



IDEX ASA

Third quarter 2018 report

Third quarter and recent highlights

- **Biometric card market at inflection point**
 - Received a landmark, world's first order for sensors to be used in biometric-enabled payment cards
 - Smart card incorporating IDEX's contact-based sensor certified by leading global payments provider
 - Fransabank launched first Mastercard biometric payment card to customers in Lebanon
 - IDEX's solutions, supply chain, partnerships and customers ready for broad commercialization
- **Significantly expanded customer base with strong pull for IDEX's biometric card solutions**
 - Feitian selected IDEX's sensors for dual-interface banking application on major Chinese payment network
 - JINCO integrated IDEX's sensor in dual-interface biometric cards for multiple payment and identification applications
 - Partnership with Hengbao to introduce biometric smart cards in Asian markets
 - IDEX partners with and received initial order for sensors from XH Smart Tech (in China) for dual-interface smart cards
- **IDEX's contact-less sensor for dual-interface card is ready for the market and adopted by customers**
 - Multiple card vendors evaluating and integrating dual-interface sensors
- **Advancing commercialization of on-card remote enrollment solution**
 - Remote enrollment acknowledged as a critical enabler of commercial adoption by major global payment providers and card integrators
- **IDEX sensors integrated by Ohsung Electronics, a leading global manufacturer of remote controls for consumer devices**

Outlook and expected upcoming milestones

- **Imminent commercialization expected**
 - Additional shipments in support of production order
 - New customers and eco-system partners in multiple verticals
 - Multiple pilots of dual-interface cards
 - Commercial launch of remote enroll
 - Continue to strengthen our intellectual property position
 - Confident in dual-interface 'certification', and volume delivery by mid-2019



LEADERSHIP POSITION IN BIOMETRIC CARDS UNDERPINNED BY DIFFERENTIATED TECHNOLOGY AND COMPLETE SOLUTIONS APPROACH

Off-chip technology enables unique adaptability in design and architecture

IDEX is proud to be the only supplier of proven, capacitive off-chip fingerprint solutions in the biometric card industry. As a company with deep expertise and considerable intellectual property in both silicon and off-chip sensor technology, IDEX has chosen to focus on off-chip solutions due to the significant benefits of this technology's fundamentally different architecture.

Off-chip sensors are designed with a chip, also referred to as the ASIC, that is independent from the sensing array. The initial development of an off-chip fingerprint sensor is considerably more complex than a silicon sensor, however this innovative approach provides a number of important competitive and application advantages, including significantly increased adaptability and form factor flexibility. As a result, this scalable architecture enables IDEX to design superior sensor solutions with optimal size and cost-to-performance characteristics. In addition, the off-chip technology enables a path to integrating additional features and value into the ASIC, including the biometric MCU, encryption and power management. This allows optimization of the system performance and reduces the total system cost significantly.

IDEX's off-chip sensor and ASIC are especially well suited for integration into biometric cards. The key benefits in card applications include a sensor that is uniquely bendable as well as a more integrated architecture that reduces the number of components, cost and manufacturing complexity of the sensor.

IDEX leverages a system approach and global partnerships to provide industry leading solutions

In addition to its unique off-chip sensor technology, IDEX has assembled a highly accomplished team of fundamental innovators spanning numerous disciplines of technology in order to pursue a full system approach to its solutions for biometric cards. The company's offerings include fingerprint sensors and fingerprint sensor modules, which leverage IDEX's proprietary matcher algorithm optimized for both contact-based and dual-interface biometric card applications.

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

Unlocking market-enabling innovation with on-card remote enrollment

By combining these two fundamental design concepts of differentiated technology and a full system approach, in May 2018 IDEX announced that the company had been actively working in partnership with Mastercard on the development of an on-card remote enrollment solution for biometric cards. Now considered by multiple leading global payment providers as a critical market enabler, IDEX's incredibly innovative yet relatively simple remote enrollment solution addresses what many industry participants previously viewed as the largest barrier to adoption for biometric payment cards, in-person enrollment.

This low-cost and seamless end-to-end solution for both issuers and consumers uniquely allows card users to securely enroll themselves without visiting a physical branch or point-of-sale terminal, and without the use of a computer, smartphone or any connected device. IDEX was recently granted patents in the U.S. on the on-card remote enrollment solution, which can be used for both contact-based and dual-interface card applications.

Another path IDEX is pursuing to enhance security is to develop a proprietary matching algorithm that



performs part of the matching in the secure element of the card. This enhances security by protecting from external breaches.

IDEX has a roadmap for display integration with strong benefits for biometric cards. Firstly, using display technology to manufacture sensors has the potential of significantly reducing costs. Secondly, the technology can potentially enrich the biometric card with additional features enhancing both the security and user friendliness of the card. The display integration roadmap is enabled by IDEX's off-chip technology and the team's deep knowledge in the area.

