



IDEX ASA

First half 2018 report

Second quarter of 2018 and recent highlights

- **Strong market and customer traction**
 - Multiple customers, including Feitian Technologies and JINCO Universal, have integrated IDEX's sensor for dual-interface biometric cards
 - Extremely high customer interest, active engagements in Asia have more than tripled in last six months
- **Supported multiple customer trials and launch of biometric bank card in the Middle East**
- **Pioneering on-card enrollment solution developed in partnership with and recently featured by Mastercard**
- **IDEX has moved to volume ramp**
 - Volume orders placed on supply chain, including TSMC, SPIL and Amkor Technology
 - Sensor for contact-based biometric card has passed all requirements for certification and is ready for shipments

Outlook and upcoming milestones

- **Commercial roll-out of biometric cards in the second half of 2018**
 - Shipments of sensors in support of expected production orders
 - Customer trials and launches of the contact-based solution
 - Pilots of dual-interface cards
 - Multiple new partnerships





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

Off-chip technology enables unique adaptability in design and architecture

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

Off-chip sensors are designed with a chip, also referred to as the ASIC, that is independent from the sensing array itself. This innovative approach provides a number of important competitive and application advantages, including significantly increased adaptability and form factor flexibility, as well as superior sensor solutions with optimal size and cost-to-performance characteristics.

IDEX's off-chip sensor and ASIC are especially well suited for integration into biometric cards. Key benefits include a sensor that is uniquely bendable and a simplified architecture that reduces the number of components, cost and complexity of the sensor.

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

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

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

As an example of the company's full system approach, in late 2017 IDEX introduced a pioneering on-card enrollment solution for biometric cards. This enrollment process was specifically designed to meet the industry's need for a secure and seamless end-to-end solution for both issuers and consumers. Another path IDEX is pursuing to enhance security is a matching algorithm that protects from external security breaches.

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



STRONG MOMENTUM FOR BIOMETRIC CARDS

The market for biometric cards continues to gain increased momentum, as leading companies across the smart card ecosystem significantly expand development efforts and commercial activities. Also, consumer awareness and card issuer interest are consistently becoming stronger, resulting in imminent adoption of biometric cards.

IDEX continues to make significant progress and remains decisively focused on solidifying its leadership position in the market for biometric cards. The company has finalized commercial discussions with specific customers, and is awaiting volume orders for its sensors. IDEX has fully satisfied all technical and product requirements for these customers. Concurrently, IDEX is actively pursuing additional orders from existing customers, and expects initial orders from multiple new customers subsequent to integration of the company's fingerprint sensor.

In addition to the company's ongoing commercial discussions, IDEX's sensor for contact-based cards have successfully supported customer trials in multiple geographies and a launch in the Middle East, demonstrating the strong and growing interest in biometric smart cards throughout the payments industry.

Complementing the significant progress on its contact-based card solutions, IDEX's solutions for dual-interface cards are also production ready for commercial market adoption. In July, the sensor successfully passed engineering integration and validation at Feitian Technologies and JINCO Universal selected IDEX's sensor for its dual-interface cards. Feitian is a leading provider of user authentication and transaction security in China, and JINCO is a leading Taiwan-based smart card manufacturer.

As a result of the extensive learning from the qualifying process of IDEX's contact-based payment card solutions, the company's solution for contactless biometric cards is expected to have an accelerated path to market adoption. IDEX is currently experiencing extremely strong interest for its card solutions, particularly in Asia, where its number of active engagements have more than tripled within the last six months, including engagements with some of the largest card manufacturers in China.

In 2018, IDEX has established a robust high-capacity supply chain to support its commercial deployments. The company is collaborating with major blue chip partners, such as TSMC for production of its ASIC, and Amkor Technology and SPIL for the packaging of its sensors. In addition, IDEX has decided to invest in testing- and probing equipment at the company's facility in Rochester, New York, to reduce development time and external costs. The equipment is expected to be operational in the third quarter of 2018.

Although both consumers and issuers are increasingly demanding biometric enabled cards, successful deployment in mass volume requires a convenient and cost-effective enrollment solution. In May 2018, IDEX announced that the company has been actively working in partnership with Mastercard on the development of an innovative on-card enrollment solution to enable secure mass enrollment for biometric cards. Importantly, the resulting remote enrollment process specifically addresses what is viewed by many in the industry as the largest barrier to adoption for biometric payment cards, in-person enrollment. This low-cost solution uniquely allows card users to securely enroll themselves without visiting a physical branch or point-of-sale terminal, and without the use of a computer, smartphone or any other connected device. IDEX's on-card enrollment solution, which can be used in both contact-based and contactless applications, represents a fundamental key to unlocking the mass market adoption of biometric-enabled payment cards.



