

IDEX ASA

Enabling the mass market for secure ID

First Half Report 2013
14th August 2013
Dr. Hemant Mardia
CEO

IDEX BUSINESS PROPOSITION

- 1** \$Multi-billion fingerprint sensor market in consumer electronics with momentum rapidly developing driven by smartphone adoption 2014
- 2** IDEX strong patent and IP position including cross licence with Apple, enabling low cost, secure & accurate fingerprint recognition
- 3** Transformation of market by Apple's imminent sensor insertion: 86% of smartphone volume addressable by IDEX and 2 other vendors
- 4** Expansion of R&D for parallel product insertion and mass market commercialisation with major industrial partners

**IDEX' OFFERING:
SMARTFINGER®**



LOW COST



ACCURATE & SECURE



THIN & FLEXIBLE

IDEX MARKET STRATEGY

Diverse multi-billion unit MASS markets enabled by low cost secure biometric authentication



Leverage strong technology and patent portfolio: safe haven

Low cost, thin, secure, accurate sensors and algorithms

Strengthened team to deliver commercial exploitation

Developing global partners for mass market scaling

Limited competitors with high barrier to entry

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FINGERPRINT SENSOR MARKET : THE END FOR PASSWORDS AND PIN CODES



Microsoft

PayPal™

PayPal Executive Michael Barret:

“Our intention is to obliterate User IDs, Passwords and Pins, including in enterprises from the face of the planet”

Microsoft Executive Nelly Porter:

“We investigated every single biometric trait, the only solid technology is fingerprint”

Microsoft Executive Chris Hallum:

“Capacitive readers are going to be the choice”

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OPPORTUNITY FOR SWIPE AND TOUCH SENSORS MULTIPLIES MARKET SIZE



Average touch sensors will have about 4 times higher ASP than swipe for ultra mass market consumer products

Chris Hallum, Microsoft:

“Touch sensors are going to be delivered in the 100s of millions of units”

Microsoft ready with Windows Biometric Platform- infrastructure that makes seamless integration of fingerprint technology

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TIER ONE OEM FINGERPRINT SENSOR ADOPTION IMMINENT



Intel Capital creates a US\$100 million investment fund for "human-like" sensing technology including biometrics.

Apple acquisition of fingerprint vendor AuthenTec (Oct 2012).

“ iPhone 5S delayed due to yield, September 13 release expected. ”

“ Samsung drop fingerprint recognition on Galaxy Note 3 due to low sensor supply and yield issues with current vendor. ”

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THE GAMECHANGER: APPLE'S PLANS?

- Fingerprint-sensor in mobile devices:
 - *Unlock phone*
 - *Authentication of the user*
 - *Mobile Payments*
 - *Bring-Your-Own-Device (BYOD)*
 - *Personalization of services*



NOW: HOME BUTTON SENSOR

**NEXT: "HOLY GRAIL"
IMAGING THROUGH GLASS**

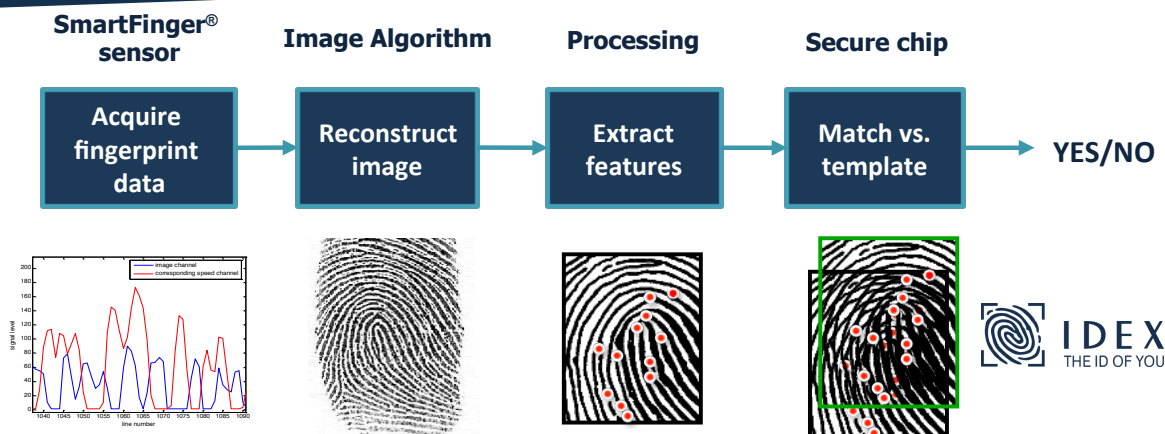
**IDEX patented technology
enables the sensor IN the screen**



