



# IDEX ASA

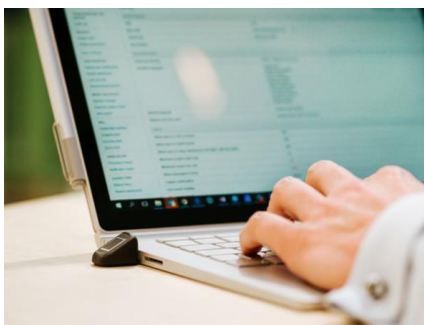
Third quarter 2017 report

## Third quarter and recent highlights

- Continued the commercialisation of biometric cards
  - Secured innovation agreement with global payment provider for additional biometric solutions
  - Support of Mastercard's end-user trials, including with UniCredit Bulbank in Bulgaria in August
  - Received initial order from leading Asian smart card provider
  - Demonstrated flexible sensor for contactless card applications
  - Launched ultra-compact matcher algorithm optimised for biometric cards
  - Sampling sensor with multiple new card integrators for access control and government ID
- Revenues of NOK 3.5 million in the third quarter and NOK 15.0 million year-to-date

## Outlook and key upcoming milestones

- Expand roll-out of biometric card programme with Mastercard
  - Commence card certification process by the end of 2017
  - Additional customer trials for biometric cards
  - Commercial roll-out of the global programme expected early 2018
- Expect to secure new card customers in the fourth quarter of 2017
- Contactless card sensor expected to be ready for volume shipments first half of 2018
- Secure additional IoT customers leveraging newest off-chip sensor



## IDEX OFF-CHIP TECHNOLOGY DIFFERENTIATION

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### Unique patent protected sensor design and architecture

While a majority of the total market for capacitive fingerprint sensors continues to rely on previous generation silicon-based sensor technology, IDEX has remained focused on further development and commercialization of its patented off-chip sensor technology. The company's unique off-chip solutions represent a fundamentally different architecture and approach that provides a number of important advantages when compared to traditional silicon-based sensors. The most significant benefits of IDEX's off-chip technology are derived from the ability to separate the sensor's ASIC and sensing array. Unlike silicon-based sensors that can't be separated due to the silicon itself serving as the sensing array, the off-chip architecture enables significantly increased adaptability of fingerprint biometric solutions, including greater form factor flexibility as well as superior size and cost-to-performance characteristics.

IDEX is one of only two vendors with commercially proven and patent protected off-chip capacitive sensing technology, which serves as a key differentiator in the company's target end markets of biometric cards, IoT and mobile.

### Latest ASIC platform improves solution cost, power consumption and processing performance

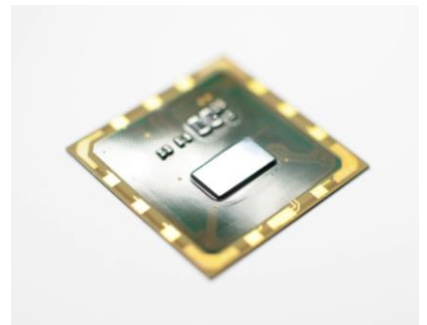
IDEX launched its new ASIC platform for off-chip sensor solutions in early 2017. The new ASIC was specifically developed to overcome the substantial challenges inherent in biometric card applications, and it also produces superior solutions for IoT. IDEX's advanced platform enables solutions with both enhanced performance and reduced power consumption at a compelling price.

IDEX strategically selected TSMC as its foundry partner for volume manufacturing of the new ASIC. TSMC is the leading foundry provider with over 450 customers, including Apple, Qualcomm and MediaTek. This relationship provides IDEX customers with significant production capacity from a world-leading semiconductor foundry, at the highest quality levels and with access to advanced features.

### Sampling fingerprint sensor for contactless cards

In June 2017, IDEX launched a ground-breaking flexible, low-power fingerprint sensor using the company's latest ASIC platform. The sensor is based on IDEX's patented technology and has state-of-the-art power management that supports dual-interface (contact and contactless) biometric card operation without an internal power source.

IDEX recently announced that the company is demonstrating this sensor to card customers. The feedback after the demonstrations has been excellent.



### Ultra-compact matcher algorithm delivers optimized complete solutions for biometric cards

In early August, IDEX introduced a new proprietary matcher for the next generation of biometric cards. This patented algorithm was designed to deliver a step-function improvement in performance for applications with demanding power, processing and memory restrictions. The matcher is ideal for use in biometric cards, with excellent performance regardless of finger orientation and ability to accept partial touches. These features also make the matcher highly suitable for IoT applications having the same constraints as in cards. IDEX's algorithm also has uniquely efficient code and template size to enable fast image processing, while delivering a reliable, secure and seamless user experience.