IOT MARKET

The IoT market consists of a rapidly growing number of connected devices, many of which can benefit from seamlessly incorporated identification and security features. The market is broad and has a highly fragmented supply chain; IDEX is focused on positioning its off-chip technology to capitalize on opportunities in select market verticals.

Although the IoT market currently represents a second-tier priority for IDEX, the company has a strategy to leverage its unique off-chip technology solutions and leading market position in biometric cards to capture incremental share in the IoT market.

MOBILE MARKET

In addition to IDEX's primary focus on the market for biometric cards, and its complementary strategy to capitalize on its card solutions to selectively capture share in the IoT market, the company also has an ongoing research project related to display sensors for cards, as mentioned above. This research has the potential to open up future opportunities for the integration of sensors into mobile displays.

STRENGTHENED SALES AND MARKETING ORGANIZATION

In the first half of 2018, IDEX considerably strengthened its sales and marketing organization in preparation for mass commercialization of the company's fingerprint sensors for biometric cards. The company attracted several experts from the card- and payment industry, as well as significantly upgraded its marketing communications capabilities and efforts.

In May, the company appointed David Orme as SVP Global Sales and Marketing. Mr. Orme has a strong track record in driving key sales, marketing and business development activities. He joined IDEX's executive management team early in June of this year.

In addition, IDEX has made several new hires in Asia as part of its transformation to a more card-centric organization and also increased its investments in marketing in the region. The hires have extensive experience from the smart card and fingerprint industry, including companies such as Gemalto, Oberthur, Synaptics, NEXT Biometrics and AuthenTec.

In February, IDEX's Board of Directors appointed Stan Swearingen as CEO of IDEX ASA, effective 1 April 2018. Mr. Swearingen joined IDEX in May 2016 and to serve as the company's Chief Products Officer. Prior to IDEX, his extensive industry experience included key leadership and strategic roles at a number of prominent companies, such as Atmel, Synaptics, Skyworks Solutions and Agere Systems.

In the second quarter of 2018, the company had a net increase in staff from 108 full-time equivalents (FTE) to 112 FTE. At 31 December 2017, the total number of staff was 117.

RECENT EVENTS

On 16 July 2018, IDEX announced that its sensors for dual-interface biometric cards had successfully passed engineering integration and validation at Feitian Technologies, a leading provider of user authentication and transaction security. The application is for banking on a major Chinese payment network.

On 18 July 2018, IDEX announced that its contact-based sensor had been certified by a major global payment provider. More specifically, the company highlighted a session at APSCA's Powered and Next-Generation Cards Conference on the same day, where a speaker representing a global payment provider stated that a contact-based card featuring IDEX's finger-print sensor was certified by the global payment provider.

On 23 July 2018, the company announced that JINCO Universal had successfully integrated its fingerprint sensors into dual-interface biometrics cards for multiple applications including payments and identification. JINCO is a leading smart card integration pioneer.

On 27 July 2018, IDEX announced that its fingerprint sensors had been selected and were deployed in biometric smart cards launched by a bank in the Middle East.

OUTLOOK

IDEX is solidifying its leadership position in the market for biometric cards. The company has finalized commercial discussions with specific customers, and is awaiting volume orders for its sensors. IDEX has fully satisfied all technical and product requirements for these customers. Concurrently, IDEX is actively pursuing additional orders from existing customers, and expects initial orders from multiple new customers subsequent to integration of the company's fingerprint sensor.

IDEX continues to experience extremely strong interest from customers in the biometric card space, particularly in Asia where the company currently has a large number of active commercial engagements, and expects additional customers and an increased pipeline of opportunities globally.

Further, the company anticipates pilots of its biometric solution for dual-interface cards to commence in the second half of 2018 with subsequent customer trials. This solution is expected to have an accelerated path given the extensive learning from previous proof of concept pilots, end customer trials and the certification process for its contact-based payment card.

