



# IDEX ASA

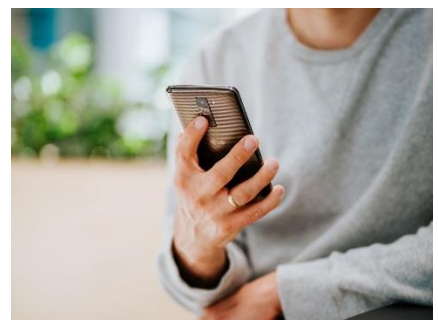
## Fourth quarter 2017 report

## Fourth quarter and recent highlights

- **Progressing towards commercialisation of biometric cards**
  - Commenced certification process for contact-based payment cards
  - Partnership with Feitian Technologies to commercialise dual-interface biometric cards
  - Expanded partnership with IDEMIA for contactless card solutions
  - Innovation agreement with global payment provider for additional biometric solutions
- **Continuing development and introduction of innovative new solutions**
  - Introduced proprietary remote enrolment solution for biometric cards
  - Demonstrated battery free contactless fingerprint sensor solution to card customers
  - Launched new large-area sensor with excellent biometric performance and optimal usability
- **Revenues of NOK 2.5 million in the fourth quarter and NOK 17.5 million for the full year of 2017**

## Outlook and key upcoming milestones

- **Commercial roll-out of biometric card programme with Mastercard**
  - Complete certification process for the contact based solution in the second quarter of 2018
  - Additional customer trials in the first half of 2018
  - Commercial bidding process to end customers commencing in the second quarter of 2018
  - Expect proof of concept pilots for contactless cards in the first half of 2018
  - Promotion of remote enrolment solution to leading banks
- **Expansion of card ecosystem partners to secure multiple channels to market**
  - Integration of IDEX's sensors in biometric cards in the first half of 2018
  - Orders from Asian card integrators expected following successful integration





## IDEX's OFF-CHIP TECHNOLOGY DIFFERENTIATION

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### Off-chip technology enables unique adaptability in design and architecture

IDEX is the only supplier in the biometric card industry offering differentiated off-chip fingerprint solutions. The company's unique off-chip solutions represent a fundamentally different architecture and approach as compared to more traditional silicon-based sensors.

Off-chip sensing means that the chip, also referred to as the ASIC, is independent from the sensing array, providing a number of important advantages. This innovative architecture significantly increases adaptability and form factor flexibility, as well as offers sensor solutions with superior size and cost-to-performance characteristics.

### A strong track record of continued innovation

Early in 2017, IDEX launched a new ASIC platform for off-chip sensor solutions. The new platform was specifically developed to overcome the substantial challenges inherent in biometric card applications. By enabling both enhanced performance and reduced power consumption at a compelling price, IDEX's advanced platform can also be leveraged for solutions across a growing number of IoT applications.

IDEX's newest ASIC has served as the foundation for a number of new ground-breaking innovations, including a flexible, low-power fingerprint sensor for dual-interface (contact and contactless) biometric cards and a new large-area sensor for superior user experience.

In August 2017, IDEX launched an ultra-compact matcher algorithm optimized for biometric cards. The matcher was specifically designed to achieve a step-function improvement in performance for applications with limited internal power, processing and memory resources. As a result, this matcher algorithm is ideal for use in biometric cards, providing excellent performance regardless of finger orientation as well as the ability to accept partial touches. These features also make the matcher highly suitable for IoT applications, which have many of the same resource constraints as cards. IDEX's algorithm has uniquely efficient code and a template size designed to enable fast image processing, while delivering a reliable, secure and seamless user experience.

In November 2017, IDEX introduced a new proprietary enrolment solution for biometric cards, allowing end users to conveniently and remotely enrol on the card. This innovative and completely wireless solution doesn't require the use of any other device or even an internet connection for enrolment, and it also eliminates the need to visit a branch office. The enrolment process is fast, simple and provides a highly secure enrolment for the user, as the entire enrolment takes place within the card itself.