## **IDEX ENABLES NEXT-GENERATION BIOMETRIC CARDS**

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The market for biometric cards is now on the cusp of mass commercialisation. On the back of widespread adoption of biometric solutions in mobile devices there is significant demand from customers, including banks, retailers and government institutions, for biometric payment and ID card solutions.

During the first nine months of 2017, IDEX has made significant progress on commercialisation of its sensor solution for cards, and the company is confident it is significantly ahead of potential competitors in the biometric cards market. IDEX's leadership position is supported by the company's fundamental off-chip advantage for card sensors, which is a robust and proven solution developed in close collaboration with global payment provider Mastercard and IDEMIA, a leading card integrator. (IDEMIA is the company formed by the merger of Oberthur and Morpho.) Through these partnerships IDEX is equipped with an unparalleled capability for commercial mass deployment.

IDEX has been working for more than two years to create a technically superior, robust and proven biometric card solution suitable for standard manufacturing processes and ready for EMV certification.

Mastercard has successfully completed two end-user trials in South Africa with Pick n Pay, a leading supermarket retailer, and with Absa Bank, a subsidiary of Barclays Africa, as well as one end-user trial with UniCredit Bulbank in Bulgaria. End-customer feedback was extremely positive on the convenience, security and ease of use of the card. Additional trials of the biometric card are planned in Europe and the Asia-Pacific. The completion of these real-life tests is a competitive advantage to IDEX's solution, allowing refinement and preparation of the final solution for superior usability. This includes user misplacement of finger, rotation, partial touches, and limited number of attempts.

Formal certification of the card solution is critical, and IDEX and its partners expect this process to commence by the end of 2017, followed by a commercial programme roll-out.

### **Market expansion with other partners**

In August, IDEX received an initial order for its smart card sensor from a major Asian authentication and security card customer. The sensors are expected to be delivered during the second half of 2017 and will be integrated in the customer's biometric ISO form factor card for government identification and access control application. This customer is a high-volume producer with a strong global footprint targeting multiple end markets, including government, telecom, financial services and corporate customers. IDEX sees significant interest for biometric cards from a range of players, particularly in the Far East.

### Contactless card solution

IDEX's ground-breaking fingerprint sensor for use in contactless cards is currently being demonstrated to leading card integrators, and the company is experiencing strong interest from prospective customers. The sensor has state-of-the-art power management, which supports using the biometric card on existing payment terminals without an internal power source. Similar to the company's contact card solution, this sensor is also specifically designed to be compatible with proven standard card manufacturing processes.



### Entered into innovation agreement with global payment provider

IDEX recently entered into an innovation agreement with its global payment provider partner, by which IDEX will deliver a patented solution for low-cost, on-card remote enrolment and a compact matcher for commercial deployment in 2018. Together, these advanced offerings provide IDEX's customers with a complete and fully integrated solution to pursue a number of rapidly emerging opportunities in the biometric card market.

## IOT MARKET

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The IoT market is still in the early stages of development and adoption. Although highly fragmented, the emerging growth in this market is expected to have a profound impact across a number of different applications and end markets. IDEX is well positioned with its off-chip technology to capitalise on select vertical markets that can benefit from the excellent biometric performance and flexible form factor of the company's fingerprint sensor solutions. The benefits of IDEX's leading market position and newest off-chip touch sensor for biometric cards transfer well into IoT applications.

In October, IDEX's partner BIO-key International, Inc., an innovative provider of biometric software and hardware solutions, debuted its TouchLock TSA luggage padlock featuring IDEX's fingerprint sensor, at the world's largest duty free and retail travel exhibition. The TouchLock TSA padlock is only one example of the vast opportunities for IDEX's fingerprint solutions in the emerging IoT market.

## MOBILE MARKET DEVELOPMENT

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The market for silicon sensors in mobile applications continues to be highly competitive and price-sensitive. IDEX has achieved multiple commercial design wins with the silicon-based Cardinal sensor across three customers. The commoditisation of silicon sensors in mobile applications has reduced the attractiveness of this market.

However, potential new and future opportunities are also emerging as the mobile market continues to evolve. Premium flagship models are moving towards infinity displays that maximize the viewable area on a smartphone. This represents a unique future opportunity for IDEX, as the company's off-chip technology enables sensing arrays that are integrated into mobile displays. The company has assembled a very strong research and development team with deep experience in display integration. Going forward, IDEX's

primary focus in the mobile market will be to leverage its core technology and know-how in in-display sensor solutions.