Oslo, 15 August 2018
The Board of Directors of IDEX ASA

FINANCIAL REVIEW

Consolidated Interim Financial Statements at 30 June 2018 (Unaudited)

Profit and Loss Statements

IDEX recorded revenues of NOK 0.3 million from product sales in the second quarter of 2018, down from NOK 4.7 million in the corresponding period of 2017. In the first six months of 2018, the revenues amounted to NOK 2.1 million, compared to NOK 11.5 million in the same period of 2017. IDEX made considerable shipments of sensors for use in mobile handsets in 2017, while the shipments in 2018 are chiefly related to cards and embedded products. The gross margin on sensor sales in the second quarter this year was 39 per cent, while the gross margin so far this year was 27 per cent. The total gross margin of 75 per cent to date in 2018 includes services income in the first quarter. The gross margin at small volumes are necessarily not representative of gross margin at mass volume stage.

The total operating expenses in the second quarter of 2018 amounted to NOK 63.3 million, compared to NOK 64.1 million in the second quarter of 2017. In the first half of the year, the total operating expenses amounted to NOK 119.1 million in 2018 and NOK 123.3 million in 2017. The reduction in expenses in the first half year is mainly due to lower development expenses in the first quarter this year compared to last year, when some larger development projects were completed, and also more development work is carried out by internal staff.

The payroll expenses amounted to NOK 39.8 million in the second quarter and NOK 77.7 million in the first half of 2018, and were at the same level as in the second quarter and first half of 2017, respectively. The underlying payroll cost excluding share-based remuneration was NOK 31.9 million in the second quarter and NOK 65.2 million in the first half of this year, down from NOK 34.4 million and NOK 67.1 million in the corresponding periods of 2017. The average number of IDEX employees was 99 full-time equivalents (FTE) in the first half of this year, compared to 93 FTE in the first half of last year. There are variations between quarters because salaries in subsidiaries are paid in foreign currency and variations in other staff related items such as recruiting costs.

The net cost of share-based remuneration often varies substantially between quarters because of share price variations as well as grants and exercises. The total cost of share-based remuneration was NOK 7.9 million in the second quarter this year, compared to NOK 5.6 million in the corresponding quarter last year. In the first six months of the year, the total cost of share-based remuneration was NOK 12.5 million in 2018, compared to NOK 8.5 million last year. In the second quarter of 2018, significant grants were made, causing notional costs, while in 2017 there were significant payable costs related to exercises in the first quarter. Cost of exercise are funded by the capital injected at exercise.

The total number of staff, i.e. employees and individual contractors, was 112 FTE at 30 June 2018, up from 108 FTE at 31 March this year and down from 117 FTE at 31 December 2017. The staff is comprised of 100 FTE IDEX employees and 12 individual contractors working continuously as part of the development or sales teams. IDEX does not currently expect to make significant changes in the number of staff.

Development expenses amounted to NOK 15.2 million in the second quarter of 2018, compared to NOK 15.5 million in the corresponding quarter of 2017. In the first half of 2018, these expenses were NOK 25.9 million, down from NOK 30.4 million in the same period of 2017, for the reason explained above.

Other operating expenses, mainly comprising expenses related to sales, marketing and administration, amounted to NOK 8.3 million in the second quarter and NOK 15.4 million in the first half of 2018, compared to NOK 8.7 million and NOK 17.3 million in the corresponding periods of 2017. The reduction was mainly in legal expenses being higher in 2017.

Amortization and depreciation amounted to NOK 1.7 million and NOK 3.4 million in the second quarter and first half of this year respectively, in line with the NOK 1.8 million and NOK 3.4 million reported in the corresponding periods last year. IDEX will invest in more equipment for development purposes in the second half of 2018, which means that depreciation will increase.

IDEX recorded an EBIT loss of NOK 64.8 million in the second quarter of 2018, compared to a loss of NOK 59.5 million in the same period of 2017. In the first half of 2018, the company recorded an EBIT loss of NOK 120.8 million, down from a loss of NOK 124.6 million in the first half of 2017.

Net financial items amounted to a cost of NOK 1.2 million in the second quarter this year, compared to an expense of NOK 0.6 million in the second quarter last year. Net financial items amounted to an expense of NOK 1.0 million in the first half of 2018. This compares to an expense of NOK 1.4 million in the first half of 2017. The variation in net financial items between periods is mainly caused by re-/devaluations of foreign currency, mainly the US dollar, causing gains or losses on receivables and debt denominated in currency.

