



IDEX BIOMETRICS ASA

THIRD QUARTER REPORT 2019

HIGHLIGHTS

Volume orders begin for global financial news and IT services customer; additional design wins achieved

- » First purchase orders received, and production ramp preparations started as part of multi-year, multimillion-dollar commitment
- » IDEX's biometric solutions selected for additional access control cards by two Asian customers with shipments anticipated in the first half of 2020

Manufacturing milestones for biometric smart cards achieved in the third quarter

- » IDEX customer in Asia achieves cost-effective, mass production milestone for biometric smart cards
- » Partnerships with Sian and Silone Cardtech to accelerate high volume production of biometric smart cards
- » Low-cost, go-to-market solution achieved through pre-lamination supply agreement with Feitian

Certification process underway

- » IDEX Biometrics' dual-interface technology validated by independent labs to meet multiple global payment schemes' certification requirements
- » Remote enroll solution outperforms in certification tests
- » Expect multiple card integrators to be certified in the fourth quarter

Leveraging on-card remote enrollment IP with multiple license agreements

- » First remote enroll license agreement entered into with IDEMIA
- » License agreement signed with Chutian Dragon in China

Strengthening patent portfolio with UK patent grant for on-card remote enrollment

- » Third major territory (following US and Australia) grants remote enroll patents to IDEX

Improving access to US shareholders through OTC up-listing

- » IDEX shares (ticker: IDXAF) now trades on the U.S. OTCQB Venture Market

CEO'S COMMENT

"IDEX made substantial progress in this quarter. In the biometric payment card market, our largest potential revenue opportunity, we're seeing positive developments in manufacturing and certification, whilst our remote enroll solution has the potential to become the industry-standard. In the access control market, we're seeing the beginning of shipments and design-in wins and it's my strong belief that both these markets will fully materialize in 2020."

Stan Swearingen, CEO of IDEX Biometrics ASA



BUSINESS REVIEW

LEADERSHIP IN BIOMETRIC FINGERPRINT SENSING TECHNOLOGY

Strategy to deliver fingerprint sensing solutions to mass markets

IDEX is the only vendor worldwide capable of supplying off-chip sensor architecture designs and embedded biometric algorithms suited to capacitive fingerprint sensors.

Our strategy to deliver fingerprint solutions to mass markets is based on a unique flexible and cost efficient off-chip technology. The off-chip design splits the fingerprint sensor into two key components; the sensor array and the silicon chip (ASIC). This architecture allows the separate sensor array to be made from a low-cost flexible polymer resulting in a larger sensing area, thus improving matching reliability, while decreasing the total amount of silicon used. Overall this provides optimal size and cost-to-performance characteristics.

The off-chip technology also enables a path to integrating additional features and value into the ASIC, including the biometric microcontroller, encryption and power management. This allows for future optimization of the system performance, enhanced usability whilst maintaining a competitive cost advantage.

World class engineers offering a full-system approach for customers

In addition to its unique off-chip sensor technology, IDEX has assembled a highly accomplished team of innovators spanning numerous technology disciplines in order to pursue a full systems approach to its solutions for biometric fingerprint sensing. This deep industry expertise comprises system engineers, software engineers, silicon engineers and packaging technologists.

In 2019, the engineering team completed the development of IDEX's second generation smartcard platform comprising a range of dual-interface sensors, biometric algorithms and turnkey reference designs. Another major achievement was providing key deliverables into the payment schemes' biometric and security certification processes.

Technology roadmap

Our engineers also support our roadmap which is focused on:

- Enabling significant reductions in system cost through optimized packaging and integration architectures to enable low cost manufacturing processes
- Driving improvements in usability, convenience and performance through next generation silicon, sensor and algorithm design
- Enhancing security through secure end-to-end architectures, and advanced match-on-secure element algorithms

This vast experience enables IDEX to support its customers in the integration of all the various components within the smart card. This approach is a key tenet of IDEX's strategy and allows IDEX the flexibility to offer customers a sensor only, a full biometric module or a matching algorithm which can perform the final fingerprint match in the secure element. This strategy is expected to speed up adoption of biometric smart cards.

Multiple end markets

IDEX's unique fingerprint technology is applicable to multiple end markets and use cases. The payment card market represents the largest addressable market for IDEX with 5 billion smart cards shipped annually, and industry analysts project that biometrics on cards could grow to more than 500 million units. In addition, IDEX sensors are being used today in a number of other verticals, including access control.

Progress towards mass production of biometric payment cards

Significant progress has been made by payment card manufacturers in 2019 to overcome the complexities associated with the introduction of a biometric sensor into the payment card. Several of IDEX's customers are now ready and capable of mass production using both hot and cold lamination.

In July a major milestone was achieved when one of IDEX's Asian customers achieved cost-effective, mass production standards for biometric payment cards. This card integrator has successfully made a cost-effective biometric card on a production line that has the capacity to quickly ramp up production to millions of units while maintaining high yields.

IDEX is also working closely alongside component suppliers within the card ecosystem to accelerate the high-volume manufacture of biometric cards. IDEX has established partnerships with Sian and Silone Cardtech, leading Chinese smart card manufacturers, specializing in the development, design, manufacturing and sale of dual-interface cards. The strategic rationale is to ensure that crucial components within the biometric payment card are compatible and ready for mass production.