## **ORGANISATIONAL UPDATE**

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Consistent with the achievement of multiple commercial milestones in the biometric cards market throughout 2017, IDEX has expanded the organization to further solidify its leadership position in this market. The company has had a net increase in staff of 30 to 122 during the first nine months of 2017. A majority of these additions to IDEX's team have been US or UK based engineers, which are focused on further advancing the company's aggressive technology development efforts.

During 2017, IDEX has established two new facilities; in Farnborough, UK, and Rochester, New York.

## **OUTLOOK**

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IDEX's first priority is to strengthen its leadership position in the biometric cards market and to drive further adoption of its off-chip sensor technology in biometric applications. In addition, the company will continue to leverage its sensor solutions into the IoT market and further develop the solution for display integrated fingerprint sensors.

The biometric card solution developed in partnership with Mastercard is expected to achieve certification shortly and the commercial roll-out is expected in early 2018.

IDEX expects to secure additional customers on the back of strong commercial interest from customers. The company's sensor for contactless cards is expected to be ready for volume shipments in first half 2018.

**London, 1 November 2017**  
***The Board of Directors of IDEX ASA***

## FINANCIAL REVIEW

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

#### Profit and loss statements

IDEX recorded revenues of NOK 3.5 million in the third quarter of 2017, compared to NOK 8.4 million in the third quarter of 2016. For the first nine months of 2017, revenues amounted to NOK 15.0 million, down from NOK 26.1 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 for use in mobile handsets.

The gross margin was NOK 0.4 million in the third quarter this year, representing a 10.1 per cent margin, down from 13.9 per cent in the corresponding period last year. So far this year, the margin has been 16.5 per cent, up from 16.0 per cent in the first nine months of 2016. The gross margin reflects that the Cardinal sensor, which represents the majority of the volumes, is a co-developed product.

The total operating expenses in the third quarter of 2017 amounted to NOK 62.6 million, an increase from NOK 57.0 million in the same period last year. In the first three quarters of 2017, the operating expenses amounted to NOK 185.9 million, compared to NOK 155.2 million in the first three quarters 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.

In the third quarter of 2017, the payroll expenses were NOK 39.0 million. This compares to NOK 27.1 million in the third quarter of 2016. In the first nine months this year, IDEX recorded payroll expenses of NOK 114.5 million, up from NOK 66.6 million in the first nine months of 2016. The underlying cost excluding share-based remuneration was NOK 34.9 million in the third quarter and NOK 102.0 million so far this year, compared to NOK 23.2 million and NOK 62.0 million in the corresponding periods last year. The increase mainly reflects that the average number of employees was 97 in the first nine months of this year compared to 60 in the first nine months of 2016. In addition, there are variations between quarters because of 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 5.1 million in the third quarter this year and NOK 13.3 million in the first three quarters of the year, compared to NOK 4.2 million and NOK 9.3 million in the third quarter and first nine months of 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 staff was 122 at 30 September 2017, up from 120 at 30 June 2017 and 80 at 30 September 2016. The staff comprises 106 IDEX employees, 12 technical/scientific individual contractors working full time or regularly as part of the development team, and 4 sales representatives working on contract.

External research and development (R&D) expenses amounted to NOK 16.4 million in the third quarter this year, down from NOK 23.0 million in the third quarter of 2016. So far this year, the R&D expenses amounted to NOK 46.8 million, compared to NOK 69.3 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 administration, amounted to NOK 7.3 million in this quarter, up from NOK 7.0 million in the third quarter last year; and NOK 24.6 million in the first nine months of 2017, up from NOK 19.2 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 third quarter of 2017, the same as in the third quarter last year. So far this year, the depreciation amounts to NOK 5.2 million, down from NOK 5.7 million in the first nine months of 2016. This year, NOK 6.1 million has been invested in scientific equipment, engineering tools and facilities, and NOK 0.3 million to obtain sole ownership to patent rights that formerly were held jointly with a technical partner. The investments were more than four times the investments in the full year 2016.

IDEX recorded an EBIT loss of NOK 64.1 in the third quarter this year, compared to a loss of NOK 55.9 million in the third quarter last year. In the first nine months of 2017, the loss amounted to NOK 183.5 million, compared to a loss of NOK 151.0 million in the first nine months of 2016. The increased loss mainly relates to higher payroll costs because of the increased number of employees.

