



# IDEX ASA

First half 2017 report

## Highlights first half of 2017

- Mastercard and IDEX unveiled next-generation biometric card
  - Successful end-user trials completed with UniCredit Bulbank in Europe, as well as Pick n Pay and Absa Bank in South Africa
- Received initial order for card sensors from leading Asian smart card provider
- Launched next-generation ASIC platform for contactless cards, mobile and IoT applications
- Launched and sampling ground-breaking sensor for contactless smart cards
- Launched ultra-compact matcher algorithm optimized for cards
- Launch of handset by Taiwanese OEM with IDEX Cardinal sensor
- Revenues of NOK 4.7 million in the second quarter and NOK 11.5 million in the first half of 2017

## Outlook and key upcoming milestones

- Smart card programme roll-out with Mastercard
  - Preparing for final card certification, expected to commence in the fourth quarter 2017
  - Additional customer trials in the second half of 2017
  - Commercial roll-out targeted late 2017
- New card customers expected to be announced in second half of 2017
- Sensor for contactless cards expected to be production-ready early 2018
- Sampling of new off-chip sensor for back of phones in the second half of 2017
- Launch cost optimised version of sensor for mobile early 2018



## IDEX'S OFF-CHIP TECHNOLOGY DIFFERENTIATION

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### One of only two vendors with off-chip technology

IDEX is one of only two vendors with commercially proven and patent-protected off-chip capacitive sensing technology. Off-chip technology means that the ASIC is separated from the sensing array, which provides several advantages to the customer.

The off-chip technology is a key differentiator in IDEX's target markets of cards, mobile and IoT, providing increased form factor flexibility and lower cost for medium- and large-area sensors. Trends seen in these target markets are favourable to the off chip technology: In the cards market, large-area sensors are preferred and low power is essential, the off-chip technology offers significant cost advantages over silicon-based sensors. The off-chip design also enables the use of a bendable sensing array that is compatible with standard card manufacturing processes. In the mobile market, infinity displays are driving towards sensors on the back of the phone or full integration into the display. Sensors on the back of the phone can be larger in size, giving IDEX's off-chip sensors a cost advantage. Also, since IDEX's sensor can be made of polymers similar to those used to manufacture OLED, the technology is uniquely well suited for integration into next-generation displays.

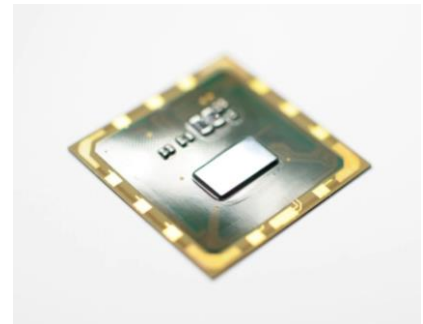
### Launch of new ASIC platform improving cost, power consumption and processing power

In the first quarter of 2017, IDEX launched its new ASIC platform for off-chip sensors. The new platform delivers both enhanced performance and reduced power consumption at a lower price and is designed to be suitable across multiple product applications in IDEX's target markets.

IDEX partners with TSMC as the foundry for volume manufacturing of the new ASIC. TSMC is the leading company in its field with customers such as Apple, Qualcomm and Mediatek. This relationship provides IDEX customers with significant capacity from the leading semiconductor producer in the world, at the highest quality levels and with advanced features.

### New ground-breaking fingerprint sensor for contactless smart cards

In June 2017, the company launched a ground-breaking flexible, low power fingerprint sensor built on IDEX's latest ASIC platform. The sensor is ready to be used in contactless cards operating with standard NFC payment terminals. The sensor has state-of-the-art power management that supports dual-interface biometric card operation without an internal power source.



The new fingerprint sensor is now being sampled to a European top-tier card integrator.

### Launch of new ultra-compact matcher algorithm optimized for biometric cards

Early August 2017, IDEX introduced a new proprietary matcher algorithm for next generation biometric cards. The patented algorithm is specifically designed to deliver a step-function improvement in performance for applications with acute power, processing and memory limitations. The matcher is ideal for biometric cards and completes IDEX's turn-key system solution for cards.

The matcher is designed for real world usability in card and IOT applications, being rotation insensitive and accepting partial touches. The solution has completed user testing with a low single digit percentage False Rejection Rate (FRR) at 1:50,000 False Acceptance Rate (FAR). The algorithm's uniquely efficient code and template size allow fast image processing, delivering a reliable, secure and seamless user experience.

## IDEX ENABLES NEXT-GENERATION BIOMETRIC CARDS

During the first half of 2017, IDEX made significant progress on commercialisation of its sensor solution for cards. The market for biometric sensors in cards represents billions of units in potential sales, comprising several sub-verticals each of which requires enhanced security, reliability and user-friendliness. By linking an individual's biometric identity to a standard payment card, a single effective solution provides a number of compelling use cases. For example, in some areas of the world where verification of identity and authenticity are major challenges, a biometric payment card can enable greater financial inclusion. Another emerging use case is government ID programs, where either national agencies or multi-national organisations need a reliable and efficient way to identify a person for the purpose of distributing designated benefits.

IDEX's off-chip technology enables the use of low-cost polymer material for the sensing array. Polymer is thin, bendable and compliant with ISO standards for long-term durability. These attributes make IDEX's sensor uniquely well suited for smart card integration and standard card mass production processes. Due to the enormous size and operating complexity of the various applications and end markets for biometric cards, IDEX has continued to collaborate with several global partners in the card ecosystem on the development of end-to-end system solutions.