A key development in the third quarter was the multi-year partnership agreement between IDEX and Feitian. Feitian has become a leading manufacturer of smart card pre-lam, a major component within the smart card. By joining forces with Feitian, IDEX has further differentiated itself from its competitors by including its sensors as part of a mass-produced, low-cost, end-to-end solution for card manufacturers. This agreement marks another important step for IDEX towards securing high volume sensor orders.

Dual-interface biometric smart card certification expected in Q4

Another important milestone in the evolution of the biometric payment card market is the achievement of dual-interface certification. The certification process is well underway, and we expect to see certifications for multiple card integrators during the fourth quarter.

In July, IDEX's dual-interface sensor technology was the first to meet the key requirements for compliance, security and biometric performance by multiple global payment schemes. Having surpassed these critical requirements for the biometric sensor and matching algorithms, IDEX has a compelling solution for card manufacturers looking to enhance their customer offering with the additional security and convenience of a biometric smart card.

Securing biometric smart card leadership with on-card remote enrollment solution

A critical barrier to mass adoption of biometric smart cards is the ability of card issuers to provide a simple, convenient and secure means to enroll the end-user. A simplified registration process will accelerate adoption of biometric cards by issuers and consumers alike.

Earlier this year IDEX was granted comprehensive patents for enrollment of biometric smart cards by the United States and Australian patent authorities. These patents have wide claims covering devices and methods to enable a user to enroll their fingerprint on a biometric card using an unconnected power supply. In October IDEX received a further patent grant from the UK Intellectual Property Office.

IDEX has a large portfolio of patents and applications covering its world-leading fingerprint sensor and biometric algorithm technology.

In August IDEX's remote enroll solution was used by an independent third-party testing house to gather real-world fingerprint images as part of its certification process for a global payment scheme. The results of the image-capture data from the tests far exceeded the False Rejection Rate (FRR) and False Acceptance Rate (FAR) benchmarks required for certification. This is a validation that IDEX's remote enroll solution delivers the required performance and represents an important part of the Company's competitive strategy to differentiate its product offering by providing complete end-to-end biometric solutions for its customers.

In October, IDEX entered into a worldwide license agreement with IDEMIA, allowing them the use of IDEX's on-card biometric enrollment intellectual property. Under the terms of the agreement, IDEX has

granted IDEMIA a license to use certain IDEX patents in order to develop, manufacture and sell on-card enrollment devices while benefiting from IDEMIA's biometric card software expertise. This agreement deepens a long-standing collaboration between IDEX and IDEMIA to bring biometric smart cards into mainstream use.

A second license agreement was announced days later with Chutian Dragon Co., Ltd, one of Asia's largest smart card manufacturers. Under the terms of this agreement, IDEX has granted Chutian Dragon a royalty-bearing patent license to use certain IDEX patents in order to develop, manufacture and sell on-card enrollment devices.

Access Control

This market includes both logical or information access and physical access control. Access control contains multiple form factors, such as smart cards, keyboards and tokens. The adoption of biometrics in access control is being driven by the need for additional security and data privacy, in part driven by global regulation being enacted to ensure security and personal data privacy. IDEX's technology is particularly well suited to this market due to the high importance of security, costs and ease of use. This is a large and growing market; industry participants and analysts estimate that the size of the access control market is 250 million units and growing at more than 5% annually.

Purchase orders and shipments for access control market

In April, IDEX signed a significant contract with a leading provider of global financial news and IT services that has been at the forefront of deploying fingerprint authentication for over a decade.

This multi-year, multimillion-dollar commitment is testament to IDEX's technological leadership and systems expertise in secure biometric solutions. As part of this commitment, IDEX has received its first purchase order and begun the production ramp preparations by supplying its sensors to one of the world's largest electronics manufacturing service companies in order for them to qualify their manufacturing process; a critical step in any ramp-up

process. This marks a major milestone for IDEX, and a regular flow of further purchase orders is now expected.

Design wins for IDEX in access control

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

OTCQB listing in the US

The OTCQB Venture Market offers companies the benefits of being publicly traded in the U.S. with lower cost and complexity than listing on the large U.S. exchanges. To be eligible, international companies must be listed and current in the local market filings and undergo an annual verification and management certification process.

As a verified market with efficient access to U.S. investors, OTCQB helps international companies build shareholder value with a goal of enhancing liquidity and achieving fair valuation. IDEX expects the listing to increase liquidity and visibility for IDEX shares in the U.S. as a first step towards a full U.S. listing.

Summary and outlook

IDEX made substantial progress during the quarter and the board is pleased to see design-in wins in the access control market. In the payment card market, IDEX expects certifications before year end. Industry participants and analysts believe 2020 will be the year where the market moves from one defined by pilots, towards mass commercial deployments. For the access control market, IDEX expects to begin volume shipments in the first quarter of 2020 and additional design-in wins. The board is confident that IDEX has the strategy and leadership to deliver on its vision to be a leader in the biometric fingerprint sensing technology and ensure long-term value creation for its stakeholders.