Net financial items amounted to NOK 0.4 income in the third quarter of 2017, as opposed to a NOK 1.3 million expense in the third quarter of 2016. So far this year, the company has recorded net financial expense of NOK 1.0 million, compared to NOK 1.3 million expense in the same period of 2016. Interest income has increased to NOK 1.9 million so far this year, compared to NOK 0.7 million in the same period last year 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 0.8 million in the first nine months of 2017, up from NOK 0.6 million in the corresponding period of 2016.

The IDEX group had a net loss of NOK 64.2 million in the third quarter this year, compared to a loss of NOK 59.2 million in the same period last year. So far this year, the group has recorded a loss of NOK 190.5 million, compared to a loss of NOK 158.6 million in the first nine months of 2016. The main reason was the increased operating expenses explained above.

Loss per basic weighted average number of shares amounted to NOK 0.35 in the first nine months this year, compared to a loss of NOK 0.30 per share in the corresponding period of 2016.

### Balance sheets

IDEX has a strong balance sheet. At 30 September 2017, IDEX had a cash balance of NOK 359.4 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 83 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 46.9 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. 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 nine months of 2017. In the year 2016, own development expenses of NOK 0.3 million were capitalised.

Tangible fixed assets amounted to NOK 8.2 million at 30 September 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 nine months 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 increased to NOK 13.2 million at 30 September 2017, up from NOK 9.3 million at the end of 2016. Customer receivables amounted to only NOK 47 thousand at 30 September 2017, down from NOK 12.2 million at 31 December 2016, due to the low shipment volume in 2017.

Total short-term liabilities amounted to NOK 26.7 million at 30 September 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 nine months of the year, and the share price development, the accrued notional employer's tax on share incentives has been reduced to NOK 0.6 million at 30 September 2017, from NOK 5.8 million at 31 December 2016.

Equity amounted to NOK 397.5 million at 30 September, down from NOK 562.4 million at 31 December 2016. The decrease is mainly caused by the net loss so far this year, 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 any 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 20.4 million at 30 September 2017, up from NOK 16.5 million at the end of 2016. During the first nine months of the year, 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 66.2 million in the third quarter this year, compared to NOK 44.4 million in the third quarter last year. So far this year, the cash outflow was NOK 181.7 million, compared to NOK 186.0 million in the corresponding period 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 working capital outflow so far this year includes the net effect of reduced customer receivables and even more reduction in accounts payable. In the third quarter of 2016, the working capital outflow was mainly due to payment of accounts payable. In the first nine months of 2016, the working capital outflow amounted to NOK 42.3 million, due to payment of a significant payable from 2015, as well as 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 3.3 million and NOK 6.4 million in the third quarter and first nine months of 2017. The investments are mainly in scientific equipment, engineering tools and facilities. In the corresponding periods last year, the investments amounted to NOK 0.1 million and NOK 0.9 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, IDEX America's new, expanded office in Wilmington, Massachusetts and IDEX UK's facility in Farnborough.

Employees and contractors who exercised incentive subscription rights injected new equity amounting to NOK 13.3 million net of expenses in the first nine months this year, compared to NOK 1.5 million in the same period last year.