### Significant momentum on Mastercard biometric programme

For several years, IDEX has been working together with Mastercard to develop a new biometric card. In April, Mastercard unveiled its next-generation biometric card, attracting widespread interest in the payment card industry. IDEX provides the flexible off-chip sensor for fingerprint matching and security.

Early in the second quarter this year, Mastercard's biometric card programme completed two successful end-user trials in South Africa with Pick n Pay, a leading supermarket retailer, and with Absa Bank, a subsidiary of Barclays Africa.

Further, UniCredit Bulbank recently successfully completed the first European trial of the biometric card. The trial received extremely positive customer feedback, which focused on the convenience, security and ease of use of the card and indicates a high likelihood of upgrading to a smartcard with biometric security.

Over the next few months, additional trials will be conducted with the biometric card in Europe and in Asia-Pacific. The partners are currently preparing for the final card certification, which is expected to commence in the fourth quarter 2017, after which a commercial roll-out expected late 2017.

IDEX has partnered with OT-Morpho, a world leader in digital security & identification technology. OT-Morpho contributes card software and manufacturing capabilities for Mastercard's next-generation biometric card.



### Expanding card market

IDEX recently launched a ground-breaking fingerprint sensor ready for use in contactless cards. The sensor has state-of-the-art power management which supports biometric card operation without an internal power source. The sensor is specifically designed to be compatible with proven standard card manufacturing processes.

The new fingerprint sensor is currently sampling with a European top-tier card integrator, which also demonstrated the sensor in its EMV payment card at Money20/20, Europe's largest FinTech event, in June.

In response to strong interest, IDEX has broadened customer engagement, in particular in Asia Pacific. On 9 August 2017, the company announced that it had received an initial order for its smart card sensor to a major Asian authentication and security card customer. The sensors will be integrated in the customer's biometric ISO form factor card for government identification and access control applications and is expected to be delivered during the second half of 2017. The customer is a high-volume producer with a strong global market footprint targeting multiple industries, including government, telecom, financial services and corporate customers.

IDEX expects several additional customers to commence sampling during the second half of 2017.

In the first quarter of 2017, IDEX extended its partnership with Card Tech, a company focused on creating innovative and user friendly security solutions on cards, to deliver a biometric card module using IDEX's new sensor.

The cards market is a key priority to IDEX. To sustain its leadership position, the company continues to invest significant resources in strengthening its team, accelerating product and technology development as well as expanding its partnerships with companies in the card ecosystem.



## MOBILE MARKET DEVELOPMENT

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The launch of LG's smartphone in June 2016 marked an important commercial breakthrough for IDEX. Following this product launch by a high-visibility customer, IDEX experienced increased interest from mobile OEMs, leading to seven new design wins across three customers.

During 2016, a total of three handsets, two from LG and one from a Taiwanese OEM, were launched featuring IDEX's silicon-based Cardinal fingerprint sensor. In addition, the Taiwanese OEM launched a new smartphone featuring Cardinal in the second quarter of 2017.

IDEX has continued to ship Cardinal sensors to the launched handsets in the first half of 2017. Certain of handsets for which IDEX have design wins have shipped in lower volumes than anticipated by the OEMs and as a consequence of being second source, IDEX's sensors have not been included in these handsets.

The market for silicon sensors to the mobile market is highly competitive and price-sensitive. The combination of these factors has resulted in lower than expected volumes in the first half of 2017.

### Launch of glass and ceramic fingerprint sensors for smartphones

In the first quarter of 2017, IDEX expanded its portfolio of fingerprint solutions with a new series of glass- and ceramic-covered touch sensors intended for front-mounting on mobile applications. The new product line is based on the company's silicon-based Cardinal sensor. Sensing through glass or ceramic covers provides enhanced imaging performance compared to conventional coatings. The products were developed jointly with CanvasBio.

### Market trends in mobile favouring off-chip sensors

The mobile market is rapidly evolving towards infinity displays, which maximizes the viewable area on smartphones. This structural design requires the fingerprint sensor to be moved from the bottom-front to the back of the handset or to be integrated into the display itself. Given the technical challenges and potential impact on biometric performance associated with display integration, industry analysts expect that only flagship mobile devices will adopt the more costly in-display sensors, while mainstream devices are likely to rely on a sensor placed on the back of the handset.

Mobile OEMs are expected to increasingly adopt OLED displays in next generation devices due to a number of advantages over using current LCD panel displays. Both the trend towards sensors being moved to the back of the handset, as well as the adoption of OLED displays represent a unique opportunity for IDEX.

#### Sensors optimised for the back of handsets

Sensors on the back of the phone can be larger, and thus improve the user experience through fewer enrolments and added features, such as navigation. For larger sensors, IDEX's off-chip sensor has a significant cost advantage over silicon-based sensors and IDEX is currently marketing its new off-chip sensor optimised for the back of the handset. The sensor has a very competitive price due to the small silicon footprint and provides stronger biometric performance because the sensor array is larger.

#### Development of fully integrated in-display sensor for OLED

IDEX's off-chip sensors can be made using the same bendable polymer material that is used to manufacture OLED displays, making these sensors ideally suited for integration into such displays. To exploit the differentiating capability of the company's off-chip technology, IDEX will mainly focus its research and development efforts for the mobile market on in-display solutions. The in-display development efforts will build on IDEX's core technology and know-how.