FINANCIAL REVIEW

Statements of profit and loss

IDEX recorded revenues of NOK 1.3 million in the third quarter of 2019, up from NOK 1.1 million in the corresponding period of 2018. In the first nine months of 2019, the revenues amounted to NOK 3.1 million, compared to NOK 3.2 million in the same period of 2018. Revenues are primarily related to card products.

The gross margin on product sales in the third quarter was 60%, compared to 23% in same quarter of 2018. The total gross margin includes service income and was 87% for the first nine months of 2019, compared to 57% during the first nine months of 2018. The gross margin at small volumes is not necessarily representative of the gross margin at mass volumes.

Total operating expenses in the third quarter of 2019 amounted to NOK 62.2 million, compared to NOK 58.1 million in the third quarter of 2018. In the first nine months of the year, total operating expenses amounted to NOK 186.9 million in 2019 and NOK 177.2 million in 2018. The increase in expenses in the first nine months of 2019 is mainly due to increased other operating costs, see comments below, while the increased payroll expenses are offset by lower development expenses as more development work was carried out by IDEX's staff.

Payroll expenses amounted to NOK 44.6 million in the third quarter of 2019 and NOK 131.1 million in the first nine months of 2019, up from NOK 40.4 million and NOK 118.1 million in the comparable periods of 2018. The underlying payroll cost excluding share-based remuneration was NOK 38.9 million in the third quarter and NOK 113.3 million in the first nine months of this year, up from NOK 32.7 million and NOK 97.9 million in the corresponding periods of 2018. The increase reflects that the average number of IDEX employees was 109 full-time equivalents (FTE) in the first nine months of this year, up from 98 FTE in the first nine months of last year. In addition, there are fluctuations between quarters as salaries in subsidiaries are paid in foreign currency and variations in other staff-related

items, such as recruiting costs. The net accounting cost of share-based remuneration may vary substantially between quarters because of share price fluctuations as well as grants and exercises. Cash cost upon exercises are funded by the capital injected at exercise.

IDEX's staff, including both employees and individual contractors, was 125 FTE at 30 September 2019, up from 115 FTE at 31 December 2018. The staff is comprised of 114 FTE employees and 11 FTE individual contractors.

Development expenses amounted to NOK 8.6 million in the third quarter of 2019, down from NOK 9.3 million in the corresponding quarter of 2018. In the first nine months of 2019, these expenses were NOK 26.3 million, down from NOK 35.2 million in the same period of 2018, as more development work was carried out by IDEX's staff.

Other operating expenses, mainly expenses related to sales, marketing and administration, amounted to NOK 9.0 million in the third quarter and NOK 29.5 million in the first nine months of 2019, compared to NOK 8.5 million and NOK 23.9 million in the corresponding periods last year. The increase is mainly related to outsourced services, and an increase in IT expenses and legal services.

There will be reductions in staff, and reductions in other cash compensation costs. Other operating expenses not related to near-term revenue generation or critical development activities will also be reduced. The actions will take effect in the fourth quarter and the full impact is expected as of the first quarter of 2020. These cost reductions are expected to result in a 30% reduction in annualized operating expenses, and are expected to lower IDEX's break-even point by more than 50%.

Amortization and depreciation amounted to NOK 3.5 million and NOK 10.4 million in the third quarter and first nine months of this year respectively, which represent increases from NOK 1.7 million and 5.1 million in the corresponding periods last year. The

increase is chiefly due to IDEX's investment in high-volume test equipment in the second half of 2018.

Net financial items amounted to an expense of NOK 0.8 million in the third quarter this year, compared to an expense of NOK 0.4 million in the third quarter last year. Net financial items amounted to an expense of NOK 1.6 million in the first nine months of 2019 and compares to an expense of NOK 1.4 million in the first nine months of 2018. The variation in net financial items between periods is mainly caused by re-/devaluations of foreign currency, mainly the U.S. dollar, causing gains or losses on receivables and debt denominated in currencies other than NOK.

The IDEX group recorded a tax charge of NOK 1.1 million in the third quarter this year, compared to a tax charge of NOK 0.7 in the third quarter of 2018. Due to profits in IDEX's subsidiaries in the USA and UK, the group's tax charge amounted to NOK 3.3 million in the first nine months of 2019, compared to a tax charge of NOK 0.9 million the corresponding period last year.

The IDEX group had a net loss of NOK 65.5 million in the third quarter of 2019, compared to a net loss of NOK 60.1 million in the third quarter of 2018. In the first nine months of 2019, the group recorded a loss of NOK 194.7 million, compared to a loss of NOK 180.5 million for the first nine months of 2018.

Loss per weighted average number of basic shares amounted to NOK 0.11 in the third quarter, in line with the loss of NOK 0.11 per share in the third quarter of 2018. In the first nine months of the year, the loss amounted to NOK 0.34 per share this year and NOK 0.33 per share last year.

Financial position

The main assets held on the balance sheet are acquired intangible assets and cash in bank. Cash is the major item, representing 54% of the total assets.