At 30 September 2017, IDEX's cash position was NOK 359.4 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 341.6 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 July-<br>30 September<br>2017 | 1 July-<br>30 September<br>2016 | 1 January-<br>30 September<br>2017 | 1 January-<br>30 September<br>2016 | 1 January-<br>31 December<br>2016 |
|---|---------------------------------|---------------------------------|------------------------------------|------------------------------------|-----------------------------------|
| <b>Operating income</b>   |                                 |                                 |                                    |                                    |                                   |
| Sales and services income   | <b>3 513</b>                    | 8 412                           | <b>14 803</b>                      | 26 084                             | 38 556                            |
| Other operating revenue   |                                 |                                 | <b>203</b>                         |                                    | 2                                 |
| <b>Total revenue</b>  | <b>3 513</b>                    | 8 412                           | <b>15 006</b>                      | 26 084                             | 38 558                            |
| <b>Cost of goods sold</b>   | <b>3 158</b>                    | 7 246                           | <b>12 527</b>                      | 21 901                             | 32 688                            |
| <b>Gross margin</b>   | <b>355</b>                      | 1 166                           | <b>2 479</b>                       | 4 183                              | 5 869                             |
| <b>Operating expenses</b>   |                                 |                                 |                                    |                                    |                                   |
| Payroll expenses  | <b>38 958</b>                   | 27 088                          | <b>114 506</b>                     | 66 646                             | 91 734                            |
| Research and development expenses   | <b>16 390</b>                   | 22 952                          | <b>46 828</b>                      | 69 271                             | 81 356                            |
| Other operating expenses  | <b>7 290</b>                    | 7 008                           | <b>24 597</b>                      | 19 243                             | 28 881                            |
| <b>Total operating expenses</b>   | <b>62 638</b>                   | 57 048                          | <b>185 931</b>                     | 155 160                            | 201 971                           |
| <b>Profit (loss) before interest, tax,<br/>depreciation and amortization (EBITDA)</b> | <b>(62 283)</b>                 | (55 882)                        | <b>(183 452)</b>                   | (150 977)                          | (196 102)                         |
| Depreciation  | <b>1 843</b>                    | 1 811                           | <b>5 243</b>                       | 5 740                              | 7 319                             |
| <b>Profit before interest and tax (EBIT)</b>  | <b>(64 126)</b>                 | (57 694)                        | <b>(188 695)</b>                   | (156 718)                          | (203 421)                         |
| <b>Financial income and expenses</b>  |                                 |                                 |                                    |                                    |                                   |
| Interest income   | <b>471</b>                      | 205                             | <b>1 865</b>                       | 692                                | 933                               |
| Other financial income  | <b>2 048</b>                    | 784                             | <b>2 314</b>                       | 1 596                              | 4 417                             |
| Interest expenses   |                                 |                                 | <b>(25)</b>                        | (1)                                | (1)                               |
| Other financial expenses  | <b>(2 128)</b>                  | (2 254)                         | <b>(5 202)</b>                     | (3 593)                            | (4 388)                           |
| <b>Net financial items</b>  | <b>391</b>                      | (1 265)                         | <b>(1 048)</b>                     | (1 306)                            | 960                               |
| <b>Net result before tax</b>  | <b>(63 735)</b>                 | (58 959)                        | <b>(189 743)</b>                   | (158 024)                          | (202 462)                         |
| Income tax expense (credit)   | <b>427</b>                      | 193                             | <b>775</b>                         | 584                                | 790                               |
| <b>Net profit (loss) for the period</b>   | <b>(64 162)</b>                 | (59 152)                        | <b>(190 518)</b>                   | (158 608)                          | (203 252)                         |
| <b>Other comprehensive income</b>   | <b>(699)</b>                    | (252)                           | <b>(931)</b>                       | (419)                              | 79                                |
| <b>Total comprehensive income (loss)<br/>for the period, net of tax</b>               | <b>(64 861)</b>                 | (59 404)                        | <b>(191 449)</b>                   | (159 027)                          | (203 173)                         |
| <b>Profit (loss) per share - basic and diluted</b>                                    | <b>NOK (0.12)</b>               |                                 | <b>NOK (0.35)</b>                  | NOK (0.30)                         | 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 September<br>2017 | 30 September<br>2016 | 31 December<br>2016 |
|--|----------------------|----------------------|---------------------|
| <b>ASSETS</b>                          |                      |                      |                     |
| <b>Long-term assets</b>                |                      |                      |                     |
| Goodwill                               | 8 260                | 8 260                | 8 260               |
| Other intangible assets                | 31 932               | 35 626               | 34 843              |
| Tangible fixed assets                  | 8 249                | 4 903                | 4 695               |
| Long-term receivables                  | 1 430                | 1 181                | 1 277               |
| <b>Total long-term assets</b>          | <b>49 871</b>        | <b>49 970</b>        | <b>49 075</b>       |
| <b>Current assets</b>                  |                      |                      |                     |
| <b>Inventory and receivables</b>       |                      |                      |                     |
| Inventory                              | 13 214               | 7 633                | 9 303               |
| Customer receivables                   | 47                   | 7 041                | 12 177              |
| Other receivables                      | 6 654                | 4 329                | 4 663               |
| Prepaid expenses                       | 2 204                | 3 155                | 2 295               |
| <b>Total inventory and receivables</b> | <b>22 119</b>        | <b>22 158</b>        | <b>28 438</b>       |
| <b>Cash and bank deposits</b>          |                      |                      |                     |
| Cash and bank deposits                 | 359 356              | 579 375              | 532 619             |
| <b>Total cash and bank deposits</b>    | <b>359 356</b>       | <b>579 375</b>       | <b>532 619</b>      |
| <b>Total current assets</b>            | <b>381 476</b>       | <b>601 533</b>       | <b>561 058</b>      |
| <b>TOTAL ASSETS</b>                    | <b>431 347</b>       | <b>651 503</b>       | <b>610 133</b>      |

