



## **IDEX ASA**

Prospectus in connection with the admission to trading on Oslo Axess of 60,000,000 new shares issued in a private placement resolved on 29 January 2014

THIS PROSPECTUS IS COMPRISED OF THE FOLLOWING PARTS AND APPENDIX

PART I: SUMMARY NOTE

PART II: SHARE REGISTRATION DOCUMENT

PART III: SHARE SECURITIES NOTE

APPENDICES 1 THROUGH 6

DATE: 4 February 2014

## **IMPORTANT NOTICE**

This Summary (which in combination with the Share Registration Document and Securities Note are referred to as the “Prospectus”) has been prepared in connection with the application for admission to listing on Oslo Axess of 60,000,000 new shares, which were issued in a private placement resolved by the Extraordinary General Meeting dated 29 January 2014. This Prospectus has been prepared solely in the English language. The Prospectus has been reviewed and approved by Finanstilsynet pursuant to Section 7-7 of the Norwegian Securities Trading Act; provided, however, that Finanstilsynet has not controlled and/or approved the accuracy or completeness of the information contained in the Prospectus. Finanstilsynet’s control and approval relate solely to the fact that the issuer has included descriptions in accordance with a pre-defined list of content requirements. Moreover, Finanstilsynet has not undertaken any form of control or approval of the corporate law matters described in or covered by the Prospectus.

The information in the Prospectus is updated as of the date hereof, but may be subject to change, completion and amendment without notice. Any new material information and any material inaccuracy that might have an effect on the assessment of the shares arising after the date of publication of this Prospectus and prior to the listing will be published and announced as a supplement to this Prospectus in accordance with Section 7-15 of the Securities Trading Act. Without limiting the manner in which the Company may choose to make public announcements, and subject to the Company’s obligations under applicable law, announcements in relation to the matters described in this Prospectus will be considered to have been made once they have been received by Oslo Børs and distributed through its information system.

The distribution of this Prospectus may be restricted by law in certain jurisdictions. The Company requires persons in possession of this Prospectus to inform themselves about and to observe any such restrictions.

This Prospectus does not constitute an offer to subscribe for shares in the Company.

The content of this Prospectus are not to be construed as legal, business, financial or tax advice. Each prospective investor should consult its own legal advisor, business advisor, financial advisor or tax advisor as to legal, business, financial and tax advice.

Any dispute regarding the Prospectus shall be governed by Norwegian law and Norwegian courts alone shall have jurisdiction in matters relevant hereto.

Investing in shares involves risks. Please refer to Section D - Risks of this Summary and Section 2 of the Share Registration Document for a description of certain risk factors.

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**PART I: SUMMARY NOTE**

## 1 SUMMARY

Summaries are made up of disclosure requirements known as “Elements”. These elements are numbered in Sections A – E (A.1 – E.7).

This Summary contains all the Elements required to be included in a Summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the Summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the Summary with the mention of “not applicable”.

### 1.1 Section A – Introduction and Warnings

<b>Element</b>	<b>Description of Element</b>	<b>Disclosure requirements</b>
A.1	Warnings	<p>This Summary should be read as an introduction to the Prospectus.</p> <p>Any decision to invest should be based on consideration of the Prospectus as a whole by the investor.</p> <p>Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff might under the applicable national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.</p> <p>Civil liability attaches only to those persons who have tabled the Summary including any transactions thereof, but only if the Summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.</p>

### 1.2 Section B – Issuer

<b>Element</b>	<b>Description of Element</b>	<b>Disclosure requirements</b>
B.1	Legal and Commercial Name	IDEX ASA

B.2	Domicile/Legal Form/Legislation/ Country of Incorporation	<p>IDEX has its registered address at Martin Linges vei 25, NO-1364 Fornebu, Norway. The organisation number of IDEX is NO 976 846 923. The Company can be contacted on telephone +47 67 83 91 19, fax +47 67 83 91 12, e-mail mailbox@idex.no. The Company's website is <a href="http://www.idex.no">www.idex.no</a></p>
B.3	Key factors relating to operations/Activities/ Products sold/Services performed/Principal markets	<p>IDEX specializes in fingerprint biometrics authentication technology, products and solutions. IDEX has since 1996 been a pioneering company in the field of miniaturized capacitive fingerprint sensors, and a leading provider of intellectual property ("IP") essential to small sized, high performance, low-cost biometric systems. IDEX holds fundamental core IP and patents in fingerprint sensing technology. Over two decades, significant investments have been made in developing low cost fingerprint sensor technology ranging from capacitive, optical, thermal and pressure based solutions. Active capacitive has emerged as the leading low cost technology and has been deployed in high volumes in laptops and ID access terminals. IDEX is one of a few vendors with the IP and patents for this technology.</p> <p>IDEX has developed and offers the award-winning SmartFinger Film polymer technology, which facilitates IDEX's thin, flexible swipe and touch fingerprint sensors. The SmartFinger Film sensors are compliant with ISO standard form factors for use in identity and smart cards, and can also be employed in a variety of other applications.</p> <p>The current activity of IDEX is focused on the development, industrialization and commercialization of the SmartFinger products targeted at biometric cards, mobile handsets, tablets and other peripherals and a variety of other biometrically enabled devices. IDEX believes the market for fingerprint sensors is on the cusp of mass adoption following the acquisition of a leading fingerprint vendor AuthenTec Inc by Apple in 2012. The launch of the Apple iPhone 5S incorporating a fingerprint sensor in 2013 has also spurred the introduction of similar sensors in a number of smartphones. 2014 is expected to be a pivotal year for the mass commercialisation of IDEX's fingerprint sensors for the consumer device market. Beyond mobile devices, IDEX believes it has a wider market opportunity in smart cards and the wider Internet of Things ("IoT").</p> <p>The Company provides hardware and software fingerprint solutions suitable for embedding into products in order to add safe and simple security to those products. The SmartFinger platform is a full-featured, biometric authentication solution,</p>

		<p>which enables on-device fingerprint enrolment, template storage and verification. IDEX is currently commercialising swipe sensor products suitable for the consumer mass market, which achieve low cost and high biometric performance. These products rely on the user swiping across a linear fingerprint sensor array to create a fingerprint image and offer the smallest form factor and lowest cost. IDEX is currently in the qualification phase undergoing rigorous testing of the sensors for mobile and embedded application, for imminent customer sampling with a target mass production for the second half of 2014.</p> <p>IDEX is currently in the product development phase for a range of touch or area sensors based on this technology. IDEX targets to sample a touch sensor solution in mid 2014 based on the polymer technology. These touch sensors offer a more user friendly experience by only requiring a simple single action to authenticate. IDEX is able to implement these touch sensors using the low cost polymer technology combined with an advanced silicon ASIC (Application Specific Integrated Circuit). IDEX believes this combination offers unique flexibility in terms of form factors for a range of consumer devices and also a compelling disruptive cost point. This will enable mass adoption of fingerprint touch sensors for authentication where previous generations have been cost prohibitive.</p> <p>IDEX is further developing this technology to create “in screen” swipe and touch sensors. Due to IDEX IP and patents, IDEX can implement fingerprint sensors in a range of materials and is currently working with major partners to develop in glass sensors suitable for direct integration into display screens. This will enable smartphone and tablet manufactures to provide a button free user interface. This is seen as an ultimate solution for the aesthetic and user experience of such devices.</p> <p>IDEX’s main focus is on biometrics for consumer applications. The markets for these is dominated by Far Eastern consumer electronics vendors particularly those supplying mobile devices based on the Android system e.g. Samsung, LG, Huawei etc. The industry leaders based in the US will also be a key market as they provide consumer infrastructure e.g. Microsoft, Google, Intel, PayPal etc., and also include large semiconductor component vendors e.g. Atmel, Cypress, Maxim etc.</p>
B.4a	Known trends	The significant growth of ultra portable connected devices has created a market need for reliable and secure authentication. Internet based E-commerce applications and the need to secure

	<p>valuable devices and data, have created an unmanageable level of PIN and passwords for the consumer. This is driving demand for a device that can provide reliable identification with low false acceptance and low false rejection, with user-friendly operation.</p> <p>According to IDC<sup>1</sup>, the number of smart connected devices (including smartphones, laptops and tablets) will increase from 1.2 billion in 2012 to over 2 billion by 2016. It is expected that adoption of biometric sensors will be rapid in these devices following the introduction of a fingerprint sensor by Apple in their smartphone. Biometric systems based on fingerprint identification are expected to be the main technology used. This has been validated by a report by Microsoft in 2012 as the only reliable biometric for these applications. This report further underlined that capacitive readers would be the technology of choice. This is driven by the ability to meet demanding cost, size and performance levels.</p> <p>The market for fingerprint sensors in consumer devices is also expected to segment into two product types – swipe and touch sensors. Swipe sensors are now being adopted by smartphones due to availability of low cost solutions and the small footprint. These have been derived from volume deployments in the laptop market. An emerging demand for low cost touch sensors has been catalyzed by Apple’s adoption of a small (5mm by 5mm) touch sensor in the iPhone 5S. The success in terms of user convenience has encouraged strong pull from other handset and portable device vendors. This has been further supported by Microsoft. The Average Selling Price (ASP) of swipe sensors in mass volumes is in the range of \$1-\$2 and is expected to reduce. This low cost point enables mass adoption. The ASP of touch sensors is currently in the region of &gt;\$15 for ID terminals. Lower cost versions are being developed to compete with the Apple solution and it is expected that these will have a market price of \$5-\$8 in 2014.</p> <p>The market for fingerprint sensors has been growing rapidly in the past few years with laptop PCs currently being the main segment. Tier one companies such as Hewlett-Packard, Dell and Lenovo have all employed fingerprint sensors into various models.</p> <p>There is currently a small share of mobile phones being equipped with a fingerprint sensor. This may change following Apple’s acquisition of fingerprint technology, which is viewed as marking the definitive breakthrough for biometrics in consumer products. Apple has implemented a small touch sensor in the smartphone model iPhone 5S, and this has</p>
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<sup>1</sup> Worldwide Smartphones 2013-2017 Forecast Update, IDC, September 2013; Worldwide and US Tablet 2013-2017 Forecast Update, IDC, September 2013.

		<p>resulted in strong demand. There is reason to believe that other mobile phone, tablet and PC manufacturers will imitate Apple's implementation<sup>2</sup>. The first Android smartphones started shipping with low cost swipe sensors during the latter part of 2013 principally from second and third tier vendors. It is expected that tier one vendors will follow suit in 2014 and there is a strong trend towards small touch sensors similar to that implemented by Apple. These will be prevalent on the higher end flagship products. This requires a lower cost touch sensor solution than currently on the market.</p>																								
B.5	Group	<p>The IDEX Group comprises the parent company IDEX in Oslo, Norway and the two wholly-owned US subsidiaries IDEX Holding Company Inc. and IDEX America Inc.</p>																								
B.6	Persons having an interest in the issuer's capital or voting rights	<p>As of the date of this Prospectus<sup>3</sup>, IDEX has a total of 2,012 registered shareholders, 1,893 of them Norwegian and 119 foreign, holding 58 per cent and 42 per cent respectively of the issued and outstanding shares in the Company. Members of the Board, management and staff, including ongoing contractors, hold a total of 4.0 per cent of the shares. The Company's largest shareholder is Sundvall Holding AS, holding about 17.2 per cent of the issued and outstanding shares.</p> <p>All shares in the Company have equal voting rights, with each share carrying the right to one vote at the general meeting of shareholders.</p> <p>As of the date of this Prospectus, the following registered shareholders have holdings in excess of the statutory thresholds for disclosure requirements. Note: The list includes a nominee shareholder, which holding may belong to one or several beneficial owners. In case of nominee shareholders, the disclosure requirement applies to the beneficial owner of the shares.</p> <table border="1"> <thead> <tr> <th>Ranking</th> <th>Name</th> <th>Shareholding</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>SUNDVALL HOLDING AS</td> <td>69 614 455</td> <td>17.2</td> </tr> <tr> <td>2</td> <td>CHARLES STREET INTER</td> <td>37 107 236</td> <td>9.2</td> </tr> <tr> <td>3</td> <td>INVESCO PERPETUAL HIGH INCOME FUND</td> <td>35 485 594</td> <td>8.8</td> </tr> <tr> <td>4</td> <td>EUROCLEAR BANK S.A./</td> <td>26 139 454</td> <td>6.5</td> </tr> <tr> <td>5</td> <td>INVESCO PERPETUAL INCOME FUND</td> <td>24 514 406</td> <td>6.1</td> </tr> </tbody> </table>	Ranking	Name	Shareholding	Percentage	1	SUNDVALL HOLDING AS	69 614 455	17.2	2	CHARLES STREET INTER	37 107 236	9.2	3	INVESCO PERPETUAL HIGH INCOME FUND	35 485 594	8.8	4	EUROCLEAR BANK S.A./	26 139 454	6.5	5	INVESCO PERPETUAL INCOME FUND	24 514 406	6.1
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5	INVESCO PERPETUAL INCOME FUND	24 514 406	6.1																							

<sup>2</sup> Interim Report Fingerprints Cards, November 2012.

<sup>3</sup> The information is based on current VPS data and the Private Placement.

## B.7

## Selected historical key financial information

The full audited report from the board of directors and annual financial statements for each of the years 2010, 2011 and 2012 as well as the unaudited interim report for the third quarter 2013 are enclosed as Appendices 5, 4, 3 and 2 respectively to this Prospectus.

**Profit and loss statements**

Condensed consolidated profit and loss statements NOK 1,000	1 July	1 July	1 January	1 January	1 January	1 January	1 January
	-30 September 2013 (unaudited)	-30 September 2012 (unaudited)	-30 September 2013 (unaudited)	-30 September 2012 (unaudited)	-31 December 2012 (audited)	-31 December 2011 (audited)	-31 December 2010 (audited)
Revenue	535	1 345	2 121	3 439	4 506	1 323	143
Operating expenses	(19 253)	(9 075)	(42 995)	(32 035)	(37 758)	(38 809)	(27 929)
Depreciation	(174)	(78)	(324)	(236)	(313)	(245)	(134)
Operating profit (loss)	(18 892)	(7 808)	(41 198)	(28 832)	(33 565)	(37 731)	(27 920)
Net financial items	(98)	32	1	141	200	376	(8)
Profit (loss) before income tax	(18 990)	(7 776)	(41 197)	(28 691)	(33 365)	(37 355)	(27 928)
Income tax expense	-	-	-	-	-	-	-
<b>Profit (loss) for the period</b>	<b>(18 990)</b>	<b>(7 776)</b>	<b>(41 197)</b>	<b>(28 691)</b>	<b>(33 365)</b>	<b>(37 355)</b>	<b>(27 928)</b>
Time-weighted number of shares	332 389 164	282 283 386	320 142 154	276 914 718	281 405 296	242 434 609	195 543 310
Profit (Loss) per share basic and diluted (kr.øre)	NOK (0.06)	NOK (0.03)	NOK (0.13)	NOK (0.10)	NOK (0.12)	NOK (0.15)	NOK (0.14)
Average number of employees in the period	12	14	10	14	13	11	9

The Group has to date earned insignificant revenue from customers on its technology and IP or products and services. Revenue includes project-specific government research and development grants and similar grants that represent revenue and are not classified as cost reductions.

Operating expenses are mainly payroll expenses, expenses related to research and development (“R&D”) including external project costs for work and material purchased from various companies and institutions, and cost of sales and marketing activities. More than 80 per cent of the employees work in R&D, and R&D expenses represent more than half of expenses other than payroll. Research costs have been expensed in accordance with IFRS. Development costs have also been expensed, because the activities have not satisfied the criteria for being added to the balance sheet as intangible assets. The major part of the R&D expenses have related to development of the SmartFinger Film sensor technology and product. The costs reflect the activity level in the respective periods. In 2010-2011 and into 2012, activities were mainly related to a bendable version of the SmartFinger sensor for the payment/banking and ID cards markets. With the reinvigoration of the interest for fingerprint sensors for mobile devices in the third quarter of 2012, IDEX redirected and focused its activities towards serving that market, and spending was significantly stepped up.

Depreciation has represented a comparatively small cost item in the profit and loss statements until 30 September 2013, because only moderate investments were made. In September 2013, IDEX acquired assets and intellectual property rights from PicoField Technologies, Inc. in an amount of NOK 23.6 million.

The financial costs have been small or negligible. Net positive financial items have been

due to interest income. The net financial cost in 2013 mainly related to exchange loss on payables denominated in USD.

Because IDEX operates at a loss and has taxable loss carryforward, the Company has not incurred any tax cost or payable income taxes in 2010-2012 or the first three quarters of 2013.

The operating results until 2013 have mainly been driven by operating costs. Going forward, the results will be the net of revenues and costs.

Revenues will depend on IDEX's ability to attract partners – and those partners' products success in the ultimate end-user market. In addition to the market conditions at large, there are both technical, operational and commercial factors which are not unilaterally controlled by IDEX.

Cost of goods sold will reflect the market situation and cost structures in the pertinent contract manufacturing industry, as well as IDEX's and its partners' negotiating position in terms of volume and successfulness in implementation. Operating costs will largely be determined by the Company's operating structure.

### Balance sheets

Condensed consolidated balance sheets NOK 1,000	30 September 2013 (unaudited)	30 September 2012 (unaudited)	31 December 2012 (audited)	31 December 2011 (audited)	31 December 2010 (audited)
<b>ASSETS</b>					
<u>Non-current assets</u>					
Property, plant and equipment	465	703	626	939	632
Intangible assets	23 499				
Other long-term receivables	439	325	332	325	319
Total long-term assets	24 403	1 028	958	1 264	951
<u>Current assets</u>					
Trade and other receivables	3 232	2 754	4 244	3 523	1 922
Cash and bank deposits	60 483	5 683	19 833	21 462	12 649
Total current assets	63 715	8 437	24 077	24 985	14 571
<b>TOTAL ASSETS</b>	<b>88 118</b>	<b>9 465</b>	<b>25 035</b>	<b>26 249</b>	<b>15 522</b>
<b>EQUITY AND LIABILITIES</b>					
<u>Equity</u>					
Share capital	51 287	42 343	46 422	40 794	32 240
Share premium reserve	166 119	71 625	86 292	63 429	29 274
Other paid-in capital	16 809	11 098	11 235	7 409	3 000
Other equity	(166 828)	(120 958)	(125 631)	(92 266)	(54 911)
Total equity	67 387	4 108	18 318	19 366	9 603
<u>Current liabilities</u>					
Trade and other payables	11 375	5 357	6 685	6 549	5 485
Employer's tax on share incentives	9 356	-	32	334	434
Total liabilities	20 731	5 357	6 717	6 883	5 919
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>88 118</b>	<b>9 465</b>	<b>25 035</b>	<b>26 249</b>	<b>15 522</b>

Until the third quarter of 2013, the assets were essentially comprised of cash, receivables and prepayments and a smaller amount of tangible fixed assets. In the third quarter of 2013, IDEX acquired intangible assets from PicoField in an amount of NOK 23.6 million. The Acquisition is included in the balance sheet as at 30 September 2013.

The equity and liabilities are comprised of shareholders' equity and trade and other short-term payables and accruals. There are no contingent liabilities in the balance sheet.

The only intangible assets, including goodwill, in the Group's balance sheet were added

when IDEX acquired assets from PicoField. Goodwill amounted to NOK 8.3 million. The identifiable assets are depreciated over estimated economic useful life, until the end of 2030, and 3 years for the customer files and relationships. Under IFRS goodwill is not depreciated but impairment tested at each year end. Development costs, the patent portfolio costs and other intellectual property costs have been expensed, because the activities have not satisfied the criteria for being added to the balance sheet as intangible assets.

The tangible assets are primarily office upgrades and laboratory, IT and office equipment, which depreciate over 3-5 years. The long-term receivables are leasehold deposits in escrow accounts.

Trade and other receivables are for a large part made up by the receivable from Skattefunn.

The cash position is commented in the section Cash flow statements below.

The ongoing losses have been charged to equity. Equity has been replenished by share issues. The notional equity injection from share-based remuneration (incentive subscription rights to employees) have been added to equity. Additional equity was raised in the Private Placement, conf. below.

Trade and other payables include also personnel-related and other expense accruals. The amount of employer's tax on share incentives is the net present value of possible future amounts, which will be payable upon exercise – and partly or fully funded by the exercise amount being paid in.

### Cash flow statements

Condensed consolidated cash flow statements NOK 1,000	1 July -30 September 2013 (unaudited)	1 July -30 September 2012 (unaudited)	1 January -30 September 2013 (unaudited)	1 January -30 September 2012 (unaudited)	1 January -31 December 2012 (audited)	1 January -31 December 2011 (audited)	1 January -31 December 2010 (audited)
<b>CASH FLOWS FROM OPERATIONS</b>							
Cash generated (consumed) by operations incl working capital	(6 792)	(6 375)	(20 499)	(25 673)	(30 321)	(33 685)	(22 993)
Interest paid	(1)	-	(1)	-	-	-	(174)
Net cash from (used on) operating activities	(6 793)	(6 375)	(20 500)	(25 673)	(30 321)	(33 685)	(23 167)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Purchase of property, plant and equipment	(23 662)	-	(23 662)	-	-	(552)	(357)
Change in long-term receivables	(107)	-	(107)	-	(7)	(7)	(6)
Interest received	113	30	227	150	208	348	221
Net cash from (used on) investment activities	(23 656)	30	(23 542)	150	201	(211)	(142)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
Net proceeds from share issue(s)	54 361	(19)	84 692	9 744	28 491	42 709	30 672
Net cash from financing	54 361	(19)	84 692	9 744	28 491	42 709	30 672
Net change in cash and bank deposits	23 912	(6 364)	40 650	(15 779)	(1 629)	8 813	7 363
Cash and bank deposits at the beginning of the period	36 571	12 047	19 833	21 462	21 462	12 649	5 286
<b>CASH AND BANK DEPOSITS AT END OF THE PERIOD</b>	<b>60 483</b>	<b>5 683</b>	<b>60 483</b>	<b>5 683</b>	<b>19 833</b>	<b>21 462</b>	<b>12 649</b>

The Group does not have any bank overdraft facilities or credit lines.

The operational cash flows have been negative because revenue has been small and

	<p>inadequate to cover the cash operating expenses.</p> <p>Investments in 2010-2012 were small compared to the operational costs in the period. Investments in assets included upgrade of leasehold facilities and office furniture, laboratory equipment, IT and office equipment. Virtually the full investment amount in the third quarter of 2013 was in assets acquired from PicoField.</p> <p>Major shareholders have been consistently supportive over the years, and IDEX has obtained new equity and liquidity from the shareholders. IDEX completed private placements in 2010, 2011, 2012 and also in the second and third quarters of 2013.</p>
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B.8	Pro forma financial information	<p>The unaudited pro forma condensed financial information has been prepared for illustrative purposes only.</p> <p>IDEX acquired assets and intellectual property rights from PicoField on 23 September 2013. The Group, by its subsidiary IDEX America Inc. also employed three employees from PicoField as of 23 September 2013. In connection with the employment, IDEX granted incentive subscription rights to the three new employees.</p> <p>The pro forma financial information is based on IDEX's assumptions and adjustments made solely to illustrate what the financial results of the IDEX Group might have been had the Acquisition taken place at the commencement of each of the pro forma periods being reported.</p> <p>The unaudited condensed pro forma financial statements show how the Acquisition might have affected the IDEX Group's profit and loss statement for 2012 if the Acquisition had taken place on 1 January 2012 and for the nine months period to 30 September 2013 if the Acquisition had taken place on 1 January 2013.</p> <p>The Acquisition was fully recognized in the Group's unaudited interim condensed consolidated balance sheet as at 30 September 2013. Consequently, pro forma balance sheets are not presented.</p> <p>The Private Placement is not related to the Acquisition and is therefore not reflected in the pro forma financial information.</p> <p>The unaudited pro forma condensed financial information is based on (1) the audited annual financial statements for 2012 for the IDEX Group and the unaudited interim report for the third quarter 2013 for the Group; and (2) the unaudited</p>
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management accounts for 2012 for PicoField and unaudited management accounts for the period ended on 30 September 2013 for PicoField.