The IDEX group recorded a tax credit of NOK 0.9 million in the second quarter this year, due to an adjustment of IDEX America's 2017 tax cost following tax filings for 2017. Due to profits in IDEX's subsidiaries in the USA and UK, the group's tax charge amounted to NOK 0.2 million in the first half of 2018, compared to a tax charge of NOK 0.3 million the corresponding period last year.

The IDEX group had a net loss of NOK 65.2 million in the second quarter of 2018, compared to a loss of NOK 65.9 million in the second quarter of 2017. In the first half of 2018, the group recorded a loss of NOK 122.0 million, up from a loss of NOK 126.4 million for the first half of 2017.

Loss per weighted average number of basic shares amounted to NOK 0.12 in the second quarter, in line with the loss of NOK 0.12 per share in the second quarter of 2017. In the first half of the year, the loss amounted to NOK 0.22 per share this year and NOK 0.23 per share last year.

Balance Sheets

At 30 June 2018, IDEX had a cash balance of NOK 189.9 million, down from NOK 244.8 million at the end of the first quarter this year and from NOK 302.1 million at the end of 2017. The group has no debt to financial institutions or lenders.

The main assets held in the balance sheet are acquired intangible assets and cash in bank. Cash is the dominant item, representing 74 per cent of the total assets.

The acquired intangible assets and intellectual property rights have been capitalized in accordance with IFRS, and included goodwill amounting to NOK 8.3 million and depreciating assets in an original acquisition amount of NOK 42.7 million at 30 June 2018. The corresponding numbers at 30 June 2017 were NOK 8.3 million and NOK 44.6 million respectively. The assets depreciate over the economic life of the respective items. IDEX's self-developed intellectual property rights and product development costs are generally not held in the balance sheet because they do not satisfy the IFRS criteria for capitalization. No development expenses have been capitalized in 2018 or 2017.

Tangible fixed assets amounted to NOK 8.0 million at 30 June 2018, up from NOK 7.3 million at 31 March this year and from NOK 6.2 million from 30 June last year. The fixed assets are scientific equipment and engineering tools, leasehold outfitting, office equipment and furniture with useful lives of 3-5 years.

Inventory was at NOK 10.6 million at 30 June 2018, in line with the level of NOK 10.7 million reported at 31 March this year and up from NOK 8.9 million at 30 June 2017. The inventory consists mainly of card and IoT components and sensors. IDEX has built inventory in order to satisfy expected demand for deliveries with short notice.

IDEX had no customer receivables at 30 June 2018. At the end of the second quarter last year, when IDEX delivered sensors to mobile phones, customer receivables amounted to NOK 2.4 million.

Total short-term liabilities amounted to NOK 26.7 million at 30 June 2018, up from NOK 25.9 million at the end of the previous quarter and from NOK 33.2 million at 30 June 2017. Variations between quarters are caused by activity level and timing of deliveries.

Equity amounted to NOK 227.7 million at the end of the second quarter of 2018, down from NOK 284.5 million at the end of the first quarter this year and from NOK 457.3 million at the end of the second quarter last year. The decrease is mainly caused by the net loss. See note 2 for further comments on the equity situation.

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

The net working capital, inventory plus receivables less trade accounts payable, amounted to NOK 16.3 million at 30 June 2018, down from NOK 20.2 million at 31 March this year and up from NOK 13.3 million at 30 June last year. IDEX's customer receivables have been considerably reduced, as has trade accounts payable, due to the discontinued mobile business. IDEX will necessarily need to build up its inventory and accumulate receivables as sales to the card and IoT markets increase.

Cash Flow, Cash Position

IDEX's operational cash outflow was NOK 54.4 million in the second quarter of 2018, compared to NOK 80.3 million in the second quarter of 2017. The main operating cash items are the operating losses in each period, partly offset by the equity part of the share-based compensation and depreciation, as well as the working capital changes. The cash outflow in the second quarter last year included payment of NOK 17.8 million in withheld taxes and employer's tax on exercises of incentive subscription rights in the first quarter of 2017.

In the first half of 2018, the company's operational cash outflow was NOK 111.9 million, compared to NOK 115.4 million in the corresponding period of 2017. The working capital varies between quarters, mainly due to fluctuating payables to suppliers and accrued liabilities. Future growth of sales is expected to cause an increase in working capital.