## BIOMETRIC CARD MARKET IS AT AN INFLECTION POINT AND IDEX IS PARTNERED WITH THE MARKET LEADERS

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Over the past few months, the market for smartcards with biometric sensors has reached a critical inflection point. Several of the leaders in the payment ecosystem, including Mastercard and VISA, have communicated a strong commitment to develop the biometric card market. This has resulted in increased awareness and is driving significant customer interest in the deployment of fingerprint authentication in smartcards.



During 2017, IDEX and its partners have taken a leading role in advancing the first commercial rollouts of biometric enabled cards. The partners completed three end-consumer trials with the retailer Pick n' Pay and ABSA Bank in South Africa, as well as UniCredit Bulbank in Bulgaria. Following these live pilots, the partners have optimized a solution for next generation cards based on feedback from the trials to ensure a superior user experience. Consistent with previous communications, the certification process for contact-based payment cards commenced in December 2017. This process is expected to be completed early in the second quarter of 2018, and it represents the final stage before a full commercial rollout that is anticipated to include meaningful customer orders and volume shipments to end customers. Commercial bidding processes will commence in the second quarter of 2018.

In November 2017, IDEX announced the expansion of its long-time partnership with IDEMIA. In addition to collaborating closely on contact-based card solutions, the partners are now actively working to deliver advanced solutions for contactless cards, including IDEMIA's F-Code biometric card solutions. Together, IDEX and IDEMIA demonstrated their solution to card customers at the Trustech trade show in November.

The development of IDEX's contactless cards solution has been progressing well over the last several months. More specifically, the company has been able to accelerate certain development activity as a result of the knowledge and feedback gained during end-customer trials with IDEX's contact-based solution. The company now anticipates initial proof of concept pilots leveraging its contactless solution to commence in the first half of 2018.

### Market expansion with other partners

In parallel with the commercial rollout of the next generation biometric card developed in partnership with Mastercard, IDEX has also experienced strong commercial interest for its biometric solutions across the broader card ecosystem, particularly in the Asia Pacific.

In November 2017, IDEX announced its partnership with Feitian Technologies for the commercialisation of dual interface (contact-based and contactless) biometric cards. Leveraging IDEX's market leading off-chip biometric sensor technology, Feitian has developed a biometric card for use in a variety of government ID, access control and payment use cases. Additionally, IDEX's provisioning of a complete biometric module provided for rapid card prototyping. Feitian's international business serves over 100 countries and the company is a leading provider of user authentication and transaction security solutions, with close to 1,000 employees worldwide.

In addition to its ongoing partnership with Feitian, IDEX actively engages a wide range of complementary

players across the cards ecosystem. Today, IDEX is working with six of the larger card vendors in China and also has close engagements with several Asian suppliers of secure elements (SE) and packaging solutions.

Several card ecosystem partners are integrating IDEX's sensors into biometric cards in the first half of 2018, after which orders are expected following successful integration.

## IOT MARKET

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The IoT market is developing rapidly, and IDEX is well positioned with its off-chip technology to capitalise on opportunities in select market verticals. Although the IoT market currently represents a second-tier priority for IDEX, the company has a clear strategy to leverage its unique off-chip technology solutions and leading market position in biometric cards to capture incremental share in the IoT market.



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.

## MOBILE MARKET DEVELOPMENT

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During 2017, the size of the market for current generation fingerprint sensors in mobile applications decreased slightly. The market for these sensors is characterized by extremely high competition and price erosion, and therefore IDEX has continued to focus a majority of its investments and resources on the market for biometric cards.



However, as OEMs increasingly launch new, premium flagship models with infinity displays, potential new opportunities are expected to emerge in the mobile market. This trend represents a unique future opportunity for IDEX, as the company's off-chip technology enables sensing arrays to be integrated into mobile OLED displays. Given the company's strong research and development team with deep experience in display integration, IDEX will continue to allocate resources towards developing future mobile in-display sensor solutions. This development is also relevant for innovative card solutions.