The accounting principles applied for the unaudited pro forma condensed financial information are in accordance with those accounting principles stated in the Group's annual financial statements for 2012. The Company and the Group's accounting principles are in accordance with International Financial Reporting Standards (IFRS) as approved by IASB and adopted by the EU.

Ernst & Young AS issued on 4 February 2014 an Independent Assurance Report on the pro forma financial information. The report is included as Appendix 6 to this Prospectus.

The purchase amount was USD 4.0 million, of which USD 3.5 million was paid immediately and the remainder was deferred by about four months. The assets comprised one granted patent and several pending patent applications, and customer files etc, and goodwill. The USD amounts are converted to NOK at the respective actual and pro forma acquisition dates.

Depreciation of assets is straight line over the useful life of the assets. Goodwill is not depreciated, but shall be impairment tested at each year end.

No items have been identified, which items have been included under US GAAP in PicoField's management accounts, that should have been recorded at different amounts or classified differently under IFRS. No events have been identified, which events have not been recorded under US GAAP which should have been recorded under IFRS.

*Unaudited pro forma condensed profit and loss statement for 2012*

Condensed unaudited PRO FORMA profit and loss statements NOK 1,000	1 January-31 December 2012					Pro forma IFRS combined activities (unaudited)
	IDEX Group (audited)	PicoField activities (unaudited)	Adjustments to IFRS (unaudited)	Pro forma adjustments (unaudited)	Note	
Revenue	4 506	-	-	-		4 506
Operating expenses	(37 758)	(3 375)	-	(3 778)	a, b	(44 911)
Depreciation	(313)	-	-	(1 210)	c	(1 523)
Operating profit (loss)	(33 565)	(3 375)	-	(4 988)		(41 928)
Net financial items	200	-	-	75	d	275
Profit (loss) before income tax	(33 365)	(3 375)	-	(4 913)		(41 653)
Income tax expense	-	-	-	-		-
<b>Profit (loss) for the period</b>	<b>(33 365)</b>	<b>(3 375)</b>	<b>-</b>	<b>(4 913)</b>		<b>(41 653)</b>

The IDEX group's numbers have been included as reported. PicoField's management accounts have been included at the average NOK/USD rate in 2012.

Note a: PicoField has reported the cost of the three employees which became employed by IDEX America Inc. at the

Acquisition. The adjustment concerns the cost of incentive subscription rights granted by IDEX to those employees on 23 September 2013. The salary cost will be a continuing expense for the respective employees' service periods.

Note b: The Acquisition agreement includes certain milestone payments to PicoField related to certain deliverables, which are expensed as development cost as incurred. This adjustment will not have a continuing impact.

Note c: Depreciation on the in-tangible assets reflects depreciation as if the Acquisition occurred on 1 January 2012. The depreciation is based on the asset value measured in NOK from the USD purchase amount on 1 January 2012 and as if depreciation had commenced on that date. The depreciation will continue for the useful life of the respective assets.

Note d: The adjustment to financial items is the NOK amount of currency gain from the Acquisition date to the payment date for the deferred payment for assets. This adjustment will not have a continuing impact.

There are no tax effects from the pro forma adjustments.

*Unaudited pro forma condensed interim profit and loss statement for the nine months to 30 September 2013*

1 January-30 September 2013						
Condensed unaudited PRO FORMA profit and loss statements NOK 1,000	IDEX Group (unaudited)	PicoField activities (unaudited)	Adjustments to IFRS (unaudited)	Pro forma adjustments (unaudited)	Note	Pro forma IFRS combined activities (unaudited)
Revenue	2 121	20 906	-	(20 906)	a	2 121
Operating expenses	(42 995)	(3 154)	-	(2 677)	b, c	(48 826)
Depreciation	(324)	-	-	(825)	d	(1 149)
Operating profit (loss)	(41 198)	17 751	-	(24 408)		(47 855)
Net financial items	1	-	-	(120)	e	(119)
Profit (loss) before income tax	(41 197)	17 751	-	(24 528)		(47 974)
Income tax expense	-	-	-	-		-
<b>Profit (loss) for the period</b>	<b>(41 197)</b>	<b>17 751</b>	<b>-</b>	<b>(24 528)</b>		<b>(47 974)</b>

The IDEX group's numbers have been included as reported. PicoField's management accounts have been included at the average NOK/USD rate in January-September 2013, except for the revenue which occurred in September 2013, which has been included at the average rate of September.

Note a: The pro forma adjustment to revenue is the exclusion of PicoField's recorded gain on the sale of assets to IDEX. The adjustment is equal to the revenue reported by PicoField. This adjustment will not have a continuing impact.

Note b: PicoField has reported the cost of the three employees which became employed by IDEX America Inc. at the Acquisition. The adjustment concerns the cost of incentive subscription rights granted by IDEX to those employees on 23

		<p>September 2013. The net is a cost reduction because the actual cost to IDEX at grant in September 2013 was higher than if the grant had taken place on 1 January 2013. The salary cost, not the net saving, will be a continuing expense for the respective employees' service periods.</p> <p>Note c: The Acquisition agreement includes certain milestone payments to PicoField related to certain deliverables, which are expensed as development cost as incurred. This adjustment will not have a continuing impact.</p> <p>Note d: Depreciation on the in-tangible assets reflects depreciation as if the Acquisition occurred on 1 January 2013. The depreciation is based on the asset value measured in NOK from the USD purchase amount on 1 January 2013 and as if depreciation had commenced on that date. The depreciation will continue for the useful life of the respective assets.</p> <p>Note e: The adjustment to financial items is the NOK amount of currency loss from the Acquisition date to the payment date for the deferred payment for assets. This adjustment will not have a continuing impact.</p> <p>There are no tax effects from the pro forma adjustments.</p>
B.9	Profit forecast or estimate	Not applicable
B.10	Qualifications in audit report	<p>The auditor's opinion for 2010 and 2012 were unqualified. The auditor's opinion for 2011 was unqualified, but included a matter of emphasis paragraph: <i>"Without qualifying our opinion in the paragraph above, we emphasize that the continued operation requires additional funding of the company. The company states in note 1 and 13 and in the report from the Board of Directors that the company will need additional financing during the first half of 2012. The financial statements are prepared on the going concern basis and realization of assets and settlements of liabilities in course of normal business. There has been no provision or write downs for losses that may occur if this assumptions will not be present."</i></p> <p>The interim report for the third quarter 2013 and the comparison information for the third quarter 2012 included in that report, has not been subject to audit or review by the Company's auditor.</p>
B.11	Working capital	<p>IDEX is of the opinion that its working capital as at the date of this Prospectus is sufficient for its present requirements.</p> <p>On 31 December 2013 (unaudited), the Company had a cash position of NOK 46.5 million. Net short-term payables and accruals less receivables amounted to a net liability of NOK 21.0 million. As a result of the Private Placement, IDEX will</p>

		<p>receive additional gross proceeds of NOK 300.0 million. Proceeds from the Warrants issued, if exercised following the one-year holding period, may amount to an additional injection of NOK 225.0 million.</p> <p>Given the cash position, the additional funds provided through the Private Placement and the potential additional funds from the possible exercise of Warrants on one hand compared to the planned future requirements on the other, the Company does not foresee any need for additional funding in the foreseeable future. Hence, it is the Company's opinion that the working capital is sufficient for the Group's present requirements.</p>
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### 1.3 Section C – Securities

Element	Description of Element	Disclosure requirements
C.1	Type of class of securities being offered	<p>On 29 January 2014, the Extraordinary General Meeting of IDEX resolved the issuance of a total of 60,000,000 shares, in a private placement, each share having a par value of NOK 0.15, to Invesco Perpetual High Income Fund and Invesco Perpetual Income Fund. The subscription price was NOK 5 per share totaling NOK 300,000,000. The subscription price in the Private Placement has been paid in full and the share capital increase was duly registered in the Company Registry on 3 February 2014.</p> <p>The Company has one class of shares and all shares are equal in all respects.</p> <p>The New Shares will have the same VPS registrar and the same ISIN number as the Company's other shares (securities identification code ISIN NO 000 307 0609).</p>
C.2	Currency	NOK
C.3	Number of shares/Par value	IDEX's share capital is NOK 60,706,159.80, divided into 404,707,732 ordinary shares, each share is fully paid and has a par value of NOK 0.15.
C.4	Rights attached	The New Shares are ordinary shares in the Company, i.e., the same class as the IDEX shares already in issue and listed on Oslo Axess. The New Shares will obtain rights to receive dividends from the time the New Shares are issued. The Company's shares have equal rights to the Company's profits, in the event of liquidation and to receive dividends unless all the shareholders approve otherwise.
C.5	Restrictions	The Company's shares are freely transferable according to Norwegian law and the Company's Articles of Association.
C.6	Listing and admission to trading	The Company's shares are listed on Oslo Axess, under Oslo Børs ticker symbol "IDEX". The listing on Oslo Axess of the New Shares is subject to the approval of the Prospectus by the Norwegian Financial Supervisory Authority (Norwegian: Finanstilsynet) under the rules of the Norwegian Securities

		Trading Act. Such approval was granted on 4 February 2014. The first day of trading of the New Shares on Oslo Axess, will be on or about 5 February 2014. IDEX's shares are not listed on any other regulated market place and IDEX does not intend to seek such listing.
C.7	Dividend policy	IDEX does not have any established dividend policy in place except to say that the Company's aim and focus is to enhance shareholder value and provide an active market in its shares. IDEX has historically never declared or paid any dividends on its shares and does not anticipate paying any cash dividends for 2013 or the next four years. IDEX intends to retain future earnings, if any, to finance operations and the expansion of its business. Any future determination to pay dividends will depend on the Company's financial condition, results of operation and capital requirements.

#### 1.4 Section D – Risks

Element	Description of Element	Disclosure requirements
D.1	Key risks specific to industry	<ul style="list-style-type: none"> <li>• IDEX's business is difficult to evaluate because the Company has a limited operating history</li> <li>• IDEX's quarterly operating results will likely be volatile and not a reliable indicator of the Company's future performance</li> <li>• IDEX has a history of losses and the Company expects future losses</li> <li>• IDEX may have a difficulty developing relationships with key customers</li> <li>• IDEX's business plan depends heavily on revenues from technology, commercial acceptance of which remains unproven</li> <li>• IDEX will not be successful unless the Company manages to generate recurring revenue and grow its business</li> <li>• IDEX may need additional capital, which, if obtainable, could dilute the ownership interest of investors</li> <li>• IDEX's markets are highly competitive</li> <li>• IDEX's markets are undergoing rapid technological change, and the Company's future success will depend on its ability to meet the changing needs of the industry</li> <li>• IDEX depends substantially on highly qualified managerial, sales and technical personnel who are difficult to hire and retain</li> <li>• IDEX faces risks of international expansion and operating in multiple jurisdictions</li> <li>• IDEX faces risks relating to potential acquisitions of complementary companies, products or technologies</li> </ul>

		<ul style="list-style-type: none"> <li>• IDEX’s business and prospects will suffer if the market for fingerprint recognition technology does not develop as the Company expects</li> <li>• IDEX is highly dependent on IP and the Company’s methods of protecting its IP may not be adequate</li> <li>• IDEX faces risks of claims for IP infringement</li> <li>• IDEX may become subject to burdensome government regulations affecting the industry, which could adversely affect the Company’s business</li> <li>• If IDEX incurs substantial losses, the Company could be liquidated, and its share price would fall</li> <li>• Anti-takeover provisions under Norwegian law may delay or prevent a change in control, even if it would benefit shareholders</li> <li>• IDEX expects that its shareholders may suffer a dilution of their shareholding</li> <li>• IDEX’s cost basis is largely based on foreign currency.</li> </ul>
D.3	Key risks specific to securities	<ul style="list-style-type: none"> <li>• IDEX may not be able to earn the planned revenue or raise sufficient capital to fund its operations until its business generates positive cash flow</li> <li>• Price volatility of publicly traded securities</li> <li>• A delay in commencement of listing of the New Shares</li> </ul>

### 1.5 Section E – Offer

Element	Description of Element	Disclosure requirements
E.1	Net proceeds/Estimated Expenses	<p>The subscription price per share was NOK 5, amounting to an aggregate subscription price and gross proceeds of NOK 300,000,000.</p> <p>The Company will bear the fees and expenses related to the Private Placement. The costs of the Private Placement include a placement fee of 4% of the total investment to a UK broker, Cenkos Securities plc., and approximately NOK 500,000 in legal fees and costs related to the preparation of this Prospectus. Total net proceeds from the Private Placement will amount to about NOK 287,500,000.</p>
E.2a	Reasons for offer/Use of proceeds/Estimated net amounts	<p>The Private Placement ensures funding of the Group’s operations. Prior to the Private Placement the Group did not have sufficient working capital for the then present requirements. Having Invesco funds acquire a significant interest in the Group is a reflection of increasing international presence. This is an investor of high quality and the amount of the investment is at a level which likely cannot be raised through existing shareholders.</p> <p>The capital raised through the Private Placement will be used to strengthen the Company's equity and financial position, and secure considerable working capital for the business and</p>

		technological development and commercialization of the Company's technology within fingerprint recognition technology.
E.3	Terms and conditions of the offer	Extraordinary General Meeting approving the Private Placement: 29 January 2014. Subscription period commences 29 January 2014. Subscription period ends 7 February 2014, with subscription having been made on 30 January 2014. Payment due date 7 February 2014, with payment having been made on 31 January 2014. Registration of share capital increase: 3 February 2014. Delivery date of New Shares: 5 February 2014.
E.4	Material interests in the offer	The costs of the Private Placement include a placements fee of 4% of the total investment to Cenkos Securities plc., payable in cash or shares. If payable in shares, the number of shares will be calculated based on a price per share equal to the subscription price in the Private Placement. There are no interests of natural and legal persons other than the said broker company involved in the issue, including conflicting ones that are material to the issue.
E.5	Manager/Lock-up	UK broker, Cenkos Securities plc. of London, England has assisted the Company with the Private Placement. No lock-up agreements have been entered into.
E.6	Dilution	The per share dilution of ownerships as a result of the Private Placement resolved by the Company is 14.8%. The amount of dilution compared to the latest observed closing price before the Private Placement was announced to the market is NOK 0.19 per share or corresponding to a total of NOK 64.9 million.
E.7	Estimated Expense	Not applicable. The Company will not charge any costs, expenses or taxes directly to any shareholder or to the investor in connection with the Private Placement.

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**PART II: SHARE REGISTRATION DOCUMENT**

## 2 RISK FACTORS

Readers of this Prospectus should carefully consider all of the information contained herein, and in particular the following factors, which may affect some or all of the Company's activities, and which may make an investment in the Company's shares one of high risk. The actual results of the Company could differ materially from those anticipated as a result of many factors, including the risks described below. If any of the following risks actually occur, the Company's business, financial condition and operating results could be materially and adversely affected.

### 2.1 Risks Related to the Company's Financial Condition and Business Model

#### **IDEX's business is difficult to evaluate because the Company has a limited operating history.**

IDEX has a limited commercial operating history even though the Company was founded in 1996. Only recently, the Company entered a commercial phase of its business operations. Because of its limited commercial operating history, it is difficult to evaluate the Company's business and prospects. IDEX's revenue and income-producing potential is unproven and the Company's business model and strategy continue to evolve. IDEX has earned only insignificant revenues. Future revenues are contingent upon several factors described further in this Prospectus. An investor in the Company's shares must evaluate the prospects based on limited operating and financial information while considering the risks and difficulties frequently encountered by early stage companies in new and rapidly changing markets.

#### **IDEX's quarterly operating results will likely be volatile and not a reliable indicator of the Company's future performance.**

The Company's revenues and operating results may in the future vary significantly from quarter to quarter due to a number of factors, including:

- demand for the Company's technology;
- timing of the closing of major contracts; and
- delays in introducing new technology.

IDEX expects that quarterly revenues may be volatile as the Company develops new technology and obtains new customers in the future. The volume and timing of commercial agreements are difficult to predict because the market for the Company's technology is not mature and the sales cycle may vary substantially from customer to customer. IDEX believes that quarter-to-quarter comparisons of its operating results are not likely to be a good indication of the Company's future performance. As a consequence, in future quarters, the Company's operating results might be below the expectations of public market analysts and investors, which again might cause the prices of the Company's shares to fall.

#### **IDEX has a history of losses, the Company expects future losses.**

IDEX has not achieved profitability. IDEX will need to gain significant revenues to achieve and maintain profitability. Failure to do so would further increase the level of the Company's losses. If IDEX does achieve profitability, the Company cannot be certain that it can sustain or increase profitability on a quarterly or annual basis in the future.

Revenues from the Company's business depend among other things on market factors, which are beyond IDEX's control.

**IDEX may have a difficulty developing relationships with key customers.**

IDEX's strategy is to set up strategic alliances for completing a value chain excelling in the fingerprint recognition technology. The Company's business depends extensively on these relationships. Because IDEX's agreements with these third parties do not provide the Company with exclusive rights and the Company expects future agreements to be similar, the Company's competitors may seek to establish relationships with these same partners, which could adversely impact the relationships with IDEX's existing and prospective partners. IDEX may not be able to establish or maintain these relationships or renew them on terms, which are as financially attractive.

IDEX's plan to seek additional relationships in the future may be difficult to implement, since many of the Company's competitors may already have established strategic relationships. Consequently, the Company's efforts may not be successful.

**IDEX's business plan depends heavily on revenues from technology, commercial acceptance of which remains unproven.**

IDEX's future growth depends on the commercial success of its technology. It is not certain that IDEX's target customers will choose the Company's technology for technical, cost, support or commercial reasons. Many of IDEX's target customers may have established successful businesses using other technologies and may find it difficult or unattractive to switch to IDEX's technology. If IDEX's target customers do not widely adopt and purchase the Company's technology, the future growth will be limited.

**IDEX will not be successful unless the Company manages to generate recurring revenue and grow its business.**

IDEX has not achieved any ongoing revenue stream from licensees whether in the form of license payments or royalties.

IDEX might need to hire additional employees and expand both its research and development and sales and marketing divisions in order to achieve the Company's business plan. Any such future growth will place a significant strain on IDEX's management systems and resources. IDEX will need to improve its financial and managerial controls and reporting systems and procedures, and expand, train and manage its work force worldwide. The Company may not be successful if it fails to manage any of these aspects of its growth.

**IDEX may need additional capital, which, if obtainable, could dilute the ownership interest of investors.**

IDEX may need additional capital to fund its business. Since IDEX was founded in 1996, the Company has experienced negative cash flow from operations and investments and expects to experience significant negative cash flow from operations in the future. IDEX may also need to make additional investments in equipment and/or technology. IDEX may need to raise additional funds through the issuance of equity, equity related or convertible debt securities. IDEX cannot be certain that additional financing will be available to the Company on acceptable terms when required, or at all. The Company's ability to enter the capital market and raise additional funds may be difficult.

## **2.2 Risks Related to the Company's Markets**

**IDEX's markets are highly competitive.**

IDEX competes in markets that are new, highly fragmented, rapidly changing and expected to be highly competitive. The Company expects to experience increased competition from current and potential competitors, some of which may be better established and have significantly greater financial, technical, marketing and distribution resources.

IDEX addresses the following market segments: Laptop computers, mobile phones, tablets and accessories as well as embedded solutions such as access control hand-held ID terminals, ID cards and bank cards. Additional market segments are likely to appear in the future and will be addressed as and when they are identified. The Company's international competitors include, among others, companies such as Fingerprint Cards AB and Synaptics Inc. In the future, IDEX may encounter competition from other larger, well-established and well-financed entities that may continue to acquire, invest in or form joint ventures with providers of fingerprint recognition technology, and existing providers may elect to consolidate. IDEX's competitors may be able to respond more quickly to new or emerging technologies and changes in customer requirements than the Company can. Consolidation among companies operating in the business, due to current market conditions or otherwise may reduce the number of prospective customers. IDEX's position in the existing markets could be eroded rapidly by product or technology enhancements or the development of new, superior products and technology by competitors. Also, current and potential competitors may have greater name recognition and more extensive customer bases. Increased competition could result in price reductions, fewer customer orders, reduced gross margins and lower market prices of IDEX's shares.

**IDEX's markets are undergoing rapid technological change, and the Company's future success will depend on its ability to meet the changing needs of the industry.**

For the Company's business to survive and grow, IDEX must continue to enhance and improve the technology to address the customers' changing needs. If new industry standards and practices emerge, the existing technology may become obsolete. IDEX's future success will depend on its ability to:

- develop and license new technologies that address the increasingly sophisticated and varied needs of prospective customers, and
- respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis.

Developing technology entails significant technical and business risks and substantial costs. IDEX may use new technologies ineffectively, or the Company may fail to adapt its technology to user requirements or emerging industry standards. Industry standards may not be established and, if they become established, the Company may not be able to conform to these new standards in a timely fashion or maintain a competitive position in the market. If IDEX faces material delays in introducing new technology and enhancements, the Company may fail to attract new customers.

**IDEX depends substantially on highly qualified managerial, sales and technical personnel who are difficult to hire and retain.**

IDEX's future success depends on the continued services of the Company's executive officers and key personnel.

Because IDEX's technology is very complex, the Company may be required to hire and maintain a sophisticated sales force with a working knowledge of the technology and industry.

IDEX may not be able to hire or retain the kind and number of managerial, sales and technical personnel necessary for future success. The Company will need to devote considerable resources to ensure that it retains its employees in the face of a highly competitive market for talented personnel. If IDEX fails to attract and retain the skilled employees required, this could harm the Company's business and hamper future expansion of its sales and support operations.

**IDEX faces risks of international expansion and operating in multiple jurisdictions.**

IDEX has limited experience operating outside Norway and the United States. The Company plans to expand its customer base internationally. Key customers may require IDEX to provide worldwide service and support. The Company may expand its operations internationally and enter additional markets, which will require significant management attention. Any such expansion may strain existing management resources and cause the Company to mismanage aspects of its business.

IDEX's international operations are also subject to other inherent risks, including:

- unexpected changes in regulatory requirements,
- reduced protection for IPR in some countries or delays and costs of achieving IP protection, and
- potentially adverse tax consequences.

**IDEX faces risks relating to potential acquisitions of complementary companies, products or technologies.**

As part of the business strategy going forward, IDEX will review joint ventures, strategic relationships and acquisition prospects that the Company expects to complement the existing business. IDEX's growth may be impaired if the Company fails to identify or finance opportunities to expand its operations.

