue		83,214,674
Mar 10th: Share issue		298,884
Employee Stock Purchase Plan		1,060,179
Granted incentive subscription rights	934,900	
Exercised incentive subscription rights	(246,734)	
Expired/forfeited incentive subscription rights	(728,050)	
Balance at March 31, 2021	56,304,209	916,720,485
Balance at January 1, 2021	56,344,093	832,146,748
Feb 15th: Share issue		83,214,674
Mar 10th: Share issue		298,884
May 12th: Issued shares in lieu of board remuneration		535,583
Aug 20th: Share issue		365,280
Nov 12th: Share issue		90,881,266
Employee Stock Purchase Plan		2,946,019
Granted incentive subscription rights	21,885,200	
Exercised incentive subscription rights	(4,705,015)	
Expired/forfeited incentive subscription rights	(1,767,881)	
Balance at December 31, 2021	71,756,397	1,010,388,454

From time to time, on a discretionary basis, IDEX Biometrics awards subscription rights for the purchase of Ordinary Shares to employees and individual contractors, pursuant to the terms of an annual subscription rights program approved by shareholders at that year's annual general meeting (AGM). Such subscription rights are denominated in Norwegian Krone. Unless specifically resolved otherwise by the Board of Directors, 25% of each grant of subscription rights vests per year, beginning on the 15th of the month prior to the month of the grant, and the grant expires on the fifth anniversary of the AGM at which it was granted. Unvested subscription rights terminate on the holder's last day of employment or termination of contract. Vested subscription rights may be exercised up to 90 days after such termination date. The weighted average exercise price of outstanding incentive subscription rights on March 31, 2022, was NOK 1.45 per share.

The fair value at grant date of a subscription right awarded to an employee is expensed over the vesting period of each tranche of the grant. The fair value of each tranche of a subscription right is determined using a Black-Scholes option pricing model, based on Ordinary Share prices quoted on the Oslo Børs and published interest rates. The Company's social security tax obligations related to share-based remuneration are recorded on each balance sheet date, based on the earned value of the subscription rights outstanding, and the adjustment to the accrued balance is recorded as cost.

Since September 1, 2020, IDEX Biometrics has operated an employee stock purchase plan (ESPP), whereby employees may elect to invest a portion of their after-tax compensation in newly issued ordinary shares. Employees make payroll contributions to the ESPP over the course of six-month contribution periods, after

which they purchase shares at a 15% discount to the lesser of the share price at the beginning and ending of the offering period. On March 1, 2022, employees acquired 1,765,791 shares at NOK 1.70 per share.

The fair value at grant date of ESPP shares are expensed over the course of the six-month contribution period. The fair value is determined using a Black-Scholes option pricing model, based on share prices quoted on the Oslo Børs and published interest rates.

13 Inventory

Amounts in USD 1,000	March 31, 2022			March 31, 2021			December 31, 2021		
	Cost	Reserves	Net	Cost	Reserves	Net	Cost	Reserves	Net
Raw Materials	659	-	659	457	(59)	398	562	-	562
Work in progress	502	-	502	49	-	49	107	-	107
Finished Goods	855	(6)	849	465	-	465	570	(5)	565
Total Inventory	2,016	(6)	2,010	971	(59)	912	1,239	(5)	1,234

Inventory, consisting of raw materials (primarily semiconductor components and substrates provisioned to the Company's contract manufacturing partners), work-in-progress (primarily incomplete assemblies held by manufacturing partners), and finished goods (completed fingerprint sensing devices held by the Company and available for sale), is valued at the lower of cost or recoverable value, reflecting reserves based on aging and obsolescence. Period to period variations in reserve balances are caused by differences in the times between the identification of an impairment (i.e., the calculation of a reserve charge) and the physical disposal of the inventory in question. As of March 31, 2022, the Company maintained an inventory reserve of \$6 thousand, reflecting adjustments during the first quarter based on changes in required reserves.

14 Events after the balance sheet date

There have been no other events between March 31, 2022, and the approval of these interim financial statements by the Board of Directors that have had any material impact on the Company's results for the three months ended March 31, 2022, or the value of the Company's assets and liabilities as of March 31, 2022.



Interim Report

First quarter 2023



CEO'S COMMENTS

May 22, 2023

Seven banks in Turkey and Bangladesh have in 2023 announced biometric payment card programs with IDEX. This is accelerating the trend from 2022 when the inflection point in the biometric payment card market was reached when banks launched nine new biometric payment card programs using IDEX Biometrics' technology platform. There is a strong pipeline of banks and issuers worldwide demanding cards from card manufacturers. The interest is particularly strong in Europe and the Middle East. We see market readiness and bank card launches coming in countries such as India, Bangladesh, and Korea.

IDEX Biometrics card manufacturing partners are launching biometric payment card solutions at scale to their portfolios of banks and issuers. The commercial success of these card manufacturers, who have selected the IDEX Biometrics sensor solution over competitor solutions, will continue to manifest in the coming months.

IDEX TrustedBio sensor passed Mastercard's Fingerprint Test Assessment Summary (FTAS). FTAS is a significant milestone in a comprehensive certification process which ensures biometric performance, latency, and security specifications are met. IDEX Biometrics sensor is a core element of the IDEX Biometrics complete payment card solution, which also includes Infineon's SLC38 secure element and IDEX Biometrics proprietary card operating system. The complete Mastercard certification is expected to be obtained in the second quarter of 2023.

A clear confirmation of market ramp-up is the volume production order of one million units placed by Linxens with Infineon Technologies latest secure element SLC38, including the IDEX card operating system software, which will be assembled into custom EMV modules for the IDEX complete biometric payment card solution.

The twelve design wins with card manufacturers obtained by end of 2022 gives IDEX an extensive coverage with global and regional card manufacturers ready to launch on the IDEX solution. The twelve card manufacturers are well into commercialization and will be obtaining individual LOAs.