## ORGANISATIONAL UPDATE

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In 2017, IDEX expanded its organisation to solidify its leadership position in biometric cards. This involved a shift of resources towards biometric cards and an increased emphasis on bringing systems design and development skills in-house.

In the fourth quarter of 2017, the company had a net decrease in staff from 122 to 120, while the company had a net increase in staff of 28 during the year, from 92 at the end of 2016 to 120 at the end of 2017.





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

## RECENT EVENTS

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On 22 February, IDEX announced that the Board of Directors had appointed Stan Swearingen as new CEO of IDEX ASA, effective from 1 April 2018. The current CEO, Dr Hemant Mardia will continue until 31 March 2018, and will then join IDEX's Strategy Advisory Council.

Stan Swearingen, who joined IDEX in May 2016, is currently Chief Products Officer at IDEX. Prior to joining IDEX, Stan served as Senior Vice President & General Manager MaxTouch Business Unit and Chief Technology Officer of Atmel, where he drove the overall technology strategy and direction for the company. Stan has also served as Senior Vice President and General Manager Biometric Products Division and Chief Technology Officer for Synaptics, where he was instrumental in the formulation of the biometric fingerprint strategy, including the acquisition of Validity. Prior to Synaptics, Stan held senior positions at semiconductor companies, such as MiniCircuits, Skyworks Solutions, Agere Systems and National Semiconductor.

## OUTLOOK

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IDEX's top priority is to strengthen its leadership position in the biometric cards market. In addition, the company will continue to leverage its sensor solutions into the IoT market. IDEX's off-chip technology is also uniquely suited for integration into the smartphone display, and the company considers this an exciting opportunity going forward.

IDEX's solution for contact-based payment cards, developed in partnership with Mastercard, commenced the certification process in the fourth quarter of 2017. The process is expected to complete early in the second quarter of 2018 and is the final stage before customer orders and volume shipments. The partners have several additional customer trials planned in direct response to strong ongoing market interest. Commercial bidding processes will start in the second quarter of 2018.

The company's biometric solution for contactless biometric cards is expected to commence proof of concept pilots in the first half of 2018.

In parallel with the commercial rollout in partnership with Mastercard, IDEX experience strong interest and engagements in Asia. Multiple ecosystem partners will integrate IDEX's sensors in biometric cards in the first half of 2018. Following successful integrations, orders from Asian card integrators are expected.

**Oslo, 21 February 2018**  
***The Board of Directors of IDEX ASA***

## FINANCIAL REVIEW

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### Consolidated interim financial statements at 31 December 2017 (Unaudited)

#### Profit and loss statements

IDEX recorded total revenues of NOK 2.5 million in the fourth quarter of 2017, including NOK 1.2 million in product sales and 1.2 million in services income. For the full year of 2017, revenues amounted to NOK 17.5 million, whereas NOK 16.0 million is related to product sales and NOK 1.4 million in services income. This compares to NOK 12.5 million in the fourth quarter of 2016 and NOK 38.6 million in the full year of 2016. In 2016, virtually all revenue originated from product sales. The reduction in revenue is due to reduced shipments of sensors for use in mobile handsets.

The gross margin was NOK 1.3 million in the fourth quarter of 2017. The high margin reflects that the services income, generated from the company's innovation agreement with its global payment provider, announced in October 2017, were at 100 per cent margin. The gross margin on sensor sales ended at 5.6 per cent in the last quarter. The gross margin reflects inventory adjustments in the quarter. For the full year 2017, gross margin amounted to NOK 3.8 million, down from NOK 5.9 million. The margin from product sales represents 14.6 per cent in 2017 and 15.2 per cent in 2016.

The total operating expenses in the fourth quarter of 2017 was NOK 59.4 million, an increase from NOK 46.8 million in the same quarter of 2016. The operating expenses includes payroll expenses, external development expenses and other operating expenses. For the full year, the expenses ended at NOK 245.3 million in 2017 and NOK 202.0 million in 2016. The increase is mainly due to an increase in payroll expenses, resulting from a higher number of employees and share-based remuneration effects.