BIOMETRIC CARD MARKET AT INFLECTION POINT

The market for biometric cards has gained appreciable momentum during 2018, as leading companies across the smart card ecosystem, such as card integrators, payment providers and secure element vendors, have expanded development efforts, customer engagements and commercial deployments. Also, consumer awareness and card issuer interest are consistently becoming stronger, resulting in adoption of biometric cards.

Underpinned by a combination of the company's enabling technology and complete solutions expertise, IDEX continues to advance its existing leadership position in the market for biometric cards. IDEX has consistently supported a growing number of successful customer trials through 2018, and in July a contact-based payment card incorporating the company's sensor was certified by a leading global payment provider. Also during the third quarter, Fransabank launched the first Mastercard biometric payment card featuring IDEX's sensor to customers in Lebanon, and one of IDEX's strategic partners placed world's first production order of biometric fingerprint sensors for payment cards. Most recently, IDEX announced a partnership with Hengbao, one of the largest card solutions providers in China, to introduce contact-based biometric smart cards in Southeast Asian markets. Several other prospective customers and partners are also actively evaluating the integration of the company's fingerprint sensors.

In addition to the company's commercial progress on contact-based cards, IDEX has demonstrated accelerating traction of its sensor solutions for dual-interface cards. In July, the company's sensor for dual-interface cards successfully passed engineering integration and validation at Feitian Technologies, and JINCO Universal selected IDEX's sensor for its dual-interface cards. Feitian is a leading provider of user authentication and transaction security in China, and JINCO is a leading Taiwan-based smart card manufacturer. In October, IDEX announced a partnership with XH Smart Tech in China to pursue a shared objective of rapidly deploying dual-interface biometric cards, as well as an order for IDEX's sensors in support of initial card integration. XH Smart Tech is ranked among the top five Chinese smart card vendors by international market share, having shipped more than 3 billion smart cards across a broad customer base that includes numerous institutions in China, Africa and the Middle East.

Collectively, IDEX is continuing to experience very strong interest for its solutions for both contact-based and dual-interface biometric card applications. The number of customer evaluations and engagements have expanded significantly during the course of 2018, particularly in Asia and including some of the most influential smart card integrators in China. In support of anticipated growing demand, IDEX has established a robust high-capacity supply chain to satisfy future commercial deployments. The company continues to work actively with major blue-chip partners, such as TSMC for production of its ASIC, and Amkor Technology and SPIL for the packaging of its sensors. In addition, IDEX has invested in in-house testing and probing equipment at the company's facility in Rochester, New York, in order to accelerate development cycle time and reduce external costs. This equipment was installed and became operational in the third quarter of 2018.



IOT MARKET

The IoT market (Internet of Things) consists of a rapidly growing number of connected devices, many of them with applications that can benefit from seamlessly incorporated identification and security features. The market opportunity for biometric sensors in IoT devices is broad, however the associated customer base and supply chains are typically highly fragmented. Due in part to these dynamics, IDEX's strategy in this market is to leverage its unique off-chip technology and existing sensor solutions for biometric cards to capitalize on meaningful opportunities in select IoT market verticals.

In September, the company announced that Ohsung Electronics had integrated IDEX's contact-based sensor for biometric cards into a fingerprint enabled remote control product, which was showcased at the IBC2018 trade show together with an exclusive European partner, TW Electronics. Korean-based Ohsung Electronics represents one of the world's largest producers of advanced remote control devices, and this integration of a contact-based sensor further validates the diverse opportunities for IDEX's biometric solutions in innovative IoT applications.

MOBILE MARKET

Although IDEX is primarily focused on advancing the mass commercialization of its fingerprint sensor solutions for biometric cards, while also strategically capitalizing on selective opportunities in the IoT market, the company does maintain ongoing research and development efforts related to touch display sensors. In addition to next-generation card application, this research also has the potential to open up future opportunities for the integration of IDEX's sensor technology into mobile displays.

STRENGTHENED SALES AND MARKETING ORGANIZATION

IDEX continues to develop its organization to drive commercial progress and to ensure that all resources are focused on delivering its strategy. This means that the company is strengthening customer-facing departments in support of further solidifying its market leading position and driving accelerated adoption of the company's fingerprint solutions for biometric cards. In addition to key executive-level appointments during 2018, IDEX has strategically recruited expertise from the fingerprint sensor, smart card and payment industries in order to broaden marketing activities in target geographies, including Asia, as well as significantly upgraded the business development capabilities across the biometric cards ecosystem.

In the third quarter of 2018, the company had a total staff of 104 full-time equivalents (FTE), down from 112 FTE at the end of the second quarter. At 31 December 2017, the total number was 118 FTEs.