The acquired intangible assets and intellectual property rights have been capitalized in accordance with IFRS, and included goodwill amounting to NOK 8.3 million and depreciating assets at a net book value of NOK 24.0 million at 30 September 2019. The corresponding values at 30 September 2018 were NOK 8.3 million and NOK 27.7 million respectively. The

assets depreciate over the economic life of the respective items. IDEX's self-developed intellectual property rights and product development costs are generally not held on the balance sheet because they do not satisfy the IFRS criteria for capitalization. No development expenses were capitalized in 2019 or 2018.

Tangible fixed assets amounted to NOK 23.3 million at 30 September 2019, up from NOK 14.6 million at 31 December 2018 and NOK 14.1 million at 30 September 2018. The fixed assets are scientific and test equipment, engineering tools, leasehold outfitting, office equipment and furniture with useful lives of 3-7 years.

Inventory amounted to NOK 14.6 million at 30 September 2019, up from NOK 10.2 million at 31 December 2018 and 10.4 million at 30 September 2018. The inventory consists mainly of components and fingerprint sensors for cards. Because of significant lead times for certain components, IDEX holds inventory to satisfy expected demand for deliveries with short notice.

There were customer receivables of NOK 0.1 million at 30 September 2019, down from NOK 0.3 million at 31 December 2018 and NOK 0.8 million at 30 September 2018.

At 30 September 2019 IDEX had a cash balance of NOK 96.9 million, up from NOK 83.7 million at the end of 2018. On 25 January 2019 IDEX made a private placement of shares, raising NOK 213.8 million before expenses.

Equity amounted to NOK 149.2 million at the end of the third quarter of 2019, up from NOK 123.2 million at the end of 2018. In the first nine months of 2019, new equity in a net amount of NOK 206.7 was added. The ongoing decrease is mainly caused by net losses.

IDEX does not have any debt to financial institutions or lenders.

IDEX implemented IFRS 16 effective 1 January 2019. The total right-of-use asset recognized for the group was NOK 9.9 million. The corresponding liability was NOK 4.0 million long-term and NOK 5.9 million short-term. In line with IFRS 16, the implementation will lead

to decreased rental costs offset by increased depreciation and financial costs. For the first nine months of 2019, these are NOK 4.4 million in depreciation, NOK 4.6 million in rent offset and NOK 0.3 million financial cost. See note 2 and 6 for more information.

Total short-term liabilities amounted to NOK 30.1 million at 30 September 2019, down from NOK 32.8 million at 31 December 2018 and NOK 32.8 million at 30 September 2018. Variations between quarters are caused by activity level, specific pay terms and timing of deliveries.

The net working capital, inventory plus receivables less trade accounts payable, amounted to NOK 20.7 million at 30 September 2019, up from NOK 16.6 million at 31 December 2018 and up from NOK 14.0 million at 30 September 2018. IDEX will need to build up its inventory and accumulate receivables as sales to the card markets increase.

Liquidity

IDEX's operational cash outflow was NOK 55.7 million in the third quarter of 2019, compared to NOK 52.9 million in the third quarter of 2018. The main operating cash items are the operating losses in each period,

partly offset by the equity part of the share-based compensation and depreciation. The working capital varies between quarters, mainly due to fluctuating payables to suppliers and accrued liabilities. Future planned growth of sales is expected to cause an increase in working capital in the form of inventory and receivables, partly funded by payables.

IDEX invested NOK 2.1 million in capital equipment during the third quarter of 2019, compared to NOK 6.8 million in the third quarter of 2018. Going forward, IDEX will invest in equipment for scaling its manufacturing. At 30 September 2019, NOK 3.4 million of the NOK 4.6 million invested in the first nine months of 2019 is related to ordered manufacturing equipment expected to be deployed for use in the fourth quarter of 2019, currently classified as investment in progress.

IDEX's balance sheet solvency, which is the cash position less the net of receivables and short-term liabilities, amounted to NOK 78.9 million at 30 September 2019, up from NOK 62.4 million at the beginning of the year. The increase was mainly caused by the private placement in January less the net loss in the period.