IDEX invested NOK 1.2 million in the second quarter of 2018, same as in the second quarter of 2017, mainly in scientific equipment and engineering tools. In the first six months of this year, the investments amounted to NOK 1.6 million, down from NOK 3.1 million in the same period last year. Investments vary according to project requirements for new equipment and tooling. IDEX will invest in more equipment for development purposes in the second half of 2018.

No employees or contractors exercised incentive subscription rights during the first half of 2018. In the first half of 2017, exercises of incentive subscription rights injected NOK 13.3 million in new equity, net of expenses.

IDEX's balance sheet solvency, which is the cash position less the net of receivables and short-term liabilities, amounted to NOK 174.9 million at 30 June 2018, down from NOK 231.0 million at 31 March and from NOK 406.6 million at the end of June last year. The reduction was mainly caused by the net loss in the period, net of share-based compensation cost. See note 2 for further comments on the liquidity position.

INTERIM FINANCIAL STATEMENTS 30 JUNE 2018

Interim Consolidated Statements of Comprehensive Income

Amounts in NOK 1,000	Note	1 April- 30 June 2018	1 April- 30 June 2017	1 January- 30 June 2018	1 January- 30 June 2017	1 January- 31 December 2017
Operating income						
Product sales		289	4 712	741	11 290	16 036
Other operating revenue			9	1 389	203	1 434
Total revenue	2	289	4 721	2 130	11 493	17 470
Cost of goods sold						
		176	3 903	538	9 369	13 691
Gross margin		113	818	1 592	2 124	3 779
Operating expenses						
Payroll expenses	5	39 801	39 990	77 715	75 548	149 285
Development expenses		15 200	15 451	25 923	30 438	56 256
Other operating expenses	9	8 250	8 678	15 436	17 307	39 779
Total operating expenses		63 251	64 119	119 074	123 293	245 320
Profit (loss) before interest, tax, depreciation and amortization (EBITDA)						
		(63 138)	(63 301)	(117 482)	(121 169)	(241 541)
Amortisation and depreciation	3	1 698	1 778	3 354	3 400	7 501
Profit before interest and tax (EBIT)		(64 836)	(65 079)	(120 836)	(124 570)	(249 042)
Financial income and expenses						
Interest income		332	689	698	1 394	2 285
Other financial income		1 373	84	3 294	266	2 644
Interest expenses		(2)		(10)	(25)	(64)
Other financial expenses		(2 895)	(1 411)	(4 952)	(3 074)	(7 159)
Net financial items		(1 192)	(638)	(970)	(1 439)	(2 294)
Net result before tax		(66 028)	(65 717)	(121 806)	(126 009)	(251 336)
Income tax expense (credit)	6	(872)	175	197	348	4 150
Net profit (loss) for the period		(65 156)	(65 892)	(122 003)	(126 357)	(255 486)
Other comprehensive income		490	(241)	(67)	(231)	(386)
Total comprehensive income (loss) for the period, net of tax		(64 666)	(66 133)	(122 070)	(126 588)	(255 872)
<i>Profit (loss) per share - basic and diluted</i>	7	NOK (0.12)	NOK (0.12)	NOK (0.22)	NOK (0.23)	NOK (0.47)

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

Interim Consolidated Balance Sheets

Amounts in NOK 1,000	Note	30 June 2018	30 June 2017	31 December 2017
ASSETS	8			
Long-term assets				
Goodwill		8 260	8 260	8 260
Other intangible assets		28 639	33 001	30 464
Tangible fixed assets		7 954	6 217	8 002
Long-term receivables		1 233	1 268	1 251
Total long-term assets	3	46 086	48 746	47 977
Current assets				
Inventory and receivables				
Inventory		10 631	8 864	9 255
Customer receivables			2 394	550
Other receivables		7 081	6 099	6 236
Prepaid expenses		4 636	2 928	3 327
Total inventory and receivables		22 348	20 285	19 368
Cash and bank deposits				
Cash and bank deposits		189 889	428 381	302 105
Total cash and bank deposits		189 889	428 381	302 105
Total current assets		212 237	448 666	321 473
TOTAL ASSETS		258 323	497 412	369 450
EQUITY AND LIABILITIES				
Equity				
Paid-in-capital				
Share capital		81 357	81 357	81 357
Share premium		1 185 355	1 185 368	1 185 355
Other paid-in capital		87 059	65 296	74 382
Total paid-in-capital	4	1 353 771	1 332 021	1 341 094
Other equity		(1 126 102)	(874 748)	(1 004 032)
Total equity	1	227 669	457 273	337 062
Liabilities				
8				
Long-term liabilities				
Other long-term liabilities		3 991	6 933	3 497
Total long-term liabilities		3 991	6 933	3 497
Short-term liabilities				
Accounts payable		6 073	6 929	3 052
Public duties payable		2 494	2 556	2 452
Accrued payable income tax		1 403	1 591	2 902
Notional employer's tax on share incentives	5		1 747	179
Other short-term liabilities		16 693	20 383	20 306
Total short term liabilities		26 663	33 206	28 891
Total liabilities		30 654	40 139	32 388
TOTAL EQUITY AND LIABILITIES		258 323	497 412	369 450