|   |                  |                  |                  |
|---|------------------|------------------|------------------|
| <b>EQUITY AND LIABILITIES</b>               |                  |                  |                  |
| <b>Equity</b>                               |                  |                  |                  |
| <b>Paid-in-capital</b>                      |                  |                  |                  |
| Share capital                               | 81 357           | 79 842           | 80 067           |
| Share premium                               | 1 185 355        | 1 171 761        | 1 173 342        |
| Other paid-in capital                       | 70 432           | 53 901           | 57 119           |
| <b>Total paid-in-capital</b>                | <b>1 337 144</b> | <b>1 305 504</b> | <b>1 310 528</b> |
| Other equity                                | (939 609)        | (704 014)        | (748 160)        |
| <b>Total equity</b>                         | <b>397 535</b>   | <b>601 490</b>   | <b>562 368</b>   |
| <b>Liabilities</b>                          |                  |                  |                  |
| <b>Long-term liabilities</b>                |                  |                  |                  |
| Other long-term liabilities                 | 7 138            | 9 734            | 6 504            |
| <b>Total long-term liabilities</b>          | <b>7 138</b>     | <b>9 734</b>     | <b>6 504</b>     |
| <b>Short-term liabilities</b>               |                  |                  |                  |
| Paid-in, not registered capital             |                  |                  | 811              |
| Accounts payable                            | 1 743            | 12 569           | 11 978           |
| Public duties payable                       | 2 261            | 1 686            | 3 448            |
| Accrued payable income tax                  | 1 586            | 998              | 1 276            |
| Notional employer's tax on share incentives | 689              | 8 116            | 5 752            |
| Other short-term liabilities                | 20 395           | 16 910           | 17 996           |
| <b>Total short term liabilities</b>         | <b>26 674</b>    | <b>40 279</b>    | <b>41 261</b>    |
| <b>Total liabilities</b>                    | <b>33 812</b>    | <b>50 013</b>    | <b>47 765</b>    |
| <b>TOTAL EQUITY AND LIABILITIES</b>         | <b>431 347</b>   | <b>651 503</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 July-<br>30 September<br>2017 | 1 July-<br>30 September<br>2016 | 1 January-<br>30 September<br>2017 | 1 January-<br>30 September<br>2016 | 1 January-<br>31 December<br>2016 |
|--|---------------------------------|---------------------------------|------------------------------------|------------------------------------|-----------------------------------|
| <b>Cash Flows from operating activities</b>      |                                 |                                 |                                    |                                    |                                   |
| Profit (loss) before taxes (EBT)                 | (63 735)                        | (58 959)                        | (189 743)                          | (158 024)                          | (202 462)                         |
| Share-based remuneration (equity part)           | 5 136                           | 4 140                           | 13 313                             | 9 335                              | 12 553                            |
| Depreciation                                     | 1 843                           | 1 811                           | 5 243                              | 5 740                              | 7 319                             |
| Interest income                                  | (471)                           | (205)                           | (1 865)                            | (692)                              | (933)                             |
| Change in working capital and other item:        | (9 007)                         | 8 861                           | (8 616)                            | (42 313)                           | (48 194)                          |
| <b>Net cash flow from operational activities</b> | <b>(66 234)</b>                 | <b>(44 352)</b>                 | <b>(181 668)</b>                   | <b>(185 954)</b>                   | <b>(231 717)</b>                  |
| <b>Cash flows from investing activities</b>      |                                 |                                 |                                    |                                    |                                   |
| Purchases of assets                              | (3 284)                         | (71)                            | (6 432)                            | (856)                              | (1 089)                           |
| Capitalised development costs                    |                                 |                                 |                                    |                                    | (271)                             |
| Change in long-term receivables                  | (180)                           | (11)                            | (164)                              | (10)                               | (125)                             |
| Interest income                                  | 471                             | 205                             | 1 865                              | 692                                | 933                               |
| <b>Net cash provided by investing activities</b> | <b>(2 993)</b>                  | <b>123</b>                      | <b>(4 731)</b>                     | <b>(174)</b>                       | <b>(552)</b>                      |
| <b>Cash flows from financing activities</b>      |                                 |                                 |                                    |                                    |                                   |
| Share issues net of expenses                     | (4)                             | 222                             | 13 313                             | 1 499                              | 3 304                             |
| Paid-in, not registered share capital            |                                 |                                 | (811)                              |                                    | 811                               |
| Change in long-term payable                      | 205                             | (13)                            | 634                                | 288                                | (2 943)                           |
| <b>Net cash provided by financing activities</b> | <b>201</b>                      | <b>209</b>                      | <b>13 136</b>                      | <b>1 787</b>                       | <b>1 172</b>                      |
| <b>Net change in cash and cash equivalents</b>   | <b>(69 026)</b>                 | <b>(44 019)</b>                 | <b>(173 263)</b>                   | <b>(184 341)</b>                   | <b>(231 097)</b>                  |
| Opening cash balance                             | 428 381                         | 623 394                         | 532 619                            | 763 716                            | 763 716                           |
| Closing cash balance                             | 359 355                         | 579 375                         | 359 356                            | 579 375                            | 532 619                           |