IDEX has limited experience in investing in or acquiring complementary companies, products or technologies. The Company may not realize the anticipated benefits of these investments or acquisitions, and these transactions could be detrimental to its business. If IDEX acquires a business, the Company could have a difficulty assimilating its personnel and operations, or the key personnel of the acquired business may decide not to work for the Company. IDEX could also have a difficulty assimilating acquired technology or products into its operations. These difficulties could disrupt ongoing business, distract management and employees and increase expenses.

**IDEX's business and prospects will suffer if the market for fingerprint recognition technology does not develop as the Company expects.**

IDEX develops fingerprint recognition technology. The prospects of the technology may to a high degree depend on the development and utilization of the Company's existing technology and if not successful this might cause reduced or delayed revenue and allow for competing technologies to evolve.

**IDEX's cost basis is largely based on foreign currency.**

IDEX's operating cost base is largely in NOK, USD and EUR. The revenue and cost of goods sold of the business is essentially EUR or USD. The local content of the cost of goods sold is largely in Asian currencies. This conceptually constitutes a currency risk, but the uncertainty about revenue streams means that the risk cannot be hedged reliably. Until the Company has achieved a business with recurring, predictable revenue streams, currency hedging is not entered into and foreign currency assets/liabilities are minimised.

### **2.3 Risks Related to Legal and Regulatory Matters**

**IDEX is highly dependent on IP and the Company's methods of protecting its IP may not be adequate.**

IDEX's business and business strategy are tied to the Company's technology. IDEX relies on a combination of patent and trademark laws, trade secrets, confidentiality procedures and contractual provisions to protect the Company's IPR.

As of the date of this Prospectus, IDEX holds granted patents in a total of 20 patent families and five pending. Moreover, IDEX retains an exclusive worldwide license to the basic fingerprint technology developed by SINTEF relating to the AC capacitive swipe sensor.

Generally, IDEX cannot be certain that the Company will be able to obtain patent protection on the key components of its technology or that the Company will be able to obtain patents in key jurisdictions such as the United States or EU. IDEX cannot give assurances that the Company will develop new products or technologies that are patentable, that any issued patent will provide the Company with any competitive advantages or will not be challenged by third parties, or that the patents of others will not impair the Company's ability to do business.

IDEX cannot guarantee that the applicable governmental authorities will approve any of the trademark applications of the Company. Even if the applications are approved, third parties may seek to oppose or challenge these registrations. A failure to obtain trademark registrations in jurisdictions outside Norway could limit IDEX's ability to use the Company's trademarks and impede its marketing efforts in those jurisdictions.

Despite IDEX's efforts to protect the Company's IPR, unauthorized parties may attempt to copy or obtain and use the Company's technology. Policing unauthorized use of IDEX's technology is difficult, and there can be no assurance that the steps taken by the Company will prevent misappropriation of its technology.

IDEX cannot give assurances that the Company's measures for preserving the secrecy of its trade secrets and confidential information are sufficient to prevent others from obtaining that information.

IDEX generally requires its employees, consultants and corporate partners to sign confidentiality and non-disclosure agreements prohibiting them from disclosing any of the Company's trade secrets. The Company's employment agreements and consulting agreements also contain confidentiality undertakings, as well as non-compete provisions, which prohibit employees and consultants from competing against the Company for one or two years, as the case may be, after termination of the employment/consultancy.

Despite the Company's efforts to preserve the secrecy of its trade secrets and confidential information, the Company may not have adequate remedies to preserve its trade secrets or to compensate the Company fully for its loss if employees, consultants or corporate partners breach confidentiality agreements with the Company. IDEX cannot give assurances that the Company's trade secrets will provide any competitive advantage, as they may become known to or be independently developed by competitors, regardless of the success of any measures IDEX may take to try to preserve their confidentiality.

**IDEX faces risks of claims for IP infringement.**

Substantial litigation about IP exists in the industry. IDEX's competitors or other persons may have already obtained or may in the future obtain patents relating to one or more aspects of the Company's technology. If IDEX is sued for patent infringement, the Company may be forced to incur substantial costs in defending itself. If litigation were to result in a judgment that IDEX infringed a valid and enforceable patent, a court may order the Company to pay substantial damages to the owner of the patent and to stop using any infringing technology or products. This could cause a significant disruption in IDEX's business and force the Company to incur substantial costs to develop and implement alternative, non-infringing technology or products, or to obtain a license from the patent owner. This could also lead IDEX's licensees and customers to bring warranty claims against the Company. IDEX cannot give assurance that the Company would be able to

develop non-infringing alternatives at a reasonable cost that would be commercially acceptable, or that the Company would be able to obtain a license from any patent owner on commercially reasonable terms, if at all.

**IDEX may become subject to burdensome government regulations affecting the industry, which could adversely affect the Company's business.**

The laws and regulations applicable to the industry and IDEX's business are evolving and could increase the costs of doing business or otherwise affect the Company's business. There can be no assurance that new legislation will not impose significant additional costs on IDEX's business or subject the Company to additional liabilities. IDEX may be subject to claims that its operations violate these laws.

**If IDEX incurs substantial losses, the Company could be liquidated, and its share price would fall.**

IDEX is incorporated in Norway. Under the PLCA, if the losses reduce the market value of the equity to an amount less than half of the share capital, or the market value of the equity becomes inadequate compared to the risks and the extent of the activities of the business, the Board would be obligated by law to convene a general shareholders' meeting. If the share capital is reduced by more than 50 %, but the Board believes that the equity is adequate, they do not have to propose any specific measures, such as recapitalization. However, if the Board believes that the equity is inadequate, and the Board is unable to find a basis for proposing any immediate specific measures, or these measures cannot be completed, then the Board must propose to liquidate the Company.

IDEX expects to incur losses that will reduce the Company's share premium fund. If reductions in the Company's share capital are substantial, they could ultimately result in liquidation or bankruptcy, which would result in a fall in the prices of the Company's shares. If IDEX was liquidated or subject to bankruptcy, the Company's shares would be redeemed in exchange for the proceeds, if any, from the liquidation or bankruptcy proceedings.

**Anti-takeover provisions under Norwegian law may delay or prevent a change in control, even if it would benefit shareholders.**

The Securities Trading Act requires any person or entity, or persons or entities acting in concert, that acquires more than one-third of the voting rights of a Norwegian company listed on Oslo Børs (hereunder Oslo Axxess) to make a general offer to acquire the whole of the outstanding capital stock of that company, with repeated obligations upon reaching thresholds of 40 % and 50 %. The offering price per share must at least equal the highest price paid by the bidder in the six-month period before the date the mandatory offer obligation was triggered. The mandatory bid must be backed by a bank guarantee covering settlement of the offer. A shareholder who fails to make the required offer must within four weeks dispose of sufficient shares so that the obligation no longer applies. Otherwise, Oslo Børs may cause the shares exceeding the statutory threshold to be disposed of by enforced sale.

**Shareholders may suffer a dilution of their shareholding**

In connection with the Private placement, IDEX issued a total of 30,000,000 Warrants to Invesco Perpetual High Income Fund and Invesco Perpetual Income Fund. These Warrants are exercisable at any time after the one-year anniversary of the Extraordinary General Meeting dated 29 January 2014 and thereafter until 29 January 2016. Further, IDEX has commitments to issue additional shares upon exercise of outstanding independent subscription rights, which have been issued to several of the Company's executive officers, directors and key employees under the Company's share-based incentive schemes. As of the date of this Prospectus, a total of 28,686,345 incentive subscription rights are issued and outstanding.

## **2.4 Risks that are Material to the Securities being Admitted to Trading**

### **IDEX may not be able to earn the planned revenue or to raise sufficient working capital to fund its operations until its business generates positive cash flow.**

The Group's business has not yet generated a profit and there has been a continuing outflow of cash.

Following the Private Placement, the Group will have adequate cash to secure operations longer than 12 months after the date of this Prospectus. The Group does not have any draft facilities or significant working capital reserves except its cash position, and does not possess assets suitable for pledging as security for borrowing. Consequently, the IDEX Group may be in need of funding before it generates a positive cash flow.

Financial market conditions may cause difficulties in obtaining funding if and when additional working capital needs arise.

### **Price volatility of publicly traded securities**

The listed price of the shares of IDEX may be volatile. Factors such as changes in the results of operations of the Company, negative publicity, changes in recommendations of securities analysts regarding the Company or in the global conditions of the financial or securities markets or in the sectors in which IDEX operates could have a negative effect on the listed price of the Company's shares.

In recent years, the securities markets in Norway and elsewhere in Europe have experienced a high level of price and volume volatility, and the market price of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It is likely that the quoted market price, if any, for the shares in the Company will be subject to market trends generally, notwithstanding the financial and operational performance of the Company.

### **A delay in commencement of listing of the New Shares**

The Company will request that the New Shares be admitted to trading on Oslo Axess. In this regard, the Company believes that, except for unanticipated circumstances, the New Shares will be admitted to trading on Oslo Axess. A delay in the commencement of listing of the New Shares on Oslo Axess would affect the liquidity and pricing of the New Shares and restrict the sale of these shares until they are allowed for listing. Such delay may also adversely influence liquidity and pricing of the shares in the Company already listed.

### 3 STATEMENTS

#### 3.1 Statement of Responsibility for the PROSPECTUS

The Prospectus has been prepared by the Board of Directors and the management in IDEX ASA (“IDEX”).

The Board of Directors of IDEX accepts responsibility for the information contained in this Prospectus. Having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

IDEX ASA  
Fornebu, 4 February 2014



Morten Opstad, Chairman



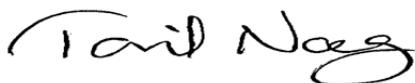
Jon Ola Frankplads, Board member



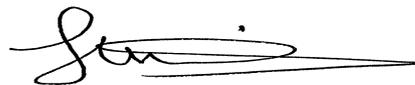
Frode Haugli, Board member



Hanne Høvding, Board member



Toril Nag, Board member



Hemant Mardia, managing director

#### 3.2 Statement regarding Third Party Information

The information in this Prospectus that has been sourced from third parties has been accurately reproduced and as far as the Company is aware and able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

IDEX ASA  
Fornebu, 4 February 2014



Morten Opstad, Chairman



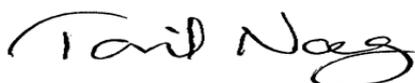
Jon Ola Frankplads, Board member



Frode Haugli, Board member



Hanne Høvding, Board member



Toril Nag, Board member



Hemant Mardia, managing director

## **4 THE COMPANY AND ITS BUSINESS**

### **4.1 Incorporation, Registered Office and Registration Number**

IDEX is a Norwegian public limited company incorporated under the PLCA. The Company was incorporated on 24 July 1996.

IDEX has its registered address at Martin Linges vei 25, NO-1364 Fornebu, Norway. The organisation number of IDEX is NO 976 846 923. The Company can be contacted on telephone +47 67 83 91 19, fax +47 67 83 91 12, email mailbox@idex.no.

IDEX has a wholly owned US subsidiary, IDEX Holding Company Inc., a US holding company incorporated in the State of Delaware. The holding company, in turn, wholly owns a US operating company, IDEX America Inc., also incorporated in the State of Delaware. IDEX America Inc. maintains its registered place of business at 6200 Stoneridge Mall Road, Suite 300, Pleasanton, California 94588, USA. This US subsidiary leases a Regus office in California and operates a development center in Boston, Massachusetts.

IDEX opened a representative sales office in Hong Kong on 20 December 2013.

IDEX is headquartered at Fornebu near Oslo, Norway, from where the Group is administered and where the main part of management is situated. The Fornebu office is also active in communication, business development, sales and marketing and other Group activities. The IDEX offices in California and Hong Kong (representative sales office) engage in sales and marketing. The Boston office engages in technology development.

### **4.2 Business overview**

IDEX specializes in fingerprint biometrics authentication technology, products and solutions. IDEX has since 1996 been a pioneering company in the field of miniaturized capacitive fingerprint sensors, and a leading provider of intellectual property (“IP”) essential to small sized, high performance, low-cost biometric systems. IDEX holds fundamental core IP and patents in fingerprint sensing technology. Over two decades, significant investments have been made in developing low cost fingerprint sensor technology ranging from capacitive, optical, thermal and pressure based solutions. Active capacitive has emerged as the leading low cost technology and has been deployed in high volumes in laptops and ID access terminals. IDEX is one a few vendors with the IP and patents for this technology.

IDEX has developed and offers the award-winning SmartFinger Film polymer technology, which facilitates IDEX’s thin, flexible swipe and touch fingerprint sensors. The SmartFinger Film sensors are compliant with ISO standard form factors for use in identity and smart cards, and can also be employed in a variety of other applications.

The current activity of IDEX is focused on the development, industrialization and commercialization of the SmartFinger products targeted at biometric cards, mobile handsets, tablets and other peripherals and a variety of other biometrically enabled devices. IDEX believes the market for fingerprint sensors is on the cusp of mass adoption following the acquisition of a leading fingerprint vendor AuthenTec Inc by Apple in 2012. The launch of the Apple iPhone 5S incorporating a fingerprint sensor in 2013 has also spurred the introduction of similar sensors in a number of smartphones. 2014 is expected to be a pivotal year for the mass commercialisation of

IDEX fingerprint sensors for the consumer device market. Beyond mobile devices, IDEX believes it has a wider market opportunity in smart cards and the wider Internet of Things (“IoT”).

The Company provides hardware and software fingerprint solutions suitable for embedding into products in order to add safe and simple security to those products. The SmartFinger platform is a full-featured, biometric authentication solution, which enables on-device fingerprint enrolment, template storage and verification. IDEX is currently commercialising swipe sensor products suitable for the consumer mass market, which achieve low cost and high biometric performance. These products rely on the user swiping across a linear fingerprint sensor array to create a fingerprint image and offer the smallest form factor and lowest cost. IDEX is currently in the qualification phase undergoing rigorous testing of the sensors for mobile and embedded application, for imminent customer sampling with a target mass production for the second half of 2014.

IDEX is currently in the product development phase for a range of touch or area sensors based on this technology. IDEX targets to sample a touch sensor solution in mid 2014 based on the polymer technology. These touch sensors offer a more user friendly experience by only requiring a simple single action to authenticate. IDEX is able to implement these touch sensors using the low cost polymer technology combined with an advanced silicon ASIC (Application Specific Integrated Circuit). IDEX believes this combination offers unique flexibility in terms of form factors for a range of consumer devices and also a compelling disruptive cost point. This will enable mass adoption of fingerprint touch sensors for authentication where previous generations have been cost prohibitive.

IDEX is further developing this technology to create “in screen” swipe and touch sensors. Due to IDEX IP and patents, IDEX can implement fingerprint sensors in a range of materials and is currently working with major partners to develop in glass sensors suitable for direct integration into display screens. This will enable smartphone and tablet manufactures to provide a button free user interface. This is seen as an ultimate solution for the aesthetic and user experience of such devices.

IDEX’s SmartFinger technology platform is protected by multiple patent families, covering most of the relevant areas like sensing principles, miniaturized hardware implementations and image processing algorithms.

The unique selling point for IDEX, is that the technology enables IDEX to split the fingerprint sensor into two key components: a low cost sensor array and a silicon ASIC. This contrasts with competitors where the whole solution is implemented in a single silicon ASIC. The benefit of the two part solution is that it enables IDEX to use a low cost material such as polymer to implement the array and hence as the array becomes larger, cost is advantageous versus silicon which is relatively expensive. This enables IDEX to offer a disruptive cost level touch sensor together with form factor advantages due the flexible material used.

For the avoidance of doubt, it should be noted that IDEX as yet has not delivered the SmartFinger sensor in commercial quantities. The Group has to date earned insignificant revenue from customers on its technology and IP or products and services.

The SmartFinger platform is available to customers as sensor and authentication product solutions ready for designing into products and applications, and also under an IP licensing scheme.

### **4.3 Vision, Mission, Progress and Goals**

#### **Vision**

Secure and simple identification by biometric authentication on every device you own.

#### **Mission**

To be the leading supplier of best in class fingerprint sensors for mass markets.

#### **Progress**

IDEX has in the last few years built the capability to offer complete fingerprint hardware and authentication software solutions to be embedded into biometrically enabled devices. Such fingerprint system-on-device units add security in a safe and simple way, and has opened the market adoption of the SmartFinger technology in biometric cards, mobile handsets, tablets and other peripherals and a variety of other portable devices. IDEX has developed both the fingerprint sensor hardware together with advanced software algorithms to provide a complete solution.

In order to enable simple design-in of the SmartFinger technology to end-user products IDEX provides evaluation and development kits for both PC application and embedded systems.

IDEX has focused on the smart card market that has taken longer to commercialise whereas other competitors have supplied the laptop market and were in a position to adapt these products to the mobile market sooner than IDEX. However, this experience has provided IDEX a compelling product roadmap with the ability to provide higher performance swipe sensors and disruptive cost touch sensors with a greater ability to integrate into consumer devices due to the flexible sensor architecture. During 2013 IDEX has aggressively expanded resources and secured competitive manufacturing partners to rapidly move to commercialisation of its products for the mobile market.

IDEX believes there is a significant market opportunity for its products and technology with the rapid adoption into the mobile device market, followed by smartcards and by Internet of Things (“IoT”) emerging in the future.

#### **Manufacturing**

IDEX’s strategy is to outsource manufacturing to high volume, established vendors, and operate a fabless model, with focus on core IP and R&D investment. In the first half of 2011 IDEX initiated production ramp-up of the SmartFinger Film sensor family. Throughout 2011 high-quality sensors were manufactured and delivered to customers for demonstrators, product prototypes and pilots. IDEX did encounter obstacles to obtaining qualified, cost efficient, volume manufacturing of the polymer substrate of the SmartFinger sensor. Since the beginning of 2012 the Company has evaluated alternative manufacturers with higher volume capabilities. Sensor prototypes based on substrates from a polymer vendor was successfully completed in the third quarter of 2012. IDEX has subsequently initiated a second source polymer vendor and has secured competitive pricing to support mass market supply. IDEX has also secured competitive volume supply with a major silicon vendor for the IDEX ASIC. IDEX is now targeting production of the first commercial batches of sensors in the last quarter of 2013, and is preparing for volume deliveries in 2014. The Company has also entered into partnerships with two global manufacturers to provide the full turnkey service required to support leading consumer device vendors.

#### **Customers and partner projects**

During 2011 IDEX entered into cooperation agreements aimed at designing SmartFinger Film sensors into customers’ biometric cards and devices. Several of these projects have resulted in product prototypes and demonstrators presented to the market, and the first sensor orders were received in the second quarter of 2012.

On 8 November 2012 IDEX announced the first commercial volume agreement for SmartFinger sensor and software with a European OEM partner. IDEX SmartFinger fingerprint sensor and accompanying software will be incorporated in a luggage lock and substitute the key. The commercial agreement defines specific volumes to be delivered with an expected volume in 2014. Future volumes will depend on the luggage producers' demand, but is expected to be in the multimillion unit annual range. This program has advanced to prototype deliveries that have been adapted to meet customer feedback but volume insertion is dependent on end customer timing.

IDEX's distribution strategy includes a partnership with Future Electronics, a world-class leader and innovator in the distribution and marketing of semiconductors and passive, interconnect and electro-mechanical components. The two companies work jointly to incorporate the IDEX SmartFinger fingerprint sensor and biometric algorithms into a fingerprint-based biometric authentication solution targeting the access control and embedded market segments.

IDEX participates in the eGo project with twelve European R&D and industrial partners, such as Gemalto, STMicroelectronics, Precise Biometrics and Atos Worldline. eGo is part of the EUREKA programme CATRENE (Cluster for Application and Technology Research in Europe on Nano Electronics). IDEX and its partner UINT conduct a project aimed at developing a biometric smartcard for contactless payment applications, which project is funded by EU and national governments.

In May 2013, IDEX entered into a comprehensive agreement with an undisclosed partner in the mobile communication market. This agreement was further expanded in October 2013, demonstrating progress and increased traction. This partner offers strong market channels and established mass market industrialization, providing an excellent route to market for IDEX IP and technology.

In September 2013, World Wide Touch Technology (WWTT), a Hong Kong listed developer and manufacturer of a wide range of high technology products, including a Biometric Security platform, invested \$9M in IDEX and is engaged in strategic partnership with IDEX. In January 2014, IDEX secured an order of 300,000 units for the Colibri swipe sensor from World Wide Touch Technology (WWTT).

### **Strategic partner opportunities**

After Apple acquired a fingerprint biometrics and mobile security company in 2012, the industry's interest for fingerprint sensor technology has risen drastically. The acquisition of AuthenTec Inc. by Apple has created an internal captive supplier, opening the entire non-Apple market to IDEX and others. In September 2013, one of IDEX competitors, Validity Inc., was bid for and subsequently acquired by Synaptics Inc. Following these acquisitions, IDEX has received an increasing level of activity from several top-tier industrial players who have expressed interest in IDEX's patented SmartFinger technology.

## **Awards**

In April 2009 The Frost & Sullivan “2009 Global Swipe Sensor Product Differentiation Innovation of the Year Award” was presented to IDEX for its SmartFinger swipe sensor. The award was in recognition of IDEX’s successful initiative in improving the innovative SmartFinger swipe sensor, by further enhancing its technology that combines fingerprint imaging, authentication and navigation capabilities in the same module.

On 6 December 2010 IDEX was awarded a winner’s prize for its patented SmartFinger Film fingerprint sensor technology in the Identification and ID Card category at the prestigious SESAMES Awards ceremony at the Cartes & IDentification exhibition in Paris, France. There were more than 100 nominees in ten categories.

## **Outlook and goals**

The market for fingerprint technology is developing rapidly, and IDEX aims to capitalise on this explosive opportunity. All indicators point towards substantial growth in the biometric market in general and particularly in the low-cost fingerprint sensor segment. IDEX has positioned itself to exploit this segment and is ready to take advantage of the expected growth in demand. Products with IDEX’s sensor technology are expected to be on the market in 2014.

## **Main goals for 2014**

1. Establish and qualify swipe and touch products and the supply chain in order to deliver SmartFinger sensors and authentication solutions in volumes for embedded application.
2. Deliver swipe sensors and solutions for product insertion in Q2 2014 and in volumes in the second half of 2014.
3. Deliver touch sensor and solutions for customer sampling mid 2014.
4. Expand partnerships with two existing manufacturers or pursue further manufacturers.
5. Establish strategic partnerships with first-tier industrial players in order to enter the mass market applications such as mobile handsets, tablet devices, laptop computers and cards.

## **4.4 History in brief**

Following its incorporation in 1996, the Company’s initial business plan was to develop an optical, biometric solution for access control applications. During the work, the first results of an alternative technology for low cost fingerprint sensors began to emerge. The results were so promising that all efforts and resources went into the development of the first version of the patented capacitive swipe sensor, which provides the SmartFinger technology, the basis for IDEX’s business and products. In recent years IDEX has expanded its technology platform to include polymer based fingerprint sensors as well as embedded authentication software solutions.