RECENT EVENTS

On 31 October 2018, IDEX announced a partnership with and received an initial order for dual-interface sensors from XH Smart Tech in China. XH Smart Tech is a leading provider of solutions for IoT and blockchain technologies, and is ranked among the top five Chinese smart card vendors by international market share. The initial order enables XH Smart Tech to commence integration of IDEX's sensors in support of the planned deployment of biometric cards.

OUTLOOK

The market for biometric cards is picking up significant momentum. Large players in the smart card ecosystem are investing heavily in biometrics, including customers like card issuers and public institutions, as well as card integrators, global payment schemes and secure element vendors. In this nascent phase of the market for biometric smart cards it is critical to educate potential customers and drive penetration of biometrics. IDEX has been driving this effort together with its partners for several years. Recently there has been increasing activity from other players as well, including customer trials similar to what IDEX started in early 2017. IDEX considers this dynamic very positive to build the market for biometric cards as quickly as possible.

As a pioneer in this market IDEX has gained critical insight enabling the company to develop solutions addressing usability and security. These privileged insights, coupled with IDEX's unique off-chip technology and systems approach, makes IDEX confident in its ability to maintain its leadership position in the biometric smart card market. The company commenced shipment in fulfillment of the production order announced in September for sensors incorporated into biometric enabled payment cards. In addition to anticipated follow-on orders from this lead customer, the company expects increased traction with additional customers.

IDEX continues to experience strong interest for its contact-based sensors and has either completed or is in the process of supporting numerous customer trials, as well as fully satisfying all technical and product requirements with a growing number of customers. Additionally, the company's secured design-in agreements with multiple prominent card and security integration customers are anticipated to transition into pilot programs and trials with IDEX's dual-interface sensor.

The company has completed development of its sensor for dual-interface cards. These sensors are currently being integrated into cards by a range of vendors and is expected to lead to multiple pilots with dual-interface cards in the coming quarter. IDEX is confident about 'certification' of dual interface cards and volume deliveries by mid-2019.

Oslo, 7 November 2018
The Board of Directors of IDEX ASA

FINANCIAL REVIEW

Consolidated Interim Financial Statements at 30 September 2018 (Unaudited)

Profit and Loss Statements

IDEX recorded revenues of NOK 1.1 million from product sales in the third quarter of 2018, compared to NOK 3.5 million in the corresponding period of 2017. In the first nine months of 2018, the revenues amounted to NOK 3.2 million including services amounting to NOK 1.4 million. The revenue was NOK 15.0 million in the same period of 2017 when IDEX made considerable shipments of sensors for use in mobile phones. The shipments in 2018 are chiefly related to cards and embedded products. The gross margin on sensor sales in the third quarter was 23 per cent, while the gross margin so far this year was 25 per cent. The gross margin at small volumes are necessarily not representative of gross margin at mass volume stage.

The total operating expenses in the third quarter of 2018 amounted to NOK 58.1 million, compared to NOK 62.6 million in the third quarter of 2017. In the first nine months of the year, the total operating expenses amounted to NOK 177.2 million in 2018 and NOK 185.9 million in 2017. The reduction in expenses is mainly due to lower external development expenses this year compared to last year, when some large development projects were completed. A larger share of the development work is now carried out by internal staff.

The payroll expenses amounted to NOK 40.4 million in the third quarter and NOK 118.1 million in the first nine months of 2018, and were at about the same level as in the corresponding periods of 2017. The underlying payroll cost excluding share-based remuneration was NOK 32.7 million in the third quarter and NOK 97.9 million in the first nine months of this year, down from NOK 34.8 million and NOK 111.0 million in the corresponding periods of 2017. The average number of IDEX employees was 98 full-time equivalents (FTE) in the first nine months of this year, compared to 97 FTE in the first nine months of last year. There are cost variations between quarters also because salaries in subsidiaries are paid in foreign currency and variations in other staff related items such as recruiting costs. The net cost of share-based remuneration may vary substantially between quarters because of share price fluctuations as well as grants and exercises. Cost of exercises are funded by the capital injected at exercise.

The total number of staff, counting both employees and individual contractors, was 104 FTE at 30 September 2018, down from 112 FTE at 30 June this year and down from 118 FTE at 31 December 2017. The staff is comprised of 93 FTE IDEX employees and 11 individual contractors working continuously as part of the development or sales teams. IDEX does not currently plan to make significant changes in the number of staff.

Development expenses amounted to NOK 9.3 million in the third quarter of 2018, compared to NOK 16.4 million in the corresponding quarter of 2017. In the first nine months of 2018, these expenses were NOK 35.2 million, down from NOK 46.8 million in the same period of 2017. The reduction is explained above.

Other operating expenses, mainly expenses related to sales, marketing and administration, amounted to NOK 8.5 million in the third quarter and NOK 23.9 million in the first nine months of 2018, compared to NOK 7.3 million and NOK 24.6 million in the corresponding periods of 2017.

