



# IDEX ASA

Second half 2018 report

## Fourth quarter and recent highlights

- **Strong demand for IDEX's biometric card technologies**
  - Multiple new customers in fast moving Asian markets; Chutian Dragon, Excelsecu, Goldpac and XH Smart Tech. These come in addition to Feitian, Hengbao and JINCO.
- **Operational momentum building**
  - Partnerships with Visionox to integrate biometric sensors for smart cards employing state-of-the-art display technology
  - Partnerships established with leading secure element providers Infineon and CEC Huada Electronic Design Co. to integrate IDEX sensors with enhanced card security solutions
  - IDEX's unique remote enrollment solution ready for commercial adoption
- **Robust financial position**
  - Recent funding of NOK 214 million will enable IDEX to fulfil increasing customer demand and ensure the Company achieves profitability

## Outlook and expected upcoming milestones

- **Biometric smart card market poised for significant growth**
  - Mastercard, VISA and major global card issuers all investing in biometric solutions
  - Numerous global trials underway evaluating biometric solutions in payment cards
- **Further commercial progress driving significant revenue growth in 2019**
  - Customer orders for IDEX sensors
  - Pilots by several issuers using IDEX's dual-interface sensors
  - First dual-interface bank pilots in China
  - Commercial launch of IDEX's remote enroll solution
  - New customers and eco-system partners in multiple verticals

## STRATEGY FOR LEADERSHIP IN BIOMETRIC CARDS UNDERPINNED BY DIFFERENTIATED TECHNOLOGY AND COMPLETE SOLUTIONS APPROACH

### Off-chip technology offers disruptive cost levels and unique design advantages

Today, capacitive sensors are commonly found in mobile phones where fingerprint recognition is used to enable certain features. Following years of development, IDEX is now one of very few vendors worldwide with the experience and deep-seated knowledge capable of offering flexible sensor architecture designs and embedded biometric algorithms suited to capacitive fingerprint sensors for the biometric smart card market.

IDEX focuses on off-chip solutions due to the inherent advantages this technology brings. The off-chip design splits the fingerprint sensor into two key components; the sensor array and the silicon chip, also known as the ASIC. The ASIC is made of silicon, but the off-chip architecture allows the separate sensor array to be made from a low-cost flexible polymer. This means a larger sensing area, thus improving matching reliability, whilst decreasing the total amount of silicon used. Overall this provides optimal size and cost-to-performance characteristics.

In addition, the off-chip technology enables a path to integrating additional features and value into the ASIC, including the biometric MCU, encryption and power management. This allows further optimization of the system performance whilst maintaining a competitive cost advantage.

IDEX's off-chip sensor and ASIC are especially well suited for integration into biometric smart cards. Since the sensing area is made from a bendable polymer rather than brittle silicon, the sensor is inherently flexible yet robust. This enables cards to pass stringent bending and twisting tests to achieve ISO-compliance which ultimately makes it attractive to our customers and the end-user.

### The importance of a 'systems approach'

In addition to its unique off-chip sensor technology, IDEX has assembled a highly accomplished team of innovators spanning numerous disciplines of technology in order to pursue a full systems approach to its solutions for biometric cards. We draw on our experience to help our customers integrate all the various components into the smart card. This is a key tenet of IDEX's strategy and the result is the SmartFinger® platform; a full-featured, biometric authentication solution, which enables on-device fingerprint enrollment, template storage and verification. By adopting a bespoke systems approach, IDEX can supply a sensor only, or a full biometric module, such as the SmartFinger® IDX3400, in addition to offering a matching algorithm which can perform the final fingerprint match in the secure element (SE).

### IDEX's market-enabling innovation using on-card remote enrollment

A critical barrier to mass adoption of biometric smart cards is the ability of card issuers to provide a simple, convenient and secure means to enroll the end-user. A simplified registration process will accelerate adoption of biometric cards by issuers and consumers alike.



By combining IDEX's two fundamental concepts of differentiated technology and a full systems approach, the Company has developed an innovative solution in partnership with Mastercard for an on-card remote enrollment solution. This cost-effective design provides a seamless end-to-end experience for both issuers

and consumers by allowing card users to securely enroll themselves without visiting a physical branch or point-of-sale terminal, and without the use of a computer, smartphone or any connected device.