In May, IDEX Biometrics announced a partnership with ST Microelectronics to bring a truly differentiated solution to market and meet the banks demand for an IDEX and STMicroelectronics solution. The partnership will combine IDEX Biometrics biometric

system with the ST's latest Secure Element ST31N600, integrated with its operating system and payment applets.

IDEX Biometrics solutions are being requested from new customers in digital authentication and identity access solutions, particularly in South-East Asia and Europe. A significant production order for biometric sensor modules was placed by PONE Biometrics, an innovator in secure and scalable digital authentication solutions. PONE Biometrics FIDO2 certified smart device, OFFPAD, will include fingerprint sensor technology from IDEX Biometrics. The product will bring higher-performance authentication solutions to the market, optimized for logical access, and targeting highly sensitive security applications across enterprises, public sectors, defence sectors, and healthcare establishments.

This follows the announcement earlier in the quarter that Sentry Enterprises selected Infineon Technologies' latest generation secure element SLC38 together with IDEX Biometrics sensor technology for its next generation biometric identity platform, SentryCard and its Sentinel biometric cold storage crypto wallet.

The digital identity verification market is set to rise to nearly \$17 billion in 2026, providing an important opportunity for secure solutions for crypto hardware wallets, and card-based identity access applications.

In the first quarter of 2023, IDEX Biometrics revenues were \$1.2 million, increasing 16% compared to the fourth quarter revenues of \$1.1 million. Year-over-year the quarterly revenue growth was 26%. An increasing share of our revenue comes from the card market, and we are expecting the number of active customers in that market to grow throughout 2023.

The gross margin was 26% in the first quarter, compared to a gross margin of 33% in the previous quarter, and first quarter 2022 gross margin of 32%. The sequential decrease in gross margins this quarter was due to product and customer portfolio mix.

Operating expenses, excluding the cost of materials, were \$7.4 million in the first quarter of 2023, compared to \$7.0 million in the fourth quarter of 2022. Sequentially, the operating expenses were down by \$0.3 million when adjusted for \$0.7 million government research and development grants for 2022 recognized in the fourth quarter of the year. Compared to first quarter 2022, operating expenses were down by \$0.5 million. The cost reductions are mainly related to staff/salary and compensation.

Vince Graziani
Chief Executive Officer

IDEX BIOMETRICS

IDEX Biometrics is a global technology leader in fingerprint biometrics, offering authentication solutions across payments, access control, and digital identity. Our solutions bring convenience, security, peace of mind, and seamless user experiences to the world.

Built on patented and proprietary sensor technologies, hardware and software, our biometric solutions target card-based applications for payments and digital authentication. As an industry-enabler we partner with leading card manufacturers and technology companies to bring our solutions to the market.

Products and Technology

Our biometrics technology solutions, the TrustedBio® and TrustedBio Max families of products were specifically designed to enable a seamless user experience for contactless biometric payment transactions while significantly increasing security.

Our products are based on a portfolio of proprietary technologies, many of which are patented, including fingerprint sensors, fingerprint ASICs (Application Specific Integrated Circuits, executing a range of functions), biometric software and matching algorithms, card operating system and applet software, and remote enrollment solutions. Our fingerprint solutions can be used in dual interface, contactless-only, and contact-only payment cards across payment networks offering a complete biometric authentication capability, integrating fingerprint image sensing, biometric processing, system power management, and encryption functions. IDEX Biometrics enables cost effective biometric smart cards with industry-leading performance.

Using our proprietary remote enrollment solutions, cardholders can easily capture and register their fingerprint, and activate their cards remotely without the need to visit a bank branch or ATM, and without communicating sensitive biometric information to third parties. An encrypted template of the fingerprint is stored directly on the card's secure encryption chip. Therefore, sensitive biometric information is never communicated to third parties or stored in a connected database. We are always committed to investing in patents and other intellectual property protection measures that ensure that our products are, and remain, unique in our target markets.

Competitive Positioning

Our core competencies are based on proven expertise in biometric applications including integrated system design, biometric algorithm and software development, integrated circuit design and packaging. We are adept at problem-solving and creative collaboration with customers and partners across the card industry.

Our mission is to enable people to prove their identity in a simple, secure and personal way. To do so, IDEX Biometrics enables digital authentication with biometric fingerprint sensors and related technologies, and applications. We are focusing on biometrically enabled authentication applications, primarily delivered in card form factors with no batteries. Our solution is powered through harvesting energy emitted by point-of-sale terminals, mobile phones or other card reading devices. Our solutions fit in various applications in payments as well as digital identity access and cryptocurrency hard wallets.

The Company's solutions use a patented sensor design, which separates the fingerprint sensor into two components sharing a single package: a flexible, polymer-based sensor array and a separate ASIC, delivering demonstrably superior performance and compelling economics.

Since its inception, the smart card industry has been enabled by a small number of trusted suppliers for secure element encryption chips, including Infineon Technologies, STMicroelectronics, and NXP. IDEX has developed biometric smart card solutions together with technology from both Infineon and STMicroelectronics. This provides biometric smart card manufacturers with solutions enabled by partners they have relied on for more than 25 years.

With our technology solution, our customers benefit from integration opportunities with multiple secure elements, inlay technologies, card manufacturing methods and software operating systems. This provides flexibility to card manufacturers who have established supply chain partners and manufacturing methods. This also provides flexibility to enable solutions globally as our solutions are set up to integrate with the most relevant and highest performing ecosystem partners across geographies and applications.

Our Opportunity

The company's goal is to enable biometric smart cards with a seamless user experience, at a price point that enables mass market adoption. With the IDEX Biometrics sensor solutions and other technologies we offer a high level of performance at a compelling price point. We

are positioned to achieve our objective of becoming the leading provider of fingerprint biometric solutions for payment cards and digital authentication applications.