Amortization and depreciation amounted to NOK 1.7 million and NOK 5.1 million in the second quarter and first nine months of this year respectively, in line with NOK 1.8 million and NOK 5.2 million in the corresponding periods last year. IDEX has in the third quarter invested NOK 6.1 million in equipment for development purposes, which means that future depreciation will be higher.

IDEX recorded an EBIT loss of NOK 59.6 million in the third quarter of 2018, compared to a loss of NOK 64.1 million in the corresponding period of 2017. In the first nine months of 2018, the company recorded an EBIT loss of NOK 180.4 million, down from a loss of NOK 188.7 million in the first nine months of 2017.

Net financial items amounted to an expense of NOK 0.4 million in the third quarter this year, compared to an income of NOK 0.4 million in the third quarter last year. Net financial items amounted to an expense of NOK 1.4 million in the first nine months of 2018. This compares to an expense of NOK 1.0 million in the first nine months of 2017. The variation in net financial items between periods is mainly caused by re-/devaluations of foreign currency, mainly the U.S. dollar, causing gains or losses on receivables and debt denominated in currencies other than NOK.

The IDEX group recorded a tax expense of NOK 0.7 million in the third quarter this year, compared to NOK 0.4 million in the third quarter of 2017. The group's tax charge amounted to NOK 0.9 million in the first half of 2018, compared to a tax charge of NOK 0.8 million the corresponding period last year. The tax is due to profits in IDEX's subsidiaries in the USA and UK.

The IDEX group had a net loss of NOK 60.7 million in the third quarter of 2018, compared to a loss of NOK 64.2 million in the third quarter of 2017. In the first nine months of 2018, the group recorded a loss of NOK 182.7 million, compared to from a loss of NOK 190.5 million for the first nine months of 2017.

Loss per weighted average number of basic shares amounted to NOK 0.11 in the third quarter, in line with the loss of NOK 0.12 per share in the third quarter of 2017. In the first nine months of the year, the loss amounted to NOK 0.33 per share this year and NOK 0.35 per share last year.

Balance Sheets

The main assets held in the balance sheet are acquired intangible assets and cash in bank. Cash is the major item, representing 64 per cent of the total assets.

At 30 September 2018, IDEX had a cash balance of NOK 130.5 million, down from NOK 189.9 million at the end of the previous quarter this year and from NOK 302.1 million at the end of 2017. The group has no debt to financial institutions or lenders.

The acquired intangible assets and intellectual property rights have been capitalized in accordance with IFRS, and included goodwill amounting to NOK 8.3 million and depreciating assets in an amount of NOK 27.7 million at 30 September 2018. The corresponding numbers at 30 September 2017 were NOK 8.3 million and NOK 31.9 million respectively. The assets depreciate over the economic life of the respective items. IDEX's self-developed intellectual property rights and product development costs are generally not held in the balance sheet because they do not satisfy the IFRS criteria for capitalization. No development expenses have been capitalized in 2018 or 2017.

Tangible fixed assets amounted to NOK 14.1 million at 30 September 2018, up from NOK 8.0 million at 30 June this year and from NOK 8.2 million from 30 September last year. The fixed assets are scientific equipment and engineering tools, leasehold outfitting, office equipment and furniture with useful lives of 3-5 years. The main investment in the quarter was a tester and prober for development and preparation for mass volume production.

Inventory amounted to NOK 10.4 million at 30 September 2018, in line with the level at 30 June this year but

down from the peak value of NOK 13.2 million at 30 September 2017. The inventory consists mainly of card and IoT components and sensors. Because of significant lead times for certain components, IDEX holds inventory in order to satisfy expected demand for deliveries with short notice.

Customer receivables at 30 September 2018 amounted to NOK 0.8 million, up from nil at the preceding quarter end. At the end of the third quarter last year, customer receivables amounted to less than NOK 0.1 million.

Total short-term liabilities amounted to NOK 27.5 million at 30 September 2018, on par with the previous quarter and 30 September 2017. Variations between quarters are caused by activity level, specific pay terms and timing of deliveries.

Equity amounted to NOK 173.0 million at the end of the third quarter of 2018, down from NOK 227.7 million at the end of the second quarter this year and from NOK 337.1 million at the beginning of the year. The decrease is mainly caused by the net loss. See note 2 for further comments on the equity situation.

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

The net working capital, inventory plus receivables less trade accounts payable, amounted to NOK 14.0 million at 30 September 2018, down from NOK 16.3 million at 30 June this year which was same as at the beginning of the year. IDEX will necessarily need to build up its inventory and accumulate receivables as sales to the card and IoT markets increase.