### Global partnerships to unlock the market

End-user trials and proof of concepts conducted by payment scheme companies, such as Mastercard and VISA, have increased both consumer awareness and card issuer interest in biometric smart cards. Card issuers, such as financial institutions and retail loyalty card schemes, are in turn looking for new ways to attract and retain customers. Card manufacturers, such as IDEX's long-term partner IDEMIA, rely on companies like IDEX and other component makers to supply and integrate innovations, such as biometric sensors, microprocessors and secure elements into smart cards.

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

As part of efforts to develop the ecosystem and enable mass market adoption of biometric smart cards, IDEX has entered into partnership with several secure element vendors. In November, IDEX began a collaboration with CEC Huada Electronic Design Co., Ltd ("Huada") on a reference design for biometric smart cards. Huada is the largest secure element supplier in China, with a dominant position across several verticals, including national ID, social security and banking cards. By working closely together, IDEX can ensure that an optimal solution between the critical components of the biometric system and secure element are compatible. In the last quarter, IDEX established commercial relationships with the leading secure element provider, Infineon, to integrate IDEX sensors with enhanced card security solutions.

As a leader in biometric solutions, IDEX has also developed a long-standing partnership with Mastercard, the operator of the world's fastest payment processing network that connects consumers, financial institutions, merchants, governments and businesses in more than 210 countries and territories. This partnership has enabled both companies to drive the evolution of the biometric payment card market.

### Display integration on the roadmap

One of the key benefits that biometrics brings to the world of smart cards is security. IDEX and its partners are always looking to develop new technology that will enhance both the security and user friendliness of the card. One area of progress is through the use of integrated displays for the next generation of fingerprint sensors in payment cards.

IDEX's display integration roadmap is enabled by its off-chip technology and internal expertise. Through collaborations with some of the world's leading display companies, IDEX is developing a range of features, including dynamic CVV/CVC to address card-not-present fraud, user-specific information such as account balance, or to provide feedback when enrolling the fingerprint.



In the last quarter, IDEX began collaborations with Visionox, to develop fingerprint sensors with state-of-the-art integrated displays.

## BIOMETRIC CARD MARKET POISED FOR SIGNIFICANT GROWTH

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### Growing commercial momentum

Over the last twelve months the market for biometric cards has gained considerable momentum. Companies across the entire smart card ecosystem, such as card integrators, payment scheme providers and component vendors, have expanded development efforts, customer engagements and commercial deployments. Card issuer interest has also become stronger as consumers, who are familiar with the security and convenience of biometrics in mobile, increasingly recognize the benefits that biometrics can bring to payment cards.

This belief is supported by a significant increase in customer interest across EMEA, Americas and Asia for IDEX's biometric payment card solutions. IDEX has forged strong commercial partnerships in the fast-growing Asian markets where there is considerable demand for biometric solutions in smart cards. In the fourth quarter, IDEX announced collaborations in the region with three major card integrators; Chutian Dragon, Excelsecu and XH Smart Tech.

Chutian Dragon targets multiple verticals and is certified by China Union Pay, MasterCard, VISA, AMEX and JCB. Chutian Dragon is also the main supplier of China Social ID Cards and has been one of the largest suppliers of cards to China Union Pay for several years. Excelsecu is a leading Chinese supplier and solution provider of data security whose product portfolio includes smart cards. Excelsecu's customers include several of China's largest banks such as Commercial Bank of China and the Agricultural Bank of China. XH Smart Tech is ranked among the top five Chinese smart card vendors by international market share, having shipped more than 3 billion smart cards across a broad customer base that includes numerous institutions in China, Africa and the Middle East.

More recently, IDEX announced a collaboration with the Chinese card integrator Goldpac to introduce dual-interface biometric cards to the Asia Pacific market. Goldpac is the only secure payment solution provider in China to hold simultaneous certifications by China UnionPay, VISA, MasterCard, American Express, JCB and Diners.

### Ready for mass market production volumes

In support of the anticipated demand for both contact and dual-interface solutions, IDEX has established a robust, high-capacity supply chain to satisfy future commercial deployments. The Company continues to work actively with major blue-chip partners, such as TSMC for production of its ASIC, and Amkor Technology and SPIL for the packaging of its sensors. In addition, IDEX has invested in in-house testing equipment at the company's facility in Rochester, New York, in order to accelerate development cycle time and reduce external costs.

On 30 January 2019 IDEX completed a private placement by existing shareholders totaling NOK 214 million. This fundraise will satisfy working capital requirements and ensure that the Company can fulfil the anticipated ramp-up in sales demand for both its contact-less and contact-based biometric card solutions.