The payroll expenses amounted to NOK 34.8 million in the fourth quarter and NOK 149.3 million in the full year of 2017, compared to NOK 25.1 million and NOK 91.7 million in the corresponding periods in 2016.

The underlying payroll cost excluding share-based remuneration was NOK 31.3 million in the fourth quarter and NOK 137.6 million in the full year of 2017, compared to NOK 20.6 million and NOK 78.8 million in the corresponding periods of 2016. The increase mainly reflects that the average number of employees was 119.4 in 2017 compared to 79.3 in 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 varies substantially between quarters because of share price variations as well as grants and exercises. The total share-based remuneration was NOK 3.4 million in the fourth quarter this year and NOK 11.7 million in the full year of 2017, compared to NOK 0.9 million and NOK 4.4 million in the fourth quarter and full year of 2016 respectively. Most of the variation between periods 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 120 at 31 December 2017, down from 122 at 30 September 2017, and a net increase of 28 since 31 December 2016. The staff comprises 106 IDEX employees, 10 technical/scientific individual contractors working full time or regularly as part of the development team, and 4 sales representatives working on contract. IDEX has made some employees and contractors redundant in the quarter to adjust the business to the shift from mobile to cards and to trim its operating expense level into 2018.

Development expenses amounted to NOK 9.4 million in the fourth quarter of 2017, down from NOK 12.1 million in the corresponding quarter of 2016. The amounts in the fourth quarters are net of government support amounting to NOK 5.0 million and NOK 4.0 million respectively. The expenses for the full year were also considerably lower in 2017 than in 2016, down from NOK 81.4 million to 56.3 million. As IDEX has grown its organisation, more development is done by internal resources. The reduction also reflects that several of IDEX's products have completed development and the investment in the Kestrel ASIC completed in 2016.

Other operating expenses, mainly comprising expenses related to sales, marketing and administration, amounted to NOK 15.2 million in the fourth quarter of 2017. This includes an accounting provision for a possible loss on a claim against a supplier. For the full year, other operating expenses were NOK 39.8 million in 2017, and NOK 28.9 million in 2016. In addition to the mentioned loss, the increase reflects increased activity level in sales and marketing as well as cost of expanded IT infrastructure.

Amortisation and depreciation amounted to NOK 2.3 million in the fourth quarter of 2017, up from NOK 1.6 million in the fourth quarter last year. In 2017, depreciation amounted to NOK 7.5 million, in line with the NOK 7.3 million reported for 2016. During 2017, IDEX invested NOK 6.9 million 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 five times the investments in the full year 2016.

IDEX recorded an EBIT loss of NOK 60.3 million in the fourth quarter of 2017, compared to a loss of NOK 46.7 million in the same period of 2016. EBIT in 2017 amounted to a loss of NOK 249.0 million, compared to a loss of NOK 203.4 million in 2016.

Net financial items amounted to an expense of NOK 1.2 million in the last quarter of 2017, as opposed to a NOK 2.3 million income in the fourth quarter of 2016. The corresponding numbers for the full year, was an expense of NOK 2.3 million in 2017 and an income of NOK 1.0 million the year before. The variation in net financial items between periods is mainly caused by re-/devaluations of the US dollar causing gains or losses on receivables and debt denominated in US dollars.

Due to profits in IDEX's subsidiaries in the USA and UK, there was a tax charge of NOK 4.2 million in 2017, up from NOK 0.8 million in 2016.

The IDEX group had a net loss of NOK 65.0 million in the fourth quarter of 2017, compared to a loss of NOK 44.6 million in the same period of the previous year. For the full year, the group recorded a loss of NOK 255.5 million, compared to a loss of NOK 203.3 million in 2016.