Cash Flow and Cash Position

IDEX's operational cash outflow was NOK 52.9 million in the third quarter of 2018, compared to NOK 66.2 million in the third quarter of 2017. The main operating cash items are the operating losses in each period, partly offset by the equity part of the share-based compensation and depreciation. The working capital varies between quarters, mainly due to fluctuating payables to suppliers and accrued liabilities. Future planned growth of sales is expected to cause an increase in working capital in the form of inventory and receivables, partly funded by payables.

IDEX invested NOK 6.8 million in the third quarter of 2018, compared to NOK 3.0 million in the third quarter of 2017. The major item in the third quarter was equipment for testing and probing and development of volume product test procedures acquired by IDEX America in Rochester. In the first nine months of this year, the investments amounted to NOK 8.4 million, up from NOK 6.1 million in the corresponding period last year, when IDEX America and IDEX UK expanded facilities and added equipment. Investments vary according to project requirements for new equipment and tooling. IDEX has no firm plans to do so, but may need to invest in more equipment for development or manufacturing purposes in the future.

IDEX's balance sheet solvency, which is the cash position less the net of receivables and short-term liabilities, amounted to NOK 115.5 million at 30 September 2018, down from NOK 174.9 million at 30 June 2018 and from NOK 283.3 million at the beginning of the year. The reduction was mainly caused by the net loss in the period, net of share-based compensation cost. See note 2 for further comments on the liquidity position.

INTERIM FINANCIAL STATEMENTS 30 SEPTEMBER 2018

Interim Consolidated Statements of Comprehensive Income

Amounts in NOK 1,000	Note	1 July- 30 September 2018	1 July- 30 September 2017	1 January- 30 September 2018	1 January- 30 September 2017	1 January- 31 December 2017
Operating income						
Product sales		1 082	3 513	1 823	14 803	16 036
Other operating revenue				1 389	203	1 434
Total revenue	2	1 082	3 513	3 212	15 006	17 470
Cost of goods sold						
		830	3 158	1 368	12 527	13 691
Gross margin		252	355	1 844	2 479	3 779
Operating expenses						
Payroll expenses	5	40 356	38 958	118 071	114 506	149 285
Development expenses		9 312	16 390	35 235	46 828	56 256
Other operating expenses	9	8 466	7 290	23 902	24 597	39 779
Total operating expenses		58 134	62 638	177 208	185 931	245 320
Profit (loss) before interest, tax, depreciation and amortization (EBITDA)						
		(57 882)	(62 283)	(175 364)	(183 452)	(241 541)
Amortisation and depreciation	3	1 740	1 843	5 094	5 243	7 501
Profit before interest and tax (EBIT)		(59 622)	(64 126)	(180 458)	(188 695)	(249 042)
Financial income and expenses						
Interest income		213	471	911	1 865	2 285
Other financial income		854	2 048	4 148	2 314	2 644
Interest expenses		(4)		(14)	(25)	(64)
Other financial expenses		(1 493)	(2 128)	(6 445)	(5 202)	(7 159)
Net financial items		(430)	391	(1 400)	(1 048)	(2 294)
Net result before tax						
		(60 052)	(63 735)	(181 858)	(189 743)	(251 336)
Income tax expense (credit)	6	692	427	889	775	4 150
Net profit (loss) for the period		(60 744)	(64 162)	(182 747)	(190 518)	(255 486)
Other comprehensive income						
		(31)	(699)	(98)	(931)	(386)
Total comprehensive income (loss) for the period, net of tax						
		(60 775)	(64 861)	(182 845)	(191 449)	(255 872)
Profit (loss) per share - basic and diluted	7	NOK (0.11)	NOK (0.12)	NOK (0.33)	NOK (0.35)	NOK (0.47)

The notes are an integral part of this condensed interim financial report

Interim Consolidated Balance Sheets

Amounts in NOK 1,000	Note	30 September 2018	30 September 2017	31 December 2017
ASSETS				
Long-term assets				
Goodwill		8 260	8 260	8 260
Other intangible assets		27 688	31 932	30 464
Tangible fixed assets		14 083	8 249	8 002
Long-term receivables		1 227	1 430	1 251
Total long-term assets	3	51 258	49 871	47 977
Current assets				
Inventory and receivables				
Inventory		10 420	13 214	9 255
Customer receivables		796	47	550
Other receivables		6 759	6 654	6 236
Prepaid expenses		4 942	2 204	3 327
Total inventory and receivables		22 917	22 119	19 368
Cash and bank deposits				
Cash and bank deposits		130 472	359 356	302 105
Total cash and bank deposits		130 472	359 356	302 105
Total current assets		153 389	381 475	321 473
TOTAL ASSETS		204 647	431 346	369 450
EQUITY AND LIABILITIES				
Equity				
Paid-in-capital				
Share capital		81 402	81 357	81 357
Share premium		1 185 355	1 185 355	1 185 355
Other paid-in capital		93 169	70 432	74 382
Total paid-in-capital	4	1 359 926	1 337 144	1 341 094
Other equity		(1 186 877)	(939 609)	(1 004 032)
Total equity	1	173 049	397 535	337 062
Liabilities				
Long-term liabilities				
Other long-term liabilities		4 105	7 138	3 497
Total long-term liabilities		4 105	7 138	3 497
Short-term liabilities				
Accounts payable		8 918	1 743	3 052
Public duties payable		1 770	2 261	2 452
Accrued payable income tax		2 179	1 586	2 902
Notional employer's tax on share incentives	5	1 550	689	179
Other short-term liabilities		13 076	20 394	20 306
Total short term liabilities		27 493	26 673	28 891
Total liabilities		31 598	33 811	32 388
TOTAL EQUITY AND LIABILITIES		204 647	431 346	369 450