## THE GROWING RELEVANCE OF BIOMETRIC TECHNOLOGY IN OTHER END MARKETS

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The rise of biometric solutions as a means of authentication has and continues to be used across many different device types spanning a variety of end market verticals. These can range from mobile, access, national ID and IoT (Internet of Things) markets.

The market opportunity for biometric sensors in many of these end markets is broad and often fragmented. IDEX's strategy in these markets remains highly selective. Where the company sees value potential, it will seek to leverage its unique off-chip technology and biometric sensor solutions to capitalize on that opportunity.

Last year, the company announced that Ohsung Electronics had integrated IDEX's contact-based sensor for biometric cards into a fingerprint enabled remote control product. The integration of these contact-based sensors validates the diverse opportunities for IDEX's biometric solutions in certain opportune verticals.

## BUILDING A WORLD LEADER IN BIOMETRIC SOLUTIONS

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IDEX continues to invest in people and capabilities that will enable the growth of the business and help the organization deliver on its strategy of achieving leadership in biometric technology solutions. The focus today is on ensuring commercial success and IDEX has materially strengthened its sales and marketing infrastructure over the last year, as well as a number of key hires to enhance the business development and support functions.

In addition to executive-level appointments in 2018, IDEX has strategically recruited expertise from the fingerprint sensor, smart card and payment industries in order to broaden marketing activities and target certain geographies, including Asia.

In the fourth quarter of 2018, the company had a total staff of 115 full-time equivalents (FTE), up from 104 FTE at the end of the third quarter.

## SUMMARY AND OUTLOOK

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2018 was a landmark year for IDEX and the growing operational momentum in the business has continued into 2019. The biometric payment card market is at the cusp of inception and the inherent advantages of biometric smart cards have the potential to create significant value for all stakeholders.

As a pioneer and thought leader in biometric technology solutions, IDEX is continuously driving the education and widespread adoption of its technologies amongst its customers and partners. This strategy is paying off as the market for biometric cards evolves. Major global corporations and financial institutions are increasingly investing in the smart card ecosystem. IDEX is set to augment its leadership position within this market through its unique off-chip technology coupled with its systems approach.

IDEX expects further commercial progress in 2019 as customers seek a differentiated biometric solution. New customer collaborations and contract wins are forecast, leading to a material increase in sensor

shipments. Also, having completed development of its sensor for dual-interface cards, multiple pilots and certification are anticipated, with volume orders in the second half of 2019.

The funding that was announced on 30 January 2019 was a significant endorsement from IDEX shareholders and highlighted the confidence they have in IDEX's strategy to achieve success. The NOK 214 million raised will give IDEX sufficient capital to fulfil increasing customer demand and ensure the Company achieves profitability.

The outlook for IDEX and the biometric smart card market is bright. The Board is confident in the Company's leadership strategy and unique customer offering, and it looks forward to further success in the coming year.

**Oslo, 26 February 2019**  
***The Board of Directors of IDEX ASA***



## FINANCIAL REVIEW

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### Consolidated Interim Financial Statements at 31 December 2018 (Unaudited)

#### Profit and Loss Statements

IDEX recorded revenues of NOK 0.4 million mainly from product sales in the fourth quarter of 2018, compared to NOK 1.2 million in the corresponding period of 2017. For the full year of 2018, the revenues amounted to NOK 3.6 million including services amounting to NOK 1.4 million. The revenue was NOK 17.5 million in the same period of 2017 when IDEX made considerable shipments of sensors for use in mobile phones. The shipments in 2018 are chiefly related to cards and embedded products. The gross margin on sensor sales in the fourth quarter was 62%, while the gross margin for the full year of 2018 was 31%. The gross margin at small volumes are not necessarily representative of the gross margin at mass volumes.

Total operating expenses in the fourth quarter of 2018 amounted to NOK 61.5 million, compared to NOK 59.4 million in the fourth quarter of 2017. For the full year, the total operating expenses amounted to NOK 238.7 million in 2018 and NOK 245.3 million in 2017. The reduction in expenses is mainly due to lower external development expenses compared to the previous year, when some large development projects were completed. A larger share of the development work is now carried out by internal staff.

The payroll expenses amounted to NOK 42.9 million in the fourth quarter and NOK 161.0 million in full year of 2018, compared to NOK 34.8 million and NOK 149.3 in the corresponding periods of 2017. The underlying payroll cost excluding share-based remuneration was NOK 39.0 million in the fourth quarter and NOK 137.0 million for the full year, up from NOK 31.3 million and NOK 133.3 million in the corresponding periods of 2017. The average number of IDEX employees was 99 full-time equivalents (FTE) this year, compared to 105 FTE previous year. There are also cost variations between quarters as salaries in subsidiaries are paid in foreign currency and variations in other staff related items, such as recruiting costs. The net cost of share-based remuneration may vary substantially between quarters because of share price fluctuations as well as grants and exercises. Cost of exercises are funded by the capital injected at exercise.