## IoT MARKET

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The market for biometrically enabled IoT (Internet of Things) products is still in the early stages of development and adoption, but it represents a very large and also fragmented market opportunity. The growth in this market is expected to have a profound impact on a number of different applications and end markets. IDEX's leading market position and newest off-chip touch sensor for biometric cards fit well into IoT applications. IDEX commenced shipment of its off-chip fingerprint sensor to three different IoT customers in 2016, and the company has since received repeat orders for the integration of its sensors into related applications.

At the 2017 Consumer Electronic Show in Las Vegas and Mobile World Congress in Barcelona, IDEX's partner, BIO-key International, showcased several new products featuring IDEX's sensor, including USB fingerprint readers and biometric padlocks. IDEX's sensor has also been featured in a door lock application and in encrypted storage solutions with two Asian OEMs.

The flexible substrate, low power consumption and compelling price point of IDEX's off-chip solution makes it well suited for IoT devices. The company's fully programmable ASIC also provides increased flexibility to rapidly address a wide variety of form factors across this fragmented end market. As part of the company's focus on selective vertical opportunities where the off-chip sensor offers a strong value proposition, IDEX is currently developing a standard sensor solution suitable for multiple IoT customers and applications.

## ORGANISATIONAL UPDATE

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### Continued investment in strengthening the organisation

IDEX has strengthened the organisation during the first half of 2017. In the second quarter, there was a net addition of nine staff, resulting in a total net addition of 27 staff in the first half. The total number of employees and on-going individual contractors increased from 92 at 31 December to 120 at 30 June 2017. All of the new hires in the second quarter are part of the engineering team, predominantly based in the US or the UK. IDEX plans to continue its organisational expansion in the second half of 2017.

During the first half of 2017, IDEX established two new facilities in Farnborough, UK, and Rochester, US.

## OUTLOOK

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IDEX's strategy is to drive adoption of its sensor technology in three mass markets: cards, mobile and IoT. The company's highest priority is to reinforce its leadership position in the biometric cards market. IDEX continues to make significant investments in its team and accelerating product development and technology innovation.

### Progress on commercialisation paths for smart cards

Following completion of additional customer trials on Mastercard's biometric card, the product is expected to commence certification during the fourth quarter of 2017. The commercial roll-out is targeted late 2017.

IDEX is experiencing strong customer interest for its off-chip sensor solution for smart cards and has broadened its customer engagement. The company expects several additional customers to commence sampling the company's new dual interface sensor during the second half of 2017.

In addition, IDEX expects to secure additional customers, outside the Mastercard programme, in the second half of 2017. The company's new sensor for contactless cards is expected to be production-ready from early 2018.

### Favourable mobile trends

IDEX is marketing a new off-chip sensor to mobile OEMs delivering premium biometric performance. The sensor is aligned with the trends to place the sensor on the back of the phone. This sensor is expected to be sampling in the second half of 2017. In addition, IDEX expect to launch a cost optimised sensor for mobile handsets early 2018.

Further, IDEX will invest in extending this technology for use in next generation flexible products, developing in-display sensor solutions for OLED devices.

## FINANCIAL REVIEW

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### Consolidated interim financial statements as at 30 June 2017 (Unaudited)

#### Profit and loss statements

IDEX recorded revenues of NOK 4.7 million in the second quarter of 2017, compared to NOK 14.1 million in the second quarter of 2016. For the first half of 2017, revenues amounted to NOK 11.3 million, down from NOK 17.7 million in the corresponding period of 2016. Virtually all revenue originated from sensor sales. The reduction in revenue is due to reduced shipments of sensors to the mobile handsets IDEX has been shipping to in previous quarters. These handsets are in the tail of their lifecycles. The volumes to other handsets for which IDEX has announced design wins have been lower than expected, as explained above. Since IDEX is currently marketing its 'back of the phone' optimised sensor this is currently yet to be designed into handsets, and subsequently generate revenues

The gross margin ended at NOK 0.8 million in the second quarter this year, representing a 17.4 per cent margin, up from 16.9 per cent in the corresponding period last year. So far this year, the margin has been 18.8 per cent, up from 17.1 per cent in the first half of 2016. The gross margin reflects that most of the Cardinal sensor, which represent the majority of the volumes, is a co-developed product.

The total operating expenses for the second quarter of 2017 amounted to NOK 64.1 million, an increase from NOK 44.7 million in the same period last year. For the first half of 2017, the operating expenses amounted to NOK 123.3 million, compared to NOK 98.1 million in the first half of 2016. The increase is mainly due to an increase in payroll expenses, resulting from a higher number of employees and share-based remuneration effects.

For the second quarter of 2017, the payroll expenses were NOK 40.0 million. This compares to NOK 17.1 million for the second quarter of 2016. For the first six months this year, IDEX recorded payroll expenses of NOK 75.6 million, up from NOK 39.6 million in the first half of 2016. The underlying cost excluding share-based remuneration was NOK 34.3 million in the second quarter and NOK 67.1 million in the first half this year, compared to NOK 38.9 million and NOK 16.2 million in the corresponding periods last year. The increase mainly reflects that the average number of employees was 93 in the first half of this year compared to 57 in the first half of 2016. In addition, there are variations between quarters because of bonus adjustments and other staff related items such as recruiting costs. The net cost of share-based remuneration often vary substantially between quarters because of share price variations as well as grants and exercises.