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Interim Consolidated Cash Flow Statements

Amounts in NOK 1,000	Note	1 July- 30 September 2018	1 July- 30 September 2017	1 January- 30 September 2018	1 January- 30 September 2017	1 January- 31 December 2017
Cash flows from operating activities						
Profit (loss) before taxes (EBT)		(60 052)	(63 735)	(181 858)	(189 743)	(251 336)
Share-based remun. (equity part)	4	6 110	5 136	18 787	13 313	17 263
Amortisation and depreciation	3	1 740	1 843	5 094	5 243	7 501
Interest income		(213)	(471)	(911)	(1 865)	(2 285)
Change in receivables, inventory		(569)	(1 835)	(3 549)	6 319	9 070
Change in payables, accruals		831	(6 532)	(1 398)	(14 587)	(12 369)
Net other items		(788)	(639)	(995)	(348)	(3 018)
Net cash flow from operational activities		(52 941)	(66 233)	(164 830)	(181 668)	(235 174)
Cash flows from investing activities						
Investments in tangible assets	3	(6 812)	(2 990)	(8 376)	(6 138)	(6 857)
Investments in intangible assets	3		(294)		(294)	(294)
Change in long-term receivables	3		(180)		(164)	41
Interest income		213	471	911	1 865	2 285
Net cash provided by investing activities		(6 599)	(2 993)	(7 465)	(4 731)	(4 825)
Cash flows from financing activities						
Share issues net of expenses	4	45	(4)	45	13 313	13 303
Paid-in, not registered share capital	4	(45)			(811)	(811)
Change in long-term payables		123	205	617	634	(3 007)
Net cash provided by financing activities		123	201	662	13 136	9 485
Net change in cash and cash equivalents		(59 417)	(69 025)	(171 633)	(173 263)	(230 514)
Opening cash balance		189 889	428 381	302 105	532 619	532 619
Closing cash balance		130 472	359 356	130 472	359 356	302 105

Interim Consolidated Statements of Equity

Amounts in NOK 1,000	Note	Share capital	Share premium	Other paid-in capital	Retained earnings (uncovered loss)	Total equity
Balance 1 January 2018		81 357	1 185 355	74 382	(1 004 032)	337 062
Share issue (board remuneration)		45				45
Share-based remuneration	5			18 787		18 787
Profit (loss) for the period					(182 747)	(182 747)
Other comprehensive income					(98)	(98)
Balance 30 September 2018	1	81 402	1 185 355	93 169	(1 186 877)	173 049
Balance 1 January 2017		80 067	1 173 342	57 119	(748 160)	562 368
Share issues		1 290	12 013			13 303
Share-based compensation				13 313		13 313
Profit (loss) for the period					(190 518)	(190 518)
Other comprehensive income					(931)	(931)
Balance 30 September 2017		81 357	1 185 355	70 432	(939 609)	397 535
Balance 1 January 2017		80 067	1 173 342	57 119	(748 160)	562 368
Exercises of subscription rights	4	1 273	12 013			13 286
Share issue (board remuneration)		17				17
Share-based remuneration	5			17 263		17 263
Profit (loss) for the year					(255 486)	(255 486)
Other comprehensive income					(386)	(386)
Balance 31 December 2017	1	81 357	1 185 355	74 382	(1 004 032)	337 062

The notes are an integral part of this condensed interim financial report

NOTES

Notes to the Condensed Consolidated Interim Financial Statements 30 September 2018 (Unaudited)

1 IDEX ASA and the IDEX Group

IDEX ASA is a public limited liability company incorporated and domiciled in Norway. The address of the registered office, which is also the head office, is Martin Linges vei 25 at NO-1364 Fornebu near Oslo, Norway. IDEX ASA's shares are listed at Oslo Børs, the stock exchange in Oslo. The objective of the company as stated in the articles of association is to deliver identification systems and other related activities.