The following is a brief overview of significant milestones in the Company’s history:

- 1996** IDEX was founded to develop and commercialize unique hardware and software for biometric identification by use of fingerprint.
- 1997** IDEX enters into a partnership with SINTEF and the basic swipe fingerprint sensor patents were filed.
- 1999** A desk top model was produced to demonstrate the technology.
- 1999** Trades in the IDEX share reported on the Norwegian Over the Counter market.

- 2000** IDEX secures patent protection in the navigation and pointer feature of the technology.
- 2001** IDEX enters into a license agreement with STMicroelectronics. An exclusive patent license agreement (inbound) with SINTEF was entered into.
- 2006** In 2006 the program for a complete redesign of the SmartFinger was initiated.
- 2007** In October 2007, IDEX reached a settlement with STMicroelectronics and UPEK, Inc. in settlement amount to IDEX and a cross-license was entered at the same time. The license agreement with STMicroelectronics, which was entered in 2001, was terminated.
- 2008** The SmartFinger IX 10-4 silicon swipe sensor is released and development kits are available to customers.
- 2009** Development of the new SmartFinger Film sensor technology was initiated.
- 2009** IDEX receives the 2009 Frost & Sullivan Global Swipe Sensor Product Differentiation Innovation of the Year Award.
- 2009** IDEX enters into a strategic manufacturing partnership with Ionics EMS.
- 2010** IDEX was listed at the Oslo Axess market place on the Oslo Børs (Oslo Stock Exchange).
- 2010** SmartFinger Film polymer sensor presented to the market.
- 2010** The first biometric card with SmartFinger Film on-board was demonstrated.
- 2010** IDEX was granted government support for its activities in the eGo project with Gemalto as the lead partner.
- 2010** IDEX receives the SESAMES award.
- 2011** The first batch of SmartFinger Film sensors delivered to a customer.
- 2011** Cooperation agreements with 10 customers and partners entered into.
- 2011** IDEX and its partner UINT receives funding from EU and national governments for developing a biometric smartcard for contactless payment applications.
- 2012** The first commercial volume order for sensors and software received.
- 2013 February:** IDEX presents a novel SmartFinger in glass technology concept at the Mobile World Congress.
- 2013 April:** Apple/AuthenTec verify IDEX licence agreement (with UPEK Inc., which entity was acquired by AuthenTec) for certain important early patents.
- 2013 May:** Hemant Mardia, formerly CEO of Filtronic Plc, appointed as new CEO. Ralph W. Bernstein continues as CTO.

- 2013 May:** Partnership agreement with global mobile communications partner signed (and expanded in October 2013).
- 2013 September:** Strategic investments in IDEX from World Wide Touch Technology (WWTT) totaling NOK 54.2 million.
- 2013 September:** IDEX acquires IP, patents for touch sensor technology from PicoField enhancing IDEX's existing IP. Founders of PicoField and Validity join IDEX securing strong industry knowhow and credibility.
- 2013 October:** IDEX opens Silicon Valley and Boston offices in USA as part of achieving a global presence. IDEX joins FIDO alliance which is developing protocol standards for biometric authentication.
- 2013 December:** IDEX opens Hong Kong office to service the Far East market
- 2014 January:** Invesco funds, a major blue chip global investor, agree to subscribe to NOK 300 million of new shares in IDEX which represent 14.8% of the issued and outstanding shares in IDEX.
- 2014 January:** IDEX secured an order of 300,000 units for the Colibri swipe sensor from World Wide Touch Technology (WWTT). This volume order is IDEX's first commercial launch for the Colibri swipe sensor embedded in consumer electronics devices for mobile and laptop accessories.

#### **4.5 Business Model and Strategy**

IDEX operates a dual business model to deliver revenues:

1. Supply of SmartFinger fingerprint sensors, authentication solutions and modules under the IDEX label, targeted at selected markets through manufacturing outsourcing and partnerships. IDEX's strategy is to enter into partnerships with industry leading module and semiconductor integrators who offer an established route to market to supply high volumes into first tier OEMs.
2. Offering strategic partnerships and IP licensing with first-tier original equipment manufacturers, semiconductor companies and manufacturers in order to enter mass market applications.

IDEX believes that first-tier original equipment manufacturers ("OEMs"), semiconductor companies or contract manufacturing companies will become the major suppliers of fingerprint sensors in mass markets. IDEX continues to seek partnerships with semiconductor and manufacturing companies based on the SmartFinger technology and other IDEX IP.

IDEX also offers sensors directly to medium-volume products, on which a higher margin may be earned. This opportunity will be exploited by IDEX's own supply-chain or by supply and distribution through IDEX's manufacturing and distribution partners.

In addition to IDEX there are to the Company's knowledge 3-4 companies world-wide offering supplying low cost fingerprint sensor devices. IDEX's goal is to secure a significant share in this market.

## 4.6 Technology and products

Biometrics includes methods for uniquely recognizing humans based upon one or more intrinsic physical or behavioural traits. Various biometric modalities can be used for both identification and authentication applications. Commercialised solutions include: face, fingerprint, hand geometry, keystroke dynamics, hand vein, iris, retinal pattern, signature, voice print, facial thermograms, odour, DNA, gait, and ear recognition. Fingerprint sensing is the most widely adopted biometric technique, due to its ease of use, high performance and low-cost implementation.

IDEX has a compelling product roadmap which includes low cost swipe and touch sensors, and a path to in glass/in screen integration. The combination of strong IP protection, low cost, high performance authentication and ease of integration provides significant competitive advantage.

### SmartFinger sensor

IDEX's current polymer swipe sensor product is a small, thin, and flexible fingerprint sensor for personal authentication applications in small portable devices such as ISO smart cards, security tokens, and mobile handsets. The SmartFinger sensor offers high biometric performance and is easily integrated in customers' products. SmartFinger is a single line sensor utilizing IDEX's patented real time image reconstruction algorithm to generate high quality images at various swipe speeds and skew angles. In addition, SmartFinger has an excellent dynamic range for wet and dry finger captures. These features combined greatly increase usability and reduce false acceptance rates. This technology is being expanded into two dimensional arrays to provide a low cost touch sensor leveraging these common principles.

IDEX's SmartFinger technology platform supports a wide range of solutions for safe, secure, and simple biometric authentication. The technology includes both hardware and software building blocks enabling design solutions for ultrathin, bendable sensors for ISO card applications to highly integrated custom designs for mobile handsets. The biometric software suite is modular and scalable from the smallest footprint required to run on secure smartcard platforms to high-end mobile handset processors.

A key element of IDEX's solution is the separation of the finger swipe interface from the electronic measurement circuit used to capture the features of the fingerprint. Hence, a variety of robust, low-cost materials can be used for the sensor array while the silicon measurement circuit can be shrunk to an absolute minimum and sit protected inside the device. With state-of-the-art multilayer production processes IDEX can provide custom sensor designs with unique image quality, and made from virtually any solid material.

The measurement principle of the IDEX sensor is based on varying capacitive coupling scheme. This is by far the most widely used principle in the industry, whether utilized for small swipe sensors or larger area (touch) sensors. A varying voltage is transmitted through the finger and picked up by electrodes in the sensor surface. The signal level through the finger varies whether the signal is measured from a ridge or from a valley of the fingerprint. The variations in the measured signal provide the data required to reconstruct the two-dimensional fingerprint image.

This impedance measurement principle may be used in ultra-small sensors for portable consumer applications such as ID and banking cards. Large-area touch sensors for government applications using the same principle are being developed, by involving interconnects, multi-layer processing technology and multiplexing techniques.

### **SmartFinger software**

Accompanying the IDEX SmartFinger sensor hardware is an extensive modular software portfolio offering fingerprint enrolment and authentication as well as navigation and tapping (mouse click) functionality. The suite supports ISO templates as well as match on card, through IDEX proprietary algorithms or third party applications.

The SmartFinger technology is available to Original Equipment Manufacturers and integrators. The SmartFinger fingerprint sensor is available bundled with a pre compiled biometric library for integration into a customers selected microcontroller.

IDEX has developed software to support a range of operating systems including Android.

### **SmartFinger development kits**

In order to enable simple design-in of the SmartFinger technology to end-user products IDEX offers evaluation and development kits both for PC and products with embedded biometric systems.

The IDEX SmartFinger PC Evaluation Kit can be used to demonstrate the capabilities of the IDEX SmartFinger Fingerprint Sensor, the Image Reconstruction as well as authentication software package. The evaluation kit also comes with a Software Development Kit enabling customers to develop their own biometric Windows applications.

The embedded development kits enable qualified customers to develop fingerprint authentication solutions or add fingerprint authentication to existing products. IDEX's biometric algorithms run on an external controller, performing the functions of real-time image reconstruction, feature extraction, and matching. Software libraries for imaging, enrolment and verification are available for ARM7 and Cortex M3 cores and have already been compiled for controllers supplied by Atmel, NXP, Freescale and STMicroelectronics.

### **Support**

In order to help customers to seamlessly implement technical solutions and integrate IDEX's sensors, the Company offers an extensive range of services and engineering support:

- Technology transfer and joint developments with partners.
- Customization of SmartFinger sensors.
- Hardware and software development kits and reference designs for evaluation and integration purposes.
- Technical engineering support for customer product solutions.

The sample products sold to customers in the period from 2009 to date has included different versions of SmartFinger Film sensors bundled with IDEX's embedded software to be integrated into customer's prototype and pilot products. In certain cases the software was pre-programmed onto ready-to-use microcontrollers providing a complete solution.

In addition IDEX has shipped evaluation and development kits to customers for assessment of the capability of IDEX's sensor technology and in order to design SmartFinger sensors and software into their products.

## **4.7 Intellectual Property Rights (IPR)**

IDEX is a pioneer in miniaturized capacitive fingerprint sensing technology and controls several of the earliest, fundamental patents required to implement miniaturized fingerprint sensors. IDEX's IP rights cover complete biometric systems ranging from measurement principle, algorithms, sensor

design, and system solutions. The Company maintains a broad technology patent portfolio approved in a wide range of countries. Several new patent filings are also currently under review. IDEX's success and ability to compete is dependent upon its strong IP position as well as continuous expansion of the Company's patent portfolio.

In 2007, IDEX entered into a settlement with STMicroelectronics and UPEK in connection with an IP related dispute. UPEK paid a one-off settlement amount to IDEX, and a cross-license of the relevant patents was entered into at the same time. IDEX was granted a license to certain basic UPEK patents. UPEK was also allowed to incorporate certain IDEX patented technologies for use with their fingerprint biometric sensor products and solutions.

The patent rights of UPEK have later been assigned to AuthenTec Inc., which was acquired by Apple Inc. in 2012.

Apple and AuthenTec did in May 2013 verify IDEX's rights under this agreement through a notice of "recordal" of the license. The license has been recorded by the United States Patent and Trademark Office sanctioning that IDEX maintain its licensed rights to important, early patents, now controlled by AuthenTec/Apple.

In 2013, IDEX acquired patents and patent applications from PicoField further enhancing the IDEX portfolio, especially within the area of fingerprint sensors.

Picofield's patent portfolio, now assigned to IDEX, includes one granted patent and five patent applications. The patent family covers area fingerprint sensors utilizing low cost, flexible polymer technologies.

IDEX holds registrations to the trademarks "IDEX" and "SmartFinger" and to the IDEX logo. The Company has registered and owns the following Internet domain names: idex.no, idexus.com and smartfinger.no.

The Company continues to evaluate the registration of additional service marks, trademarks and Internet domain names as appropriate.

Currently IDEX holds granted patents in a total of 20 patent families and five pending. Moreover, IDEX retains an exclusive worldwide license to the basic fingerprint technology developed by SINTEF. This patent relates to the AC capacitive swipe sensor. A summary of the most relevant patents are given below. To lawfully realize (manufacture and sell) SmartFinger sensors and other products making use of the patented principles, IDEX's and/or its licensees are dependent on possessing the right to use one or more of the following patents.

**Line scanner**

Assignee: SINTEF

Priority date: June 16, 1997

Description: AC capacitive linear sensor.

### *PCT Abstract*

Method and apparatus for the measuring of structures in a fingerprint or the like, comprising the measuring of chosen characteristics of the surface of the fingerprint, e.g. by measuring capacitance or resistivity, using a sensor array comprising a plurality of sensors, being positioned in contact with, or close to, a portion of the surface.

The characteristics is measured in at least one line of measuring points along an elongated portion of the surface at given intervals of time, the sensor array being an essentially one-dimensional array, moving the surface in relation to the sensor array in a direction perpendicular to the sensor array, so that the measurements are performed at different, or partially overlapping, portions of the surface, combining the measurements of the measured portions of the surface to provide a segmented, two-dimensional representation of said characteristics of the surface.

Norwegian patent: 304766  
US patent: 7,110,577  
US continuation I: 7,054,471  
US continuation II: 7,333,639  
EPO patent: EP 0 988 614B1.  
EPO divisional patent: EP 1 304 646B1.  
Japanese patent: 4051093

### **Substrate**

Priority date: June 9, 2000

Description: Finger print sensor with substrate vias.

### *PCT Abstract*

The invention relates to a sensor chip, especially for measuring structures in a finger surface, comprising an electronic chip of a per se known type being provided with a number of sensor electrodes for capacitance measurements, the chip being positioned on an electrically insulating substrate being provided with a number of openings through which electrical conductors are provided, the ends of said conductors constituting a sensor array for capacitance measurements so that the sensor array is positioned on a first side of said substrate and the electronic chip is positioned on the other side of the substrate.

Norwegian patent: 315017  
US patent: 7,251,351  
US continuation: 7,848,550  
EPO patent: EP 1 303 828 B1  
Japanese patent: 4708671

### **Measurement system**

Priority date: June 9, 2000.

Description: Measurement system for AC capacitive scanner.

### *PCT Abstract*

This invention relates to a system for measuring patterns in a surface, especially in finger surfaces, the system comprising a number of sensor electrodes being provided with an electrically insulating material over which the surface is to be moved, and at least one stimulation electrode for providing a varying current or voltage between the stimulation electrode and the number of sensors through the surface, in which the sensor electrodes constitutes an essentially linear array,

- that the stimulation electrode is positioned separately from the array of sensor electrodes,
- that the system comprises a generator coupled to the stimulation electrode for applying a current or voltage with a varying amplitude or phase to the surface, and
- that the system comprises a measuring unit coupled to the sensor electrodes for, during the application of the current or voltage, measuring the impedance at the sensor electrodes in a time sequence and calculating values of predetermined characteristics of the surface and combining the calculated values for the sensor electrodes over the time sequence for generating a representation of the surface pattern.

Norwegian patent: 314647  
 US patent: 7,184,581  
 EPO patent: EP 1 292 227B1

### **Navigation**

Priority date: June 9, 2000.

Description: Navigation tool for connecting to a display device.

#### *PCT Abstract*

This invention relates to a navigation tool for connecting to a display device, comprising at least two sensor elements having known positions relative to each other, each sensor element being coupled to detector means for recording a change in a predetermined parameter and timing means for determining the time of change at each sensor element and calculating means for calculating the direction and speed of the recorded changes based on the relative positions of the sensor elements and the duration between the recorded changes.

Norwegian patent: 316482  
 US patent: 7,129,926  
 EPO patent: EP 1 312 037B1

### **Pointer**

Priority date: June 9, 2000.

Description: Pointing tool for connecting to a display device

#### *PCT Abstract*

This invention relates to a pointer tool for connecting to a display device, comprising a number of sensors elements being positioned on a two-dimensional surface, for measuring a predetermined parameter at a surface, the measured quantity being sampled at a chosen rate, and calculating means for comparing the measurements from the sensor elements for detection of movements in two dimensions over the elements based on changes in the measured parameter, the time between the changes and the known relative positions between the sensor elements.

US patent: 7,308,121  
 US continuation: 8,005,275  
 EPO patent: EP 1 328 919B1.

### **Live finger**

Priority date: May14, 2002

Description: Live finger detection system.

*PCT Abstract:*

This invention relates to a sensor assembly and a method for measuring characteristics of a surface, preferably skin, comprising a first pair of current supply electrodes coupled to a current source, providing an electrical current to the skin, at least one pickup electrodes at chosen positions relative to the current supply electrodes, at least a first of said pickup electrodes being coupled to an instrument for measuring the voltage between said first pickup electrode and at least one of the pickup or current supply electrodes.

Norwegian patent: 321659  
US patent: 7,856,262  
EPO patent: EP 1 503 668  
EPO divisional: EP 2 160 977  
Japanese patent: 4699753

**Live finger II**

Priority date: December 3 2002.

Description: Live finger detection system, based on IDEX' developments.

*PCT Abstract:*

Method and sensor assembly determining the condition of a structure, especially for confirming if a measured fingerprint is on a live finger, by measuring characteristics of close to the structure surface, the sensor comprising a first pair of current supply electrodes coupled to a current source, providing an electrical current to the skin, at least two pickup electrodes at chosen and different positions relative to the current supply electrodes, at least a first of said pickup electrodes being coupled to an instrument for measuring the voltage between said first pickup electrode and at least one of the pickup or current supply electrodes, storage means for a predetermined set of values characterizing a certain condition of the surface, and means for comparing the characteristics from each pickup electrode with the measurements of the other pickup electrodes and with the predetermined set of characteristics for determining the surface condition.

US patent: 7,848,798  
EPO patent: 1 567 057  
Japanese patent: 4528130

**Surface sensor**

Priority date: December 9, 2012 (application)

Description: Flexible substrate.

*Abstract*

The invention relates to a sensor for detection of properties and structures of an organic tissue and its surface, e.g. a fingerprint sensor comprising a chosen number of sensor electrodes at chosen positions for coupling to a finger tissue and its surface having a size less or comparable to the size of the structures, characteristics or properties of the finger tissue or surface, and a processing unit including electronic circuitry connected to said electrodes for detection of the voltage at, or the current flow in the electrodes, thereby providing for detection and collection of information of related capacitance, impedance, electromagnetic field, fingerprint, tissue aliveness or other biometric, physical, physiological, thermal or optical or characteristics or properties of the tissue or its surface positioned over the electrodes, the processing unit being mounted on one side of a substrate and the electrodes being embedded in said substrate, the substrate including through going first, second and third conductive paths between said sensor electrodes and said measurement circuitry. The substrate is made from a polymer material such as polyimide,

implemented as a rigid or a flexible multilayer build-up substrate, said first, second, and third conductive paths are constituted by through going substrate sections of a chosen size and material.

### **Polymer area sensor**

Priority date: January 16 2010

Description: Electronic imager using an impedance sensor grid array and method of making

#### *Abstract:*

A novel impedance sensor is provided having a plurality of substantially parallel drive lines configured to transmit a signal into a surface of a proximally located object, and also a plurality of substantially parallel pickup lines oriented substantially perpendicular to the drive lines and separated from the pickup lines by a dielectric to form intrinsic electrode pairs that are impedance sensitive at each of the drive and pickup crossover locations.

US patent: US 8,421,890

## **4.8 Industrialization, research and development**

IDEX performs research and development activities in Norway and in the US. The strategy is to develop technology building blocks that can be rapidly scaled and customised to specific product and customer applications. IDEX has been developing three swipe sensor solutions: SmartFinger film for ID cards and similar flexible applications and two low cost small form factor sensors for mobile device and embedded insertion. IDEX is developing touch sensors based on similar principles to offer competitive small area sensors suitable for integration into mobile devices. These require much larger sensor arrays which capture the single touch of the user finger, and IDEX employs multiplexing techniques to reduce cost.

IDEX is currently developing a range of touch sensors suitable for mobile applications, based around similar principles. This offers a disruptive cost level versus existing touch sensors which are typically too large for mounting on the front of mobile devices. IDEX is also pursuing in glass technology with key vendors and partners which would enable direct integration of the fingerprint sensor into the display. IDEX also offers software applications and fingerprint extract, match and recognition algorithms optimized for each sensor.

IDEX has expanded R&D resources and continues to invest in new IP and also silicon ASIC development to support this product roadmap. Techniques developed by IDEX to enable best in class consumer applications include anti-spoof measures, dealing with a wide range of swipe angles and speeds, dealing with interference from charger noise and other noise sources, and also providing robust coatings with matching aesthetics and colour whilst ensuring biometric performance. These demands for customisation whilst achieving low cost and mass manufacture provide a high barrier to entry for potential new competitors.

The IDEX SmartFinger polymer sensor is a microsystem that includes a multi-layer polymer sensor substrate, an integrated electronic circuit (ASIC), and electrostatic discharge protection. The different components and processing work are sourced from highly specialized vendors in various countries. The ASIC is manufactured by Faraday Technology Corporation.

All vital hardware components and processes have at present been realized in industrial pilot production, and a complete supply chain has been established, using suppliers in several countries.

The Group does not own or operate industrial manufacturing facilities. IDEX is dependent on contracting qualified production partners who are, firstly, technically capable of making the various

components of the SmartFinger sensor, and, secondly, able and willing to make deliveries in the required volume at competitive prices. In the past, IDEX's production partners for the substrate part of the sensor have faced various challenges in the yield of their production process.

Manufacturing and related services are purchased from specialist contract manufacturing companies. Examples include Ionics EMS Inc. which provides comprehensive electronic manufacturing services, chiefly assembly of sensors, and Faraday Technology Corporation which supplies IDEX's proprietary ASIC. The manufacturing partners source standard components and sundry materials. IDEX endeavours a multi-source supply chain to the extent possible.

IDEX takes for its basis that the suppliers comply with relevant regulations for safety health and environment and exert good corporate citizenship. The suppliers have been evaluated and selected through a systematic approach taking properties like capability, capacity, delivery precision, quality system and cost into account.

IDEX's current industrialization programmes are focused on optimizing production cost.

IDEX is positioned to supply the SmartFinger module directly to customers or to transfer the complete technology package to a prospective licensee.

#### **4.9 Cooperation and Strategic Partnerships, Material Contracts**

IDEX has entered into, and will continue to pursue, key relationships with leading companies in their markets. IDEX is dependent on establishing one or more such relationships with downstream partners in order to achieve sustainable sales volume and revenue, and market share.

On the upstream side, the current agreements and material contracts are dependent on the inbound licensing agreement with SINTEF as well as on several of the core IDEX patents described in Section 4.7. Some of the agreements and contracts are also, in part, dependent on the inbound licensing agreement with IKENDI Software AG.

##### **European based OEM**

In November 2012 IDEX and a European OEM partner entered a commercial agreement for SmartFinger sensor and software, for delivering biometric security locks for use on luggage produced by leading manufacturers.

The European OEM is a partner with tier-one suppliers of suitcases and bags in the world. IDEX SmartFinger fingerprint sensor and accompanying software will be incorporated in the electronic luggage lock and substitute a key or pin code. The user enrolls fingerprints directly at the lock, and the mechanism which will unlock only if the user swipes an enrolled finger over the sensor. With this concept personal belongings are safeguarded in a simple and convenient way without any need for carrying keys or remember pin codes.

This material agreement is a basis for IDEX to achieve significant revenue from sales of sensors and software. The agreement outlines initial deliveries in 2013, which are now expected to occur during 2014 due to end customer timing, with expected substantial increase in 2015. Final volumes will depend on demand, but is expected to be in the multiple million unit range.

## **UINT**

In January 2012 IDEX and its French partner company UINT was awarded a support grant from the European Eurostars programme.

UINT is a card engineering design house, which invents, designs and manufactures active smart cards for its own distribution channel and for its customers.