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IDEX OFFERS A HIGH PERFORMANCE RECOGNITION SOLUTION

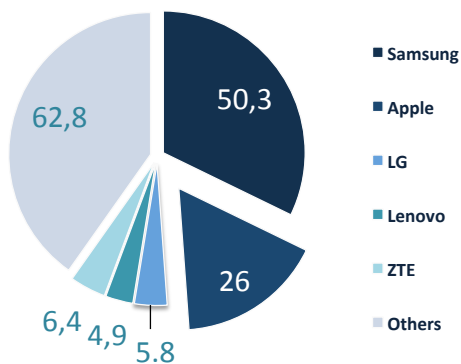
- **SmartFinger®** swipe sensors and algorithms offer unsurpassed biometric performance
- IN SCREEN BUTTON FREE integration - sensing through material for highest quality
- Form factor for smart cards: thinnest low cost sensor in flexible materials
- Low cost touch and in glass custom product solutions leveraging IDEX technology



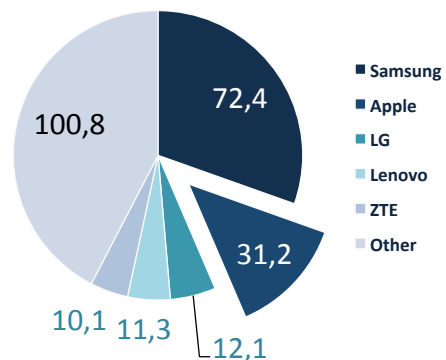
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SMARTPHONE ACCESSIBLE MARKET GROWTH

Smartphone Sales by volume Q2 12



Smartphone Sales by volume Q2 13



1.5 billion smartphones forecast 2017 (IDC March 2013)
50% year on year volume growth of smartphones Q2 13 (IDC July 13)
86% volume share not captive to Apple in Q2 13

1.3 billion unit market accessible by IDEX in 2017

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SMARTPHONE FINGERPRINT SENSORS VALUE CHAIN

Handset Manufacturers



Sub-Module & Packaging Integrators



Fingerprint Sensor Vendors



Semiconductor Manufacturers



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IDEX MASS MARKET OPPORTUNITY

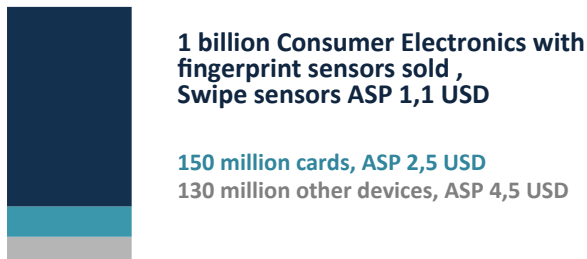


2015

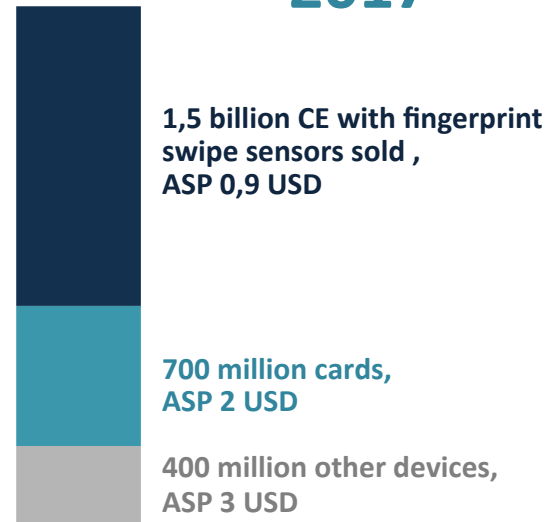
Consumer Electronics Cards Other markets

2017

Touch sensors adoption >4 times ASP (average selling price) vs. swipe will further increase market scale



Total Industry Revenue 2,0 billion USD



Total Industry Revenue 3,95 billion USD

IDEX mass market volumes expected 2014;
IDEX positioned for significant market share as one of three vendors

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MILESTONES DELIVERED Q2 2013

- Global partnership agreement finalised in mobile comms market
- Placement raising 30 million NOK in new equity oversubscribed
- Broadened investor base both in Norway and UK
- CEO appointment and team strengthened for commercialisation phase
- Swipe sensor prepared for mobile and embedded market launch
- Implementing high volume, cost effective supply chain for these mass markets
- Security and bag lock projects progressing subject to end customer timing
- Recognition of unique patent position with Recordal of Apple cross licence