The total number of staff, counting both full-time employees and individual contractors, was 115 FTE at 31 December 2018, up from 104 FTE at 30 September this year and down from 118 FTE at 31 December 2017. The staff is comprised of 104 FTE IDEX employees and 11 individual contractors working continuously as part of the development or sales teams. IDEX does not currently plan to make significant changes in staff levels.

Development expenses amounted to NOK 10.6 million in the fourth quarter of 2018, compared to NOK 9.4 million in the corresponding quarter of 2017. In the full year of 2018, these expenses were NOK 45.9 million, down from NOK 56.3 million in the same period of 2017. The reduction is explained above, partly offset by an inventory write-off amounting to NOK 2.9 million. The write-off is related to products that entered NPI stage and were intended for the mobile market.

Other operating expenses, mainly expenses related to sales, marketing and administration, amounted to NOK 8.0 million in the fourth quarter and NOK 31.9 million in the full year of 2018, compared to NOK 15.2 million and NOK 39.8 million in the corresponding periods of 2017.

Amortization and depreciation amounted to NOK 1.8 million and NOK 6.9 million in the fourth quarter and full year of 2018 respectively, compared to NOK 2.2 million and NOK 7.5 million in the corresponding periods the year before.



IDEX recorded an EBIT loss of NOK 63.1 million in the fourth quarter of 2018, compared to a loss of NOK 60.4 million in the corresponding period of 2017. In the full year of 2018, the company recorded an EBIT loss of NOK 243.5 million, down from a loss of NOK 249.0 million in the full year of 2017.

Net financial items amounted to an expense of NOK 0.9 million in the fourth quarter this year, compared to a cost of NOK 1.3 million in the fourth quarter previous year. Net financial items amounted to an expense of NOK 2.3 million in the full year of 2018, in line with the full year of 2017. The variation in net financial items between periods is mainly caused by re-/devaluations of foreign currency, mainly the U.S. dollar, causing gains or losses on receivables and debt denominated in currencies other than NOK.

The IDEX group recorded a tax income of NOK 0.6 million in the fourth quarter this year, compared to a tax expense of NOK 3.4 million in the fourth quarter of 2017. The group's tax charge amounted to NOK 0.3 million in the full year of 2018, compared to a tax charge of NOK 4.2 million in the corresponding period previous year. The tax is due to profits in IDEX's subsidiaries in the USA and UK.

The IDEX group had a net loss of NOK 63.4 million in the fourth quarter of 2018, compared to a loss of NOK 65.0 million in the fourth quarter of 2017. In the full year of 2018, the group recorded a loss of NOK 246.1 million, compared to a loss of NOK 255.5 million for the full year of 2017.

Loss per weighted average number of basic shares amounted to NOK 0.12 in the fourth quarter, in line with the loss of NOK 0.12 per share in the fourth quarter of 2017. In the full year, the loss amounted to NOK 0.45 per share this year and NOK 0.47 per share previous year.

### Balance Sheets

The main assets held in the balance sheet are acquired intangible assets and cash in bank. Cash is the major item, representing 54% of the total assets.

At 31 December 2018, IDEX had a cash balance of NOK 83.7 million, down from NOK 130.5 million at the end of the previous quarter this year and from NOK 302.1 million at the end of 2017. On 30 January 2019 IDEX announced that it had completed a private placement of NOK 214 million. The share issue has been completed and significantly strengthened the balance sheet.

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 at net book value of NOK 26.8 million at 31 December 2018. The corresponding numbers at 31 December 2017 were NOK 8.3 million and NOK 30.5 million respectively. The assets depreciate over the economic life of the respective items. IDEX's self-developed intellectual property rights and product development costs are generally not held in the balance sheet because they do not satisfy the IFRS criteria for capitalization. No development expenses have been capitalized in 2018 or 2017.

Tangible fixed assets amounted to NOK 14.6 million at 31 December 2018, up from NOK 14.1 million at 30 September this year and from NOK 8.0 million from 31 December previous year. The fixed assets are scientific equipment and engineering tools, leasehold outfitting, office equipment and furniture with useful lives of 3-5 years.