The objective is to develop a smart card with a fingerprint sensor that is suited for manufacturing in existing volume production lines for cards. This will be a significant step towards exploiting the potential presented by IDEX SmartFinger Film, which is a very thin and bendable fingerprint sensor.

The biometric smart card will be tailored for new solutions in contactless payments by the use of near field communication (NFC) technology.

The planned project period is two years and total cost amounts to more than NOK 12 million, shared about equally between the partners. The approved support grant will cover about half the cost.

The expected outcome of the projects and partnership with UNIT is material for IDEX in order to realize the Company's product strategy in the biometric card market, meaning successfully launch such product implementations. IDEX has provided prototype samples which UINT indicate will be integrated during 2014 for volumes in 2015.

## **World Wide Touch Technology (WWTT)**

In January 2014 IDEX secured an order of 300,000 units for the Colibri swipe sensor from World Wide Touch Technology (WWTT). The sensors are expected to be delivered after the first quarter of 2014. This volume order is IDEX's first commercial launch for the Colibri swipe sensor embedded in consumer electronics devices for mobile and laptop accessories.

## **Shen Zhen Huajing Technology Co., Ltd.**

In April 2011 IDEX entered into a cooperation agreement with Shen Zhen Huajing Technology Co., Ltd. for a SmartFinger Film enabled transactional security device.

Shen Zhen Huajing Technology is developing a biometric-enabled transactional security device incorporating the IDEX SmartFinger Film fingerprint sensors and accompanying biometric software algorithms.

The agreement defines specific cooperation milestones for development, test and verification. Based on successful qualification, it is the intent of the two companies to enter into a commercial agreement under which IDEX will supply SmartFinger Film sensor technology to Shen Zhen Huajing Technology.

The cooperation between Huajing and IDEX is part of substantial governmental program in China. A successful industrialization of the biometric device under development is expected to be followed by a deployment in significant volumes. This program hence represents a material opportunity for IDEX in the embedded biometric markets. IDEX is currently supplying prototype units for integration into the Huajing solution. This is expected to form a complete demonstrator integrated by Huajing in the first half of 2014, the success of which would lead to deployment.

## **Future Electronics**

In October 2011 IDEX entered into a partner agreement with Future Electronics for the co-development, sales and marketing of a fingerprint biometric authentication module based on SmartFinger Film fingerprint sensor and biometric algorithms.

Future Electronics is an international player in distribution and marketing of semiconductors and passive, interconnect and electro-mechanical components. Future Electronics operates in 169 locations in 42 countries in the Americas, Europe and Asia.

The agreement defines specific cooperation milestones for development, test and verification of the solution. The partnership with Future Electronics is the core of IDEX's distribution strategy. With its global presence Future Electronics will expand the customer basis for IDEX's solutions significantly. The two companies also work jointly to establish new products incorporating the IDEX SmartFinger Film fingerprint sensor and biometric algorithms targeting the access control and embedded market segments. IDEX has recently sampled the embedded swipe sensor product to Future Electronics and expects to move to product launch in the early part of 2014.

## **The eGo project<sup>4</sup>**

In October 2010 IDEX, together with twelve European R&D and industrial partners, such as Gemalto, STMicroelectronics, Precise Biometrics and Atos Worldline, started the eGo project. The aim is to develop new technologies for simple, safe and secure transactions, log-on and physical access control.

The eGo Project was formed to advance the use of eGo technology by designing the technology, developing specifications, demonstrating use case devices and services and making the market aware of eGo technology.

The eGo project is conducted by a group of companies and academics working within a Catrene framework. The foundation for the Catrene programme is the ambition of Europe and European companies to deliver nano-/microelectronics solutions that enable lighthouse projects and respond to the needs of society at large, improving the economic prosperity of Europe and reinforcing the ability of its industry to be at the forefront of the global competition.

The platform eGo project provides IDEX the access to key technology blocks required for secure on-device biometric systems. The first-tier consortium partners of the eGo project pave the way for the SmartFinger technology into novel and future biometric product concepts.

## **Mobile Communications partner**

In May 2013, IDEX entered into an agreement with an undisclosed partner. This agreement was expanded in October 2013. The terms of this agreement cannot currently be disclosed due to competitive reasons.

## **Manufacturing partners**

As a fabless company<sup>5</sup> IDEX is dependent of the partnership with manufacturing partners who are technically capable of making the various components of the SmartFinger sensor, and able and willing to make deliveries in the required volume at competitive prices. In the past, IDEX's production partners for the substrate part of the sensor have faced various challenges in the yield of

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<sup>4</sup> [www.ego-project.eu](http://www.ego-project.eu)

<sup>5</sup> Fabless manufacturing is the design and sale of hardware components or devices while outsourcing the fabrication or "fab" of the components or devices to specialized or versatile manufacturer(s).

their production process. IDEX pursues a multi-source strategy to the extent possible, and at present the key partners are Ionics EMS Inc., Faraday Technology Corporation and substrate manufacturers.

#### Ionics EMS Inc.

In September 2009 IDEX and Ionics EMS Inc. entered into a strategic IP licensing agreement. In 2011 the partnership was expanded, facilitating volume production of IDEX SmartFinger fingerprint sensors. Ionics EMS is one of IDEX's partners producing the sensors that IDEX delivers to its customers and partners.

Ionics is a leading electronics manufacturing services (EMS) provider and also an original design manufacturer with its PlugComputer/Cloud Server product range. During the industrialisation period of the SmartFinger Film sensor, Ionics has acquired the tools, processes and skills needed to produce the SmartFinger sensors. Ionics has completed a number of sensor batches including deliveries to IDEX's customers.

#### Faraday Technology Corporation

In 2006 IDEX entered into agreements for design and mass production of its ASIC, with Faraday Technology, a leading IP and ASIC vendor, and SoC Technology. The ASIC is a core component in IDEX's SmartFinger product.

Faraday Technology Corporation is a leading silicon IP and fabless ASIC vendor. The company's broad IP portfolio includes 32-bit RISC CPUs, USB 2.0, Ethernet, Serial ATA, and PCI-Express. Faraday has already completed over 3,000 successful designs, with nearly 100 million chips shipped annually worldwide. Faraday is one of the largest fabless ASIC companies in the Asia-Pacific region, and it also has a significant presence in other markets, worldwide. Headquartered in Taiwan, Faraday has service and support offices around the world, including the US, Japan, Europe, and China.

#### Substrate vendors

From the beginning of 2012 IDEX has been qualifying alternative substrate manufacturers with volume capabilities. Sensor prototypes based on substrates from a European polymer vendor were successfully completed. IDEX has now secured delivery of the first commercial batches of sensors in the second half of 2013. IDEX has initiated sensor substrates from a second source and is in partnership discussions with a third vendor. The Company is also conducting partnership discussions with major global vendors of passive substrate and assembly services.

#### **SINTEF**

The Company maintains key relationship with SINTEF, the largest independent research organization in Scandinavia. The basic fingerprint technology utilized in the SmartFinger<sup>®</sup> sensors was patented by SINTEF in 1997. IDEX retains an exclusive worldwide license to these patents relating to capacitive swipe sensors. The terms of the inbound license agreement include a fixed annual license fee as well as volume based royalties on sub-licenses and products delivered. The royalty payment is based on terms typical for the market.

SINTEF also contributes to IDEX's development projects, based on SINTEF's standard commercial terms.

## **IKENDI Software AG**

IDEX's embedded fingerprint solution has been developed in close collaboration with IKENDI and a cooperation agreement was entered into between the two companies in the second quarter of 2009. Subsequently, in the third quarter of 2009, IDEX signed an inbound licensing agreement with IKENDI, under which IDEX received a license to IKENDI's extraction and match software algorithms. IKENDI has 15 year old roots in research of digital image processing and artificial intelligence. IKENDI today has reached a leading position for embedded and PC BIOS solutions using fingerprint recognition.

### **4.10 Market, Outlook and Competitors**

#### **Market and Outlook**

The significant growth of ultra portable connected devices has created a market need for reliable and secure authentication. Internet based E-commerce applications and the need to secure valuable devices and data, have created an unmanageable level of PIN and passwords for the consumer. This is driving demand for a device that can provide reliable identification with low false acceptance and low false rejection, with user-friendly operation.

According to IDC<sup>6</sup>, the number of smart connected devices (including smartphones, laptops and tablets) will increase from 1.2 billion in 2012 to over 2 billion by 2016. It is expected that adoption of biometric sensors will be rapid in these devices following the introduction of a fingerprint sensor by Apple in their smartphone. Biometric systems based on fingerprint identification are expected to be the main technology used. This has been validated by a report by Microsoft in 2012 as the only reliable biometric for these applications. This report further underlined that capacitive readers would be the technology of choice. This is driven by the ability to meet demanding cost, size and performance levels.

The biometric market has basically two segments. The high-end market is application areas like border control, law enforcement and similar, but also building access systems and airline check-in and boarding, where large, expensive units equipped with area sensors are used, and a large share of the value is related to the back-end systems. In such systems, there are comparatively few sensors and the sensor component represents a small part of the system cost. The portable market consists of mass volume applications like computers, peripherals, mobile handsets and similar hardware, as well as access, ID and banking cards and tokens, where there are huge numbers of sensors, and each sensor is either a very small part of a large system, or the sensor is integrated in a personal device. IDEX serves this portable, mass volume market.

The market for fingerprint sensors in consumer devices is also expected to segment into two product types – swipe and touch sensors. Swipe sensors are now being adopted by smartphones due to availability of low cost solutions and the small footprint. These have been derived from volume deployments in the laptop market. An emerging demand for low cost touch sensors has been catalyzed by Apple's adoption of a small (5mm by 5mm) touch sensor in the iPhone 5S. The success in terms of user convenience has encouraged strong pull from other handset and portable device vendors. This has been further supported by Microsoft. The Average Selling Price (ASP) of swipe sensors in mass volumes is in the range of \$1-\$2 and is expected to reduce. This low cost point enables mass adoption. The ASP of touch sensors is currently in the region of >\$15 for ID terminals. Lower cost versions are being developed to compete with the Apple solution and it is expected that these will have a market price of \$5-\$8 in 2014. IDEX has competitive solutions for both swipe and touch sensors and has an aggressive cost reduction roadmap to enable widespread

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<sup>6</sup> Worldwide Smartphones 2013-2017 Forecast Update, IDC, September 2013; Worldwide and US Tablet 2013-2017 Forecast Update, IDC, September 2013.

application and to secure market share. This is underpinned by IDEX's two part sensor solution enabling lower cost than an all silicon ASIC based touch sensor.

#### PCs, mobile phones and other wireless devices

The market for fingerprint sensors has been growing rapidly in the past few years with laptop PCs currently being the main segment. Tier one companies such as Hewlett-Packard, Dell and Lenovo have all employed fingerprint sensors into various models.

There is currently a small share of mobile phones being equipped with a fingerprint sensor. This may change following Apple's acquisition of fingerprint technology, which is viewed as marking the definitive breakthrough for biometrics in consumer products. Apple has implemented a small touch sensor in the smartphone model iPhone 5S, and this has resulted in strong demand. There is reason to believe that other mobile phone, tablet and PC manufacturers will imitate Apple's implementation<sup>7</sup>. The first Android smartphones started shipping with low cost swipe sensors during the latter part of 2013 principally from second and third tier vendors. It is expected that tier one vendors will follow suit in 2014 and there is a strong trend towards small touch sensors similar to that implemented by Apple. These will be prevalent on the higher end flagship products. This requires a lower cost touch sensor solution than currently on the market. IDEX is developing a touch sensor that the Company believes will meet these requirements, whilst commercializing its lower cost, miniature swipe sensor for highly cost or size sensitive applications.

The main reason for adding fingerprint technology to smartphones, tablets and PCs is to enhance security of mobile and web transactions, which is expected to grow strongly. Juniper Research believes that mobile payments will amount to USD 1.3 trillion by 2017<sup>8</sup>. There is also increasing need to and interest in protection of data, mission critical company information, privacy and media content on various interconnected smart devices like smartphones, of which the annual sales in 2014 is expected to exceed 1 billion units<sup>9</sup>. New services in addition to payments are likely to compound the demand for security.

#### Financial services, payment and banking

With increasing incidences of fraud and identity thefts related to financial services, additional security is required in the financial sector ensuring safety of transactions. Identity theft is increasing every year, and the cost of identity fraud in the US alone totals more than USD 37 billion<sup>10</sup>. In addition to the prevalent PINs and passwords, banks are expected to implement use of biometrics integrated with the existing security layers.

Fingerprint sensors are expected to be found in physical and logical access control, bank-ID, point-of-sales terminals and Automated Teller Machines (ATM's). A highly secure solution is to integrate the fingerprint sensor chip directly onto a card. Such biometric powered cards offer a superior solution for identity verification. Incorporation of the SmartFinger technology into new generations of cards will be interoperable with the majority of infrastructure and identity verification applications.

The fingerprint system-on-card concept imposes strong demands of the fingerprint sensor solution in terms of thickness, material flexibility as well as cost. The patented dual-chip implementation of

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<sup>7</sup> Interim Report Fingerprints Cards, November 2012.

<sup>8</sup> Juniper Research, August 2012

<sup>9</sup> Reuters April 2012, <http://www.reuters.com/article/2012/04/12/us-smartphonemakers-research-creditsuiss-idUSBRE83B0LS20120412>

<sup>10</sup> Javelin Strategy & Research , February 2011

the SmartFinger sensors offers customization of materials, geometry and device packaging solutions required for such applications.

With the adoption of fingerprint biometrics in the larger governmental, health, financial and enterprise systems, new applications of small-sized, low-cost, high-quality fingerprint sensors are expected to emerge. These could include portable ID terminals for on-site authentication, personal biometric tokens and access control. With the reliability and quality of the SmartFinger technology, IDEX believes that the Company is a strong candidate to become a supplier in these emerging markets.

#### Geographical markets

IDEX's main focus is on biometrics for consumer applications. The markets for these is dominated by Far Eastern consumer electronics vendors particularly those supplying mobile devices based on the Android system e.g. Samsung, LG, Huawei etc. The industry leaders based in the US will also be a key market as they provide consumer infrastructure e.g. Microsoft, Google, Intel, PayPal etc., and also include large semiconductor component vendors e.g. Atmel, Cypress, Maxim etc.

Goode Intelligence published in 2013 a market analysis and forecasts for mobile phone biometric security<sup>11</sup>. According to this report there will be \$3.4 billion biometric users on mobile devices generating \$8.4 billion revenues by 2018.

#### **Factors that may impact IDEX's business**

Several commercial companies have exited the fingerprint industry, and those who are active in the consumer segment and possible mass markets have in the past reported little or no profit. IDEX takes for its basis that the market will change, and the new market segments outlined above will represent immense opportunities.

The main factor impacting IDEX's business will be the emergence and growth of the new market segments. As and when the business matures, IDEX and its competitors will face the conventional business factors related to production cost and availability and pricing of raw materials. IDEX is not aware of any such factor for which there is a basis to expect particular favourable or unfavourable future conditions.

IDEX's business relative to its competitors is dependent on the Company's ability to deliver products, to win market share, to retain competent staff and successfully defend its IP rights. IDEX does not have any basis for assuming any unusual relative change in these factors for IDEX or its competitors.

#### **Competitors**

There are only a few significant competitors offering fingerprint sensors to the consumer markets and applications. The main competition for IDEX is from companies offering fingerprint sensors for high-volume products. The most significant companies in this segment are Apple/AuthenTec, Inc.<sup>12</sup>, Fingerprint Cards AB<sup>13</sup> and Validity Sensors/Synaptics, Inc.<sup>14</sup>. These companies have mainly supplied to the laptop and PC peripherals market. The fingerprint structure is measured by injection and pick up of an electrical signal. Apple/AuthenTec and Fingerprint Cards rely on silicon chip technology, while Synaptics/Validity offers polymer-based fingerprint sensors. It is anticipated that

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<sup>11</sup> Mobile phone biometric security, Market analysis and forecasts, Goode Intelligence October 2013

<sup>12</sup> [www.authentec.com](http://www.authentec.com)

<sup>13</sup> [www.fingerprint.com](http://www.fingerprint.com)

<sup>14</sup> [www.validityinc.com](http://www.validityinc.com)

the major consumer electronic device players will require dual sources hence with the limited number of vendors, the market opportunity for IDEX is significant.

AuthenTec and Validity have shipped most of the total volume to the PC industry.

AuthenTec Inc. was a public company listed on the NASDAQ stock exchange. Apple Inc made a successful bid for AuthenTec in July 2012, and acquired the company in October 2012 for over \$350 million. Apple has developed and is implementing AuthenTec's technology in Apple products. It has been announced that AuthenTec will discontinue supplying components to others<sup>15</sup>.

Validity Sensors, Inc., a privately-held company, specializes in fingerprint authentication solutions. In 2008-2010 Validity gained larger market shares especially in the laptop markets. Validity's non-silicon sensor differs from most other swipe sensors. Validity has sold 30 million sensors to the PC industry, mainly to Hewlett-Packard. Validity has a two part sensor approach (chip on flex) that is similar to that utilised by IDEX. Validity was acquired by Synaptics Inc. in October 2013 for over \$250 million following a successful bid in September 2013. Synaptics is a leading supplier of capacitive touchscreen semiconductors and other sensing solutions to the mobile market and it is understood that the rationale was the expected rapid growth of the mobile market for fingerprint sensors and the convergence of touchscreen technology. Synaptics is a large, NASDAQ listed company and hence is expected to invest significant resources in this acquisition.

Fingerprint Cards AB develops, produces and markets biometric technology. The company has its head office in Gothenburg, Sweden and is listed on Nasdaq OMX Stockholm. The company provides low-cost silicon-based fingerprint sensors to the mass market mobile handset and laptop computer market. The company has been first to market with low cost swipe sensors for the mobile market and has announced several design wins and orders in the Far East market. The company has recently announced that it has developed a low cost touch sensor for the mobile market that it expects to be in volume later in 2014.

Egis Technologies Inc.<sup>16</sup> is headquartered in Taipei, Taiwan, with an office in Hangzhou, China. EgisTech is offering complete solutions containing its data security and biometric software suites. EgisTech has integrated sensors for Lenovo's K43 and E43 notebook series.

Sonavation<sup>17</sup> is a provider with a bespoke acoustic sensing principle.

Next Biometrics is new entrant with a thermal sensing principle.

IDEX has a strong advantage against its competition related to the Company's technology, IP and patent portfolio. IDEX owns or holds exclusive rights to an extensive portfolio of basic patents of early priority dates. The patents are required to realize high performance, small sized, low cost fingerprint sensors. The IP portfolio also includes key design features as well as hardware and software blocks. The SmartFinger sensor products offer several competitive advantages when it comes to biometric performance, design versatility and usability. These qualities are all related to product features enabled by IDEX's patents and other IP and know-how. In particular, IDEX's two part sensor enables low cost implementation such as Chip on Flex which leverages mass produced materials and capabilities and does not require exotic technology.

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<sup>15</sup> [http://appleinsider.com/articles/12/09/24/authentec\\_to\\_reportedly\\_ditch\\_non\\_apple\\_customers\\_in\\_2013](http://appleinsider.com/articles/12/09/24/authentec_to_reportedly_ditch_non_apple_customers_in_2013)

<sup>16</sup> <http://www.egistec.com/company/aboutegistec.html>

<sup>17</sup> <http://www.sonavation.com/>

IDEX's main competitors have made further progress in commercialization of their product as compared to IDEX. Both AuthenTec<sup>18</sup> and Validity<sup>19</sup> have shipped fingerprint sensors in volumes especially to the lap-top market. AuthenTec's future products will be captive to Apple internal market<sup>20</sup>. Fingerprint Cards has up to now mainly addressed commercial markets with their area sensor products, and has recently announced multiple design wins for mobile phones and has commenced volume shipments in late 2013 into this market<sup>21</sup>.

#### **4.11 Organisational Structure**

The IDEX Group comprises the parent company IDEX at Fornebu, Norway and the wholly-owned US subsidiaries IDEX Holding Company, Inc. and IDEX America Inc. IDEX America Inc. is owned indirectly through IDEX Holding Company, Inc. All IP and IPR are held by IDEX and, for this reason, IDEX is the entity in the IDEX Group entering commercial agreements. There are presently twenty-three employees in the Group. Most employees are employed by IDEX and situated at Fornebu, Norway, except for four that are employed by IDEX America Inc.

In September 2013, IDEX acquired certain assets and intellectual property of PicoField Technologies, Inc., a US company engaged in touch fingerprint sensor design and development tailored for consumer devices. Three PicoField employees have been employed by IDEX America Inc.

The employed staff is supplemented by contracted specialists and outsourced services. Presently, IDEX has four technical/scientific individual contractors that work full time or regularly as part of the development team, and additional technical experts are contracted as and when needed, who all form an integral part of IDEX's organization. Three independent sales representatives work on contracts.

In January 2014, IDEX established a Strategy Advisory Council with the mandate to advise the Company on market, technology and strategic trends in the rapidly developing mass market for fingerprint sensors.

#### **4.12 Property, Plant and Equipment**

The IDEX Group does not own any real estate property. IDEX rents general office premises at Martin Linges vei 25, NO-1364 Fornebu, Norway. The gross size (Norwegian: BTA) of the rented area is 680 square meters. The facilities are used for administrative, research and development, and sales and marketing functions.

IDEX America Inc. rents office facilities at Three Highwood Drive, Suite 102W, Highwood Office Park, Tewksbury, Massachusetts 01876, which consist of 3,285 square feet.

In December 2013, IDEX opened a representative sales office in Hong Kong. The Hong Kong sales office is a shared front-office service jointly with Global Era Limited. No assets are held in Hong Kong.

IDEX's tangible assets are located at Fornebu. The actively used assets are facilities upgrade investments, technical and office equipment.

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<sup>18</sup> <http://www.4-traders.com/AUTHENTEC-INC-54944/news/AuthenTec-Inc-New-Lenovo-ThinkPad-Laptops-Include-AuthenTec-s-Newest-Smart-Sensor-Chipset-Optimi-13963710/>

<sup>19</sup> <http://techcrunch.com/2012/10/18/validity-sensors-raising-20m-from-qualcomm-telesoft-to-bring-fingerprint-security-to-mobile-payments/>

<sup>20</sup> [http://appleinsider.com/articles/12/09/24/authentec\\_to\\_reportedly\\_ditch\\_non\\_apple\\_customers\\_in\\_2013](http://appleinsider.com/articles/12/09/24/authentec_to_reportedly_ditch_non_apple_customers_in_2013)

<sup>21</sup> <http://www.fingerprints.com/sitecore/content/Home/Press/Press%20releases.aspx?year=2012>

IDEX America Inc. acquired some tangible assets such as laboratory, IT and office equipment in the fourth quarter of 2013. Most of these assets are located at the Boston development centre.

The Group does not own or lease industrial manufacturing facilities or equipment. Manufacturing and related services are purchased from specialist contract manufacturing companies.

There are no significant property, plant or equipment items ordered at the date of this Prospectus. IDEX does not have any plans or obligations to make significant future investments in property, plant or equipment.

The Group's activities do not pollute the environment. All suppliers are well reputed companies. IDEX takes for its basis that its suppliers are operating in compliance with the applicable regulatory framework and paying due respect to the norms of the various stakeholders in their business. None of the processes in use by the suppliers are known to be of particular hazard to staff or the environment.