The total share-based remuneration amounted to NOK 5.7 million in the second quarter this year and NOK 8.5 million in the first half year, compared to NOK 0.9 million and NOK 0.7 million in the second quarter and first half year 2016 respectively. Most of the variation is caused by accrual or reversal of potential employer's tax on outstanding subscription rights, or actual employer's tax on exercise.

The total number of employees and on-going individual contractors was 120 at 30 June 2017, up from 74 at 30 June 2016 and 111 at 31 March 2017. The staff of 120 includes 102 IDEX employees, 16 technical/scientific individual contractors working full time or regularly as part of the development team, and 2 sales representatives working on contract.

External research and development (R&D) expenses amounted to NOK 15.5 million in the second quarter this year, up from NOK 20.9 million in the second quarter of 2016. For the first half year of 2017, the R&D



expenses ended at NOK 30.4 million, compared to NOK 46.3 million in the corresponding period of 2016. The R&D expenses vary depending on the development stage of the various projects, and the need for external technical services, manufacturing and testing work and consumption of materials. In the first three quarters of 2016 the costs were unusually high due to external design services related to the development of IDEX's new ASIC platform.

Other operating expenses, mainly comprising expenses related to sales, marketing and general administration, amounted to NOK 8.7 in this quarter, up from NOK 6.7 million last year, and NOK 17.3 million in the first half of 2017, up from NOK 12.2 million in the corresponding period of 2016. The increase mainly relates to increased activity level in sales and marketing.

Depreciation amounted to NOK 1.8 million in the second quarter of 2017, the same as in the same quarter last year. For the first half of 2017, the depreciation was NOK 3.4 million, down from NOK 3.9 million in the first half of 2016. In the first half of 2017, NOK 2.9 million was invested in scientific equipment and engineering tools and NOK 0.3 million to obtain sole ownership to patent rights that hitherto were held jointly with a former technical partner. The investments were more than twice the investments in the full year 2016. Additional equipment investments in IDEX America and IDEX UK are planned in 2017.

IDEX recorded an EBIT loss of NOK 65.1 in the second quarter this year, compared to a loss of NOK 44.1 million in the second quarter last year. For the first half of 2017, the loss amounted to NOK 124.6 million, compared to a loss of NOK 95.1 million in the first half of 2016. The increased loss mainly relates to higher payroll costs because of the increased number of employees.

Net financial items amounted to a negative NOK 0.6 in the second quarter of both 2017 and 2016. So far this year, the company has recorded net financial expenses of NOK 1.4 million, compared to about nil in the first half of 2016. Interest income has increased to NOK 1.4 million in the first half of 2017 compared to NOK 0.5 million in the first half of 2016 because of better terms on deposits. The variation in net financial items between periods is mainly caused by re-/devaluations of the US dollar causing gain/loss on receivables and debt denominated in US dollars.

Due to profits in IDEX's wholly-owned subsidiaries in the US and UK, there was a tax charge of NOK 0.3 million in the first half of 2017, on par with the corresponding period of 2016.

The IDEX group had a net loss of NOK 65.9 million in the second quarter this year, down from a loss of NOK 44.9 million in the same period last year. So far this year, the group has recorded a loss of NOK 126.4 million, compared to a loss of NOK 99.5 million in the first half of 2016. The main reason was the increased operating expenses explained above.

Loss per basic weighted average number of shares amounted to NOK 0.23 in the first half this year, compared to a loss of NOK 0.19 per share in the corresponding period of 2016.

### Balance sheets

IDEX has a strong balance sheet. At 30 June 2017, IDEX had a cash balance of NOK 428.4 million, down from NOK 532.6 million at 31 December 2016. The group has no debt to financial institutions or lenders.

The main assets held on the balance sheet are acquired intangible assets and cash in bank. Cash is the dominant item, representing 86 per cent of the total assets.

The acquired intangible assets and intellectual property rights have been capitalised in accordance with IFRS, and included goodwill amounting to NOK 8.3 million and depreciating assets in an original acquisition amount of NOK 43.9 million. The assets depreciate over economic life for the respective assets. The major items depreciate over 9.5 year and 17.3 years from acquisition, through July 2024 and to the end of 2030 respectively. 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 capitalisation. Development costs have in the past largely been expensed for the same reason. No development expenses were capitalised in the first half of 2017. In the year 2016, own development expenses of NOK 0.3 million were capitalised.

Tangible fixed assets amounted to NOK 6.2 million at 30 June 2017, up from NOK 4.7 million at the end of 2016. The fixed assets are scientific equipment and engineering tools, leasehold outfitting, office equipment and furniture with useful lives of 3-5 years. Most of the investments in the first half of 2017 were made in IDEX America's branch in Rochester, New York and IDEX UK's facility in Farnborough. Additional investments are planned in IDEX America and IDEX UK in 2017.

Inventory remains stable at NOK 8.8 million at 30 June 2017, down from NOK 9.3 million at the end of 2016. Customer receivables are down to NOK 2.4 million at 30 June 2017, from NOK 12.2 million at 31 December 2016, due to the low shipment volume in 2017.

Total short-term liabilities amounted to NOK 33.2 million at the end of June this year, compared to NOK 41.3 million at the end of 2016. The major liabilities are various operational payables which normally varies between quarters due to payment terms. Following exercise of vested subscription rights in the first half, the accrued notional employer's tax on share incentives has been reduced to NOK 1.7 million at 30 June 2017, from NOK 5.8 million at 31 December 2016.