Inventory amounted to NOK 10.2 million at 31 December 2018, in line with NOK 10.4 million at 30 September this year and up from NOK 9.3 million at 31 December 2017. The inventory consists mainly of card and IoT

components and sensors. Because of significant lead times for certain components, IDEX holds inventory to satisfy expected demand for deliveries with short notice.

Customer receivables at 31 December 2018 amounted to NOK 0.3 million, down from NOK 0.8 million at the preceding quarter end. At the end of the previous year, customer receivables amounted to NOK 0.6 million.

Total short-term liabilities amounted to NOK 32.8 million at 31 December 2018, up from NOK 27.5 million in the previous quarter and NOK 28.9 at the end of 2017. Variations between quarters are caused by activity level, specific pay terms and timing of deliveries.

Equity amounted to NOK 123.2 million at the end of the third quarter of 2018, down from NOK 173.0 million at the end of the third quarter this year and from NOK 337.1 million at the beginning of the year. The decrease is mainly caused by the net loss. See note 2 for further comments on the equity situation.

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

The net working capital, inventory plus receivables less trade accounts payable, amounted to NOK 16.6 million at 31 December 2018, up from NOK 14.0 million at 30 September this year, but in line with NOK 16.3 million at the beginning of the year. IDEX will need to build up its inventory and accumulate receivables as sales to the card and IoT markets increase.

### Cash Flow and Cash Position

IDEX's operational cash outflow was NOK 49.6 million in the fourth quarter of 2018, compared to NOK 53.5 million in the fourth quarter of 2017. The main operating cash items are the operating losses in each period, partly offset by the equity part of the share-based compensation and depreciation. The working capital varies between quarters, mainly due to fluctuating payables to suppliers and accrued liabilities. Future planned growth of sales is expected to cause an increase in working capital in the form of inventory and receivables, partly funded by payables.

IDEX invested NOK 0.6 million in the fourth quarter of 2018, compared to NOK 0.4 million in the fourth quarter of 2017. In the full year, the investments amounted to NOK 9.0 million, up from NOK 6.9 million in the corresponding period previous year. The major item in 2018 was equipment for testing and probing and development of volume product test procedures acquired by IDEX America in Rochester. In 2017, IDEX America and IDEX UK expanded facilities and added equipment. Investments vary according to project requirements for new equipment and tooling. IDEX may need to invest in more equipment for scaling manufacturing going forward, but does not expect the amount to exceed those of 2018.

IDEX's balance sheet solvency, which is the cash position less the net of receivables and short-term liabilities, amounted to NOK 62.4 million at 31 December 2018, down from NOK 115.5 million at 30 September 2018 and from NOK 283.3 million at the beginning of the year. The reduction was mainly caused by the net loss in the period, net of share-based compensation cost. See note 2 for further comments on the liquidity position.

## INTERIM FINANCIAL STATEMENTS 30 SEPTEMBER 2018

### Interim Consolidated Statements of Comprehensive Income

Amounts in NOK 1,000	Note	1 October- 31 December 2018	1 October- 31 December 2017	1 January- 31 December 2018	1 January- 31 December 2017
<b>Operating income</b>					
Product sales		<b>358</b>	1 233	<b>2 181</b>	16 036
Other operating revenue		<b>15</b>	1 231	<b>1 404</b>	1 434
<b>Total revenue</b>	2	<b>373</b>	2 464	<b>3 585</b>	17 470
Cost of goods sold		<b>134</b>	1 164	<b>1 502</b>	13 691
<b>Gross margin</b>		<b>238</b>	1 300	<b>2 082</b>	3 779
<b>Operating expenses</b>					
Payroll expenses	5	<b>42 912</b>	34 779	<b>160 983</b>	149 285
Development expenses		<b>10 615</b>	9 428	<b>45 850</b>	56 256
Other operating expenses	9	<b>8 006</b>	15 182	<b>31 908</b>	39 779
<b>Total operating expenses</b>		<b>61 532</b>	59 389	<b>238 740</b>	245 320
<b>Profit (loss) before interest, tax, depreciation and amortization (EBITDA)</b>					
		<b>(61 294)</b>	<b>(58 089)</b>	<b>(236 658)</b>	<b>(241 541)</b>
Amortisation and depreciation	3	<b>1 760</b>	2 258	<b>6 854</b>	7 501
<b>Profit before interest and tax (EBIT)</b>		<b>(63 054)</b>	<b>(60 347)</b>	<b>(243 512)</b>	<b>(249 042)</b>
<b>Financial income and expenses</b>					
Interest income		<b>184</b>	420	<b>1 095</b>	2 285
Other financial income		<b>9 053</b>	330	<b>13 201</b>	2 644
Interest expenses		<b>0</b>	(39)	<b>(14)</b>	(64)
Other financial expenses		<b>(10 091)</b>	(1 957)	<b>(16 536)</b>	(7 159)
<b>Net financial items</b>		<b>(854)</b>	<b>(1 246)</b>	<b>(2 254)</b>	<b>(2 294)</b>
<b>Net result before tax</b>		<b>(63 908)</b>	<b>(61 593)</b>	<b>(245 766)</b>	<b>(251 336)</b>
Income tax expense (credit)	6	<b>(557)</b>	3 375	<b>332</b>	4 150
<b>Net profit (loss) for the period</b>		<b>(63 350)</b>	<b>(64 968)</b>	<b>(246 097)</b>	<b>(255 486)</b>
Other comprehensive income		<b>1 044</b>	545	<b>946</b>	(386)
<b>Total comprehensive income (loss) for the period, net of tax</b>		<b>(62 306)</b>	<b>(64 423)</b>	<b>(245 151)</b>	<b>(255 872)</b>
<b>Profit (loss) per share - basic and dilutea</b>	7	<b>NOK (0.12)</b>	<b>NOK (0.12)</b>	<b>NOK (0.45)</b>	<b>NOK (0.47)</b>