## **5 FOUNDER, BOARD OF DIRECTORS, MANAGEMENT AND EMPLOYEES**

### **5.1 Founders**

The founders of IDEX were ISM AS and Svein Mathiassen, who established IDEX on 24 July 1996.

### **5.2 Board of Directors and Management, Other Corporate Bodies**

#### **Board of directors**

The Company's articles of association provide that the number of directors shall be between three and seven members, as decided by the general meeting.

At the general meeting of shareholders, the board members are elected to serve for a term of two years from the time of election. There are presently five board members including the chairman. The chairman Morten Opstad and board members Frode Haugli, Hanne Høvding and Toril Nag were elected at the 2013 annual general meeting for a period of two years. At the 2012 annual general meeting, Jon Ola Frankplads was elected for a period of two years.

#### Morten Opstad, Chairman

Mr. Opstad has served as chairman of the board in IDEX since March 1997. Mr. Opstad is a partner and chairman of the board in Advokatfirma Ræder DA in Oslo. He has rendered legal assistance with respect to establishing and organising several technology and innovation companies within this line of business. His directorships over the last five years include current board positions in Thin Film Electronics ASA (chairman), Cxense AS (chairman), Glommen Eiendom AS (chairman), Chaos AS and K-Konsult AS; and a former directorship in Total Sports Online AS (chairman). Mr. Opstad has a legal degree (Cand.Jur.) from the University of Oslo from 1979. He was admitted to the Norwegian Bar Association in 1986. Mr. Opstad was born in 1953, is a Norwegian citizen and maintains a business address at Henrik Ibsens gate 100, P.O. Box 2944 Solli, NO 0230 Oslo, Norway.

#### Jon Ola Frankplads, Board Member

Mr. Frankplads has served on the board of IDEX since May 2010. Mr. Frankplads has a Master's degree in business administration. He is a self-employed person, providing executive and managerial services in the fields of marketing, finance, strategy, motivation and general management. Earlier, he has been general manager of a pharmaceutical company, a computer

company, a consulting company and venture capital company. Mr. Frankplads has experience from several early-stage companies. He is currently chairman of the following companies: Activ Invest AS, Elma AS, G&T. Septech AS and Odin Invest AS. Other board positions during the last five years: Current: Extraction Technologies Norway AS; Former: Teknolab AS (Chairman), Nordic Seafarms AS, Mercurus AS, Næringseiendom AS, Midtoddveien 14 AS and Finansinkasso AS. Mr. Frankplads was born in 1945, is a Norwegian citizen and maintains a business address at Bukkene Bruses vei 1, NO 1388 Borgen, Norway.

#### Frode Haugli, Board Member

Mr. Haugli has served on the board of IDEX since May 2013. Mr. Haugli works as professional board member and management consultant. He holds a Master's degree in business management from the Oslo Business School (Handelsakademiet) and has attended management studies at Henley Business School and the Solstrand programme of the Institute for Administrative Research (AFF) at the Norwegian School of Economics and Business Administration. In 2006-2010 he was CEO for Software Innovation AS (formerly ASA and publicly listed). Previously, Mr. Haugli worked for Hewlett-Packard where he was president for the Norwegian operations and also managed the Nordic, Benelux and Baltic business. Mr. Haugli is a board member of the following companies: Interplaza AS, Imatis AS, Bluegarden AS, Netledger AS, Offpiste AS (Chairman), Phonect AS, and Edorf Invest AS (Chairman). Former board positions, over the five years preceding the date of this Prospectus, include: Basefarm AS (Chairman), Digitalpenn AS (Chairman), Network Norway AS, Selmer Holding AS, Sysco AS, Elixia AS, Virke Trening (Chairman) and Snarøya Sportsklubb. Mr. Haugli was born in 1960, is a Norwegian citizen and maintains a business address at Skipperstien 9, 1367 Snarøya, Norway.

#### Hanne Høvding, Board Member

Ms. Høvding has served on the board of IDEX since December 2007. Ms. Høvding has a Bachelor's Degree from the Norwegian School of Management. In her professional career Ms. Høvding has held several management positions within personnel administration, finance, credit card administration and debt collection. She has served as chairman of the board of Cama Invest AS since 2005. Ms. Høvding was born in 1954, is a Norwegian citizen and maintains a business address at Grimelundsveien 3D, NO-0775 Oslo, Norway.

#### Toril Nag, Board Member

Ms. Nag has served on the board of IDEX since May 2013. Ms. Nag is executive vice president for the telecom business in Lyse Energi AS, an energy and telecom company. She holds a Master's degree (Honours degree) in Computer Science from University of Strathclyde and management training from Norwegian Business School BI. Ms. Nag has for about 15 years held various senior management positions in the technology and telecom industries, the financial industry and audit, inter alia Tandberg (now: Cisco), Telia, KPMG and Fokus Bank (now: Den Danske Bank). Ms. Nag was a board member in Tandberg Television ASA 2005-2007. Current board positions include: Hadeland og Ringerike Bredbånd AS, Lyse AS, Lyse Smart AS, Norsk Eiendomsinformasjon AS, Lyse Produksjon AS and Dolphin Group ASA. She is the chairman of Bergen Fiber AS, Lyse Kraft AS, Viken Fiber Holding AS, Lyse Fiber AS, Telekom Holding AS, Nor-Alarm AS, Altibox AS, Lyse IT AS and Viken Fiber AS. Ms. Nag was born in 1964, is a Norwegian citizen and maintains a business address at Gravarslia 55, 4327 Sandnes, Norway.

The composition of the Board is in compliance with the Oslo Axess terms of listing and the applicable independency requirements. The Board also meets the statutory gender requirements.

There are no family relationships among the Board members, management or key employees. It should be noted, however, that Ms. Preeti Mardia, the wife of Dr. Hemant Mardia, the Company's

CEO, as of 1 February 2014 will maintain a part time consulting agreement, whereby she will assist in the selection of, and negotiation, coordination and cooperation with, the Company's supply chain.

There is no arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which members of the Board or management was selected as a member of the administrative, management or supervisory bodies or member of senior management.

## **Management**

### **Hemant Mardia, Managing Director/CEO**

Dr. Mardia serves as Managing Director of the Company. He joined IDEX in March 2013 on a part-time basis and on a full-time basis from 1 August 2013. He became Managing Director/CEO as of May 2013. Dr. Mardia was President and founder of Axxcss Wireless Ltd., a subsidiary of the Moseley Wireless Group for the period from October 2012 to July 2013. Dr. Mardia was formerly CEO of Filtronic Plc, a London Stock Exchange listed business in the telecoms sector, for five years up to July 2013, and his career includes various management roles in telecoms, security and defense equipment companies. Dr. Mardia has a Ph.D in electronics. Dr. Mardia was born in 1961, is a British citizen and maintains a business address at Martin Linges vei 25, NO-1364 Fornebu, Norway.

### **Fred Benkley, Chief Technology Officer at IDEX America Inc.**

Mr. Benkley has served as Chief Technology Officer at IDEX America Inc. since September 2013. He has over 30 years of experience in the semiconductor technology industry ranging from startups to large corporations. Mr. Benkley founded Validity Sensors in 2002 where he developed and patented the world's first flex fingerprint sensor. Prior to Validity, Mr. Benkley founded and ran Metro Engineering, which developed industrial and consumer products under contract for a variety of OEM customers. From 1978 to 1991, Mr. Benkley designed Analog Devices for the Semiconductor industry. Mr. Benkley is credited for developing over a dozen patents and holds a B.S. in Electrical Engineering from Northeastern University. Mr. Benkley was born in 1957, is a United States citizen and maintains a business address at Three Highwood Drive, Suite 102W, Highwood Office Park, Tewksbury, Massachusetts, 01876, USA.

### **Ralph W. Bernstein, CTO**

Dr. Bernstein serves as chief technology officer (CTO) of the Company. Dr. Bernstein joined IDEX in 2006 as CTO. In 2008 he was appointed managing director/CEO of IDEX, while also maintaining the position as CTO. In May 2013, Dr. Bernstein ceased the role as Managing Director /CEO, but he has continued as CTO. He holds a Ph.D. in physical electronics – semiconductor physics from the Norwegian University of Science and Technology (NTNU). He has more than 15 years of experience as a senior scientist and research director within microsystems and nanotechnology at SINTEF. He also holds a part-time adjunct professor position in electronic devices and materials at NTNU. In the last five years, Dr. Bernstein was a board member of GasSecure AS from 2009 until 2012, and he served on the board of Nanoday AS from May 2009 until the company was dissolved in 2009. Dr. Bernstein was born in 1960, is a Norwegian citizen and maintains a business address at Martin Linges vei 25, NO 1364 Fornebu, Norway.

### **Thar Casey, President IDEX America Inc.**

Mr. Casey has served as President of IDEX America Inc. since September 2013. Recently, Mr. Casey served as the President and Chief Executive Officer at PicoField Technologies, Inc., the technology of which was acquired by IDEX in September of 2013. He is a veteran entrepreneur

with strong background in operations, finance and extensive experience in developing leading technology based companies from product concept to high volume manufacturing. He co-founded Insound Medical and served as its Chief Financial Officer and Vice President of Operations. The company was acquired by Sonova-Phonak in 2011 for a total of \$169 million. In addition, he co-founded Prenateck, a fetal heart rate monitor, serving as its Chief Executive Officer; founded Phantom IT Solutions also as Chief Executive officer and served as Vice President of Finance at the Monterey Bay Bank. He currently serves on the Board of Directors for PicoField Technologies, Inc. and STR. Mr. Casey holds a B.S. degree in Business Administration from California State University, Hayward. Mr. Casey was born in 1963, is a United States citizen and maintains a business address at 6200 Stoneridge Mall Road, Suite 300, Pleasanton, California, 94588, USA.

#### Lars Guntveit, Vice President Engineering

Mr. Guntveit currently serves as Vice President Engineering of the Company. He joined IDEX in 2012. Mr. Guntveit studied Electronic Computer Systems at the University of Salford in England. He has more than 26 years of experience in various technical and product management roles from several internationally oriented Norwegian companies like Tandberg ASA (now Cisco), Repant ASA, Alertis Medical ASA and Medistim ASA. While maintaining a relationship with IDEX ASA Lars Guntveit served as VP Regulatory Affairs in Medistim ASA from April through July 2013. Mr. Guntveit was born in 1964, is a Norwegian citizen and maintains a business address at Martin Linges vei 25, NO-1364 Fornebu, Norway.

#### Øyvind Sløgedal, Vice President Business Development

Mr. Sløgedal joined IDEX in 2006. He has held various technical and market related assignments in the Company. He has been driving technology innovation, product road-maps and developing solutions based on market requirements in cooperation with strategic international partners. Mr. Sløgedal has more than 15 years of industrial experience in product management, design, and consulting. He serves as chairman of Langeland Mølle AS and has formal roles in two dormant businesses. Mr. Sløgedal holds a MSc in Mechanical Engineering from Iowa State University, USA. Mr. Sløgedal was born in 1969, is a Norwegian citizen and maintains a business address at Martin Linges vei 25, NO 1364 Fornebu, Norway.

#### Erling Svela, Finance director/CFO

Mr. Svela served as IDEX's chief financial officer (CFO) as of the second quarter of 2008 on a part-time basis and he joined IDEX full time in May 2011. From 2006 until 2011 Mr. Svela was also on part-time basis the CFO of Thin Film Electronics ASA, which is listed on Oslo Axess. Mr. Svela holds an MSc. in Forest Economy and Management from the Norwegian University of Life Sciences (1985), an MBA from Henley Management College (1993) and he is a certified European financial analyst from the Norwegian School of Economics and Business Administration (2000). He has also completed the IFRS Academy by the Norwegian Institute of Public Accountants. Mr. Svela was born in 1958, is a Norwegian citizen and maintains a business address at Martin Linges vei 25, NO-1364 Fornebu, Norway.

#### Kristian Wiermyhr, Vice President of Strategy and Sales

Mr. Wiermyhr joined IDEX in August 2012 to support and advise the Company on strategic partner projects before taking the position as VP Strategy & Sales from 1 January 2013. He has over 20 years' experience in the financial sector in Norway and internationally. Mr. Wiermyhr has worked in trading, investments and investment banking. Mr Wiermyhr has served as a senior partner at

investment banks RS Platou Markets and ABG Sundal Collier. Mr. Wiermyhr was born in 1970 and is a Norwegian citizen and maintains a business address at Haldenveien 77, 1367 Snarøya, Norway.

### **Offences or other incidents**

None of the members of the Board or management have for the last five years been subject to convictions in relation to fraudulent offences or been involved in any bankruptcies, receiverships or liquidations. Neither of the members of the Board or management has been involved with any public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies), nor has any of them been disqualified by a court from acting as a member of the administrative management or supervisory body of a company or from acting in the management or conduct the affairs of a company for the last five years.

### **Board committees**

The Company does not have any other sub-committees to the Board. The full Board serves as the audit committee. Reference is made to Section 5.6 below.

### **Nomination committee**

The Annual General Meeting 2012 resolved to implement a nomination committee. The Articles of Association were amended to state that a nomination committee of three members including a chairman shall be elected by the Company's Annual General Meeting for a term of two years and work in accordance with guidelines resolved by the Annual General Meeting.

The nomination committee shall propose candidates for election to the Board, propose the remuneration to be paid to the Board members, propose candidates for election to the nomination committee, and propose the remuneration to be paid to the nomination committee members.

The members of the nomination committee are: Harald Voigt (chairman), Anders Berdal Lorentzen and Christian Rust Tveten. Messrs. Lorentzen and Tveten were elected by the 2012 Annual General Meeting for a period of two years. Mr. Voigt was elected by the 2013 Annual General Meeting for a period of two years.

## **5.3 Conflicts of Interest**

The chairman of the Board, Morten Opstad, is a partner in Advokatfirma Ræder DA, which in the past has rendered and currently renders legal services for IDEX. Mr. Opstad and the Board are attentive to the fact that this, arguably, could represent a potential conflict of interest and monitor the situation closely to ensure that no conflict of interest materializes. No commitment has been made by the Board in relation to the use of Advokatfirma Ræder DA for future legal services and the Board selects the Company's professional advisors with the Company's best interests as the overriding priority. The legal services rendered by Advokatfirma Ræder DA are to a large degree performed by other lawyers than Mr. Opstad. Mr. Opstad abstains from voting on any board matters concerning the Company's affiliation with Advokatfirma Ræder DA.

Lupum AS, which is a shareholder in IDEX and is controlled by Kristian Wiermyhr, provided services performed by Kristian Wiermyhr to the Company from 1 August 2012 until 30 June 2013. As of 1 July 2013 Mr. Wiermyhr has been employed in the Company as Vice President of Strategy and Sales, on arms-length terms for such position.

Other than the foregoing, there are no potential conflicts of interests between any duties of the Company and private interest or other duties of the members of the board or management.

## **5.4 Remuneration and Benefits to the Board of Directors and Management**

### **Board remuneration**

At the 2013 Annual General Meeting it was resolved that the chairman of the Board, Morten Opstad, should receive NOK 180 thousand while Jon Ola Frankplads, Hanne Høvding, Joan Frost Urstad (former Board member) and Harald Voigt (former Board member) should each receive a remuneration of NOK 140 thousand for serving as a Board member from the date of the 2012 Annual General Meeting until the date of the 2013 Annual General Meeting. The Board members had an opportunity to elect to receive all or part of the board remuneration in the form of shares. The chairman of the Board, Morten Opstad, and Joan Frost Urstad (now former Board member) and Hanne Høvding elected to receive the remuneration in shares. Harald Voigt elected to receive half the board remuneration in shares. Mr. Opstad acquired 119,940 shares in lieu of the cash board remuneration amounting to NOK 180,000, each of Ms. Høvding and Ms. Frost Urstad (former Board member) acquired 93,287 shares in lieu of the cash board remuneration amounting to NOK 140,000, and Mr. Voigt (former Board member) acquired 46,643 shares in lieu of half of the cash board remuneration amounting to NOK 70,000, for which they paid a subscription price of NOK 0.15 per share.

There is no remuneration to any board member from IDEX Holding Company Inc. or IDEX America Inc.

The accumulated number of issued and outstanding shares and subscription rights to Board members in the Company is presented in Section 5.7 of the Prospectus.

No Group company has granted any loans, guarantees or other commitments to any member of the Board and there are no unusual agreements regarding extraordinary bonuses or other compensation to any member of the Board.

Advokatfirma Ræder DA, in which Morten Opstad is a partner, is the Company's current legal counsel. In 2011, 2012 and 2013, IDEX expensed fees from Advokatfirma Ræder DA in the amount of NOK 2,061 thousand, NOK 2,425 thousand and NOK 3,101 thousand respectively (amounts excluding VAT). Remuneration to Mr. Opstad for his service as chairman has not been included in the foregoing amounts.

## Remuneration and benefits to management

The following remuneration was earned by the management in 2013:

Management remuneration NOK 1,000	Salary	Pension contribution	Share-based payment	Other remuneration	Total 2013
Hemant Mardia, CEO (1)	1 421	19	2 381	1	3 822
Fred Benkley, CTO IDEX America (2)	259	-	395	5	659
Ralph W. Bernstein, CTO	1 316	19	675	13	2 023
Thar Casey, President IDEX America (3)	337	-	395	5	737
Lars Guntveit, VP Engineering (4)	795	13	234	8	1 050
Erling Sveta, CFO	1 170	20	177	13	1 379
Øyvind Sløgedal, VP Business Development	846	16	389	13	1 264
Kristian Wiermyhr, VP Strategy and Sales (5)	760	9	167	486	1 422

Notes:

(1) Part-time 28 February-31 July 2013, full-time as of 1 August 2013

(2) As of 23 September 2013

(3) As of 23 September 2013

(4) 1 January-31 March 2013 and as of 1 August 2013

(5) Employed as of 1 July 2013. Other remuneration includes NOK 480k charges from Lupum AS 1 January-30 June 2013.

Salary and other benefits in the table above are the amounts declared for income tax purposes plus accrued but not paid cash incentives for 2013, while pension contribution and share based remuneration are the expensed amounts. All amounts are excluding payroll taxes. The mandatory service pension scheme is the same as for all employees in IDEX, but for Hemant Mardia, and is a fully insured defined contribution scheme. There is no pension contribution other than the contribution to the mandatory service pension scheme (Norwegian: obligatorisk tjenstepensjon). IDEX pays a contribution towards Dr. Mardia's personal UK-based plans, which contribution amounts to the same amount as the cost of him being a member of the Norwegian plans.

Employees in IDEX America Inc. have benefits including health plan, with a pension plan likely to be added in 2014. They have health insurance through United Health Care with a PPC plan. Employee medical insurance is covered at 100% and offers dependant coverage.

The pension schemes are fully insured defined contribution plans, and there are no other retirement or similar post-employment benefit obligations. Consequently, there are no pension plan-related assets or liabilities in the Group's balance sheet.

The accumulated number of outstanding subscription rights to members of management is presented in Section 5.7 below.

Dr. Mardia, the CEO, is entitled to a severance pay equal to his monthly salary in the event that the Company gives termination notice, during the notice period and for three months thereafter. Each of Mr. Casey and Mr. Benkley is entitled to a severance pay equal to their respective base salary for a minimum of six months following termination, if their employment is terminated by IDEX without cause. If terminated without cause during the initial two year-period of employment, each of Mr. Casey and Mr. Benkley is entitled to continuation of the base salary for the balance of the initial two year term.

Other than the foregoing none of the administrative, the other management or supervisory bodies', hereunder the Board members', service or employment contracts with IDEX provide for benefits or

severance payments upon termination of employment, except that the employment agreements contain conventional termination notice periods and except that IDEX may invoke non-competition clauses for employees in return for paying compensation during the non-competition period.

## 5.5 Employees and contractors

### Employees

As of the date of this Prospectus, there are 23 fulltime employees in the Group, of which 19 are employed by IDEX and four of which are employed by IDEX America Inc.

There are four employees in IDEX America Inc., three located in Boston, Massachusetts and one located in Silicon Valley, California. All other employees are employed by IDEX and located at Fornebu, Norway.

The average number of employees in the Group has been as follows:

Average number of employees	1 July -30 September 2013	1 July -30 September 2012	1 January -30 September 2013	1 January -30 September 2012	1 January -31 December 2012	1 January -31 December 2011	1 January -31 December 2010
Average number of employees in the period	12	14	10	14	13	11	9

IDEX practices equal opportunities in all aspects. The Board considers the equality as good as can be, and has not found reason to initiate any particular programme. IDEX offers flexible work hours to all employees, and several staff have been equipped with home/portable office equipment.

The working environment at IDEX is pleasant, stimulating and safe, and beneficial for all employees. The working environment complies with the relevant laws and regulations. No specific actions have been considered necessary. There have not been any injuries to the Company's employees at the place of work causing absence from work and no significant incidents involving the Company's assets have occurred. The sick leave has been less than 1-2 per cent in each year 2011-2013. There have not been any indications that any sick leave relates to the work or workplace.

### Contractors

The employed staff is supplemented by contracted specialists and outsourced services. Presently, IDEX has four technical/scientific individual contractors that work full time or regularly as part of the development team, and additional technical experts are contracted as and when needed. Three independent sales representatives work on contracts. The service agreements have fixed terms up to 6 months or conventional notice periods.

In January 2014, IDEX established a Strategy Advisory Council with the mandate to advise the Company on market, technology and strategic trends in the rapidly developing mass market for fingerprint sensors. The Strategy Advisory Council initially comprises Larry Ciaccia, former CEO of AuthenTec, Inc.; Dr. Ralph W. Bernstein, CTO of IDEX; Fred Benkley, CTO of IDEX America Inc.; and Dr. Hemant Mardia, CEO of IDEX. IDEX intends to attract further strategic industry leaders to the Strategy Advisory Council to provide broad market insight.

None of the Board members have any ongoing assignments beyond board duty and there are no future commitments for any such services.

Legal advice and services are provided by Advokatfirma Ræder DA, in which the chairman of the board, Morten Opstad, is a partner. The legal services rendered by Advokatfirma Ræder DA are to a large degree performed by other lawyers than Mr. Opstad.

Patent and IPR services are provided by Protector Intellectual Property Consultants AS, Oscars gate 20, NO-0352 Oslo, Norway.

Accounting transaction processing services are provided by PriceWaterhouseCoopersAccounting AS, Dronning Eufemias gate 8, N-0191 Oslo, Norway.

## **5.6 Board Practices and Corporate Governance, Nomination Committee**

### **Corporate Governance**

The Company's corporate governance practices were last updated on 23 April 2013 and is based on and complies with the Norwegian Code of Practice for Corporate Governance ("Code of Practice") dated 23 October 2012. The Code was not changed in 2013. The Code of Practice is a comply or explain guideline and the Board will state and explain any derivation by the Company from the recommended guidelines in the annual report. IDEX posts its corporate governance statement on its website and in the annual report.

At the date of this Prospectus, the Company does not comply with the following articles of the Code of Practice:

- Section 9 in the Code: The Company does not have sub-committees to the Board. With a compact Board of only five members, the Board has not determined a need for sub-committees to date. The full Board undertakes the tasks of the audit committee. The future need for any further sub-committee(s), is reviewed minimum annually in connection with the annual review of the Company's corporate governance practices;
- Section 11 in the Code: Subscription rights were in 2010 granted to individuals who serve on the Board.