Fornebu, Norway, 12 November 2019
The board of directors of IDEX Biometrics ASA



Morten Opstad
Chairman



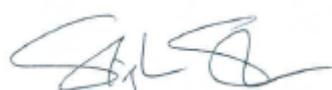
Lawrence John Ciaccia
Board member



Deborah Davis
Board member



Hanne Høvdning
Board member



Stephen Skaggs
Board member

INTERIM CONSOLIDATED FINANCIAL INFORMATION

STATEMENTS OF PROFIT AND LOSS

Amounts in NOK 1,000	Note	Quarters		First nine months		Full year
		Q3 2019	Q3 2018	2019	2018	2018
Operating revenue						
Product sales		473	1 082	920	1 823	2 181
Other operating income		852		2 145	1 389	1 404
Total revenue		1 324	1 082	3 065	3 212	3 585
Cost of goods sold						
		190	830	407	1 368	1 502
Gross margin						
		1 134	252	2 658	1 844	2 082
Operating expenses						
Payroll expenses	4	44 648	40 356	131 078	118 071	160 983
Development expenses		8 575	9 312	26 308	35 235	45 850
Other operating expenses	5, 6	8 971	8 466	29 518	23 902	31 908
Total operating expenses		62 194	58 134	186 903	177 208	238 740
Profit (loss) before interest, tax, depreciation and amortization (EBITDA)						
		(61 060)	(57 882)	(184 246)	(175 364)	(236 658)
Amortization and depreciation	6, 7	3 487	1 740	10 444	5 094	6 854
Profit (loss) before interest and tax (EBIT)						
		(64 547)	(59 622)	(194 690)	(180 458)	(243 512)
Net financial items						
	6, 8	(979)	(430)	(1 578)	(1 400)	(2 254)
Net result before tax (EBT)						
		(65 526)	(60 052)	(196 267)	(181 858)	(245 766)
Income taxes						
	9	1 147	692	3 294	889	332
Net loss for the period						
		(66 673)	(60 744)	(199 561)	(182 747)	(246 097)
Profit (loss) per share, basic and diluted (NOK)						
	10	(0.11)	(0.11)	(0.34)	(0.33)	(0.45)

STATEMENTS OF OTHER COMPREHENSIVE INCOME

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

Amounts in NOK 1,000	Quarters		First nine months		Full year
	Q3 2019	Q3 2018	2019	2018	2018
Net loss for the period					
	(66 673)	(60 744)	(199 561)	(182 747)	(246 097)
Exchange differences on foreign operations					
	1 041	(31)	420	(98)	946
Total comprehensive income (loss) for the period, net of tax					
	(65 632)	(60 775)	(199 141)	(182 845)	(245 151)

STATEMENTS OF FINANCIAL POSITION

Amounts in NOK 1,000	Note	At 30 September 2019	At 30 September 2018	At 31 December 2018
Assets				
Long-term assets				
Goodwill		8 260	8 260	8 260
Other intangible assets		24 039	27 688	26 763
Total intangible assets		32 299	35 948	35 023
Fixed assets		16 372	14 083	14 590
Right-of-use assets	6	6 946		
Total fixed assets		23 318	14 083	14 590
Long-term receivables		1 267	1 227	1 269
Total financial assets		1 267	1 227	1 269
Total long-term assets	7	56 883	51 258	50 882
Current assets				
Inventory		14 623	10 420	10 164
Customer receivables		76	796	339
Prepaid expenses		4 865	4 942	5 529
Other short-term receivables		7 135	6 759	5 684
Total receivables		12 076	12 497	11 552
Cash and bank deposits		96 939	130 472	83 714
Total current assets		123 638	153 389	105 430
Total assets		180 522	204 647	156 312
Equity and liabilities				
Equity				
Share capital	10	89 698	81 402	81 647
Share premium		1 390 926	1 185 355	1 192 222
Other paid-in capital		116 301	93 169	98 553
Total paid-in capital		1 596 926	1 359 926	1 372 422
Retained earnings (losses)		(1 447 702)	(1 186 877)	(1 249 183)
Total equity		149 223	173 049	123 239
Long-term liabilities				
Deferred tax liabilities		229	224	226
Long-term lease liabilities		986		
Other long-term liabilities			3 881	
Total long-term liabilities		1 214	4 105	226
Short-term liabilities				
Accounts payable		6 002	8 918	5 126
Income tax payable		3 168	2 179	1 716
Short-term lease liabilities		6 126		
Public duties payable		1 424	1 770	2 276
Notional employer's tax on share-based remuneration	11		1 550	
Other short-term liabilities		13 364	13 076	23 729
Total short-term liabilities		30 084	27 493	32 847
Total liabilities		31 299	31 598	33 073
Total equity and liabilities		180 522	204 647	156 312

STATEMENTS OF EQUITY

Amounts in NOK 1,000	Note	Share capital	Share premium	Other paid-in capital	Retained earnings (uncovered loss)	Total equity
Balance at 1 January 2019		81 647	1 192 222	98 553	(1 249 183)	123 239
Share issue 25 January		8 016	198 704			206 720
Share issue (board remun.)		36				36
Share-based remuneration	5			17 748		17 748
Profit (loss) for the period					(199 561)	(199 561)
Other comprehensive income					1 041	1 041
Balance at 30 September 2019		89 698	1 390 926	116 301	(1 447 702)	149 223
Balance at 1 January 2018		81 357	1 185 355	74 382	(1 004 032)	337 062
Share issue (board remun.)		45				45
Share-based remuneration	5			18 787		18 787
Profit (loss) for the period					(182 747)	(182 747)
Other comprehensive income					(98)	(98)
Balance at 30 September 2018		81 402	1 185 355	93 169	(1 186 877)	173 049
Balance at 1 January 2018		81 357	1 185 355	74 382	(1 004 032)	337 062
Exercise of subscript. rights	4	245	6 868			7 112
Share issue (board remun.)		45		1 030		1 075
Share-based remuneration	5			23 141		23 141
Profit (loss) for the year					(246 097)	(246 097)
Other comprehensive income					946	946
Balance at 31 December 2018		81 647	1 192 223	98 553	(1 249 183)	123 239