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

## Interim Consolidated Balance Sheets

Amounts in NOK 1,000	Note	31 December 2018	31 December 2017
<b>ASSETS</b>	8		
<b>Long-term assets</b>			
Goodwill		8 260	8 260
Other intangible assets		26 763	30 464
Tangible fixed assets		14 590	8 002
Long-term receivables		1 269	1 251
<b>Total long-term assets</b>	3	50 882	47 977
<b>Current assets</b>			
<b>Inventory and receivables</b>			
Inventory		10 164	9 255
Customer receivables		339	550
Other receivables		5 684	6 236
Prepaid expenses		5 529	3 327
Total inventory and receivables		21 715	19 368
<b>Cash and bank deposits</b>			
Cash and bank deposits		83 714	302 105
Total cash and bank deposits		83 714	302 105
<b>Total current assets</b>		105 430	321 473
<b>TOTAL ASSETS</b>		156 312	369 450

<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Paid-in-capital</b>			
Share capital		81 647	81 357
Share premium		1 192 222	1 185 355
Other paid-in capital		98 553	74 382
<b>Total paid-in-capital</b>	4	1 372 422	1 341 094
Other equity		(1 249 183)	(1 004 032)
<b>Total equity</b>	1	123 239	337 062
<b>Liabilities</b>	8		
<b>Long-term liabilities</b>			
Other long-term liabilities		226	3 497
<b>Total long-term liabilities</b>		226	3 497
<b>Short-term liabilities</b>			
Accounts payable		5 126	3 052
Public duties payable		2 276	2 452
Accrued payable income tax		1 716	2 902
Notional employer's tax on share incentives	5		179
Other short-term liabilities		23 729	20 306
<b>Total short term liabilities</b>		32 847	28 891
<b>Total liabilities</b>		33 073	32 388
<b>TOTAL EQUITY AND LIABILITIES</b>		156 312	369 450