The IDEX Biometrics TrustedBio module is integrated with Infineon Technology AG's SLC38. SLC38 is the latest generation SE from Infineon, the market leader in secure elements, SEs, for smart cards. IDEX Biometrics is preferred partner member of Infineon's Security Partner Network, ISPN. We have developed a proprietary card operating system and will use a third-party customized inlay and antenna design, both of which are optimized for the combined TrustedBio and SLC38 reference design. We have achieved ten smart card design wins for this joint reference platform.

The IDEX Biometrics solution can work with multiple secure elements, and we recently announced the advanced solution for biometric smart cards, leveraging the latest secure element from leading semiconductor security provider, STMicroelectronics, fully integrated with ST's STPay-Topaz-Bio Operating System and payment applets. This high-performance solution includes the ST31N600 secure microcontroller with biometric features, packaged in a single-chip EMV module, and includes a cost-effective enrollment solution.

Note Regarding Global Events

The Covid pandemic and restrictions, the war in Ukraine, and the global economic slowdown led to delays in new initiatives and supply chain issues for many businesses, including IDEX Biometrics, its suppliers and customers.

To reduce the risk of delays and reduce lead time for our customers, IDEX Biometrics has secured allocation and increased our inventory of materials and components such as silicon chips, as well as finished goods.

FINANCIAL REVIEW

Statements of profit and loss

For the first quarter ended March 31, 2023, IDEX Biometrics recorded consolidated revenue of \$1.2 million. Sequentially, first quarter revenue increased 16% from the fourth quarter of 2022, reflecting the timing of shipments to our two largest customers in the payment card segment. By comparison, first quarter 2022 revenue was \$1.0 million for a year-over-year quarterly increase of 26%.

Cost of materials increased sequentially in both dollars and as a percentage of revenue due to a less favorable product mix as compared to the prior quarter. Cost of materials as a percentage of revenue is impacted by product and customer mix as well as increasing costs of wafers, assembly services, and certain components. Gross profit margin, as a percentage of revenue¹ was 26% for the first quarter of 2023, compared to 33% in the fourth quarter of 2022. For the first quarter of 2022, the gross profit margin was 32%.

Compensation and benefits expenses totaled \$4.4 million for the first quarter of 2023, flat as compared with the fourth quarter of 2022, and a decrease from \$5.0 million for the first quarter of 2022. The year-over-year decrease is due to staff reductions efforts implemented in 2022 offset by increases in variable compensation.

Share-based compensation expense, which is non-cash, totaled \$0.4 million for the first quarter of 2023, in contrast to \$0.5 million recorded for the first quarter of 2022, primarily because of reduced employer tax expense due to lower share prices in 2023. Quarterly variances in share-based compensation are attributable to the number of subscription rights vesting in the period, and changes in the price of an ordinary share which influences the accrual of estimated employer's tax which will be due when a subscription right is exercised.

Our staff is made up of employees and individual contractors. On a full-time equivalent (FTE) basis, our staff totaled 98 on March 31, 2023, down from 108 on March 31, 2022, and 99 at the beginning of 2023. The year-over-year decrease of staff reflects the net of personnel additions in marketing and sales, offset by staff reductions in 2022 and attrition in R&D.

¹ The gross profit and gross profit margin figures are alternative performance measures (APM) under IFRS. The gross profit and gross profit margin are measured as Revenue less the Cost of materials, net of inventory change. The cost of materials is the purchased cost of manufactured finished goods sold to customers.

Research and development (R&D) expenses, include the external costs of product development, prototype manufacturing, and pre-release product testing. The cost of employees engaged in R&D is included in Compensation and benefits. R&D expenses are reported net of earned government grants in support of R&D activities. Timing of the receipt of such grants are generally subject to the completion of qualifying activities. Net R&D expenses totaled \$0.9 million for the first quarter of 2023, in contrast to \$1.0 million for the first quarter of 2022. These costs are primarily software development costs and costs related to patents and trademarks during the period. Net R&D costs increased sequentially due to government grants in the fourth quarter of 2022 that offset R&D spending.

Other operating expenses, primarily expenses associated with marketing, sales, and administrative activities, totaled \$2.1 million for the first quarter of 2023, in contrast to \$1.9 million for the first quarter of 2022. The increase from the prior year quarter was due to higher selling expense and professional fees partially offset by lower insurance expense and intellectual property costs. Other operating expenses totaled \$2.4 million for the fourth quarter of 2022. The sequential decrease was due to lower insurance expense, selling expenses and public company expenses.

Amortization and depreciation charges² totaled \$0.3 million for the first quarter of 2023, in contrast to \$0.4 million for the first quarter of 2022 and \$0.3 million for the fourth quarter of 2022. The decreased year-over-year level of depreciation charges is primarily associated with lower depreciation of right-of-use assets.

Net financial items, consisting primarily of the net effect of currency adjustments and the net amount of interest income and interest expense, totaled income of \$0.2 million for the first quarter of 2023, in contrast to expense of \$0.1 million recorded for the first quarter of 2022. Net financial items totaled to an income of \$0.6 million for the fourth quarter of 2022. The variation in net financial items between periods primarily is the result of fluctuations of the exchange rate of the U.S. Dollar to other currencies of countries in which IDEX Biometrics has operations, mainly British Pounds to the U.S. dollar.

The company recorded a minor amount of income tax expense for the first quarter of 2023 and no income tax expense in the first quarter of 2022. IDEX Biometrics operates at a loss and has a substantial tax loss carryforward position in Norway. As a result, it has not recognized to date any deferred tax assets in its Statements of financial position.