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

2 Accounting Policies and Risk Factors

This condensed consolidated interim financial report for 2018 has been prepared in accordance with IAS 34 Interim financial reporting. The interim financial report should be read in conjunction with the annual financial statements for 2017. The IFRS accounting policies applied in this report are consistent with those applied and described in the annual financial statements for 2017.

This interim financial report has not been subject to audit. The report was approved by the board of directors on 7 November 2018.

It is the duty of the board of directors to duly present the principal risks of IDEX and its business. The company's major risk is its business risk, meaning its ability to earn revenue and generate profit. The revenue to date in 2018 is lower than the same periods in 2017 and 2016. The future revenue generation will depend on IDEX's ability to market and deliver successful and competitive products, and further the company's ability to legally protect its intellectual property rights.

IDEX considers that its fingerprint sensor technology has one of the best biometric performances, and that its fingerprint sensor products offer unique properties, particularly in the card market.

IDEX does not have any significant assets or liabilities with financial risk. IDEX's balance sheet comprises mainly cash and working capital and the company is fully funded on equity. IDEX does not hold financial instruments or significant financial assets or liabilities, and has limited financial risks related to currency and interest rates. As most of the cash is held in NOK while costs are predominantly in USD and GBP, there is a risk to future cost when measured in NOK. Furthermore, intra-group funding and billing is done in the subsidiaries' functional currency, which has a currency risk to NOK. Virtually all sales to customers are invoiced in USD. Virtually all of the accounts payable are in foreign currency, mainly USD.

The going concern assumption has been applied when preparing this interim financial report. IDEX has commenced earning revenue, but continues to operate at a significant loss. The company expects to increase revenue generation through sale of sensors and monetization of Intellectual Property. The company does not have any debt to financial lenders. As an ongoing activity the company monitors liquidity, and will take appropriate measures if required.

3 Long-Term Assets

Amounts in NOK 1,000	Goodwill	Other intangible assets	Tangible fixed assets	Long-term receivables	Total long-term assets
Balance 1 January 2018	8 260	30 464	8 002	1 251	47 977
Additions			8 376		8 376
Depreciation and impairment losses		(2 776)	(2 318)		(5 094)
Effects of changes in foreign currency			23	(24)	(1)
Balance 30 September 2018	8 260	27 688	14 083	1 227	51 258

Balance 1 January 2017	8 260	34 843	4 695	1 277	49 075
Additions		294	6 138	800	7 232
Disposals and retirements at cost			(325)	(636)	(961)
Depreciation and impairment losses		(3 205)	(2 038)		(5 243)
Depr. on disposed and retired assets			121		121
Effects of changes in foreign currency			(342)	(11)	(353)
Balance 30 September 2017	8 260	31 932	8 249	1 430	49 871

Balance 1 January 2017	8 260	34 843	4 695	1 277	49 075
Additions		294	6 857	595	7 746
Disposals and retirements at cost		(1 871)	(3 073)	(636)	(5 580)
Depreciation and impairment losses		(4 252)	(2 822)		(7 074)
Depr. on disposed and retired assets		1 450	2 458		3 908
Effects of changes in foreign currency			(113)	15	(98)
Balance 31 December 2017	8 260	30 464	8 002	1 251	47 977

Acquired intangible assets and intellectual property rights have been capitalized in accordance with IFRS, and included goodwill amounting to NOK 8.3 million and depreciating assets in an original acquisition amount of NOK 38.5 million. The assets depreciate over the economic life of the respective assets. The major items depreciate over 9.5 years and 17.3 years from acquisition, through July 2024 and to the end of 2030 respectively. Under IFRS goodwill is not amortized but impairment tested at each year end. Intangible assets that are fully depreciated are by definition retired. I

IDEX's self-developed patents and other intellectual property rights are generally not held in the balance sheet because they do not satisfy the IFRS criteria for capitalization. Development costs have largely been expensed for the same reason. IDEX has not capitalized any development expenses in 2018 or 2017.

4 Shares and Subscription Rights

Number of financial instruments	Incentive subscription rights	Shares
Balance 1 January 2018	25 260 000	542 383 105
1 January-30 September: Granted incentive subscription rights	21 892 600	
1 January-30 September: Expired/forfeited incentive subscr. rights	(7 859 300)	
31 May: Issued shares in lieu of board remuneration		300 182
Balance 30 September 2018	39 293 300	542 683 287

Balance 1 January 2017	26 037 500	533 780 255
1 January-30 September: Granted incentive subscription rights	8 535 000	
1 January-30 September: Issued shares for incentive sub.rights exerc. in 2016		125 000
1 January-30 September: Exercised incentive subscription rights	(8 375 000)	8 362 500
1 January-30 September: Expired/forfeited incentive subscr. rights	(1 312 500)	
29 May: Issued shares in lieu of board remuneration		115 350
Balance 30 September 2017	24 885 000	542 383 105