For the number of shares and subscription rights held by the Board members, see Section 5.7 below.

### **Board sub-committees**

As stated above, the Board does not have any sub-committees.

### Audit committee

The full Board serves as the audit committee. The audit committee tasks include but are not limited to:

- Prepare the Board's follow-up on IDEX's financial reporting in terms of integrity of the reported result as well as the Company's ability to reliably predict and manage its business.
- Review the Company's organisation, procedures and systems for financial reporting, including transaction processing.
- Monitor and examine the internal control and risk management systems as well as the methods and outputs from the risk analyses.
- Ensure that policies and procedures for funds and other asset management are optimal.
- Ongoing contact with the auditor.

- Evaluate and monitor the auditor’s independence and that the management’s assignments to the auditor comply with the applicable policy.
- Prepare and draft the Board’s proposal for election of auditor by the General Meeting.
- Ensure that IDEX operates a functional whistleblower channel.

### **Compensation committee**

The full Board undertakes the tasks of a compensation committee. The management compensation policy is reviewed annually. The full Board determines the remuneration of the Managing Director and determines the overall salary framework. The remuneration of the Managing Director’s direct reports must be approved by the Chairman of the Board. The Board remuneration and the remuneration of the nomination committee is the responsibility of the nomination committee.

### **Nomination committee**

The nomination committee is elected by the annual general meeting, and has the following members: Harald Voigt (chairman), Andreas Berdal Lorentzen and Christian Rust Tveten. The nomination committee shall prepare and present proposals to the Annual General Meeting in respect of the following matters:

- Propose candidates for election to the Board
- Propose the remuneration to be paid to the Board members
- Propose candidates for election to the nomination committee
- Propose the remuneration to be paid to the nomination committee members

## **5.7 Shareholdings, Subscription Rights owned by members of the Board and Management**

The following table sets forth the number of shares and incentive subscription rights held or controlled by the members of the Board and management as of the date of this Prospectus (including shares and/or incentive subscription rights held or controlled by such persons’ close associates, as that term is defined in the Securities Trading Act):

<b>Names and positions</b>	<b>Number of shares</b>	<b>Number of incentive subscription rights</b>
<b>Board</b>		
Morten Opstad, Chairman	6 867 165	0
Jon Ola Frankplads, Board Member	3 792 382	0
Frode Haugli, Board Member	156 250	0
Hanne Høvdning, Board Member	197 693	26 532
Toril Nag, Board Member	0	0
<b>Management</b>		
Hemant Mardia, CEO	265 625	5 500 000
Fred Benkley, CTO of IDEX America Inc.	0	500 000
Ralph W. Bernstein, CTO	334 638	3 672 960
Thar Casey, President of IDEX America Inc.	0	500 000
Lars Guntveit, VP Engineering	65 191	762 500
Øyvind Sløgedal, VP of Business Development	3 333	2 138 336
Erling Svela, CFO	0	706 668
Kristian Wiermyhr, VP Strategy and Sales	3 762 235	3 000 000

## 5.8 Related Party Transactions

Morten Opstad, Chairman of the Board, is a partner in Advokatfirma Ræder DA, which serves as legal counsel to IDEX. The fees to Advokatfirma Ræder DA have been disclosed in the annual and interim financial reports referenced below. In 2013 the fees to Advokatfirma Ræder DA amounted to about NOK 3.6 million. Advokatfirma Ræder DA assisted IDEX in connection with the Private Placement, hereunder with preparation of this Prospectus. The charge has been estimated to about NOK 500 thousand.

Lupum AS, which is a shareholder in IDEX and is controlled by Kristian Wiermyhr, provided services conducted by Kristian Wiermyhr to the Company until 30 June 2013. As of 1 July 2013 Mr. Wiermyhr has been employed in the Company as Vice President of Strategy and Sales. For the first half of 2013, the fees to Lupum AS amounted to NOK 480 thousand. The board resolved on 30 August 2012 to grant 3,000,000 incentive subscription rights to Kristian Wiermyhr under IDEX's 2012 subscription rights plan as resolved at the Annual General Meeting on 15 May 2012. Fees paid to Lupum AS in 2012, and incentive subscription rights granted to Kristian Wiermyhr in 2012, are specified in the annual financial report for 2012 referenced below.

Hemant Mardia, IDEX's CEO, was retained as a consultant to IDEX in a part time (20 per cent) position from 28 February 2013. Mr. Mardia was formally appointed CEO of IDEX on 20 May 2013, and the employment agreement commenced on full-time as of 1 August, 2013. The Board resolved on 28 February 2013 to grant 1,000,000 SRs to Hemant Mardia, who subsequently became CEO and primary insider as of May 2013, under the Company's 2012 incentive subscription rights plan. The exercise price of the SRs was NOK 1.23 per share.

Robert N. Keith was granted 2,000,000 incentive subscription rights on 28 February 2013, under the Company's 2012 incentive subscription rights plan. The exercise price of the SRs was NOK 1.23 per share. The grant to Mr. Keith was related to a continuing service agreement under which he will assist the Company in strategic analysis and in dealing with larger, international, prospective partners. Mr. Keith receives no other remuneration for his services.

Frost Urstad Consult AS, which is controlled by former board member Joan Frost Urstad, charged IDEX NOK 71 thousand including expenses for services conducted by Joan Frost Urstad in the first quarter of 2012. The assignment was completed in the first quarter.

Charles Street Services Limited (CSSL) assisted IDEX in the book building and placement of shares in a private placement on 8 November 2012. CSSL received a commission on funds raised in the private placement where CSSL facilitated and procured such investment. The commission amounted to NOK 335 thousand.

The Board resolved on 22 April 2013 to carry out a private placement by book building. Primary insiders and related parties were allocated shares as follows: K-Konsult AS (controlled by Chairman Morten Opstad): 187,500 shares, Board member Jon Ola Frankplads: 80,000 shares, Edorf Invest AS (controlled by Board member Frode Haugli): 156,250 shares, Board member Hanne Høvdving: 31,250 shares, then Board member Joan Frost Urstad: 3,125 shares, CEO Hemant Mardia: 265,625 shares, Lupum AS (controlled by then adviser, now employee, Kristian Wiermyhr): 187,500 shares.

The number of shares and incentive subscription rights held by members of the Board and management are set out in Section 5.7 above.

There is a Marketing and Technical Development Agreement in place between IDEX and IDEX America Inc. Under this agreement, IDEX retains IDEX America Inc. as a marketing and research and development services provider in North America, where IDEX America Inc. will market and promote, but not sell, the IDEX brand, business, products and services in North America. In return for receiving such services, IDEX pays IDEX America Inc. an amount equal to IDEX America Inc.'s total operating costs connected to such services with no mark-up during the startup years. Related party transactions are specified in accordance with IFRS in the notes to the financial statements in Appendices 2, 3, 4 and 5 to this Prospectus, as follows: financial statements 2010 (Appendix 5), Note 14; financial statements 2011 (Appendix 4), Note 14; financial statements 2012 (Appendix 3), Note 14; and financial statements as at 30 September 2013 (unaudited) (Appendix 2), Note 8.

There are no other related party transactions than those described above.

## **6 OPERATING AND FINANCIAL INFORMATION**

The Group's operations and financial results and status have been presented in the annual reports for each year and in the quarterly interim reports. The financial statements for 2010, 2011 and 2012 are attached to this Prospectus as Appendices 5, 4 and 3 respectively. The financial statement (unaudited) for the third quarter of 2013 is attached as Appendix 2. The financial statements also show the Company's financial results separately.

Note: Unless otherwise expressly stated, all share volumes (hereunder number of independent subscription rights) and per share amounts in this Prospectus referring to dates or periods prior to 10 March 2010 have been restated to reflect the 3:1 share consolidation (reverse split) that was resolved by the Extraordinary General Meeting on 17 February 2010, and became effective on 10 March 2010. To the extent historical volumes of shares, warrants and independent subscription rights by reason of the said adjustment result in figures with decimals, such figures are rounded down to the nearest whole number of shares or subscription rights, as the case may be.

### **6.1 Financial reports and auditor's reports**

The parent company, IDEX ASA, was established in 1996. The IDEX Group was formed in January 2007 when IDEX established its US subsidiary group comprising IDEX Holding Company, Inc. with its subsidiary IDEX America, Inc. The US subsidiary group was dissolved on 30 November 2012. In September 2013 a new US subsidiary group was formed comprising IDEX Holding Company Inc. with its subsidiary IDEX America Inc. The financial situation of the Group has been presented in the annual reports since incorporation and, as of the interim report for the fourth quarter of 2003, also in the interim reports.

IDEX implemented IFRS as of the annual financial statements for 2005.

The audited IFRS consolidated financial statements for the Group and for the parent company for 2010, 2011 and 2012, including the auditor's opinions, and the unaudited IFRS interim report for the Group for the third quarter 2013 are enclosed herewith as Appendices 5, 4, 3 and 2 respectively. The information in this Prospectus is based on the financial statements according to IFRS.

The auditor's opinion for 2010 and 2012 were unqualified. The auditor's opinion for 2011 was unqualified, but included a matter of emphasis paragraph: "*Without qualifying our opinion in the paragraph above, we emphasize that the continued operation requires additional funding of the company. The company states in note 1 and 13 and in the report from the Board of Directors that the company will need additional financing during the first half of 2012. The financial statements*

*are prepared on the going concern basis and realization of assets and settlements of liabilities in course of normal business. There has been no provision or write downs for losses that may occur if this assumptions will not be present.”*

The interim report for the third quarter 2013 and the comparison information for the third quarter 2012 included in that report, have not been subject to audit or review by the Company’s auditor.

Ernst & Young AS has issued an Independent Assurance Report on the pro forma financial statements for the IDEX Group. The report is included as Appendix 6 to this Prospectus.

Ernst & Young AS has not audited, reviewed or produced any report on any other information provided in this Prospectus.

Between 30 September 2013 and the date of this Prospectus, there has not been any significant events which has any noticeable impact on the result in the period 1 January-30 September 2013 or the value of the Company’s assets and liabilities at 30 September 2013.

## **6.2 Historical financial information of the Group**

The Group operates in one business sector, fingerprint imaging and recognition technology. The parent and subsidiaries are managed as one unified entity. There are as yet no distinguishable business segments or geographical segments, and the Group has not implemented segment reporting under IFRS.

The full audited report from the board of directors and annual financial statements for each of the years 2010, 2011 and 2012 as well as the unaudited interim report for the third quarter 2013 are enclosed as Appendices 5, 4, 3 and 2 respectively to this Prospectus.

## Profit and loss statements

Condensed consolidated profit and loss statements NOK 1,000	1 July	1 July	1 January	1 January	1 January	1 January	1 January
	-30 September 2013 (unaudited)	-30 September 2012 (unaudited)	-30 September 2013 (unaudited)	-30 September 2012 (unaudited)	-31 December 2012 (audited)	-31 December 2011 (audited)	-31 December 2010 (audited)
Sales and services revenue		455	7	1 026	1 046	99	66
Other operating revenue	535	890	2 114	2 413	3 460	1 224	77
Payroll expenses	(11 347)	(4 356)	(24 893)	(14 706)	(17 778)	(17 696)	(13 739)
Research and development	(4 618)	(2 372)	(9 930)	(9 685)	(10 747)	(13 481)	(6 278)
Other operating expenses	(3 288)	(2 347)	(8 172)	(7 644)	(9 233)	(7 632)	(7 912)
Depreciation	(174)	(78)	(324)	(236)	(313)	(245)	(134)
Operating profit (loss), EBIT	(18 892)	(7 808)	(41 198)	(28 832)	(33 565)	(37 731)	(27 920)
Net financial items	(98)	32	1	141	200	376	(8)
Profit (loss) before income tax	(18 990)	(7 776)	(41 197)	(28 691)	(33 365)	(37 355)	(27 928)
Income tax expense	-	-	-	-	-	-	-
<b>Profit (loss) for the period</b>	<b>(18 990)</b>	<b>(7 776)</b>	<b>(41 197)</b>	<b>(28 691)</b>	<b>(33 365)</b>	<b>(37 355)</b>	<b>(27 928)</b>
Time-weighted basic number of shares	332 389 164	282 283 386	320 142 154	276 914 718	281 405 296	242 434 609	195 543 310
Profit (Loss) per share basic and diluted (kr,øre)	NOK (0.06)	NOK (0.03)	NOK (0.13)	NOK (0.10)	NOK (0.12)	NOK (0.15)	NOK (0.14)
Average number of employees in the period	13	14	10	14	13	11	9

The number of shares in 2010 have been adjusted as if the 3:1 consolidation (reverse split) of shares in the first quarter of 2010 took effect on 1 January 2010.

## Revenue

The Group has to date earned insignificant revenue from customers on its technology and IP or products and services. In the second half of 2012 IDEX earned revenue amounting to a total of NOK 1.0 million from a feasibility study commissioned and paid by a significant firm in the biometric industry. Half of the project was completed and earned in the third quarter of 2012. There was only negligible revenue from IP, products or services in the first three quarters of 2013.

Other operating revenue includes project-specific government research and development grants and similar grants that represent revenue and are not classified as cost reductions. In 2011-2012 IDEX received a Norwegian government grant under the VerdIKT programme amounting to NOK 1.2 million and NOK 2.0 million respectively. The amount was NOK 0.9 million in the first three quarters of 2013 (2012: NOK 1.7 million). The VerdIKT programme grant was depleted in the third quarter of 2013, when the amount was NOK 127 thousand (third quarter 2012: NOK 563 thousand). As of the second quarter of 2012 IDEX has earned grant under EU's EuroSTARS programme. The EuroSTARS grant amounted to NOK 1.5 million in 2012 and NOK 1.2 million in the first three quarters of 2013, of which NOK 408 thousand in the third quarter (three quarters 2012: NOK 0.7 million, third quarter 2012: NOK 324 thousand). Further EuroSTARS grants are earned in the fourth quarter of 2013 and will be earned in 2014, the combined amount being up to NOK 0.5 million of which NOK 0.4 million is planned in the fourth quarter of 2013. Other revenue in 2010 was related to sales of administrative and other services, and the amounts were insignificant also in 2011, 2012 and to date in 2013.

Revenue by geography NOK 1,000	1 July	1 July	1 January	1 January	1 January	1 January	1 January
	-30 September 2013 (unaudited)	-30 September 2012 (unaudited)	-30 September 2013 (unaudited)	-30 September 2012 (unaudited)	-31 December 2012 (audited)	-31 December 2011 (audited)	-31 December 2010 (audited)
Norway (including other revenue)	535	890	2 114	2 413	3 460	1 224	94
USA	-	454	-	1 001	1 001	50	49
Europe and other	-	1	7	25	45	49	-
<b>Total</b>	<b>535</b>	<b>1 345</b>	<b>2 121</b>	<b>3 439</b>	<b>4 506</b>	<b>1 323</b>	<b>143</b>

## **Operational expenses**

The operational expenses are shown by major categories in the table.

Payroll expenses include expenses for all employees whether in technical, research and development, sales and marketing, or administrative functions. The payroll expenses largely reflect the number of employees in each period, but the effect of share-based compensation is volatile and reduces the correlation. The Group operates share-based incentive schemes in the form of revolving incentive subscription rights plans resolved by the annual general meetings in the respective years. The notional cost of the share-based compensation plus the change in net present value of the employer's tax on the intrinsic value of the subscription rights at the balance sheet date, is included in payroll expenses. The notional cost varies because of grants and cancellations and over the vesting periods of each grant, and the calculated employer's tax debt varies with the share price. The mandatory service pension scheme (Norwegian: obligatorisk tjenestepensjon) is the same for all employees in IDEX and is a fully insured defined contribution scheme, which are expensed as incurred. The CEO receives a contribution to his UK scheme, corresponding to the cost if he had been included in the Norwegian scheme.

The payroll expenses were proportionally much higher in 2013 than in the preceding years, mainly because the share price increased sharply, from NOK 1 per share at the beginning of the year to NOK 2.83 at 30 June 2013 and NOK 5.36 at 30 September 2013, causing major cost accrual of calculated employer's tax. The payroll tax effect amounted to NOK 9.3 million in the first three quarters of 2013, of which NOK 5.9 million in the third quarter (first three quarters 2012 reversed cost NOK 0.3 million of which NOK 159 thousand in the third quarter).

Expenses related to research and development ("R&D") include external project costs for work and material purchased from various companies and institutions. Research costs have been expensed in accordance with IFRS. Development costs have also been expensed, because the activities have not satisfied the criteria for being added to the balance sheet as intangible assets. In the period covered by this Prospectus, the major part of the R&D expenses have related to development of the SmartFinger Film sensor technology and product. External costs of obtaining and maintaining patents as well as incurred license fees are also included in the R&D costs.

The R&D expenses are shown net of the Skattefunn grants from the Norwegian government. The gross R&D expenses amounted to NOK 7.4 million, NOK 14.7 million and NOK 11.8 million in 2010, 2011 and 2012 respectively. In the first three quarters of 2013, the gross R&D expenses were NOK 9.9 million and NOK 9.7 million in the corresponding period of 2012, while the third quarter gross R&D expenses in 2013 were NOK 4.6 million compared to NOK 2.4 million in the third quarter of 2012. The increase from 2010 to 2011, 2012 and into 2013 related mainly to production trials and pilot production runs and also the development of a new versions of IDEX's ASIC. In 2010-2011 and into 2012, activities were mainly related to a bendable version of the SmartFinger sensor for the payment/banking and ID cards markets. With the reinvigoration of the interest for fingerprint sensors for mobile devices in the third quarter of 2012, IDEX redirected and focused its activities towards serving that market, and spending was significantly stepped up.

Other operating expenses relate to facilities, sales and marketing activities and various administrative, financial and legal services. This cost line has had a varying composition. In 2010, the amount was NOK 7.9 million, and included significant costs related to the application for listing at Oslo Axess. In 2011, there were no listing costs, but other operating expenses remained at the same level, at NOK 7.6 million, and grew to NOK 9.3 million in 2012 because the sales and marketing activities were increased in both years. Other operating expenses amounted to NOK 8.2 million in the first three quarters of 2013 (three quarters of 2012: NOK 7.6 million), reflecting

further activity increase in sales and marketing. The third quarter isolated shows the same but more stronger pattern, for the same reason: other operating expenses in the third quarter 2012 was NOK 2.3 million and increased to NOK 3.3 million in the third quarter of 2013.

Depreciation has represented a comparatively small cost item in the profit and loss statements until 30 September 2013. Only moderate investments in laboratory equipment, IT and offices were made in 2010-2012. The total investments in the three years amounted to a total amount of NOK 0.9 million, which is minute compared to the operating costs in the period. On 23 September 2013, IDEX acquired assets and intellectual property rights from PicoField Technologies, Inc. in an amount of NOK 23.6 million, cf. Section 6.4 below. The investment was included in the balance sheet on the acquisition date, when depreciation commenced. The depreciation amounts to about NOK 1.2 million annually.

### **Financial items, tax**

The financial costs have been small or negligible in the period reported in this Prospectus. A convertible financial loan was converted to equity in the first quarter of 2010. The debt amounted to NOK 13.1 million at the time of conversion. IDEX has been funded solely on equity since the conversion was completed. The subsidiaries have been funded by the parent company. The net financial income in 2011 and 2012 mainly relates to net interest on cash held in bank. The net financial cost in 2013 mainly related to exchange losses on payables denominated in USD.

Because IDEX operates at a loss and has taxable loss carryforward, the Company has not incurred any tax cost or payable income taxes in 2010-2012 or the first three quarters of 2013. The subsidiaries have not incurred any income taxes.

### **Trend information since 30 September 2013 and until the date of this Prospectus**

The operating results until 2013 have mainly been driven by operating costs. Going forward, the results will be the net of revenue and costs.

Revenues will depend on IDEX's ability to attract partners who will implement IDEX's technology and components in their products – and those partners' products success in the ultimate end-user market. In addition to the market conditions at large, there are both technical, operational and commercial factors which are not unilaterally controlled by IDEX.

The Group had negligible product and technology-related customer revenues between 30 September 2013 and the date of this Prospectus.

Cost of goods sold will reflect the market situation and cost structures in the pertinent contract manufacturing industry, as well as IDEX's and its partners' negotiating position in terms of volume and success in implementation.

The Group had no cost of goods sold before 30 September 2013, and has not incurred any such costs between 30 September 2013 and the date of this Prospectus.

Operating costs will largely be determined by the configuration and size of the Group's operating structure. The Group expanded its staff by 6.4 employees and ongoing contractors (measured as full-time equivalents) during the third quarter 2013, and added another 7.3 by the date of this Prospectus. This entails a corresponding increase in payroll and other costs scaling with staff, and enables a higher activity level which entails increase of external costs.

The Group works to establish a broad ecosystem of partners, where no one partner is of definitive importance for progressing IDEX's product roadmap. There is as yet no exclusive partnership arrangements and IDEX seeks minimum two sourcing solutions and multi-channel marketing strategy. Fingerprint sensor components is an emerging industry where the structures may change as the products and the channels mature and new regulations may fundamentally change the market. At the date of this Prospectus there are no known, likely or anticipated changes which are suited to affect the business materially.

Other than outlined in the foregoing, there are no governmental, economic, fiscal, monetary or political policies or factors that have materially affected, or is expected to materially affect, the Group's operations or financial results.

## Balance sheets

Condensed consolidated balance sheets NOK 1,000	30 September 2013 (unaudited)	30 September 2012 (unaudited)	31 December 2012 (audited)	31 December 2011 (audited)	31 December 2010 (audited)
<b>ASSETS</b>					
<u>Non-current assets</u>					
Property, plant and equipment	465	703	626	939	632
Intangible assets	23 499				
Other long-term receivables	439	325	332	325	319
Total long-term assets	24 403	1 028	958	1 264	951
<u>Current assets</u>					
Trade and other receivables	3 232	2 754	4 244	3 523	1 922
Cash and bank deposits	60 483	5 683	19 833	21 462	12 649
Total current assets	63 715	8 437	24 077	24 985	14 571
<b>TOTAL ASSETS</b>	<b>88 118</b>	<b>9 465</b>	<b>25 035</b>	<b>26 249</b>	<b>15 522</b>
<b>EQUITY AND LIABILITIES</b>					
<u>Equity</u>					
Share capital	51 287	42 343	46 422	40 794	32 240
Share premium reserve	166 119	71 625	86 292	63 429	29 274
Other paid-in capital	16 809	11 098	11 235	7 409	3 000
Other equity	(166 828)	(120 958)	(125 631)	(92 266)	(54 911)
Total equity	67 387	4 108	18 318	19 366	9 603
<u>Current liabilities</u>					
Trade and other payables	11 375	5 357	6 685	6 549	5 485
Employer's tax on share incentives	9 356	-	32	334	434
Total liabilities	20 731	5 357	6 717	6 883	5 919
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>88 118</b>	<b>9 465</b>	<b>25 035</b>	<b>26 249</b>	<b>15 522</b>

Until the third quarter of 2013, the assets were essentially comprised of cash, receivables and prepayments and a smaller amount of tangible fixed assets. There are no contingent assets in the balance sheet. In the third quarter of 2013, IDEX acquired intangible assets from PicoField Technologies, Inc. in an amount of NOK 23.6 million. This acquisition is included in the balance sheet as at 30 September 2013.