² Under IFRS 16 Leases, leased assets are capitalized, with corresponding assets and liabilities recorded on the Statements of financial position. The right of use assets is depreciated over the lease period. The notional interest on the liability is reported as financial cost.

Net loss for the first quarter of 2023 totaled \$7.2 million, representing a loss per share of \$0.01. In contrast to a net loss of \$8.1 million for the first quarter of 2022, representing a loss per share of \$0.01, and a net loss of \$6.2 million for the fourth quarter of 2022, representing a loss per share of \$0.00.

Statements of Cash Flows

The company incurred an operating cash outflow of \$9.0 million for the first quarter of 2023, in contrast to operating cash outflows of \$8.4 million for the first quarter of 2022 and \$7.2 million for the fourth quarter of 2022. The increased year-over-year cash outflow for the first quarter was due to increases in working capital.

Investing activities (i.e., capital expenditure) were insignificant for these periods.

Total cash flow from financing activities, including the net proceeds from the issuance of shares and the net proceeds from the exercise of subscription rights, net of payments associated with lease liabilities, totaled \$0.1 million for the first quarter of 2023, in contrast to \$0.2 million for the first quarter of 2022.

IDEX Biometrics completed private placement transactions with net proceeds of \$14 million, during the fourth quarter of 2022.

The cash balance totaled \$7.4 million as of March 31, 2023, in contrast to \$25.5 million as of March 31, 2022, and \$16.1 million as of December 31, 2022.

Statements of Financial position

The largest assets held on the company's Statements of financial position as of March 31, 2023, were cash of \$7.4 million, inventory of \$5.3 million and acquired intangible assets of \$2.3 million, representing 34%, 25% and 11% of total assets, respectively. Total intangible assets included goodwill of \$968 thousand.

IDEX Biometrics has developed intellectual property and has incurred product development costs. The value of self-developed IP is generally not recorded on the Statements of financial position, because it does not satisfy accounting criteria for capitalization. No development costs were capitalized during the quarter ended March 31, 2023.

Tangible fixed assets, including the right-of-use value of leased assets, totaled, net of accumulated depreciation, \$2.5 million as of March 31, 2023, in contrast to \$1.5 million

as of March 31, 2022, and \$2.7 million on December 31, 2022. Other than right-of-use leased assets, Tangible fixed assets are comprised of scientific and test equipment, engineering tools, leasehold improvements, office equipment, and furniture with useful lives of three to seven years.

Inventory totaled \$5.3 million as of March 31, 2023, in contrast to \$2.0 million as of March 31, 2022, and \$4.4 million as of December 31, 2022. IDEX Biometrics is a fabless developer of semiconductor-based products, and its manufacturing operations are outsourced. Inventory consists of raw materials (primarily semiconductor components and substrates), work-in-progress (primarily incomplete assemblies) and finished goods (completed fingerprint sensing devices available for sale). A large share of the inventories is physically located at the contract manufacturing partners' sites.

There have been significant and uncertain lead times across the electronics industry in 2022. To reduce the risk of delays and reduce lead time for our customers, IDEX Biometrics has increased inventory of long lead time materials and components such as silicon chips, as well as finished goods.

Customer accounts receivable totaled \$1.2 million as of March 31, 2023, in contrast to \$1.3 million as of March 31, 2022, and \$1.3 million as of December 31, 2022. No customer accounts necessitated a bad debt reserve as of March 31, 2023.

Total short-term liabilities totaled \$4.5 million as of March 31, 2023, compared to \$3.7 million as of March 31, 2022, and \$5.0 million as of December 31, 2022. Variations in short-term liabilities are the result of activity levels such as increased accounts payable levels associated with higher purchases of inventories and the timing of expense accruals and the settlement of payables.

Net working capital (i.e., short-term assets, excluding cash, less short-term liabilities) totaled \$8.4 million as of March 31, 2023, \$4.0 million as of March 31, 2022, and \$6.2 million as of December 31, 2022.

As revenues continue to increase, net working capital will increase as levels of inventory and customer accounts receivable. The increase will likely be partially offset by an increase in trade accounts payable.

Equity totaled \$16.0 million as of March 31, 2023, in contrast to \$31.0 million as of March 31, 2022, and \$22.8 million as of December 31, 2022. The change during the periods was primarily the result of the private placement of shares in the fourth quarter of 2022, offset by the net losses in the respective periods.

At the end of 2022, IDEX Biometrics allocated \$18.0 million of Paid-in capital against Capital reduction reserve. Total equity was not affected by the allocation.

As of March 31, 2023, the Company had no debt to financial institutions or lenders.

Liquidity

IDEX incurred an operating cash deficit of \$9.0 million for the first quarter of 2023, in contrast to operating cash deficits of \$8.4 million for the first quarter of 2022 and \$7.2 million for the fourth quarter of 2022.

The primary operating cash items are the operating losses in each period, less non-cash expenses, including share-based compensation, depreciation, and amortization.

Net working capital varies between quarters, mainly due to the timing of shipments, collections from customers, receipt of inventoried materials, and disbursements to vendors.

The Company incurred net positive capital expenditures of \$18 thousand for the first quarter of 2023, due to a credit for purchased equipment. In contrast, capital expenditures were \$51 thousand for the first quarter of 2022, and \$53 thousand for the fourth quarter of 2022.

The Company's balance sheet solvency, defined as the value of cash and accounts receivable, less short-term liabilities, totaled \$5.1 million as of March 31, 2023, in contrast to \$23.8 million as of March 31, 2022, and \$13.4 million as of December 31, 2022.

We have incurred significant operating losses and negative cash flows and the Company does not expect that its existing cash would enable it to fund its operating expenses and capital expenditures requirements for the next twelve months. The Company plans to undertake a private placement of shares or procure other substantial funding by the end of the third quarter of 2023 to provide additional funding to support research and development and fund working capital. While the Company has been successful in the past in raising funds through private placements of shares, there is no assurance that we will be successful in the future. The Company's failure to raise capital as and when needed could have a negative impact on its financial condition and its ability to pursue its business strategies.