Number of financial instruments <i>(continued)</i>	Incentive subscription rights	Shares
Balance 1 January 2017	26 037 500	533 780 255
1 January-31 December: Granted incentive subscription rights	9 810 000	
1 January-31 December: Issued shares for incentive sub.rights exerc. in 2016		125 000
1 January-31 December: Exercised incentive subscription rights	(8 375 000)	8 362 500
1 January-31 December: Expired/forfeited incentive subscr. rights	(2 212 500)	
29 May: Issued shares in lieu of board remuneration		115 350
Balance 31 December 2017	25 260 000	542 383 105

The annual general meeting of IDEX on 9 May 2018 resolved that the board members could elect to receive all or part of the board remuneration in the form of shares in IDEX. The chairman and three board members took full or part of the board remuneration in shares.

IDEX from time to time grants incentive subscription rights (SRs) to employees and individual contractors. Unless specifically resolved otherwise, 25 per cent of each grant of subscription rights vest per year, and expire on the fifth anniversary following the general meeting that resolved the programme. Unvested subscription rights terminate on the holder's last day of employment. Vested subscription rights may be exercised up to 90 days after the holder's last day of employment. The weighted average exercise price of outstanding incentive SRs on 30 September 2018 was NOK 5.60 per share.

5 Payroll Expenses

Amounts in NOK 1,000	1 July-30 September 2018	1 July-30 September 2017	1 January-30 September 2018	1 January-30 September 2017	1 January-31 December 2017
Salary, payroll tax, benefits, other	32 696	34 879	97 913	101 950	133 289
Payroll tax on exercised subscr. rights				4 306	4 306
Share-based remun., notional cost	6 110	5 137	18 787	13 313	17 263
Accr. (rev.) payr. tax on share-based remun.	1 550	(1 058)	1 371	(5 063)	(5 573)
Payroll expenses	40 356	38 958	118 071	114 506	149 285

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

6 Income Tax Expense

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

7 Profit (Loss) per Share

	1 Jan.-30 Sep. 2018	1 Jan.-30 Sep. 2017	1 Jan.-31 Dec. 2017
Profit (loss) attributable to the sh.holders (NOK 1 000)	(187 747)	(190 518)	(255 872)
Weighted average basic number of shares	542 517 253	540 093 180	540 670 366
Weighted average diluted number of shares	542 670 095	544 352 104	544 068 814
Profit (loss) per share, basic and diluted	NOK (0.33)	NOK (0.35)	NOK (0.47)

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

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

8 Contingent Assets and Liabilities

IDEX does not have any contingent assets or contingent liabilities. IDEX has not issued any guarantees.

9 Related Party Transactions

IDEX has in the first three quarters of 2018 recorded NOK 1,880 thousand for services provided by IDEX's legal counsel, law firm Ræder, in which chairman Morten Opstad is a partner. Mr. Opstad's work beyond board duty has been invoiced by Ræder. Board member Larry Ciaccia serves on IDEX's Strategy Advisory Council (SAC). The SAC service fee is USD 15 thousand per year. In addition Mr. Ciaccia provides consulting services beyond board duty to IDEX for a fixed fee of USD 50 thousand per year. Board member Andy MacLeod provides consulting services beyond board duty to IDEX for a fixed fee of GBP 60 thousand per year. The annual general meeting of IDEX on 9 May 2018 resolved the board remuneration for 2017-2018. The chairman and three board members elected to take part/full board remuneration in shares. The numbers were disclosed in a notice to the market on 11 May 2018.

The board resolved on 21 February 2018 to issue 4,500,000 incentive subscription rights to CEO Stan Swearingen. The grant was made under the company's 2017 incentive subscription rights plan. The exercise price of the subscription rights is NOK 4.67 per share. 25 per cent of the subscription rights vested at grant, and another 25 per cent vest each year. The subscription rights expire on 12 May 2022. The board resolved on 9 May 2018 to issue incentive subscription rights (SRs) under the company's 2018 incentive subscription rights plan to nearly all employees, including a number of senior managers. The grants were disclosed in a notice to the market on 9 May 2018..

10 Events Occurring After the Balance Sheet Date

The board of directors of IDEX ASA resolved on 7 November 2018 to issue 1,508,000 incentive subscription rights to employees and individual contractors in the IDEX group. The grant was made under the company's 2018 incentive subscription rights plan as resolved at the annual general meeting on 9 May 2018. The exercise price of the subscription rights is NOK 5.12 per share. The subscription rights vest by 25 per cent per year and expire on 9 May 2023. Following the grant there will be 40,801,300 subscription rights outstanding.

Between 30 September 2018 and the resolution of these condensed consolidated interim financial statements, there have not been any events that have had any noticeable impact on IDEX's result in the first nine months of 2018 or the value of the company's assets and liabilities at 30 September 2018.