Equity amounted to NOK 457.3 million at 30 June, down from NOK 562.4 million at 31 December 2016. The decrease is mainly caused by the net loss in the first half, partly off-set by the share capital injected from the exercise of subscription rights and the implicit value of work for share-based compensation.

IDEX does not have debt to financial institutions or lenders. The company has adequate equity and liquidity to operate as going concern for longer than 12 months from the date of this report.

The net working capital, inventory plus receivables less trade accounts payable, amounted to NOK 13.3 million at 30 June 2017, down from NOK 16.5 million at the beginning of 2017. During the first half, customer receivables were reduced, as was trade accounts payable, while other receivables increased. IDEX will necessarily need to build up its inventory as shipment volume increases and accounts receivables will also reflect business volume.

### Cash flow, cash position

The operational cash outflow was NOK 80.3 million in the second quarter this year, compared to NOK 59.6 million in the second quarter last year. In the first half of 2017, the cash outflow was NOK 115.4 million, compared to NOK 141.6 million in the first half of 2016. 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, as well as the working capital changes.

The second quarter working capital outflow includes payment of NOK 17.8 million in withholding taxes and employer's tax on exercises of incentive subscription rights in the first quarter, when cash flow was affected favourably in the same amount. In the second quarter of 2016, the working capital outflow was caused by

inventory build-up and payment of trade payables. In the first half of 2017, the change in working capital was practically nil, due to reduction of both receivables and payables. In the first half of 2016, the working capital outflow amounted to NOK 51.2 million, due to payment of a significant payable from 2015, as well as significant increase in inventory and receivables. The working capital varies between quarters, mainly due to fluctuating payables to suppliers and accrued liabilities. Future growth of sales volume is expected to cause an increase in working capital.

IDEX invested NOK 1.2 million and NOK 3.2 million in the second quarter and first half of 2017. The investments are mainly in scientific equipment and engineering tools. For the corresponding periods last year, the investment amounted to NOK 0.6 million and NOK 0.8 million respectively. Investments vary according to project requirements for new equipment and tooling. Staff growth also mandates investments. Most of the investments in 2017 are related to IDEX America's branch in Rochester, New York, and IDEX UK's facility in Farnborough.

Employees and contractors who exercised incentive subscription rights injected new equity amounting to NOK 2.5 million net of expenses in the second quarter this year, compared to NOK 0.2 million in the same period last year. For the first six months, injected equity from exercise of subscription rights amounted to NOK 13.3 million in 2017, of which NOK 0.8 million was received in the fourth quarter of 2016, and NOK 1.3 million in 2016.

At 30 June 2017, IDEX's cash position was NOK 428.4 million, down from NOK 532.6 million at 31 December 2016. The balance sheet solvency, which is the cash position less the net of receivables and short term liabilities, amounted to NOK 406.6 million, compared to NOK 510.5 million at the end of 2016. The reduction was mainly caused by the net loss in the period, net of share-based compensation cost.

## FINANCIAL STATEMENTS

### Interim consolidated statements of comprehensive income

Amounts in NOK 1,000	1 April- 30 June 2017	1 April- 30 June 2016	1 January- 30 June 2017	1 January- 30 June 2016	1 January- 31 December 2016
<b>Operating income</b>					
Sales and services income	<b>4 712</b>	14 110	<b>11 290</b>	17 672	38 556
Other operating revenue	<b>9</b>		<b>203</b>		2
<b>Total revenue</b>	<b>4 721</b>	14 110	<b>11 493</b>	17 672	38 558
Cost of goods sold	<b>3 903</b>	11 732	<b>9 369</b>	14 655	32 688
<b>Gross margin</b>	<b>818</b>	2 378	<b>2 124</b>	3 017	5 869
<b>Operating expenses</b>					
Payroll expenses	<b>39 990</b>	17 128	<b>75 548</b>	39 558	91 734
Research and development expenses	<b>15 451</b>	20 865	<b>30 438</b>	46 319	81 356
Other operating expenses	<b>8 678</b>	6 689	<b>17 307</b>	12 235	28 881
<b>Total operating expenses</b>	<b>64 119</b>	44 682	<b>123 293</b>	98 112	201 971
Profit (loss) before interest, tax, depreciation and amortization (EBITDA)	(63 301)	(42 304)	(121 169)	(95 095)	(196 102)
Depreciation	<b>1 778</b>	1 810	<b>3 400</b>	3 929	7 319
<b>Profit before interest and tax (EBIT)</b>	<b>(65 079)</b>	(44 115)	<b>(124 569)</b>	(99 025)	(203 421)
<b>Financial income and expenses</b>					
Interest income	<b>689</b>	229	<b>1 394</b>	487	933
Other financial income	<b>84</b>	381	<b>266</b>	812	4 417
Interest expenses			<b>(25)</b>	(1)	(1)
Other financial expenses	<b>(1 411)</b>	(1 182)	<b>(3 074)</b>	(1 339)	(4 388)
<b>Net financial items</b>	<b>(638)</b>	(572)	<b>(1 439)</b>	(41)	960
<b>Net result before tax</b>	<b>(65 717)</b>	(44 687)	<b>(126 008)</b>	(99 066)	(202 462)
Income tax expense (credit)	<b>175</b>	193	<b>348</b>	391	790
<b>Net profit (loss) for the period</b>	<b>(65 892)</b>	(44 880)	<b>(126 356)</b>	(99 457)	(203 252)
<b>Other comprehensive income</b>	<b>(241)</b>	(136)	<b>(232)</b>	(167)	79
<b>Total comprehensive income (loss) for the period, net of tax</b>	<b>(66 133)</b>	(45 016)	<b>(126 588)</b>	(99 624)	(203 173)
<i>Profit (loss) per share - basic and diluted</i>	<b>NOK (0.12)</b>	NOK (0.09)	<b>NOK (0.23)</b>	NOK (0.19)	NOK (0.38)