U.S. regulatory matters

The Company's American Depositary Shares (each representing 75 of the Company's ordinary shares, which are listed on the Oslo Børs) are listed on the Nasdaq Capital Market under the ticker symbol IDBA. In connection with this listing, the Company is subject to securities regulations in the United States.

Pursuant to the Jumpstart Our Business Startups Act of 2012 (JOBS Act), IDEX Biometrics is considered an "emerging growth company," and thereby is exempt from various certain U.S. reporting requirements. These exemptions allow for reduced disclosure in periodic U.S. filings and deferral of the auditor attestation requirements of Section 404(b) of the U.S. Sarbanes-Oxley Act of 2002. The company will remain an emerging growth company until 2025, unless it reaches certain revenue, market capitalization, or debt issuance thresholds beforehand. As of March 31, 2023, IDEX Biometrics continued to be considered an emerging growth company.

Similarly, the Company is considered a "foreign private issuer" pursuant to SEC rules, promulgated under the U.S. Securities Exchange Act of 1934, as amended, (Exchange Act). As such, the Company is not required, among various exemptions, to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. registrants. Notably, IDEX Biometrics currently is not required to file quarterly reports with the SEC on Form 10-Q or current reports on Form 8-K. The Company is required to file a Form 6-K in association with the disclosure of significant events, including the filing of this report with Norwegian regulatory authorities. Companies utilizing the foreign private issuer exemptions must confirm their status at the conclusion of their second fiscal quarter. As of June 30, 2022, IDEX Biometrics met the annual test against the criteria to remain considered a foreign private issuer.

May 22, 2023

The Board of Directors of IDEX Biometrics ASA

CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED)

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS

Amounts in USD 000s	Note	Quarters		Full year
		Q1 2023	Q1 2022	2022
Operating revenue				
Product revenue	4	1,242	989	3,889
Service revenue	4			203
Total revenue		1,242	989	4,091
Operating expenses				
Cost of materials, net of inventory change		913	676	3,244
Compensation and benefits	5	4,408	4,978	19,213
Research and development	6	933	1,029	3,250
Other operating expenses	7	2,055	1,938	8,402
Amortization and depreciation	8	340	369	1,352
Total operating expenses		8,648	8,990	35,460
Loss from operations		(7,407)	(8,001)	(31,369)
Financial income	9	198	6	97
Financial cost	9	(24)	(126)	(1,425)
Loss before tax		(7,233)	(8,121)	(32,698)
Income tax benefit (expense)	10	(5)	-	36
Net loss for the period		(7,238)	(8,121)	(32,662)
Loss per share, basic and diluted	11	(0.01)	(0.01)	(0.03)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Amounts in USD 000s	Quarters		Full year
	Q1 2023	Q1 2022	2022
Net loss for the period	(7,238)	(8,121)	(32,662)
Foreign currency translation adjustment	(207)	297	680
Total comprehensive income (loss) for the period, net of tax	(7,445)	(7,824)	(31,981)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Amounts in USD 000s	Note	March 31, 2023	March 31, 2022	December 31, 2022
Assets				
Non-current assets				
Goodwill		968	968	968
Intangible assets		1,369	1,846	1,488
Total intangible assets		2,337	2,814	2,456
Property, plant and equipment		995	1,228	1,107
Right-of-use assets		1,506	224	1,545
Non-current receivables		60	80	73
Total non-current assets	8	4,897	4,346	5,181
Current assets				
Prepaid expenses		1,962	867	986
Inventory	13	5,320	2,010	4,447
Accounts receivable, trade		1,241	1,306	1,349
Accounts receivable, other		894	671	929
Cash and cash equivalents		7,381	25,532	16,124
Total current assets		16,798	30,386	23,835
Total assets		21,695	34,732	29,016
Equity and liabilities				
Equity				
Share capital		22,800	20,446	22,762
Share premium		4,180	9,768	4,036
Share-based payment		23,978	22,194	23,576
Foreign currency translation effects		(11,839)	(12,015)	(11,632)
Capital reduction reserves		287,500	269,500	287,500
Accumulated loss		(310,639)	(278,860)	(303,401)
Total equity	12	15,980	31,033	22,841
Non-current liabilities				
Non-current lease liabilities		1,254	7	1,142
Total non-current liabilities		1,254	7	1,142
Current liabilities				
Accounts payable		1,047	813	1,540
Current lease liabilities		280	228	402
Public duties payable		27	365	394
Other current liabilities		3,106	2,286	2,697
Total current liabilities		4,461	3,692	5,033
Total liabilities		5,715	3,699	6,175
Total equity and liabilities		21,695	34,732	29,016

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Amounts in USD 000s	Note	Share capital	Share premium	Share based payment	Foreign currency translation effects	Capital reduction reserve	Accumulated loss	Total equity
Balance at January 1, 2023		22,762	4,036	23,576	(11,632)	287,500	(303,401)	22,841
Share-based compensation	5,7,12	38	144	402	-	-	-	584
Loss for the period		-	-	-	-	-	(7,238)	(7,238)
Other comprehensive income		-	-	-	(207)	-	-	(207)
Balance at March 31, 2023		22,800	4,180	23,978	(11,839)	287,500	(310,639)	15,980
Balance at January 1, 2022		20,410	9,452	21,414	(12,312)	269,500	(270,739)	37,725
Mar 9th: Share issue	12	6	15	-	-	-	-	21
Share-based compensation	5,7,12	30	301	780	-	-	-	1,111
Loss for the period		-	-	-	-	-	(8,121)	(8,121)
Other comprehensive income		-	-	-	297	-	-	297
Balance at March 31, 2022		20,446	9,768	22,194	(12,015)	269,500	(278,860)	31,033
Balance at January 1, 2022		20,410	9,452	21,414	(12,312)	269,500	(270,739)	37,725
Share issuance	12	2,273	12,103	-	-	-	-	14,376
Share-based compensation	5,7,12	79	481	2,161	-	-	-	2,721
Loss for the period		-	-	-	-	-	(32,662)	(32,662)
Transfer of share premium		-	(18,000)	-	-	18,000	-	-
Other comprehensive income		-	-	-	680	-	-	680
Balance at December 31, 2022		22,762	4,036	23,576	(11,632)	287,500	(303,401)	22,841