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Interim Consolidated Cash Flow Statements

Amounts in NOK 1,000	Note	1 April- 30 June 2018	1 April- 30 June 2017	1 January- 30 June 2018	1 January- 30 June 2017	1 January- 31 December 2017
Cash flows from operating activities						
Profit (loss) before taxes (EBT)		(66 028)	(65 717)	(121 806)	(126 009)	(251 336)
Share-based remun. (equity part)	4	7 867	5 057	12 677	8 176	17 263
Amortisation and depreciation	3	1 698	1 778	3 354	3 400	7 501
Interest income		(332)	(689)	(698)	(1 394)	(2 285)
Change in receivables, inventory		537	1 546	(2 980)	8 154	9 070
Change in payables, accruals		735	(21 948)	(2 229)	(8 055)	(12 369)
Net other items		1 107	(320)	(207)	293	(3 018)
Net cash flow from operational activities		(54 416)	(80 293)	(111 889)	(115 435)	(235 174)
Cash flows from investing activities						
Investments in tangible assets	3	(1 180)	(1 178)	(1 564)	(3 148)	(6 857)
Investments in intangible assets	3					(294)
Change in long-term receivables	3		(333)		16	41
Interest income		332	689	698	1 394	2 285
Net cash provided by investing activities		(848)	(822)	(866)	(1 738)	(4 825)
Cash flows from financing activities						
Share issues net of expenses	4		2 497		13 317	13 303
Paid-in, not registered share capital	4	45		45	(811)	(811)
Change in long-term payables		332	154	494	429	(3 007)
Net cash provided by financing activities		377	2 651	539	12 935	9 485
Net change in cash and cash equivalents		(54 887)	(78 464)	(112 216)	(104 238)	(230 514)
Opening cash balance		244 776	506 845	302 105	532 619	532 619
Closing cash balance		189 889	428 381	189 889	428 381	302 105

Interim Consolidated Statements of Equity

Amounts in NOK 1,000	Note	Share capital	Share premium	Other paid-in capital	Retained earnings (uncovered loss)	Total equity
Balance 1 January 2018		81 357	1 185 355	74 382	(1 004 032)	337 062
Share-based remuneration	5			12 677		12 677
Profit (loss) for the period					(122 003)	(122 003)
Other comprehensive income					(67)	(67)
Balance 30 June 2018	1	81 357	1 185 355	87 059	(1 126 102)	227 669
Balance 1 January 2017		80 067	1 173 342	57 119	(748 160)	562 368
Share issues		1 290	12 026			13 316
Share-based compensation				8 177		8 177
Profit (loss) for the period					(126 357)	(126 357)
Other comprehensive income					(231)	(231)
Balance 30 June 2017		81 357	1 185 368	65 296	(874 748)	457 273
Balance 1 January 2017		80 067	1 173 342	57 119	(748 160)	562 368
Exercises of subscription rights	4	1 273	12 013			13 286
Share issue (board remuneration)		17				17
Share-based remuneration	5			17 263		17 263
Profit (loss) for the year					(255 486)	(255 486)
Other comprehensive income					(386)	(386)
Balance 31 December 2017	1	81 357	1 185 355	74 382	(1 004 032)	337 062

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

NOTES

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

1 IDEX ASA and the IDEX Group

IDEX ASA is a public limited liability company incorporated and domiciled in Norway. The address of the registered office, which is also the head office, is Martin Linges vei 25 at NO-1364 Fornebu near Oslo, Norway. IDEX ASA's shares 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 United States, a subsidiary in the People's Republic of China and a subsidiary in the United Kingdom. The subsidiaries provide technical development services, sales facilitation and marketing assistance and/or logistics processing for IDEX ASA.