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OUTLOOK H2 2013

- Market introduction of fingerprint sensors in smartphones expected
- Customer qualification of IDEX swipe sensor for mobile comms
- Further progress in supply chain for high volume capability & low cost
- Resource expansion to accelerate swipe and higher value touch sensor market insertion in 2014
- Establish global sales channels supporting highly elevated market interest
- Focus on tier one strategic partnerships in consumer electronics markets



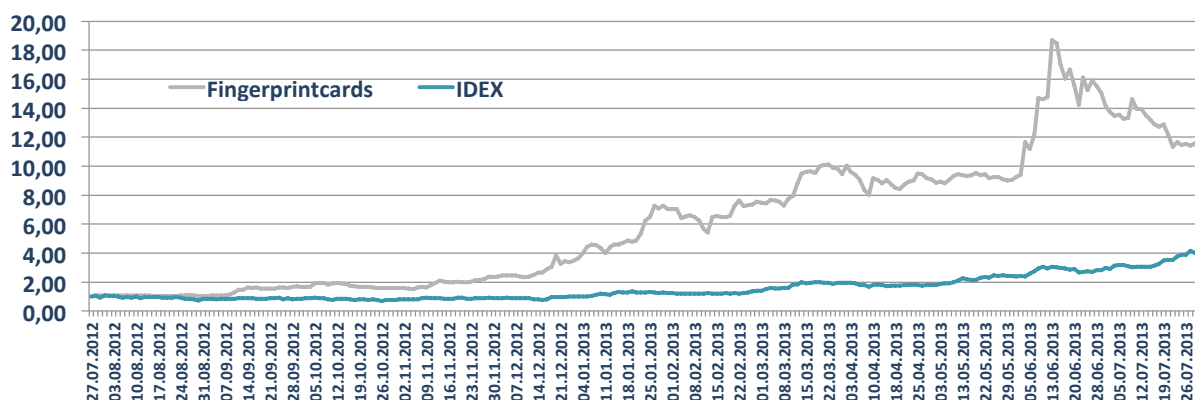
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IDEX INVESTMENT PROPOSITION

Cusp of significant growth exploiting leading IP platform in fingerprint sensors

- Executing a global partner strategy to exploit mobile market for 2014 mass market
- Exploitation of high value added ID/smartcard and “Internet of things” following
- Investment to scale team and products to support market leading partners
- *IDEX \$220 million USD market capitilisation August 2013*

IDEX AND FINGERPRINTCARDS SHARE PRICE INCREASE SINCE APPLE BOUGHT AUTHENTEC



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SUMMARY

- **High barrier to entry due to fundamental patents and technology**
- **Cross license with Apple on core patents**
- **Exciting roadmap for low cost swipe and touch sensors**
- **Market ready for takeoff and gaining momentum sparked by Apple**
- **Mobile market now, card market tomorrow, IOT the future...**
- **Limited competition in a multi-billion volume market**
- **Valuable IP and attractive valuation vs. competition**

INTERIM FINANCIAL STATEMENTS

30 JUNE 2013



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PROFIT AND LOSS



Interim statements of comprehensive income	1 April-30 June 2013	1 April-30 June 2012	1 January-30 June 2013	1 January-30 June 2012	1 January-31 December 2012
Amounts in NOK 1,000					
Operating income					
Sales and services revenue		568	7	571	1 046
Other operating revenue	789	939	1 579	1 523	3 460
Total revenue	789	1 507	1 586	2 094	4 506
Operating expenses					
Payroll expense	6 970	4 983	13 546	10 350	17 778
Research and development expenses	3 298	4 365	5 312	7 313	10 747
Other operating expenses	2 701	2 932	4 884	5 297	9 233
Total operating expenses	12 969	12 280	23 742	22 960	37 758
Profit (loss) before interest, tax, depreciation and amortization (EBITDA)	(12 180)	(10 773)	(22 156)	(20 866)	(33 252)
Depreciation	74	79	150	158	313
Profit before interest and tax (EBIT)	(12 254)	(10 852)	(22 306)	(21 024)	(33 565)
Net financial items	51	11	99	109	200
Taxes					
Net profit (loss) for the period	(12 203)	(10 841)	(22 207)	(20 915)	(33 365)
<i>Profit (loss) per share - basic and diluted</i>	<i>NOK (0.04)</i>	<i>NOK (0.04)</i>	<i>NOK (0.07)</i>	<i>NOK (0.08)</i>	<i>NOK (0.12)</i>
Net profit (loss) for the period	(12 203)	(10 841)	(22 207)	(20 915)	(33 365)