CONSOLIDATED STATEMENTS OF CASH FLOWS

Amounts in USD 000s	Note	Quarters		Full year
		Q1 2023	Q1 2022	2022
Operating activities				
Loss before tax		(7,233)	(8,121)	(32,698)
Amortization and depreciation expense	8	340	369	1,352
Share-based compensation expense		402	780	2,721
Increase in inventories		(873)	(776)	(3,215)
(Increase) decrease in accounts receivables		109	(505)	(548)
Increase (decrease) in accounts payable		(492)	129	858
Change in other working capital items		(1,193)	(284)	564
Interest paid	9	(24)	(6)	(33)
Change in income taxes		(5)	-	(372)
Net cash flow used in operating activities		(8,970)	(8,414)	(31,370)
Investing activities				
Purchases of property, plant and equipment	8	18	(51)	(267)
Settlements of non-current receivables		14	6	9
Interest received	9	91	6	97
Net cash flow used in investing activities		122	(39)	(160)
Financing activities				
Net proceeds from issuance of shares		181	369	14,376
Payments on lease liabilities	8	(82)	(134)	(400)
Net cash flow from financing activities		99	235	13,976
Net change in cash and cash equivalents		(8,748)	(8,218)	(17,555)
Effect of foreign exchange rate changes		6	(9)	(80)
Opening cash and cash equivalents balance		16,124	33,759	33,759
Cash and cash equivalents at period end		7,381	25,532	16,124

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 The Company and its business

IDEX Biometrics ASA (the Company) specializes in the design, development, and sale of fingerprint identification and authentication solutions based on patented and proprietary sensor technologies, circuit designs, software and algorithms, and enrolment techniques. IDEX Biometrics' largest potential market is the biometric payment card market. The Company is a public limited liability company incorporated and domiciled in Norway. The address of the head office is Dronning Eufemias gate 16 at NO-0191 Oslo, Norway. There is one class of ordinary (i.e., common) shares, and all shares have equal rights. The Company's Ordinary Shares are listed on the Oslo Børs, the stock exchange in Oslo, Norway, under the ticker IDEX. The Company's American Depositary Shares ("ADSs"), each ADS representing 75 Ordinary Shares, are listed on Nasdaq, under the ticker symbol IDBA.

IDEX Biometrics has wholly owned subsidiaries in the United States, the United Kingdom, and China. The subsidiaries provide technical development services, sales facilitation, marketing assistance, and/or logistics processing for the parent company.

2 Basis of preparation and accounting policies

These Consolidated interim financial statements for the three-month period ended March 31, 2023, have been prepared in accordance with IAS 34 *Interim Financial Reporting* and have not been subject to audit. These interim financial statements should be read in conjunction with the audited annual financial statements for the year ended December 31, 2022, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and IFRS as endorsed by the European Union. The accounting policies applied herein are consistent with those applied in the preparation of the annual financial statements for the year ended December 31, 2022. Amounts presented may not sum precisely due to rounding.

IDEX Biometrics operates in one operating segment, fingerprint imaging and recognition technology, and these interim financial statements present the full consolidation of the accounts of the Company and all subsidiaries, reflecting this operational focus.

Pursuant to IAS 1 *Presentation of Financial Statements*, a going concern assumption has been applied in the preparation of these interim financial statements. The Company does not expect that its existing cash would enable it to fund its operating expenses and capital expenditures requirements for the next twelve months. The Company plans to undertake a private placement of shares or procure other substantial funding by the end of the third quarter of 2023 to provide additional funding to support research and development and fund working capital. While the Company has been successful in the past in raising funds through private placements of shares, there is no assurance that we will be successful in the future. The Company's failure to raise capital as and when needed could have a negative impact on its financial condition and its ability to pursue its business strategies.

These interim financial statements were approved by the Board of Directors on May 22, 2023.

3 Risks

It is the duty of the Board of Directors to present the principal risks facing the Company in the conduct of its business. The Company's major risk is its business risk, broadly meaning risks to its ability to generate revenue and earn profit. Future revenue generation will depend, among other such risks, on the Company's ability to market and profitably deliver products on a sustained basis, its ability to legally protect its intellectual property rights, its ability to scale its operations to maximize efficiencies, and its ability to retain current employees and to attract new employees. The ability to generate future revenue is also highly dependent on the pace of development of the market for biometric payment cards, which remains in an early stage.

The Company's assets primarily consist of cash, working capital, and intangible assets. As of March 31, 2023, the Company had no indebtedness to financial institutions or other third-party lenders. The Company maintains liquidity by investing available funds in readily accessible, floating-interest rate bank accounts. The Company's exposure to currency exchange rate changes is managed by maintaining an appropriate mix of cash deposits in the various currencies it utilizes for its operations. The Company does not engage in any active hedging strategies. The U.S. Dollar is the dominant currency of the Company's receivables and payables.

During 2022, the Company has experienced vendor shipment delays associated with supply chain constraints within the semiconductor industry. Continued supply chain constraints may further affect future inventory planning and timing of customer shipments. Semiconductor component availability may become a more significant risk factor as the Company's order stock and unit volumes expand.