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

## Interim consolidated balance sheets

Amounts in NOK 1,000	30 June 2017	30 June 2016	31 December 2016
<b>ASSETS</b>			
<b>Long-term assets</b>			
Goodwill	8 260	8 260	8 260
Other intangible assets	33 001	36 747	34 843
Fixed assets	6 217	5 627	4 695
Long-term receivables	1 268	1 170	1 277
<b>Total long-term assets</b>	<b>48 746</b>	<b>51 804</b>	<b>49 075</b>
<b>Current assets</b>			
<b>Inventory and receivables</b>			
Inventory	8 864	7 136	9 303
Customer receivables	2 394	11 688	12 177
Other receivables	6 099	3 956	4 663
Prepaid expenses	2 927	4 010	2 295
<b>Total inventory and receivables</b>	<b>20 284</b>	<b>26 790</b>	<b>28 438</b>
<b>Cash and bank deposits</b>			
Cash and bank deposits	428 381	623 394	532 619
<b>Total cash and bank deposits</b>	<b>428 381</b>	<b>623 394</b>	<b>532 619</b>
<b>Total current assets</b>	<b>448 666</b>	<b>650 184</b>	<b>561 058</b>
<b>TOTAL ASSETS</b>	<b>497 412</b>	<b>701 988</b>	<b>610 133</b>

<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Paid-in-capital</b>			
Share capital	81 357	79 812	80 067
Share premium	1 185 368	1 171 570	1 173 342
Other paid-in capital	65 296	49 761	57 120
<b>Total paid-in-capital</b>	<b>1 332 021</b>	<b>1 301 143</b>	<b>1 310 528</b>
Other equity	(874 748)	(644 610)	(748 160)
<b>Total equity</b>	<b>457 273</b>	<b>656 533</b>	<b>562 368</b>
<b>Liabilities</b>			
<b>Long-term liabilities</b>			
Other long-term liabilities	6 933	9 746	6 504
<b>Total long-term liabilities</b>	<b>6 933</b>	<b>9 746</b>	<b>6 504</b>
<b>Short-term liabilities</b>			
Paid-in, not registered capital			811
Accounts payable	6 929	10 666	11 978
Public duties payable	2 556	1 692	3 448
Accrued payable income tax	1 591	859	1 276
Notional employer's tax on share incentives	1 747	8 549	5 752
Other short-term liabilities	20 383	13 943	17 996
<b>Total short term liabilities</b>	<b>33 206</b>	<b>35 709</b>	<b>41 261</b>
<b>Total liabilities</b>	<b>40 139</b>	<b>45 455</b>	<b>47 765</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>497 412</b>	<b>701 988</b>	<b>610 133</b>

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

### Interim consolidated cash flow statements

Amounts in NOK 1,000	1 April- 30 June 2017	1 April- 30 June 2016	1 January- 30 June 2017	1 January- 30 June 2016	1 January- 31 December 2016
<b>Cash Flows from operating activities</b>					
Profit (loss) before taxes (EBT)	<b>(65 717)</b>	(44 687)	<b>(126 008)</b>	(99 066)	(202 462)
Share-based remuneration (equity part)	<b>5 057</b>	2 550	<b>8 176</b>	5 195	12 553
Depreciation	<b>1 778</b>	1 810	<b>3 400</b>	3 929	7 319
Interest income	<b>(689)</b>	(229)	<b>(1 394)</b>	(487)	(933)
Change in working capital and other items	<b>(20 722)</b>	(19 025)	<b>391</b>	(51 174)	(48 194)
<b>Net cash flow from operational activities</b>	<b>(80 293)</b>	<b>(59 581)</b>	<b>(115 435)</b>	<b>(141 603)</b>	<b>(231 717)</b>
<b>Cash flows from investing activities</b>					
Purchases of assets	<b>(1 178)</b>	(648)	<b>(3 148)</b>	(785)	(1 089)
Capitalised development costs					(271)
Change in long-term receivables	<b>(333)</b>		<b>16</b>	1	(125)
Interest income	<b>689</b>	229	<b>1 394</b>	487	933
<b>Net cash provided by investing activities</b>	<b>(822)</b>	<b>(419)</b>	<b>(1 738)</b>	<b>(297)</b>	<b>(552)</b>
<b>Cash flows from financing activities</b>					
Share issues net of expenses	<b>2 497</b>	152	<b>13 317</b>	1 277	3 304
Paid-in, not registered share capital			<b>(811)</b>		811
Change in long-term payable	<b>154</b>	503	<b>429</b>	301	(2 943)
<b>Net cash provided by financing activities</b>	<b>2 651</b>	<b>655</b>	<b>12 935</b>	<b>1 578</b>	<b>1 172</b>
<b>Net change in cash and cash equivalents</b>	<b>(78 464)</b>	<b>(59 344)</b>	<b>(104 238)</b>	<b>(140 322)</b>	<b>(231 097)</b>
Opening cash balance	<b>506 845</b>	682 738	<b>532 619</b>	763 716	763 716
Closing cash balance	<b>428 381</b>	623 394	<b>428 381</b>	623 394	532 619