STATEMENTS OF CASH FLOWS

Amounts in NOK 1,000	Quarters		First nine months		Full year
	Q3 2019	Q3 2018	2019	2018	2018
Operating activities					
Profit (loss) before tax	(65 526)	(60 052)	(196 267)	(181 858)	(245 766)
Amortization and depreciation	3 487	1 740	10 444	5 094	6 854
Share-based remuneration (equity part)	5 703	6 109	17 748	18 787	24 170
Change in inventories	(133)	211	(4 460)	(1 165)	(909)
Change in accounts receivables	(334)	(953)	263	(246)	211
Change in accounts payable	(497)	2 790	824	5 814	2 051
Change in other working capital items	1 897	(2 629)	(12 065)	(8 638)	997
Other operating activities	289	241	273	502	980
Net financial items	(271)	(385)	(993)	(1 325)	(1 731)
Change in income taxes	(307)	58	(1 964)	(1 579)	(1 593)
Net cash flows from operating activities	(55 692)	(52 871)	(186 196)	(164 614)	(214 735)
Investing activities					
Investments in tangible assets	(2 067)	(6 812)	(4 578)	(8 376)	(8 991)
Change in long-term receivables	(0)		16		(3)
Interest income receipts	268	213	994	911	1 095
Net cash flows used in investing activities	(1 799)	(6 599)	(3 568)	(7 465)	(7 899)
Financing activities					
Net proceeds from issue of shares		45	206 755	45	7 157
Payments on lease liabilities	(1 457)		(4 290)		
Change in long-term payables		113		617	(3 271)
Net cash flows from financing activities	(1 457)	158	202 466	662	3 886
Net change in cash and bank deposits	(58 949)	(59 312)	12 701	(171 417)	(218 748)
Effect of foreign exchange rate changes	800	(106)	524	(213)	360
Opening cash and bank deposits balance	155 088	189 889	83 714	302 102	302 102
Closing cash and bank deposits balance	96 939	130 472	96 939	130 472	83 714

NOTES TO INTERIM FINANCIAL STATEMENTS

1 General information

IDEX Biometrics is a leader in fingerprint sensing solutions and technology for multiple markets. The company has developed an off-chip sensor architecture and embedded biometric algorithms suited to capacitive fingerprint sensors. The company is a public limited liability company incorporated and domiciled in Norway. The address of the head office is Martin Linges vei 25 at NO-1364 Fornebu, Norway. IDEX Biometrics ASA's shares are listed at Oslo Børs, the stock exchange in Oslo and are traded in the U.S. on the OTCQB Venture Market.

IDEX Biometrics ASA holds a subsidiary group in the United States of America, a subsidiary in the People's Republic of China and a subsidiary in the United Kingdom. The subsidiaries provide technical development services, sales facilitation, marketing assistance and/or logistics processing for IDEX Biometrics ASA.

2 Basis of preparation and accounting policies

These interim financial statements for the first nine months of 2019 have been prepared in accordance with IAS 34 Interim financial reporting. The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the interpretations set out by the International Accounting Standards Board, as approved by the European Union. The going concern assumption has been applied when preparing this interim financial report. See note 3. This interim financial report has not been subject to audit. The report was approved by the board of directors on 12 November 2019.

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

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

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

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

The impacts of IFRS 16 adoption per 1 January 2019 and year-to-date 2019 are summarized in note 6.

3 Risks

It is the duty of the board of directors to duly present the principal risks of IDEX and its business. The company's major risk is its business risk, meaning its ability to generate revenue and earn profit. The future revenue generation will depend on IDEX's ability to market and deliver technically sound, cost-effective and competitively differentiated products, and the company's ability to legally protect its intellectual property rights. IDEX considers that its fingerprint sensor technology has one of the best biometric performances, and that its fingerprint sensor products offer unique properties, particularly well-suited for the payment card and access control markets as well as other markets.

IDEX currently generates immaterial revenue and operates at a significant loss. As of 30 September 2019, the company had 96.9 million NOK in cash and no financial debt.

The company expects to increase revenue generation through sales of sensors and monetization of its intellectual property. The biometric payment card market is still an emerging growth market, and, as is common in most emerging growth markets, the timing of revenue is difficult to predict with any precision. IDEX monitors its cash position very closely, including the expense and working capital requirements. As IDEX works through the process to optimally capitalize the business, while minimizing shareholder dilution, it concluded it was prudent to take certain expense reduction actions at this time. These measures are expected to result in a 30% decrease in operating expenses.

IDEX does not have any significant assets or liabilities with financial risk. IDEX's balance sheet comprises mainly cash and working capital and the company is fully funded on equity. IDEX does not hold financial instruments or significant financial assets or liabilities and has limited financial risks related to currency and interest rates. USD is the dominant currency of the company's payables.