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

## Interim Consolidated Cash Flow Statements

Amounts in NOK 1,000	Note	1 October- 31 December 2018	1 October- 31 December 2017	1 January- 31 December 2018	1 January- 31 December 2017
<b>Cash flows from operating activities</b>					
Profit (loss) before taxes (EBT)		<b>(63 908)</b>	(61 593)	<b>(245 766)</b>	(251 336)
Share-based remun. (equity part)	4	<b>5 383</b>	3 950	<b>24 170</b>	17 263
Amortisation and depreciation	3	<b>1 760</b>	2 258	<b>6 854</b>	7 501
Interest income		<b>(184)</b>	(420)	<b>(1 095)</b>	(2 285)
Change in receivables, inventory		<b>1 347</b>	404	<b>(2 202)</b>	9 070
Change in payables, accruals		<b>5 354</b>	6 173	<b>3 956</b>	(12 369)
Net other items		<b>697</b>	(4 277)	<b>(295)</b>	(3 018)
<b>Net cash flow from operational activities</b>		<b>(49 550)</b>	<b>(53 505)</b>	<b>(214 377)</b>	<b>(235 174)</b>
<b>Cash flows from investing activities</b>					
Investments in tangible assets	3	<b>(615)</b>	(425)	<b>(8 991)</b>	(6 857)
Investments in intangible assets	3		(294)		(294)
Change in long-term receivables	3		205	<b>(3)</b>	41
Interest income		<b>184</b>	420	<b>1 095</b>	2 285
<b>Net cash provided by investing activities</b>		<b>(431)</b>	<b>(94)</b>	<b>(7 899)</b>	<b>(4 825)</b>
<b>Cash flows from financing activities</b>					
Share issues net of expenses	4	<b>7 112</b>	(10)	<b>7 157</b>	13 303
Paid-in, not registered share capital	4				(811)
Change in long-term payables		<b>(3 888)</b>	(3 641)	<b>(3 271)</b>	(3 007)
<b>Net cash provided by financing activities</b>		<b>3 224</b>	<b>(3 651)</b>	<b>3 886</b>	<b>9 485</b>
<b>Net change in cash and cash equivalents</b>		<b>(46 758)</b>	<b>(57 250)</b>	<b>(218 391)</b>	<b>(230 514)</b>
Opening cash balance		<b>130 472</b>	359 355	<b>302 105</b>	532 619
Closing cash balance		<b>83 714</b>	302 105	<b>83 714</b>	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)	<b>Total equity</b>
<b>Balance 1 January 2018</b>		<b>81 357</b>	<b>1 185 355</b>	<b>74 382</b>	<b>(1 004 032)</b>	<b>337 062</b>
<b>Exercises of subscription rights</b>	4	<b>245</b>	<b>6 868</b>			<b>7 112</b>
<b>Share issue (board remuneration)</b>		<b>45</b>		<b>1 030</b>		<b>1 075</b>
<b>Share-based remuneration</b>	5			<b>23 141</b>		<b>23 141</b>
<b>Profit (loss) for the period</b>					<b>(246 097)</b>	<b>(246 097)</b>
<b>Other comprehensive income</b>					<b>946</b>	<b>946</b>
<b>Balance 31 December 2018</b>	1	<b>81 647</b>	<b>1 192 223</b>	<b>98 553</b>	<b>(1 249 183)</b>	<b>123 239</b>
<b>Balance 1 January 2017</b>		<b>80 067</b>	<b>1 173 342</b>	<b>57 119</b>	<b>(748 160)</b>	<b>562 368</b>
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)
<b>Balance 31 December 2017</b>	1	<b>81 357</b>	<b>1 185 355</b>	<b>74 382</b>	<b>(1 004 032)</b>	<b>337 062</b>

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 31 December 2018 (Unaudited)

#### 1 IDEX ASA and the IDEX Group

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

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

#### 2 Accounting Policies and Risk Factors

This condensed consolidated interim financial report for 2018 has been prepared in accordance with IAS 34 Interim financial reporting. The interim financial report should be read in conjunction with the annual financial statements for 2017. The IFRS accounting policies applied in this report are consistent with those applied and described in the annual financial statements for 2017. This interim financial report has not been subject to audit. The report was approved by the board of directors on 26 February 2019.

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

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

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

The going concern assumption has been applied when preparing this financial report. IDEX has commenced earning revenue but continues to operate at a significant loss. The company expects to increase revenue generation through sales of sensors and monetization of Intellectual Property. The company does not have any debt to financial lenders. As an ongoing activity the company monitors liquidity and will take appropriate measures if required. IDEX ASA has completed a private placement, raising NOK 214 million, see note 10.

### 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
<b>Additions</b>			<b>9 016</b>	<b>3</b>	<b>9 019</b>
<b>Depreciation and impairment losses</b>		<b>(3 701)</b>	<b>(3 153)</b>		<b>(6 854)</b>
<b>Effects of changes in foreign currency</b>			<b>750</b>	<b>15</b>	<b>765</b>
Balance 31 December 2018	8 260	26 763	14 590	1 269	50 882
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 42.7 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.