## Interim consolidated statements of equity

| Amounts in NOK 1,000                             | Share<br>capital | Share<br>premium | Other<br>paid-in<br>capital | Retained<br>earnings<br>(uncovered<br>loss) | Total<br>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>12 013</b>    |                             |   | <b>13 303</b>    |
| <b>Share-based compensation</b>                  |                  |                  | <b>13 313</b>               |   | <b>13 313</b>    |
| <b>Total comprehensive income for the period</b> |                  |                  |                             | <b>(191 449)</b>                            | <b>(191 449)</b> |
| Balance 30 September 2017                        | 81 357           | 1 185 355        | 70 432                      | (939 609)                                   | 397 535          |
| Balance 1 January 2016                           | 79 651           | 1 170 454        | 44 566                      | (544 987)                                   | 749 684          |
| Share issues                                     | 191              | 1 307            |                             |   | 1 498            |
| Share-based compensation                         |                  |                  | 9 335                       |   | 9 335            |
| <b>Total comprehensive income for the period</b> |                  |                  |                             | <b>(159 027)</b>                            | <b>(159 027)</b> |
| Balance 30 September 2016                        | 79 842           | 1 171 761        | 53 901                      | (704 014)                                   | 601 490          |
| Balance 1 January 2016                           | 79 651           | 1 170 454        | 44 566                      | (544 987)                                   | 749 684          |
| Share issues                                     | 416              | 2 888            |                             |   | 3 304            |
| Share-based compensation                         |                  |                  | 12 553                      |   | 12 553           |
| <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 September 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's 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 identification systems and other related activities.

IDEX ASA holds a subsidiary group in the USA, a subsidiary in the People's Republic of China and a subsidiary in the UK. 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 the first nine months 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 1 November 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. 2017 is the second year that IDEX is earning 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 recurring revenue, but continues to operate at a loss. The company does not have any debt to financial lenders, 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>6 138</b>          | <b>800</b>            | <b>7 232</b>           |
| <b>Disposals at cost</b>                      |          |                         | <b>(325)</b>          | <b>(636)</b>          | <b>(961)</b>           |
| <b>Depreciation and impairment losses</b>     |          | <b>(3 205)</b>          | <b>(2 038)</b>        |                       | <b>(5 243)</b>         |
| <b>Depreciation on disposed assets</b>        |          |                         | <b>121</b>            |                       | <b>121</b>             |
| <b>Effects of changes in foreign currency</b> |          |                         | <b>(342)</b>          | <b>(11)</b>           | <b>(353)</b>           |
| Balance 30 September 2017                     | 8 260    | 31 932                  | 8 249                 | 1 430                 | 49 871                 |
| Balance 1 January 2016                        | 8 260    | 39 172                  | 6 576                 | 1 155                 | 55 163                 |
| Additions                                     |          |                         | 856                   | 29                    | 885                    |
| Depreciation and impairment losses            |          | (3 546)                 | (2 194)               |                       | (5 740)                |
| Effects of changes in foreign currency        |          |                         | (335)                 | (3)                   | (338)                  |
| Balance 30 September 2016                     | 8 260    | 35 626                  | 4 903                 | 1 181                 | 49 970                 |
| Balance 1 January 2016                        | 8 260    | 39 172                  | 6 576                 | 1 155                 | 55 163                 |
| Additions                                     |          | 271                     | 1 089                 | 125                   | 1 484                  |
| Disposals at cost                             |          |                         | (1 352)               |                       | (1 352)                |
| Depreciation and impairment losses            |          | (4 600)                 | (2 720)               |                       | (7 320)                |
| Depreciation on disposed assets               |          |                         | 1 226                 |                       | 1 226                  |
| Effects of changes in foreign currency        |          |                         | (124)                 | (3)                   | (127)                  |
| 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 September: Granted incentive subscription rights                 | <b>8 535 000</b>              |                  |
| 1 January-30 September: Issued shares for incentive sub.rights exerc. in 2016 |                               | <b>125 000</b>   |
| 1 January-30 September: Exercised incentive subscription rights               | <b>(8 375 000)</b>            | <b>8 362 500</b> |
| 1 January-30 September: Expired/forfeited incentive subscr. rights            | <b>(1 312 500)</b>            |                  |
| 29 May: Issued shares in lieu of board remuneration                           |                               | <b>115 350</b>   |
| Balance 30 September 2017   | 24 885 000                    | 542 383 105      |
| Balance 1 January 2016  | 22 220 000                    | 531 009 416      |
| 1 January-30 September: Granted incentive subscription rights                 | 6 155 000                     |                  |
| 1 January-30 September: Exercised incentive subscription rights               | (1 137 500)                   | 1 137 500        |
| 1 January-30 September: Expired/forfeited incentive subscr. rights            | (830 000)                     |                  |
| 25 May: Issued shares in lieu of board remuneration                           |                               | 133 339          |
| Balance 30 September 2016   | 26 407 500                    | 532 280 255      |