4 Payroll expenses

Amounts in NOK 1,000	Quarters		First nine months		Full year
	Q3 2019	Q3 2018	2019	2018	2018
Salary, payroll tax, benefits, other	38 945	32 696	113 252	97 913	136 960
Payable payroll tax on realized share-based benefit			77		31
Share-based remun., notional cost	5 703	6 110	17 748	18 787	24 170
Accr. (rev.) payr. tax on share-based remun.		1 550		1 371	(179)
Payroll expenses	44 648	40 356	131 078	118 071	160 983

The fair value at grant date of subscription rights granted to employees is expensed over the vesting period of each tranche. The fair value of the subscription rights is determined using the Black-Scholes option pricing model. Employer's social security tax related to share-based remuneration is calculated on the balance sheet date based on the earned intrinsic value of the subscription rights, and the adjustment to the accrued amount is charged or credited to cost. When subscription rights are exercised, the accrued payroll tax is reversed, and the actual payroll tax is expensed.

5 Related party transactions

The chairman Morten Opstad is a partner in Advokatfirma Ræder DA. This law firm provided services to the company amounting to NOK 3,114 thousand in the first nine months of 2019. Mr Opstad's work beyond board duty has been invoiced by Ræder.

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

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

Some board members and senior managers participated in the private placement on 25 January 2019, and acquired shares at NOK 4.00 per share, the same price as the other investors. Chairman Morten Opstad acquired 100,000 shares, CEO Stan Swearingen acquired 250,000 shares, former board member Andrew MacLeod acquired 140,000 shares, and former CFO Henrik Knudtzon acquired 100,000 shares.

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

The board resolved on 4 August 2019 the annual refresh grant of incentive subscription rights (SRs) to IDEX employees under the company's 2019 incentive subscription rights plan. The following grants were made to senior managers: Stan Swearingen, CEO, 1,200,900 SRs; Derek D'Antilio, CFO 2,000,000 SRs; Fred Benkley, Chief Innovation Officer, 245,400 SRs; Guido Bertocci, VP of Software Engineering, 210,400 SRs; Anthony Eaton, CTO, 327,800 SRs; Stuart Hunt, Sr Director of IR and Comms., 74,500 SRs; Chris Ludden, SVP of Silicon and Sensor Technologies, 385,700 SRs; Sarah Mathews, VP of Human Resources, 596,100 SRs, David Orme, SVP of Sales and Marketing, 208,600 SRs; Brian Roberts, VP of Product Mgt. and Business Dev., 210,400 SRs; Erling Svela, VP of Finance, 178,800 SRs; and Paul Taylor, VP of Operations & Programme Mgt, 178,800 SRs. The exercise price of the subscription rights is NOK 1.65 per share. 25 per cent of the subscription rights vest per year. The subscription rights expire on 9 May 2024.

6 Leases

Leases in the statements of income	Quarters	First nine months
Amounts in NOK 1,000	Q3 2019	2019
Other operating expense	(1 553)	(4 604)
EBITDA	1 553	4 604
Depreciation of right-of-use assets	1 499	4 448
EBITA	54	156
Interest expense on lease liabilities	95	315
EBIT	(41)	(159)

Leases in the statements of financial position

Amounts in NOK 1,000	At 30 September 2019	At 1 January 2019
Assets		
Right-of-use-assets - office buildings	6 946	9 909
Total lease assets	6 946	9 909
Liabilities		
Short-term liabilities	986	3 981
Long-term liabilities	6 126	5 928
Total lease liabilities	7 112	9 909

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

Reconciliation of lease commitments to lease liabilities

Amounts in NOK 1,000	
Operating lease obligation at 31 December 2018	12 101
Relief option for short-term leases	(1 753)
Gross lease liabilities at 1 January 2019	10 348
Effect of discounting using incremental borrowing rate	(439)
Lease liability and right-of-use assets recognized at initial application	9 909

The lease liabilities were discounted at the incremental borrowing rate as at 1 January 2018. The weighted average discount rate was 4.89%

Leases in the statements of cash flows

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

7 Long-term assets

Amounts in NOK 1,000	Goodwill	Other intangible assets	Tangible fixed assets	Right-of-use assets	Long-term receivables	Total long- term assets
Balance at 1 January 2019	8 260	26 763	14 590		1 269	50 882
Additions			4 578	11 141		15 720
Disposals and retirements at cost			(225)		(16)	(242)
Depreciation and impairment losses		(2 725)	(3 271)	(4 448)		(10 444)
Depreciation on disposed and retired assets			201			201
Effects of changes in foreign currency			499	254	14	766
Balance at 30 September 2019	8 260	24 039	16 372	6 946	1 267	56 883
Balance at 1 January 2018	8 260	30 464	8 002		1 251	47 977
Additions			8 376			8 376
Depreciation and impairment losses		(2 776)	(2 318)			(5 094)
Effects of changes in foreign currency			23		(24)	(1)
Balance at 30 September 2018	8 260	27 688	14 083		1 227	51 258
Balance at 1 January 2018	8 260	30 464	8 002		1 251	47 977
Additions			9 016		3	9 019
Disposals and retirements at cost			(222)			(222)
Depreciation and impairment losses		(3 701)	(3 153)			(6 854)
Depreciation on disposed and retired assets			197			197
Effects of changes in foreign currency			750		15	765
Balance at 31 December 2018	8 260	26 763	14 590		1 269	50 882

Acquired intangible assets and intellectual property rights have been capitalized in accordance with IFRS, and included goodwill amounting to NOK 8.3 million and depreciating assets in an original acquisition amount of NOK 42.7 million. The assets depreciate over the economic life of the respective assets. The major items depreciate over 9.5 years and 17.3 years from acquisition, through July 2024 and to the end of 2030 respectively. Under IFRS, goodwill is not amortized but impairment tested at each year end. Intangible assets that are fully depreciated are by definition retired.