Loss per basic weighted average number of shares amounted to NOK 0.47 in 2017, compared to a loss of NOK 0.38 per share in 2016.

### Balance sheets

IDEX has a strong balance sheet. At 31 December 2017, IDEX had a cash balance of NOK 302.1 million, down from NOK 359.4 million at the end of the previous quarter and 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 81.8 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 38.5 million. The assets depreciate over the economic life of the respective assets. 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 2017, but NOK 0.3 million were capitalised in 2016.

Tangible fixed assets amounted to NOK 8.0 million at 31 December 2017, up from NOK 4.7 million since 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 2017 were made in IDEX America's facilities in Wilmington, Massachusetts and Rochester, New York and IDEX UK's facility in Farnborough.

Inventory was at NOK 9.3 million at 31 December 2017, down from NOK 13.2 million at 30 September 2017 mainly due to disposed components for mobile market. The inventory at year end consisted of card and IoT components and sensors, and amounted to the same as at the end of 2016. Customer receivables amounted to NOK 0.6 million at the end of 2017, down from NOK 12.2 million at 31 December 2016, due to the low sales in the fourth quarter of 2017.

Total short-term liabilities amounted to NOK 28.9 million at 31 December 2017, 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 2017, and the share price development, the accrued notional employer's tax on share incentives has been reduced by NOK 5.6 million since 31 December 2016.

Equity amounted to NOK 337.1 million at 31 December 2017, down from NOK 562.4 million at 31 December 2016. The decrease is mainly caused by the net loss in 2017.

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 16.3 million at 31 December 2017, down from NOK 16.5 million at the end of 2016. During 2017, customer receivables were considerably reduced, as was trade accounts payable, while other receivables increased. IDEX will necessarily need to build up its inventory and accumulate receivables as sales increase.

#### Cash flow, cash position

The operational cash outflow was NOK 53.5 million in the fourth quarter of 2017, compared to NOK 45.8 million in the fourth quarter of 2016. For the full year, the operational cash outflow was NOK 235.2 million for 2017, compared to NOK 231.7 million in 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 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 0.7 million in the fourth quarter and NOK 7.2 million in the full year of 2017. The investments are mainly in scientific equipment, engineering tools and facilities. In the corresponding periods

of 2016, the investments amounted to NOK 0.2 million and NOK 1.1 million respectively. Investments vary according to project requirements for new equipment and tooling. Staff growth also mandates investments. Most of the investments in 2017 were related to IDEX America's facilities in Wilmington, Massachusetts and Rochester, New York 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 2017, compared to NOK 3.3 million in 2016.

IDEX's balance sheet solvency, which is the cash position less the net of receivables and short-term liabilities, amounted to NOK 284.2 million at year end, 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.