(table continues)

(continuation of table)

| Number of financial instruments   | Incentive subscription |             |
|---|------------------------|-------------|
|   | rights                 | Shares      |
| 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 September 2017 was NOK 6.74 per share.

## 5 Payroll expenses

| Amounts in NOK 1,000                         | 1 July-<br>30 September<br>2017 | 1 July-<br>30 September<br>2016 | 1 January-<br>30 September<br>2017 | 1 January-<br>30 September<br>2016 | 1 January-<br>31 December<br>2016 |
|--|---------------------------------|---------------------------------|------------------------------------|------------------------------------|-----------------------------------|
| Salary, payroll tax, benefits, other         | 34 879                          | 23 157                          | 101 950                            | 62 032                             | 85 158                            |
| Capitalised cost of development work         |                                 |                                 |                                    |                                    | (8)                               |
| Payroll tax on exercised subscr. rights      |                                 | 186                             | 4 306                              | 1 063                              | 2 179                             |
| Share-based remun., notional cost            | 5 137                           | 4 178                           | 13 313                             | 9 335                              | 12 553                            |
| Accr. (rev.) payr. tax on share-based remun. | (1 058)                         | (433)                           | (5 063)                            | (5 784)                            | (8 148)                           |
| Payroll expenses                             | 38 958                          | 27 088                          | 114 506                            | 66 646                             | 91 734                            |

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, IDEX China and IDEX UK.

## 7 Profit (loss) per share

|  | 1 Jan. –<br>30 Sept. 2017 | 1 Jan. –<br>30 Sept. 2016 | 1 Jan. –<br>31 Dec. 2016 |
|--|---------------------------|---------------------------|--------------------------|
| Profit (loss) attributable to the shareholders (NOK 1 000) | (190 518)                 | (158 608)                 | (203 252)                |
| Weighted average basic number of shares                    | 540 093 180               | 531 843 790               | 532 167 502              |
| Weighted average diluted number of shares                  | 544 352 104               | 543 141 842               | 542 985 135              |
| Profit (loss) per share, basic and diluted                 | NOK (0.23)                | NOK (0.30)                | 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 nine months of 2017 recorded NOK 3,341 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.

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 Høvding 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.

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 under the company's 2016 plan at exercise price NOK 6.63 per share. The subscription rights expire on 11 May 2021. The board resolved on the same date to extend the duration of 500,000 subscription rights granted to Mr. Benkley in 2013, from 23 September 2017 until 16 May 2018.

The board resolved on 9 August 2017 to grant incentive subscription rights under the 2017 plan to executives as follows; Hemant Mardia, CEO, 580,000 SRs; Henrik Knudtzon, CFO, 415,000 SRs; Stan Swearingen, CPO, 415,000 SRs. The exercise price of the subscription rights was NOK 7.76 per share. The subscription rights expire on 12 May 2022.

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

The board of directors of IDEX ASA resolved on 1 November 2017 to issue 1,275,000 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 5.04 per share. 25 per cent of the subscription rights vest per year. The subscription rights expire on 12 May 2022. Following the grant there will be 26,160,000 subscription rights outstanding.

Between 30 September 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 nine months of 2017 or the value of the company's assets and liabilities at 30 September 2017.