2 Accounting Policies and Risk Factors

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

This interim financial report has not been subject to audit. The report was approved by the board of directors on 15 August 2018.

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

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

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

The going concern assumption has been applied when preparing this interim financial report. IDEX has commenced earning revenue, but continues to operate at a significant loss. The company does not have any debt to financial lenders. Subject to timing of revenues and other planning assumptions, IDEX has adequate liquidity and equity for more than 12 months from the date of this report. In the event that revenue should be deferred, the company will take appropriate measures to extend duration of the cash pool.

3 Long-Term Assets

Amounts in NOK 1,000	Goodwill	Other intangible assets	Tangible fixed assets	Long-term receivables	Total long-term assets
Balance 1 January 2018	8 260	30 464	8 002	1 251	47 977
Additions			1 564		1 564
Depreciation and impairment losses		(1 825)	(1 528)		(3 353)
Effects of changes in foreign currency			(84)	(18)	(102)
Balance 30 June 2018	8 260	28 639	7 954	1 233	46 086
Balance 1 January 2017	8 260	34 843	4 695	1 277	49 075
Additions		294	2 854	609	3 757
Disposals and retirements at cost				(625)	(625)
Depreciation and impairment losses		(2 136)	(1 264)		(3 400)
Effects of changes in foreign currency			(68)	7	(61)
Balance 30 June 2017	8 260	33 001	6 217	1 268	48 746
Balance 1 January 2017	8 260	34 843	4 695	1 277	49 075
Additions		294	6 857	595	7 746
Disposals and retirements at cost		(1 871)	(3 073)	(636)	(5 580)
Depreciation and impairment losses		(4 252)	(2 822)		(7 074)
Depr. on disposed and retired assets		1 450	2 458		3 908
Effects of changes in foreign currency			(113)	15	(98)
Balance 31 December 2017	8 260	30 464	8 002	1 251	47 977

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

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

4 Shares and Subscription Rights

Number of financial instruments	Incentive subscription rights	Shares
Balance 1 January 2018	25 260 000	542 383 105
1 January-30 June: Granted incentive subscription rights	18 165 000	
1 January-30 June: Expired/forfeited incentive subscr. rights	(6 688 900)	
31 May: Issued shares in lieu of board remuneration		300 182
Balance 30 June 2018	36 736 100	542 683 287
Balance 1 January 2017	26 037 500	533 780 255
1 January-31 March: Granted incentive subscription rights	4 100 000	
1 January-31 March: Issued shares for incentive sub.rights exerc. in 2016		125 000
1 January-31 March: Exercised incentive subscription rights	(8 362 500)	8 362 500
1 January-31 March: Expired incentive subscription rights	(1 205 000)	
29 May: Issued shares in lieu of board remuneration		115 350
Balance 30 June 2017	20 570 000	542 383 105

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

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

IDEX from time to time grants incentive subscription rights (SRs) to employees and individual contractors. Unless specifically resolved otherwise, 25 per cent of each grant of subscription rights vest per year, and expire on the fifth anniversary following the general meeting that resolved the programme. Unvested subscription rights terminate on the holder's last day of employment. Vested subscription rights may be exercised up to 90 days after the holder's last day of employment. The weighted average exercise price of outstanding incentive SRs on 30 June 2018 was NOK 5.64 per share.

5 Payroll Expenses

Amounts in NOK 1,000	1 April- 30 June 2018	1 April- 30 June 2017	1 January- 30 June 2018	1 January- 30 June 2017	1 January- 31 December 2017
Salary, payroll tax, benefits, other	31 936	34 339	65 217	67 071	133 289
Payroll tax on exercised subscr. rights		102		4 306	4 306
Share-based remun., notional cost	7 867	5 057	12 677	8 176	17 263
Accr. (rev.) payr. tax on share-based remun.	(2)	492	(179)	(4 005)	(5 573)
Payroll expenses	39 801	39 990	77 715	75 548	149 285

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

6 Income Tax Expense

The income tax expense relates to estimated income tax on profit in IDEX America and IDEX UK. IDEX America adjusted its 2017 tax cost following tax payments for 2017 in the second quarter of 2018.