## PRELIMINARY FINANCIAL STATEMENTS 31 DECEMBER 2017

### Interim consolidated statements of comprehensive income

Amounts in NOK 1,000	Note	1 October- 31 December 2017	1 October- 31 December 2016	1 January- 31 December 2017	1 January- 31 December 2016
<b>Operating income</b>					
Product sales		<b>1 233</b>	12 472	<b>16 036</b>	38 556
Other operating revenue		<b>1 231</b>	2	<b>1 434</b>	2
Total revenue	2	<b>2 464</b>	12 474	<b>17 470</b>	38 558
Cost of goods sold		<b>1 164</b>	10 788	<b>13 691</b>	32 688
Gross margin		<b>1 300</b>	1 686	<b>3 779</b>	5 869
<b>Operating expenses</b>					
Payroll expenses	5	<b>34 779</b>	25 088	<b>149 285</b>	91 734
Development expenses		<b>9 428</b>	12 085	<b>56 256</b>	81 356
Other operating expenses	9	<b>15 182</b>	9 637	<b>39 779</b>	28 881
Total operating expenses		<b>59 389</b>	46 810	<b>245 320</b>	201 971
Profit (loss) before interest, tax, depreciation and amortization (EBITDA)		<b>(58 089)</b>	(45 124)	<b>(241 541)</b>	(196 102)
Amortisation and depreciation	3	<b>2 258</b>	1 579	<b>7 501</b>	7 319
Profit before interest and tax (EBIT)		<b>(60 347)</b>	(46 703)	<b>(249 042)</b>	(203 421)
<b>Financial income and expenses</b>					
Interest income		<b>420</b>	241	<b>2 285</b>	933
Other financial income		<b>330</b>	2 821	<b>2 644</b>	4 417
Interest expenses		<b>(39)</b>		<b>(64)</b>	(1)
Other financial expenses		<b>(1 957)</b>	(796)	<b>(7 159)</b>	(4 388)
Net financial items		<b>(1 246)</b>	2 266	<b>(2 294)</b>	960
Net result before tax		<b>(61 593)</b>	(44 437)	<b>(251 336)</b>	(202 462)
Income tax expense (credit)	6	<b>3 375</b>	207	<b>4 150</b>	790
Net profit (loss) for the period		<b>(64 968)</b>	(44 644)	<b>(255 486)</b>	(203 252)
Other comprehensive income		<b>545</b>	498	<b>(386)</b>	79
Total comprehensive income (loss) for the period, net of tax		<b>(64 423)</b>	(44 146)	<b>(255 872)</b>	(203 173)
Profit (loss) per share - basic and diluted	7	<b>NOK (0.12)</b>	NOK (0.08)	<b>NOK (0.47)</b>	NOK (0.38)

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

## Interim consolidated balance sheets

Amounts in NOK 1,000	Note	31 December 2017	31 December 2016
<b>ASSETS</b>			
8			
Long-term assets			
Goodwill		8 260	8 260
Other intangible assets		30 464	34 843
Tangible fixed assets		8 002	4 695
Long-term receivables		1 251	1 277
Total long-term assets	3	47 977	49 075
Current assets			
Inventory and receivables			
Inventory		9 255	9 303
Customer receivables		550	12 177
Other receivables		6 235	4 663
Prepaid expenses		3 327	2 295
Total inventory and receivables		19 367	28 438
Cash and bank deposits			
Cash and bank deposits		302 105	532 619
Total cash and bank deposits		302 105	532 619
Total current assets		321 473	561 058
<b>TOTAL ASSETS</b>		<b>369 450</b>	<b>610 133</b>
<b>EQUITY AND LIABILITIES</b>			
Equity			
Paid-in-capital			
Share capital		81 357	80 067
Share premium		1 185 355	1 173 342
Other paid-in capital		74 382	57 119
Total paid-in-capital	4	1 341 094	1 310 528
Other equity		(1 004 032)	(748 160)
Total equity	1	337 062	562 368
Liabilities			
8			
Long-term liabilities			
Other long-term liabilities		3 497	6 504
Total long-term liabilities		3 497	6 504
Short-term liabilities			
Paid-in, not registered capital			811
Accounts payable		3 052	11 978
Public duties payable		2 452	3 448
Accrued payable income tax		2 902	1 276
Notional employer's tax on share incentives	5	179	5 752
Other short-term liabilities		20 306	17 996
Total short term liabilities		28 891	41 261
Total liabilities		32 388	47 765
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>369 450</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	Note	1 October- 31 December 2017	1 October- 31 December 2016	1 January- 31 December 2017	1 January- 31 December 2016
<b>Cash Flows from operating activities</b>					
Profit (loss) before taxes (EBT)		(61 593)	(44 437)	(251 336)	(202 462)
Share-based remun. (equity part)	4	3 950	3 218	17 263	12 553
Amortisation and depreciation	3	2 258	1 579	7 501	7 319
Interest income		(420)	(241)	(2 285)	(933)
Chg. in working cap. and other items		2 300	(5 882)	(6 317)	(48 194)
<b>Net cash flow from operational activities</b>		<b>(53 505)</b>	<b>(45 763)</b>	<b>(235 174)</b>	<b>(231 717)</b>
<b>Cash flows from investing activities</b>					
Purchases of assets	3	(719)	(233)	(7 151)	(1 089)
Capitalised development costs	3		(271)		(271)
Change in long-term receivables	3	205	(115)	41	(125)
Interest income		420	241	2 285	933
<b>Net cash provided by investing activities</b>		<b>(94)</b>	<b>(378)</b>	<b>(4 825)</b>	<b>(552)</b>
<b>Cash flows from financing activities</b>					
Share issues net of expenses	4	(10)	1 805	13 303	3 304
Paid-in, not registered share capital			811	(811)	811
Change in long-term payables		(3 641)	(3 231)	(3 007)	(2 943)
<b>Net cash provided by financing activities</b>		<b>(3 651)</b>	<b>(615)</b>	<b>9 485</b>	<b>1 172</b>
<b>Net change in cash and cash equivalents</b>		<b>(57 250)</b>	<b>(46 756)</b>	<b>(230 514)</b>	<b>(231 097)</b>
Opening cash balance		359 355	579 375	532 619	763 716
Closing cash balance		302 105	532 619	302 105	532 619