### Interim consolidated statements of equity

Amounts in NOK 1,000	Share capital	Share premium	Other paid-in capital	Retained earnings (uncovered loss)	Total equity
Balance 1 January 2017	80 067	1 173 342	57 119	(748 160)	562 368
<b>Share issues</b>	<b>1 290</b>	<b>12 026</b>			<b>13 316</b>
<b>Share-based compensation</b>			<b>8 177</b>		<b>8 177</b>
<b>Total comprehensive income for the period</b>				<b>(126 588)</b>	<b>(126 588)</b>
Balance 30 June 2017	81 357	1 185 368	65 296	(874 748)	457 273
Balance 1 January 2016	79 651	1 170 454	44 566	(544 987)	749 684
Share issues	161	1 117			1 278
Share-based compensation			5 195		5 195
Total comprehensive income for the period				(99 624)	(99 624)
Balance 30 June 2016	79 812	1 171 571	49 761	(644 611)	656 533
Balance 1 January 2016	79 651	1 170 454	44 566	(544 987)	749 684
<b>Share issues</b>	<b>416</b>	<b>2 888</b>			<b>3 304</b>
<b>Share-based compensation</b>			<b>12 553</b>		<b>12 553</b>
<b>Total comprehensive income for the period</b>				<b>(203 173)</b>	<b>(203 173)</b>
Balance 31 December 2016	80 067	1 173 342	57 119	(748 160)	562 368

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

## NOTES

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### Notes to the condensed consolidated interim financial statements 30 June 2017 (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 shares have been listed at Oslo Børs since 12 March 2010. The objective of the company as stated in the articles of association is to deliver computer-based identification systems and other related activities.

IDEX ASA established a subsidiary group in the USA in 2013, and a subsidiary in the People's Republic of China in 2015. IDEX America and IDEX China provides development services as well as sales facilitation and marketing assistance to IDEX ASA. IDEX ASA's subsidiary in the UK, established in 2014, provides development services and logistics management for IDEX ASA.

#### 2 Accounting policies and risk factors

This condensed consolidated interim financial report for the first half of 2017 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 2016. The IFRS accounting policies applied in this report are consistent with those applied and described in the annual financial statements for 2016.

This interim financial report has not been subject to audit. The report was approved by the board of directors on 9 August 2017.

It is the duty of the board of directors to duly present the principal risks of IDEX and its business. 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.

The company's major risk is its business risk, meaning its ability to earn revenue. 2016 was the first year that IDEX earned significant revenue from its technology. The 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 the fingerprint sensor product range offers unique properties.

The going concern assumption has been applied when preparing this interim financial report. IDEX has commenced earning noticeable amounts of recurring revenue. The company does not have financial debt, and IDEX has adequate liquidity and equity under current planning assumptions for a period longer than 12 months from the date of this report.



### 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 2017	8 260	34 843	4 695	1 277	49 075
<b>Additions</b>		<b>294</b>	<b>2 854</b>	<b>609</b>	<b>3 757</b>
<b>Disposals at cost</b>				<b>(625)</b>	<b>(625)</b>
<b>Depreciation and impairment losses</b>		<b>(2 136)</b>	<b>(1 264)</b>		<b>(3 400)</b>
<b>Effects of changes in foreign currency</b>			<b>(68)</b>	<b>7</b>	<b>(61)</b>
Balance 30 June 2017	8 260	33 001	6 217	1 268	48 746
Balance 1 January 2016	8 260	39 172	6 576	1 155	55 163
<b>Additions</b>			<b>769</b>	<b>16</b>	<b>785</b>
<b>Depreciation and impairment losses</b>		<b>(2 425)</b>	<b>(1 504)</b>		<b>(3 929)</b>
<b>Effects of changes in foreign currency</b>			<b>(214)</b>	<b>(1)</b>	<b>(215)</b>
Balance 30 June 2016	8 260	36 747	5 627	1 170	51 804
Balance 1 January 2016	8 260	39 172	6 576	1 155	55 163
<b>Additions</b>		<b>271</b>	<b>1 089</b>	<b>125</b>	<b>1 484</b>
<b>Disposals at cost</b>			<b>(1 352)</b>		<b>(1 352)</b>
<b>Depreciation and impairment losses</b>		<b>(4 600)</b>	<b>(2 720)</b>		<b>(7 320)</b>
<b>Depreciation on disposed assets</b>			<b>1 226</b>		<b>1 226</b>
<b>Effects of changes in foreign currency</b>			<b>(124)</b>	<b>(3)</b>	<b>(127)</b>
Balance 31 December 2016	8 260	34 843	4 695	1 277	49 075

Under IFRS goodwill is not amortised but impairment tested at each year end. Acquired patents and other capitalised intangible assets depreciate over the economic life.

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 capitalisation. Development costs have largely been expensed for the same reason. IDEX has not capitalised any development expenses in 2017. In 2016 IDEX capitalised NOK 0.3 million development expenses related to the Cardinal sensor products.