7 Profit (Loss) per Share

	1 Jan.–30 Jun. 2018	1 Jan.–30 Jun. 2017	1 Jan.–31 Dec. 2017
Profit (loss) attributable to the sh.holders (NOK 1 000)	(122 003)	(126 356)	(255 872)
Weighted average basic number of shares	542 432 859	538 929 240	540 670 366
Weighted average diluted number of shares	542 463 691	544 045 102	544 068 814
Profit (loss) per share, basic and diluted	NOK (0.22)	NOK (0.23)	NOK (0.47)

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

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

8 Contingent Assets and Liabilities

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

9 Related Party Transactions

IDEX has in the first half of 2018 recorded NOK 1,325 thousand for services provided by IDEX's legal counsel, law firm Ræder, in which chairman Morten Opstad is a partner. Mr. Opstad's work beyond board duty has been invoiced by Ræder. Board member Larry Ciaccia serves on IDEX's Strategy Advisory Council (SAC). The SAC service fee is USD 15 thousand per year. In addition Mr. Ciaccia provides consulting services beyond board duty to IDEX for a fixed fee of USD 50 thousand per year. Board member Andy MacLeod provides consulting services beyond board duty to IDEX for a fixed fee of GBP 60 thousand per year.

The board resolved on 21 February 2018 to issue 4,500,000 incentive subscription rights to CEO Stan Swearingen. The grant was made under the company's 2017 incentive subscription rights plan. The exercise price of the subscription rights is NOK 4.67 per share. 25 per cent of the subscription rights vested at grant, and another 25 per cent vest each year. The subscription rights expire on 12 May 2022.

The board resolved on 9 May 2018 to issue incentive subscription rights (SRs) under the company's 2018 incentive subscription rights plan to nearly all employees, including the following senior managers: Fred Benkley, CTO, 1,500,000 SRs, Guido Bertocci, Vice President of Software Engineering, 384,500 SRs, Anthony Eaton, VP Systems Engineering, 750,000 SRs, Henrik Knudtson, CFO, 1,500,000 SRs, Chris Ludden, Vice President Silicon Engineering, 372,400 SRs, Sarah Matthews, Director of Group HR, 116,200 SRs, Brian Roberts, VP Business Development and Product Management, 351,900 SRs, Erling Svela, VP Finance and Accounting, 349,300 SRs, and Paul Taylor, VP Operations & Programme Management 320,400 SRs. The exercise price of the subscription rights is NOK 4.28 per share. 25 per cent of the subscription rights vest per year from the date of the grant. The subscription rights expire on 9 May 2023.

Following the annual general meeting of IDEX on 9 May 2018, Chairman Morten Opstad and board members Larry Ciaccia, Deborah Davis and Andy MacLeod elected to receive part or full board remuneration in shares. Chairman Morten Opstad acquired 49,720 shares against payment of NOK 0.15 per share, instead of NOK 160,000 of the board remuneration, and took the remainder of the board remuneration in cash. Board member Larry Ciaccia acquired 88,563 shares against payment of NOK 0.15 per share, instead of NOK 285,000 of the board remuneration, and took the remainder of the board remuneration in cash. Board member Deborah Davis acquired 93,224 shares against payment of NOK 0.15 per share, instead of receiving

a cash board remuneration of NOK 300,000. Board member Andy Macleod acquired 68,675 shares against payment of NOK 0.15 per share, instead of NOK 221,000 of the board remuneration, and took the remainder of the board remuneration in cash. The shares have been issued and delivered.

10 Events Occurring After the Balance Sheet Date

The board of directors of IDEX ASA resolved on 15 August 2018 to issue 3,727,600 incentive subscription rights to employees and individual contractors in the IDEX group. The grant was made under the company's 2018 incentive subscription rights plan as resolved at the annual general meeting on 9 May 2018. The exercise price of the subscription rights is NOK 5.10 per share. 2,627,600 subscription rights vest by 25 per cent per year, while 1,100,000 subscription rights vest by 34 per cent on the grant date and 33 per cent per following year, subject to the recipient not terminating his service agreement with IDEX before 15 August 2019. All subscription rights expire on 9 May 2023. Following the grant there will be 40,463,700 subscription rights outstanding.

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

RESPONSIBILITY STATEMENT

Interim Report for the First Half of 2018 (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 2018 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. Please refer to note 2 to the financial statements.

Fornebu, 15 August 2018
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

Stanley Alvin Swearingen Jr.
CEO