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	
	rights	Shares
Balance 1 January 2018	25 260 000	542 383 105
1 January-31 December: Granted incentive subscription rights	<b>23 400 600</b>	
1 January-31 December: Exercised incentive subscription rights	<b>(1 631 250)</b>	<b>1 631 250</b>
1 January-31 December: Expired/forfeited incentive subscr. rights	<b>(9 558 300)</b>	
31 May: Issued shares in lieu of board remuneration		<b>300 182</b>
Balance 31 December 2018	37 471 050	544 314 537
Number of financial instruments	Incentive subscription rights	
	rights	Shares
Balance 1 January 2017	26 037 500	533 780 255
1 January-31 December: Granted incentive subscription rights	<b>9 810 000</b>	
1 January-31 December: Issued shares for incentive sub.rights exerc. in 2016		<b>125 000</b>
1 January-31 December: Exercised incentive subscription rights	<b>(8 375 000)</b>	<b>8 362 500</b>
1 January-31 December: Expired/forfeited incentive subscr. rights	<b>(2 212 500)</b>	
29 May: Issued shares in lieu of board remuneration		<b>115 350</b>
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% 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 31 December 2018 was NOK 5.52 per share.

## 5 Payroll Expenses

	1 October- 31 December 2018	1 October- 31 December 2017	1 January- 31 December 2018	1 January- 31 December 2017
Amounts in NOK 1,000				
Salary, payroll tax, benefits, other	<b>39 047</b>	31 339	<b>136 960</b>	133 289
Payroll tax on exercised subscr. rights	<b>31</b>		<b>31</b>	4 306
Share-based remun., notional cost	<b>5 383</b>	3 950	<b>24 170</b>	17 263
Accr. (rev.) payr. tax on share-based remun.	<b>(1 550)</b>	(510)	<b>(179)</b>	(5 573)
<b>Payroll expenses</b>	<b>42 912</b>	34 779	<b>160 983</b>	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 the Black-Scholes option pricing model. Employer's social security tax related to share-based remuneration is calculated on the balance sheet date based on the earned intrinsic value of the subscription rights, and the adjustment to the accrued amount is charged or credited to cost. When subscription rights are exercised, the accrued payroll tax is reversed and the actual payroll tax is expensed.

## 6 Income Tax Expense

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

## 7 Profit (Loss) per Share

	1 January - 31 December 2018	1 January - 31 December 2017
Profit (loss) attributable to the shareholders (NOK 1 000)	<b>(245 151)</b>	<b>(255 872)</b>
Weighted average basic number of shares	<b>542 795 969</b>	<b>540 670 366</b>
Weighted average diluted number of shares	<b>543 117 924</b>	<b>544 068 814</b>
Profit (loss) per share, basic and diluted	<b>NOK (0.45)</b>	<b>NOK (0.47)</b>

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 2018 recorded NOK 2,710 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. The board also resolved on 15 August 2018 to issue 600,000 incentive subscription rights to Larry Ciaccia. The exercise price of the subscription rights is NOK 5.10 per share. 34% of the subscription rights vest on the grant date on the condition that Mr. Ciaccia has not terminated his service agreement with IDEX before 15 August 2019, and another 33% vest on 15 July 2019 and 15 July 2020. The subscription rights expire on 9 May 2023. Board member Andy MacLeod provides consulting services beyond board duty to IDEX for a fixed fee of GBP 60 thousand per year. The annual general meeting of IDEX on 9 May 2018 resolved the board remuneration for 2017-2018. The chairman and three board members elected to take part/full board remuneration in shares. The numbers were disclosed in a notice to the market on 11 May 2018.

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

The board resolved on 15 August 2018 to issue 2,000,000 incentive subscription rights to SVP of Sales & Marketing David Orme. The exercise price of the subscription rights is NOK 5.10 per share. 25% of the subscription rights vest per year and the subscription rights expire on 9 May 2023. On 7 November 2018, Sarah Mathews, Sr. Director of HR in IDEX ASA, was granted 30,100 incentive subscription rights. The exercise price of the subscription rights is NOK 5.12 per share. 25 per cent of the subscription rights vest per year and the subscription rights expire on 9 May 2023.

## 10 Events Occurring After the Balance Sheet Date

On 30 January 2019 IDEX disclosed completion of a private placement. A total of NOK 214 million has been committed from existing shareholders. A total of 53,437,500 shares will be issued at a price of 4.00 NOK per share. The capital issue is covered by the board's authorization to issue up to 10% new shares as resolved by the 2018 AGM on 9 May 2018. Following the capital increase, IDEX will have a share capital amounting to NOK 89,662,805.55, divided into 597,752,037 shares at NOK 0.15 nominal value per share.

The board of directors of IDEX resolved on 26 February 2019 to issue 873,800 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 3.88 per share. The subscription rights vest by 25% per year and expire on 9 May 2023. Following the grant there will be 38,344,850 subscription rights outstanding.

Between 31 December 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 2018 or the value of the company's assets and liabilities at 31 December 2018.