- Activity level being increased since the second half of 2012
- Now stepping up in second half of 2013

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BALANCE SHEET - ASSETS



Interim balance sheets	30 June	30 June	31 December
Amounts in NOK 1,000	2013	2012	2012
ASSETS			
Long-term assets			
Fixed assets			
Machinery and office equipment	476	781	626
Total fixed assets	476	781	626
Financial assets			
Long-term receivables	332	325	332
Total financial assets	332	325	332
Total long-term assets	808	1 106	958
Current assets			
Receivables			
Accounts receivable	11	281	17
Other receivables	2 381	3 091	3 715
Prepaid expenses	446	684	512
Total receivables	2 838	4 056	4 244
Cash and bank deposits			
Cash and bank deposits	36 571	12 047	19 833
Total cash and bank deposits	36 571	12 047	19 833
Total current assets	39 409	16 103	24 077
TOTAL ASSETS	40 217	17 209	25 035

- No capitalisation of intangible assets, no inventory
- Cash holding NOK 36.6 million, 91 per cent of total assets

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BALANCE SHEET – EQUITY AND LIABILITIES



Interim balance sheets	30 June	30 June	31 December
Amounts in NOK 1,000	2013	2012	2012
EQUITY AND LIABILITIES			
Equity			
Paid-in-capital			
Share capital	49 433	42 343	46 422
Share premium reserve	113 612	71 643	86 292
Other paid-in capital	15 419	9 783	11 235
Total paid-in-capital	178 464	123 769	143 949
Other equity	(147 838)	(113 181)	(125 631)
Total equity	30 626	10 588	18 318
Liabilities			
Short-term liabilities			
Accounts payable	975	1 310	2 561
Public duties payable	551	1 231	906
Other short-term liabilities	8 065	4 080	3 250
Total short term liabilities	9 591	6 621	6 717
Total liabilities	9 591	6 621	6 717
TOTAL EQUITY AND LIABILITIES	40 217	17 209	25 035

- Equity injection NOK 30 million by private placement in second quarter
- Equity equals 76 per cent of gross balance sheet
- No financial debt

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CASH FLOW



Interim cash flow statements Amounts in NOK 1,000	1 April- 30 June 2013	1 April- 30 June 2012	1 January- 30 June 2013	1 January- 30 June 2012	1 January- 31 December 2012
Cash Flows from operating activities					
Profit (loss) before interest and taxes	(12 254)	(10 852)	(22 306)	(21 024)	(33 565)
Share-based remuneration (equity part)	2 480	1 257	4 184	2 374	3 825
Depreciation	74	79	150	158	313
Interest paid					
Change in working capital and other items	2 464	(1 264)	4 265	(806)	(894)
Net cash flow from operational activities	(7 236)	(10 780)	(13 707)	(19 298)	(30 321)
Cash flows from investing activities					
Purchases of property, plant and equipment					
Change in long-term receivables					(7)
Interest received	61	39	114	120	208
Net cash provided by investing activities	61	39	114	120	201
Cash flows from financing activities					
Share issues net of expenses	30 096	9 763	30 331	9 763	28 491
Net cash provided by financing activities	30 096	9 763	30 331	9 763	28 491
Net change in cash and cash equivalents	22 921	(978)	16 738	(9 415)	(1 629)
Opening cash balance	13 650	13 025	19 833	21 462	21 462
Closing cash balance	36 571	12 047	36 571	12 047	19 833

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EQUITY



Interim statements of changes in equity Amounts in NOK 1,000	Share capital	Share premium	Other paid-in capital	Retained earnings (uncovered loss)	Total equity
Balance 1 January 2013	46 422	86 292	11 235	(125 631)	18 318
Share issues	3 011	27 320			30 331
Share-based compensation			4 184		4 184
Total comprehensive income for the period				(22 207)	(22 207)
Balance 30 June 2013	49 433	113 612	15 419	(147 838)	30 626
Balance 1 January 2012	40 794	63 429	7 409	(92 266)	19 366
Share issues	1 548	8 215			9 763
Share-based compensation			2 374		2 374
Total comprehensive income for the period				(20 915)	(20 915)
Balance 30 June 2012	42 342	71 644	9 783	(113 181)	10 588
Balance 1 January 2012	40 794	63 429	7 409	(92 266)	19 366
Share issues	5 628	22 863			28 491
Share-based compensation			3 826		3 826
Total comprehensive income for the period				(33 365)	(33 365)
Balance 31 December 2012	46 422	86 292	11 235	(125 631)	18 318

- Net equity is 62 per cent of share capital

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