## 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
<b>Balance 1 January 2017</b>		80 067	1 173 342	57 119	(748 160)	562 368
<b>Share issues</b>	4	1 290	12 013			13 303
<b>Share-based compensation</b>	5			17 263		17 263
<b>Total comprehensive income for the period</b>					(255 872)	(255 872)
<b>Balance 31 December 2017</b>	1	81 357	1 185 355	74 382	(1 004 032)	337 062
<b>Balance 1 January 2016</b>		79 651	1 170 454	44 566	(544 987)	749 684
<b>Share issues</b>	4	416	2 888			3 304
<b>Share-based compensation</b>	5			12 553		12 553
<b>Total comprehensive income for the period</b>					(203 173)	(203 173)
<b>Balance 31 December 2016</b>	1	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 31 December 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 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 21 February 2018.

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 its fingerprint sensor products offer unique properties, particularly in the card market.

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
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

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

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 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 amortised but impairment tested at each year end. Intangible assets that are fully depreciated are by definition retired. IDEX has in the fourth quarter of 2017 also disposed of disused or abandoned assets related to vacated office facilities and outdated equipment amounting to a net book value of NOK 0.5 million.

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 2017 IDEX wrote off the remaining book value, NOK 0.4 million, of capitalised 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-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

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: Expired/forfeited incentive subscr. rights	(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 31 December 2017 was NOK 6.64 per share.

## 5 Payroll expenses

Amounts in NOK 1,000	1 October-31 December 2017	1 October-31 December 2016	1 January-31 December 2017	1 January-31 December 2016
Salary, payroll tax, benefits, other	31 339	23 126	133 289	85 158
Capitalised cost of development work		(8)		(8)
Payroll tax on exercised subscr. rights		1 116	4 306	2 179
Share-based remun., notional cost	3 950	3 218	17 263	12 553
Accr. (rev.) payr. tax on share-based remun.	(510)	(2 364)	(5 573)	(8 148)
Payroll expenses	34 779	25 088	149 285	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 and IDEX UK.

## 7 Profit (loss) per share

	1 January-31 December 2017	1 January-31 December 2016
Profit (loss) attributable to the shareholders (NOK 1 000)	(255 872)	(203 252)
Weighted average basic number of shares	540 670 366	532 167 502
Weighted average diluted number of shares	544 068 814	542 985 135
Profit (loss) per share, basic and diluted	NOK (0.47)	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 2017 recorded NOK 3,928 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.

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 21 February 2018 to issue 5,215,000 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 4.67 per share. 25 per cent of the subscription rights vest per year. 4,500,000 subscription rights have one year's accelerated vesting. The subscription rights expire on 12 May 2022. Following the grant there will be 31,250,500 subscription rights outstanding.

Between 31 December 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 2017 or the value of the company's assets and liabilities at 31 December 2017.