IDEX's self-developed patents and other intellectual property rights are generally not held in the balance sheet because they do not satisfy the IFRS criteria for capitalization. Development costs have largely been expensed for the same reason. IDEX has not capitalized any development expenses in 2019 or 2018.

8 Financial items

Amounts in NOK 1,000	Quarters		First nine months		Full year
	Q3 2019	Q3 2018	2019	2018	2018
Interest income	268	213	994	911	1 095
Currency exchange gain	700	676	2 489	3 971	13 201
Other financial income		177		177	
Total financial income	969	1 066	3 483	5 058	14 296
Interest expenses	0	4	1	14	14
Interest expenses on lease liabilities	95		315		
Interest expenses on deferred settlement	120	208	350	611	828
Currency exchange loss	1 732	1 285	4 395	5 835	15 173
Other financial expenses		(0)		(0)	535
Total financial expense	1 948	1 496	5 060	6 458	16 550
Net financial items	(979)	(430)	(1 578)	(1 400)	(2 254)

9 Income tax expense

The income tax expense relates to estimated income tax on profit in IDEX America and IDEX UK.

10 Profit (Loss) per share

	First nine months		Full year
	2019	2018	2018
Profit (loss) attributable to the shareholders (NOK 1 000)	(199 561)	(182 747)	(246 097)
Weighted average basic number of shares	597 988 767	542 517 253	542 795 969
Weighted average diluted number of shares	597 988 767	542 670 095	543 117 924
Profit (loss) per share, basic and diluted	NOK (0.34)	NOK (0.33)	NOK (0.45)

When the period result is a loss, the loss per diluted number of shares is not reduced by the higher number of shares but equals the result per basic number of shares.

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

11 Shares and subscription rights

Number of financial instruments	Incentive subscription rights	Shares
Balance at 1 January 2019	37 471 050	544 314 537
25 January: Share issue		53 437 500
Granted incentive subscription rights	14 221 900	
Expired/forfeited incentive subscription rights	(2 973 550)	
28 May: Issued shares in lieu of board remuneration		236 695
Balance at 30 September 2019	48 719 400	597 988 732
Balance at 1 January 2018	25 260 000	542 383 105
Granted incentive subscription rights	21 892 600	
Expired/forfeited incentive subscription rights	(7 859 300)	
31 May: Issued shares in lieu of board remuneration		300 182
Balance at 30 September 2018	39 293 300	542 683 287
Balance at 1 January 2018	25 260 000	542 383 105
Granted incentive subscription rights	23 400 600	
Exercised incentive subscription rights	(1 631 250)	1 631 250
Expired/forfeited incentive subscription rights	(9 558 300)	
9 May: Issued shares in lieu of board remuneration		300 182
Balance at 31 December 2018	37 471 050	544 314 537

The annual general meeting of IDEX Biometrics ASA on 9 May 2019 resolved that the board members could elect to receive all or part of the board remuneration in the form of shares in IDEX; that the number of shares shall correspond to a value of 133 per cent of the NOK amount of board remuneration taken in shares; that the board member must pay a subscription price per share equal to the par value of the share, being NOK 0.15; and that the shares are locked up for one year from the date of the annual general meeting.

The annual general meeting of IDEX on 9 May 2018 resolved that the board members could elect to receive all or part of the board remuneration in the form of shares in IDEX. In 2018, the chairman and three board members took board remuneration partly or fully in shares in lieu of cash against a payment of par value NOK 0.15 per share.

IDEX from time to time grants incentive subscription rights (SRs) to employees and individual contractors. Unless specifically resolved otherwise, 25% of each grant of subscription rights vest per year and expire on the fifth anniversary following the general meeting that resolved the program. Unvested subscription rights terminate on the holder's last day of employment. Vested subscription rights may be exercised up to 90 days after the holder's last day of employment. The weighted average exercise price of outstanding incentive SRs on 30 September 2019 was NOK 4.48 per share.

12 Events occurring after the balance sheet date

On 6 November 2019 IDEX implemented cost reductions which will take effect in the fourth quarter. There will be no material costs related to the right-sizing.

The board of directors of IDEX resolved on 12 November 2019 to issue 1,253,700 incentive subscription rights to employees and individual contractors in the IDEX group. The grant was made under the company's 2019 incentive subscription rights plan as resolved at the annual general meeting on 9 May 2019. The exercise price of the subscription rights is NOK 0.71 per share. The subscription rights vest by 25% per year and expire on 9 May 2024. Following the grant there will be 49,973,100 subscription rights outstanding.

There have been no events between 30 September 2019 and the resolution of these interim financial statements that have had any material impact on IDEX's results in the first nine months of 2019 or the value of the company's assets and liabilities at 30 September 2019.