4 Revenue from contracts with customers

The Company records revenue from the sale of biometric fingerprint sensor products and the delivery of technical development and other engineering services to its customers. Product-related revenue is recognized upon shipment, generally on an Incoterms EXW (i.e., ex-works) basis. Revenue is recognized according to the criteria of IFRS 15 Revenue from Contracts with Customers.

The balances of customer accounts receivable as of March 31, 2023, and December 31, 2022, were \$1.2 million and \$1.3 million, respectively. There were no contract asset or contract liability balances at either of these dates.

IDEX categorizes customers by geographic region utilizing the addresses to which we invoice our products or services. The Company's products and service revenue by geographic region is as follows:

Amounts in USD 1,000	Quarters		Full year
	Q1 2023	Q1 2022	2022
EMEA	820	944	3,574
Americas	419	4	252
Asia-Pacific	2	41	63
Product revenue	1,242	989	3,889
EMEA	-	-	10
Americas	-	-	193
Asia-Pacific	-	-	-
Service revenue	-	-	203
Total revenue	1,242	989	4,091

5 Compensation and benefits

Amounts in USD 1,000	Quarters		Full year
	Q1 2023	Q1 2022	2022
Salary, payroll tax, benefits, other	4,006	4,474	17,389
Share-based compensation	402	504	1,824
Compensation and benefits	4,408	4,978	19,213

Compensation and benefit expenses consist of costs for direct employees of the Company. Individual contractors are classified as Research and development expenses or Other operating expenses, as applicable.

The table below sets forth the number of employees and individual contractors by their function measured in full-time equivalents (FTE). Certain individuals are contractors because they live in countries in which the Company does not have a business presence.

Full-time equivalents (FTEs) by function	March 31, 2023		December 31, 2022		March 31, 2022	
	Employees	Contractors	Employees	Contractors	Employees	Contractors
Research and development	62	6	64	6	2	6
Marketing and sales	5	12	6	9	74	8
General and administrative	6	2	5	2	9	1
Supply chain and distribution	7	-	7	-	8	-
Total	79	19	82	17	93	15

IDEX Biometrics presents operating expenses by *nature*, in contrast to *function*. Accordingly, Compensation and benefits expenses includes the compensation and benefit costs for all employees. Cost of materials, net of inventory change, Research and development expenses, and Other operating expenses do not include the cost of personnel assigned to those activities.

6 Research and development expenses

Research costs are expensed when incurred. Development costs are expensed unless they qualify for capitalization. The Company's patents and other intellectual property rights created are capitalized and recorded on the Statement of financial position only if they satisfy the criteria for capitalization. The Company has not capitalized development costs in any of the periods presented. Development costs related to the creation of intellectual property have been expensed when incurred.

Amounts in USD 1,000	Quarters		Full Year
	Q1 2023	Q1 2022	2022
Gross R&D expenses	933	1,029	3,959
Government grants credited to cost	-	-	(709)
Net R&D expenses	933	1,029	3,250

Government support is recognized when it is probable the Company will qualify and receive support, and the amount can be measured reliably. Norwegian SkatteFUNN grants are recorded in the fourth quarter each year.

7 Related party transactions

The chair of the Board of Directors, Morten Opstad, is a partner in the law firm Advokatfirma Ræder AS (Ræder). Ræder provided legal services to the Company during first quarter 2023, resulting in charges of \$26 thousand. Mr. Opstad's work on behalf of the Company beyond his Director duties is invoiced by Ræder.

Lawrence J. Ciaccia, a member of the Board of Directors, provides to the Company, pursuant to a written agreement, consulting services for a fixed fee of \$50 thousand per year.

8 Non-current assets

Amounts in USD 1,000	Goodwill	Intangible assets	Property, Plant, and Equipment	Right-of-use assets	Non-current receivables	Total non- current assets
Balance at January 1, 2023	968	1,488	1,107	1,545	73	5,181
Additions	-	-	84	59	4	147
Settlements	-	-	(102)	-	(17)	(119)
Depreciation and amortization	-	(119)	(99)	(121)	-	(340)
Effects of changes in foreign currency	-	-	5	24	-	28
Balance at March 31, 2023	968	1,369	995	1,506	60	4,898
Balance at January 1, 2022	968	1,965	1,301	357	87	4,678
Additions	-	-	51	-	-	51
Settlements	-	-	-	-	(6)	(6)
Depreciation and amortization	-	(119)	(121)	(129)	-	(369)
Effects of changes in foreign currency	-	-	(3)	(4)	(1)	(8)
Balance at March 31, 2022	968	1,846	1,228	224	80	4,346
Balance at January 1, 2022	968	1,965	1,301	357	87	4,678
Additions	-	-	267	1,654	-	1,921
Settlements	-	-	-	-	(14)	(14)
Depreciation and amortization	-	(477)	(443)	(431)	-	(1,352)
Effects of changes in foreign currency	-	-	(18)	(35)	-	(52)
Balance at December 31, 2022	968	1,488	1,107	1,545	73	5,181

Acquired intangible assets and intellectual property rights have been capitalized at the time of acquisition. These assets are depreciated over their respective economic lives. The major items depreciate over 9.5 years and 17.3 years from acquisition, through July 2024 and to the end of 2030, respectively. Goodwill is not amortized but is tested for impairment at least annually or more frequently, if circumstances merit. The Company is one cash generating unit for purposes of impairment testing.

9 Financial items

Amounts in USD 1,000	Quarters		Full year
	Q1 2023	Q1 2022	2022
Interest income	91	6	97
Currency exchange gain	107	-	-
Total financial income	198	6	97
Interest expenses on lease liabilities	24	4	33
Currency exchange loss	-	122	1,392
Total financial expense	24	126	1,425

10 Income tax expense

The Company has significant accumulated tax losses. No deferred tax asset associated with these accumulated tax losses has been recorded on the Statement of financial position, as there is not sufficient evidence that taxable profit will be generated, against which the unused tax losses could be applied. There are no restrictions as to how long tax losses may be carried forward in Norway.