### 4 Shares, warrants and subscription rights

Number of financial instruments	Incentive subscription rights	Shares
Balance 1 January 2017	26 037 500	533 780 255
1 January-30 June: Granted incentive subscription rights	<b>4 100 000</b>	
1 January-30 June: Issued shares for incentive sub.rights exerc. in 2016		<b>125 000</b>
1 January-30 June: Exercised incentive subscription rights	<b>(8 362 500)</b>	<b>8 362 500</b>
1 January-30 June: Expired incentive subscription rights	<b>(1 205 000)</b>	
29 May: Issued shares in lieu of board remuneration		<b>115 350</b>
Balance 30 June 2017	20 570 000	542 383 105
Balance 1 January 2016	22 220 000	531 009 416
1 January-30 June: Granted incentive subscription rights	2 475 000	
1 January-30 June: Exercised incentive subscription rights	(937 500)	937 500
1 January-30 June: Expired incentive subscription rights	(275 000)	
25 May: Issued shares in lieu of board remuneration		133 339
Balance 30 June 2016	23 482 500	532 080 255

Balance 1 January 2016	22 220 000	531 009 416
1 January-31 December: Granted incentive subscription rights	7 995 000	
1 January-31 December: Exercised incentive subscription rights	(2 637 500)	2 637 500
1 January-31 December: Exerc. incentive sub. rights, shares not issued	(125 000)	
1 January-31 December: Forfeited and expired incentive subscription rig	(1 415 000)	
25 May 2016: Issue of board remuneration shares		133 339
Balance 31 December 2016	26 037 500	533 780 255

IDEX has granted 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 June 2017 was NOK 6.52 per share.

## 5 Payroll expenses

Amounts in NOK 1,000	1 April- 30 June 2017	1 April- 30 June 2016	1 January- 30 June 2017	1 January- 30 June 2016	1 January- 31 December 2016
Salary, payroll tax, benefits, other expenses	34 339	16 224	67 071	38 875	85 158
Capitalised cost of development work					(8)
Payroll tax on exercised subscription rights	102	121	4 306	877	2 179
Share-based remun., notional salary expense	5 057	2 512	8 176	5 157	12 553
Share-based remun., accrual (rev.) of emplr.'s tax	492	(1 729)	(4 005)	(5 351)	(8 148)
<b>Payroll expenses</b>	<b>39 990</b>	<b>17 128</b>	<b>75 548</b>	<b>39 558</b>	<b>91 734</b>

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 June 2017	1 Jan. – 30 June 2016	1 Jan. - 31 Dec. 2016
Profit (loss) attributable to the shareholders (NOK 1 000)	(126 356)	(99 457)	(203 252)
Weighted average basic number of shares	538 929 240	531 568 235	532 167 502
Weighted average diluted number of shares	544 045 102	542 934 213	542 985 135
Profit (loss) per share, basic and diluted	NOK (0.23)	NOK (0.19)	NOK (0.38)

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 half of 2017 recorded NOK 2,242 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. Mr. Ciaccia also 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.

CEO Hemant Mardia exercised 5,000,000 incentive subscription rights on 23 February 2017 and IDEX issued the same number of shares at a weighted average price of NOK 1.69 per share. The subscription rights were granted to Dr Mardia under the company's 2013 incentive subscription rights plan.

Also on 23 February 2017, CTO Fred Benkley was granted 750,000 subscription rights at exercise price NOK 6.63 per share. Normal vesting conditions apply, and the expiry date is 11 May 2021. The board resolved to extend the duration of 500,000 subscription rights granted to Mr. Benkley in 2013, from 23 September 2017 until 16 May 2018.

Following the annual general meeting of IDEX on 12 May 2017, three board members elected to receive part or full board remuneration in shares. Deborah Davis acquired 47,404 shares for which she paid NOK 0.15 per share, instead of receiving a cash board remuneration of NOK 300,000. Hanne Høvdning acquired 31,603 shares for which she paid NOK 0.15 per share, instead of NOK 200,000 of the board remuneration. Andy Macleod acquired 36,343 shares for which he paid NOK 0.15 per share, instead of NOK 230,000 of the board remuneration.

## **10 Events occurring after the balance sheet date**

The board of directors of IDEX ASA resolved on 9 August 2017 to issue 4,435,000 incentive subscription rights. The grant was made under the company's 2017 incentive subscription rights plan as resolved at the annual general meeting on 12 May 2017. The exercise price of the subscription rights is NOK 7.76 per share. 25 % of the subscription rights vest per year. The subscription rights expire on 12 May 2022.

Following the grant there will be 25,005,000 subscription rights outstanding.

Between 30 June 2017 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 half of 2017 or the value of the company's assets and liabilities at 30 June 2017.

## RESPONSIBILITY STATEMENT

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### Interim report for the first half of 2017 (Unaudited)

We confirm, to the best of our knowledge, that the condensed consolidated financial statements with notes for the period 1 January to 30 June 2017 has been prepared in accordance with IAS 34 - Interim Financial Reporting and gives a true and fair view of IDEX's assets, liabilities, financial position and profit or loss as a whole. Major related parties' transactions have been disclosed in note 9.

We also confirm, to the best of our knowledge, that the interim report issued in concert with these condensed financial statements includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year.

**Fornebu, 9 August 2017**  
***The board of directors of IDEX ASA***

Morten Opstad  
*Chairman*

Lawrence John Ciaccia  
Board Member

Deborah Lee Davis  
Board Member

Hanne Høvding  
Board Member

Andrew James Macleod  
Board Member

Hemant Mardia  
CEO