11 Loss per share

	Quarters		Full year
	Q1 2023	Q1 2022	2022
Profit (loss) attributable to the shareholders (USD 1,000)	(7,238)	(8,121)	(32,662)
Weighted average basic number of shares	1,167,249,038	1,011,119,376	1,026,932,569
Weighted average diluted number of shares	1,170,443,034	1,026,667,785	1,031,990,723
Profit (loss) per share, basic and diluted	USD (0.01)	USD (0.01)	USD (0.03)

The profit or loss per share is calculated by dividing the profit (loss) for the period by the weighted average number of ordinary shares outstanding for the period. Loss per share is calculated per basic share (i.e., without consideration for the dilutive effect of exercisable subscription rights).

12 Shares and subscription rights

Number of financial instruments	Incentive subscription rights	Shares
Balance at January 1, 2023	81,106,631	1,166,326,584
Employee Stock Purchase Plan		2,648,336
Granted incentive subscription rights	1,423,800	
Balance at March 31, 2023	82,530,431	1,168,974,920
Balance at January 1, 2022	71,756,399	1,010,388,454
Mar 3rd: Share issue		394,409
Employee Stock Purchase Plan		1,765,791
Granted incentive subscription rights	8,089,200	
Exercised incentive subscription rights	(394,407)	
Expired/forfeited incentive subscription rights	(1,150,733)	
Balance at March 31, 2022	78,300,457	1,012,548,654
Balance at January 1, 2022	71,756,399	1,010,388,454
Mar 9th: Share issue		394,409
May 31st: Share issue		60,400
Aug 19th: Share issue		289,608
Nov 18th: Share issue		246,167
Nov 21st: Share issue		101,254,865
Dec 13th: Share issue		48,745,135
Employee Stock Purchase Plan		4,947,546
Granted incentive subscription rights	19,342,900	
Exercised incentive subscription rights	(930,184)	
Expired/forfeited incentive subscription rights	(9,062,484)	
Balance at December 31, 2022	81,106,631	1,166,326,584

From time to time, on a discretionary basis, IDEX Biometrics awards subscription rights for the purchase of Ordinary Shares to employees and individual contractors, pursuant to the terms of an annual subscription rights program approved by shareholders at that year's annual general meeting (AGM). Such subscription rights are denominated in Norwegian Krone. Unless specifically resolved otherwise by the Board of Directors, 25% of each grant of subscription rights vests per year, and the grant expires on the fifth anniversary of the AGM at which the program was approved. Unvested subscription rights terminate on the holder's last day of employment or termination of contract. Vested subscription rights may be exercised up to 90 days after such termination date. The weighted average exercise price of outstanding incentive subscription rights on March 31, 2023, was NOK 1,72 per share.

The fair value at grant date of a subscription right is expensed over the vesting period of each tranche of the grant. The fair value of each tranche of a subscription right is determined using a Black-Scholes option pricing model, based on Ordinary Share prices quoted on the Oslo Børs and published interest rates. The Company's social security tax obligations related to share-based remuneration are recorded on each balance sheet date, based on the earned value of the subscription rights outstanding, and the adjustment to the accrued balance is recorded as cost.

The Company operates an employee stock purchase plan (ESPP), whereby employees may elect to invest a portion of their after-tax compensation in newly issued ordinary shares. Employees make payroll contributions to the ESPP over the course of six-month contribution periods, March-August, and September-February. At

the end of each period, they purchase shares at a 15% discount to the lesser of the share price at the beginning and ending of the contribution period.

The cost of the ESPP is amortized over each contribution period. The cost is based on the contribution amount, the 15% discount, and a Black-Scholes option pricing model at the beginning of the period.

13 Inventory

Amounts in USD 1,000	March 31, 2023			March 31, 2022			December 31, 2022		
	Cost	Reserves	Net	Cost	Reserves	Net	Cost	Reserves	Net
Raw Materials	3,067	-	3,067	659	-	659	2,280	-	2,280
Work in progress	845	-	845	502	-	502	1,486	-	1,486
Finished Goods	1,543	(135)	1,407	855	(6)	849	812	(130)	681
Total Inventory	5,456	(135)	5,320	2,016	(6)	2,010	4,577	(130)	4,447

Inventory, consisting of raw materials (primarily semiconductor components and substrates), work-in-progress, and finished goods (completed fingerprint sensing devices available for sale), is valued at the lower of cost or recoverable value, reflecting reserves based on aging and obsolescence. Period to period variations in reserve balances are mainly caused by time between the identification of an impairment (i.e., the calculation of a reserve charge) and the physical disposal of the inventory in question. As of March 31, 2023, the Company maintained an inventory reserve of \$135 thousand.

14 Events after the balance sheet date

The board of directors resolved on May 22, 2023, to issue 1,984,950 incentive subscription rights to new and existing employees and individual contractors of IDEX Biometrics. The grant was made under the Company's 2022 Subscription rights plan. The exercise price of 883,950 subscription rights is NOK 0.93 per share, they vest by 25% per year over four years, and will expire on May 12, 2027. The exercise price of 1,101,000 subscription rights is NOK 0.15 per share, they vest by 50% per year over two years, and will expire on May 12, 2027. Following the grants, there are 84,515,381 incentive subscription rights outstanding.

There have been no events between March 31, 2023, and the approval of these interim financial statements by the board of directors that have had any material impact on the Company's results for the three months ended March 31, 2023, or the value of the Company's assets and liabilities as of March 31, 2023.