The equity and liabilities are comprised of shareholders' equity and trade and other short-term payables and accruals. There are no contingent liabilities in the balance sheet.

The only intangible assets, including goodwill, in the Group's balance sheet were added when IDEX acquired assets from PicoField Technologies, Inc. Goodwill amounted to NOK 8.3 million. The identifiable assets are depreciated over estimated economic useful life, until the end of 2030, and 3 years for the customer files and relationships. Under IFRS goodwill is not depreciated but impairment tested at each year end. Goodwill is depreciated for tax purposes. Development costs, the patent portfolio costs and other intellectual property costs have been expensed, because the activities have not satisfied the criteria for being added to the balance sheet as intangible assets. A possible deferred tax asset from Norwegian tax loss carryforwards has not been recognized because

there is no satisfactory evidence for recognising the asset under IFRS. The tax loss carryforward amounted to NOK 316.0 million at the end of 2012.

The tangible assets are primarily office upgrades and laboratory, IT and office equipment, which depreciate over 3-5 years. The long-term receivables are leasehold deposits in escrow accounts.

Trade and other receivables are for a large part made up by the receivable from Skattefunn, which is earned in the year when the activities are carried out but payment is received in the fourth quarter of the following year. Various prepayments and VAT receivable are also included on this line.

The cash position is commented in the section Cash flow statements below.

The ongoing losses in the years reported in this Prospectus have been charged to equity. Equity has been replenished by share issues in each of the years reported in this Prospectus. The notional equity injection from share-based remuneration (incentive subscription rights to employees) has been added to equity. The changes in equity are further commented upon in the section Changes in equity below. The net Group equity as well as IDEX's equity amounted to less than half the share capital at year ends of 2010, 2011 and 2012. On 30 September 2013, the equity amounted to 131 per cent of the share capital. Additional equity was raised in the Private Placement.

Trade and other payables also include personnel-related and other expense accruals. The amount of employer's tax on share incentives is the net present value of possible future amounts, which will be payable upon exercise – and partly or fully funded by the exercise amount being paid in.

### Trend information since 30 September 2013 and until the date of this Prospectus

The Group had negligible customer receivables on 30 September 2013, and has only negligible customer receivables at the date of this Prospectus.

The Group did not hold inventory on 30 September 2013, and does not hold any inventory at the date of this Prospectus.

### Cash flow statements

Condensed consolidated cash flow statements NOK 1,000	1 July -30 September 2013 (unaudited)	1 July -30 September 2012 (unaudited)	1 January -30 September 2013 (unaudited)	1 January -30 September 2012 (unaudited)	1 January -31 December 2012 (audited)	1 January -31 December 2011 (audited)	1 January -31 December 2010 (audited)
<b>CASH FLOWS FROM OPERATIONS</b>							
Cash generated (consumed) by operations incl working capital	(6 792)	(6 375)	(20 499)	(25 673)	(30 321)	(33 685)	(22 993)
Interest paid	(1)	-	(1)	-	-	-	(174)
Net cash from (used on) operating activities	(6 793)	(6 375)	(20 500)	(25 673)	(30 321)	(33 685)	(23 167)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Purchase of property, plant and equipment	(23 662)	-	(23 662)	-	-	(552)	(357)
Change in long-term receivables	(107)	-	(107)	-	(7)	(7)	(6)
Interest received	113	30	227	150	208	348	221
Net cash from (used on) investment activities	(23 656)	30	(23 542)	150	201	(211)	(142)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
Net proceeds from share issue(s)	54 361	(19)	84 692	9 744	28 491	42 709	30 672
Net cash from financing	54 361	(19)	84 692	9 744	28 491	42 709	30 672
Net change in cash and bank	23 912	(6 364)	40 650	(15 779)	(1 629)	8 813	7 363
Cash and bank deposits at the beginning of the period	36 571	12 047	19 833	21 462	21 462	12 649	5 286
<b>CASH AND BANK DEPOSITS AT END OF THE PERIOD</b>	<b>60 483</b>	<b>5 683</b>	<b>60 483</b>	<b>5 683</b>	<b>19 833</b>	<b>21 462</b>	<b>12 649</b>

The Group does not have any bank overdraft facilities or credit lines.

The operational cash flows have been negative because revenue has been small and inadequate to cover the cash operating expenses. The operational cash outflow equals the operating loss adjusted by working capital changes and the non-cash notional cost of share-based remuneration.

The cash interest payment in 2010 relates to the financial debt, and differ from the reported interest expense because of the convertible feature of the debt. For profit/loss accounting purposes, IDEX has according to IFRS applied a higher, notional interest cost reflecting an assumed market rate for funding. The loan was settled by conversion to shares in 2010.

Investments in 2010-2012 were small compared to the operational costs in the period. Investments in assets included upgrade of leasehold facilities and office furniture, laboratory equipment, IT and office equipment. Virtually the full investment amount in the third quarter of 2013 was in assets acquired from PicoField Technologies, Inc., see Section 6.4 below.

The investments in long-term receivables are long-term deposits for rent. Interest received relates to bank deposits and varies with the liquidity and prevailing interest rates.

Major shareholders have been consistently supportive over the years, and IDEX has obtained new equity and liquidity from the shareholders. Several share issues have been conducted in the period covered by this Prospectus, by several private placements to new and existing shareholders, as well as employees. IDEX completed private placements in 2010, 2011, 2012 and also in the second and third quarters of 2013.

## Changes in equity

Condensed consolidated statements of chgs in equity NOK 1000	Share capital	Share premium	Other paid-in capital	Retained earnings (uncovered loss)	Total equity
Balance at 1 January 2013	46 422	86 292	11 235	(125 631)	18 318
Share issues	4 865	79 827			84 692
Share based remuneration			5 574		5 574
Comprehensive income (loss) 1 January-30 September 2013				(41 197)	(41 197)
<b>Balance at 30 September 2013 (unaudited)</b>	<b>51 287</b>	<b>166 119</b>	<b>16 809</b>	<b>(166 828)</b>	<b>67 387</b>
Balance at 1 January 2012	40 794	63 429	7 409	(92 266)	19 366
Share issues	1 548	8 196			9 744
Share based remuneration			3 689		3 689
Comprehensive income (loss) 1 January-30 September 2012				(28 691)	(28 691)
<b>Balance at 30 September 2012 (unaudited)</b>	<b>42 342</b>	<b>71 625</b>	<b>11 098</b>	<b>(120 957)</b>	<b>4 108</b>
Balance at 1 January 2012	40 794	63 429	7 409	(92 266)	19 366
Share issues	5 628	22 863			28 491
Share based remuneration			3 826		3 826
Comprehensive income (loss)				(33 365)	(33 365)
<b>Balance at 31 December 2012 (audited)</b>	<b>46 422</b>	<b>86 292</b>	<b>11 235</b>	<b>(125 631)</b>	<b>18 318</b>
Balance at 1 January 2011	32 240	29 274	3 000	(54 911)	9 603
Share issues	8 554	34 155			42 709
Share based remuneration			4 409		4 409
Comprehensive income (loss)				(37 355)	(37 355)
<b>Balance at 31 December 2011 (audited)</b>	<b>40 794</b>	<b>63 429</b>	<b>7 409</b>	<b>(92 266)</b>	<b>19 366</b>
Balance at 1 January 2010	17 712	-	-	(25 903)	(8 191)
Share issues	11 246	19 426			30 672
Debt converted to shares	3 282	9 848		(1 080)	12 050
Share based remuneration			3 000		3 000
Comprehensive income (loss)				(27 928)	(27 928)
<b>Balance at 31 December 2010 (audited)</b>	<b>32 240</b>	<b>29 274</b>	<b>75 3 000</b>	<b>(54 911)</b>	<b>9 603</b>

The ongoing losses in the years reported in this Prospectus have been charged to equity. Equity has been replenished by share issues in each of the years covered by this Prospectus. The equity of the Company was less than half of the share capital at year ends of 2010, 2011 and 2012. On 30 September 2013, the equity amounted to 131 per cent of the share capital. Additional equity was raised in the Private Placement, conf. Section 10.2 below.

The notional injection of equity from share-based remuneration (subscription rights to employees) and the convertible debt have been added to equity. These additions are, however, largely off-set because substantially equal amounts have been charged as a cost.

On 30 September 2013, there were 341,914,397 shares outstanding. At the same date, there were also 28,469,653 incentive subscription rights outstanding.

IDEX has granted incentive subscription rights to employees, contractors and board members. The grants to board members (in 2008 and 2010) have been made by the general meeting in lieu of cash board remuneration. The weighted average exercise price of outstanding incentive subscription rights on 30 September was NOK 1.56 per share.

When subscription rights are exercised, the exercise is accounted for as a share issue at the exercise price. The payable employer's tax incurred upon exercise is in principle off-set by reversal of an accrual made on the value of the subscription rights. No subscription rights were exercised in 2010-2012. In the first three quarters of 2013, 1,265,000 subscription rights were exercised, adding NOK 1.4 million to equity.

In the fourth quarter of 2013, 2,793,335 subscription rights were exercised, adding NOK 3.1 million to equity. No subscription rights have been exercised between 31 December 2013 and the date of this Prospectus.

### **6.3 Investments**

The Group has no financial investments or off-balance sheet assets. Cash is held in bank. There are no plans for making any significant financial investments or obtaining off-balance sheet assets.

The subsidiaries have been funded by the Company. There are no significant actual or contingent assets or liabilities in the subsidiaries. IDEX does not plan establishing significant new subsidiaries. New subsidiaries, if any, will be sales representative offices which entail minimal investments.

Due to its credit rating, IDEX has had to make certain deposits and prepayments. All such items are held in the balance sheet in accordance with the nature of each item. The long-term amounts have been about NOK 0.3 million and the short-term amounts have been in a magnitude of about NOK 0.5 million. There is a negligible credit risk on these items.

The total investments in fixed assets have been small compared to the operational costs and amount to a total sum of NOK 0.9 million in the period from 2010 through 2012, of which NOK 0.3 million was invested in upgrade of leasehold facilities and office furniture in 2009-2010. The other tangible assets acquired prior to 2013 are laboratory, IT and office equipment.

Investments in the first three quarters of 2013 amounted to NOK 0.1 million in instruments and computers, and NOK 23.6 million in assets acquired from PicoField Technologies, Inc. Both investments were made in the third quarter of 2013. See Section 6.4 below.

No significant investments have been made in facilities at the sales offices in Silicon Valley and Hong Kong or the Boston development centre, which were all opened in the fourth quarter of 2013. Investments in tangible assets such as laboratory, IT and office equipment at these sites amounted to about NOK 0.7 million in the fourth quarter of 2013.

## **6.4 Principal historical investments**

### **Research and development 2010-2013**

Research and development (“R&D”) activities may be viewed as investments, albeit the costs have been expensed under IFRS.

The reported R&D expenses include external project costs for work and material purchased from various companies and institutions, as well as the external costs of obtaining and maintaining patents as well as incurred license fees. The payroll cost of R&D staff is included in payroll, and any capitalisation reported as a credit on a separate line. As stated above, no such capitalisation has been made to date.

In the period covered by this Prospectus, the major part of the R&D expenses have related to development of the SmartFinger Film sensor technology and product. Furthermore, productisation activities, production trials and pilot production runs and also the development of a new version of IDEX’s ASIC have been undertaken in the period. Costs of obtaining and maintaining patents as well as incurred license fees are also included in the R&D costs. The R&D expenses are shown net of the Skattefunn grants from the Norwegian government.

In 2010-2011 and into 2012, activities were mainly related to a bendable version of the SmartFinger sensor for the payment/banking and ID cards markets. With the reinvigoration of the interest for fingerprint sensors for mobile devices in the third quarter of 2012, IDEX redirected and focused its activities towards serving that market, and spending was significantly stepped up.

The gross R&D expenses amounted to NOK 7.4 million, NOK 14.7 million and NOK 11.8 million in 2010, 2011 and 2012 respectively. In the first three quarters of 2013, the gross R&D expenses were NOK 9.9 million, of which NOK 4.6 million were spent in the third quarter.

In addition to the direct external R&D costs, the payroll costs related to R&D amounted to about NOK 3.3 million in 2010, NOK 10.5 million in 2011 and NOK 9,5 million in 2012. In 2013, the R&D-related payroll amount in the first three quarters was about NOK 17.2 million, of which NOK 7.6 million in the third quarter.

### **Acquisition of PicoField assets, 2013**

IDEX acquired assets and intellectual property rights from PicoField on 23 September 2013. The Group, by its subsidiary IDEX America Inc. also employed three employees from PicoField as of 23 September 2013. In connection with the employment, IDEX granted incentive subscription rights to the three new employees. For the avoidance of doubt, IDEX did not acquire the shares of PicoField, which remains a privately held company in California, USA.

PicoField possessed a patent and pending patent applications as well as other intellectual property relating to touch sensors. By acquiring the intellectual property from PicoField and employing three respected industry executives from PicoField, IDEX strongly enhanced its ongoing touch sensor programme. The addition of PicoField’s intellectual property rights, which are complimentary to IDEX’s current intellectual property rights, also expands the field of IDEX’s patent protection, which is of critical importance to OEM customers.

This investment was included in the balance sheet as at 30 September 2013.

The purchase amount, USD 4.0 million, corresponding to NOK 23.6 million at a rate of NOK 5.90 per USD, has been allocated to identifiable assets and goodwill as follows:

Amounts in NOK 1,000	Fair value recognised on acquisition
<b>Identifiable assets</b>	
Patent and pending applications	14 160
Customer and supplier files and relationships	1 180
Total identifiable assets	15 340
Goodwill arising from the acquisition	8 260
Total purchase price	23 600
<b>Payments</b>	
Cash amount paid	20 650
Cash amounts payable when milestones have been completed	2 950
Total cash payment	23 600

Additional amounts up to a combined total of USD 0.5 million will be expensed and paid subject to certain project deliveries being made.

The identifiable assets are depreciated over estimated economic useful life, viz. the lifetime of the patent(s), until the end of 2030, and 3 years for the customer files and relationships. The goodwill is primarily attributed to the expected benefit from the IP and know-how arriving with the identifiable assets and the employees. Under IFRS goodwill is not depreciated but impairment tested at each year end. Goodwill is depreciated for tax purposes.

## 6.5 Principal investments in progress

There are no significant fixed assets ordered at the date of this Prospectus. The Group does not have any plans or obligations to make significant future investments in tangible or intangible assets, or financial assets.

The research and development activities are ongoing and continuing. IDEX's current IP is undergoing productisation and industrialisation for mass volume manufacturing. In addition, IDEX is pursuing its technology and product roadmap by activities conducted by IDEX, IDEX America Inc., production partners and various technical and academic laboratories and institutions. The costs of R&D investments in progress are currently expensed under IFRS.

The current programmes are committed only insofar as the staff has been employed and hired and external assignments are normally for shorter periods than 12 months and included in the Group's budget.

IDEX funds the ongoing research and development activities from its own sources, supplemented by, but not dependent on, government grants if and when obtained. The Group has adequate funding for its planned activities, as stated in Section 9.1.

## 6.6 Future investments

The Group does not plan or anticipate any material future investments in tangible or intangible assets, or financial assets.

With the growth of the organisation and technical development, there will be needs for additional tangible assets such as laboratory, IT and office equipment, as well as replacement of equipment that reach end of economic life. These investments are expected to be in the magnitude of less than NOK 3 million per year.

Working capital in the form of inventory and receivables will be partly funded by supplier credit, but is likely to represent a significant application of funds when deliveries commence and business volume grows. While gross margin from the sales of fingerprint sensors in 2014 is expected to be positive, the net cash flow from gross margin less associated working capital is assumed to represent a net negative cashflow of more than NOK 20 million in 2014.

The future research and development activities to progress the technology and product roadmap will be conducted by IDEX, IDEX America Inc., production partners and various technical and academic laboratories and institutions. The costs of future R&D investments will be expensed or capitalised at the time as appropriate under IFRS.

The future programmes are committed only insofar as the staff has been employed and hired and external assignments are normally for shorter periods than 12 months and included in the Group's budget.

IDEX intends to fund the future research and development activities from its own sources, supplemented by, but not dependent on, government grants if and when obtained. The Group has adequate funding for its planned activities beyond 12 months from the date of this Prospectus, and takes for its basis that it will be able to fund the activities in the periods following the planning period, i.e. 2016 and onwards, by profits, debt or equity as appropriate at that time.

## **6.7 Pro forma financial information**

### **Purpose of the pro forma financial information**

The unaudited pro forma condensed financial information has been prepared for illustrative purposes only.

IDEX acquired assets and intellectual property rights from PicoField on 23 September 2013. The Group, by its subsidiary IDEX America Inc. also employed three employees from PicoField as of 23 September 2013. In connection with the employment, IDEX granted incentive subscription rights to the three new employees. The Acquisition is presented in Section 6.4 above.

The pro forma financial information is based on IDEX's assumptions and adjustments made solely to illustrate what the financial results of the IDEX Group might have been had the Acquisition taken place at the commencement of each of the pro forma periods being reported.

The unaudited condensed pro forma financial information should be read in conjunction with the audited annual financial statements for 2012 for the IDEX Group and the unaudited interim report for the third quarter 2013 for the Group (included in this Prospectus as Appendices 3 and 2). The unaudited pro forma condensed financial information addresses a hypothetical situation, and therefore, does not represent the Group's actual financial results as it would have been had the Acquisition taken place at an earlier date, and is not representative of the results of operations for any future periods. There is greater uncertainty attached to the unaudited pro forma financial information than ordinary historical accounting information. Investors are cautioned against placing undue confidence on this unaudited pro forma condensed consolidated financial information.

The unaudited pro forma financial statements show how the Acquisition might have affected the IDEX Group's profit and loss statement for 2012 if the Acquisition had taken place on 1 January 2012 and for the nine months period to 30 September 2013 if the Acquisition had taken place on 1 January 2013.

The Acquisition was fully recognised in the Group's unaudited interim condensed consolidated balance sheet as at 30 September 2013. Consequently, pro forma balance sheets are not presented.

In the Private Placement, IDEX issued 60,000,000 new shares and received gross proceeds amounting to NOK 300.0 million. The Private Placement is not related to the Acquisition and is therefore not reflected in the pro forma financial information. The Private Placement is described in Section 10.2.

The unaudited pro forma condensed financial information has been compiled in connection with the listing of the New Shares on Oslo Axess to comply with the Securities Trading Act and the applicable EU-regulations including EU Regulation No 809/2004 pursuant to section 7-7 of the Securities Trading Act. This unaudited pro forma condensed financial information is not in compliance with SEC Regulation S-X, and had the securities been registered under the U.S. Securities Act of 1933, the unaudited pro forma financial information and the report from the auditor would have been amended and/or removed from the Prospectus.

#### **Sources of pro forma financial information – historical financial information**

The unaudited pro forma condensed financial information is based on (1) the audited annual financial statements for 2012 for the IDEX Group and the unaudited interim report for the third quarter 2013 for the Group; and (2) the unaudited management accounts for 2012 for PicoField and unaudited management accounts for the period ended on 30 September 2013 for PicoField.

The reports from the IDEX Group have been published to the market, while PicoField's financial reports are unpublished because it is a privately held company in the USA. The unaudited and unpublished information about PicoField has been obtained from PicoField's management accounts. PicoField's management accounts have not been included as Appendices to this prospectus.

#### **Pro forma accounting principles**

The accounting principles applied for the unaudited pro forma condensed financial information are in accordance with those accounting principles stated in the Group's annual financial statements for 2012. The Company and the Group's accounting principles are in accordance with International Financial Reporting Standards (IFRS) as approved by IASB and adopted by the EU.

The unaudited pro forma condensed financial information does not include all information required for financial statements under IFRS, and should be read in conjunction with the historical information for the IDEX Group.

Ernst & Young AS issued on 4 February 2014 an Independent Assurance Report on the pro forma financial information. The report is included as Appendix 6 to this Prospectus.

### Capitalisation and depreciation of the purchased assets

The purchase amount was USD 4.0 million, of which USD 3.5 million was paid immediately and the remainder was deferred by about four months. The assets comprised one granted patent and several pending patent applications, valued at USD 2.4 million, and customer files etc. valued at USD 0.2 million, and goodwill amounting to USD 1.4 million. The USD amounts are converted to NOK at the rate at the respective actual and pro forma acquisition dates. The rate applied at the actual acquisition was NOK 5.90 per USD.

Depreciation of patents and patent applications is straight line over the useful life of the patents, i.e. 207 months. Depreciation of customer files etc. is straight line over the useful life, i.e. 36 months. Depreciation commences at the respective actual and pro forma acquisition dates.

Goodwill is not depreciated, but shall be impairment tested at each year end. There is no basis for assuming any pro forma impairment charges to intangible assets or goodwill.

### GAAP harmonization

The revenue and cost items in the PicoField statements are reported according to PicoField's application of US GAAP. No items have been identified, which items have been included under US GAAP that should have been recorded at different amounts or classified differently under IFRS. No events have been identified, which events have not been recorded under US GAAP which should have been recorded under IFRS.

### Unaudited pro forma condensed profit and loss statements

*Unaudited pro forma condensed profit and loss statement for 2012*

Condensed unaudited PRO FORMA profit and loss statements NOK 1,000	1 January-31 December 2012					Pro forma IFRS combined activities (unaudited)
	IDEX Group (audited)	PicoField activities (unaudited)	Adjustments to IFRS (unaudited)	Pro forma adjustments (unaudited)	Note	
Sales and services revenue	1 046					1 046
Other operating revenue	3 460					3 460
Payroll expenses	(17 778)	(2 939)		(868)	a	(21 585)
Research and development expenses	(10 747)	(294)		(2 910)	b	(13 951)
Other operating expenses	(9 233)	(142)				(9 375)
Depreciation	(313)			(1 210)	c	(1 523)
Operating profit (loss), EBIT	(33 565)	(3 375)	-	(4 988)		(41 928)
Net financial items	200			75	d	275
Profit (loss) before income tax	(33 365)	(3 375)	-	(4 913)		(41 653)
Income tax expense	-	-	-	-		-
<b>Profit (loss) for the period</b>	<b>(33 365)</b>	<b>(3 375)</b>	<b>-</b>	<b>(4 913)</b>		<b>(41 653)</b>

The IDEX Group's numbers have been included as reported. PicoField's management accounts have been included at the average NOK/USD rate in 2012, NOK 5.82 per USD.

There are no GAAP harmonization adjustments, as explained above.

Note a: PicoField has reported the cost of the three employees who became employed by IDEX America Inc. at the Acquisition. The adjustment concerns the cost of incentive subscription rights granted by IDEX to those employees on 23 September 2013: the calculated cost if the incentive subscription rights had been granted on 1 January 2012 has been added. The salary cost will be a continuing expense for the respective employees' service periods. Minimum service period is until 23 September 2015. The cost of the subscription rights will continue in accordance with IFRS whereby the calculated option cost is allocated over the vesting period, while the net present value of the employer's tax is adjusted in each period.

Note b: The Acquisition agreement includes certain milestone payments to PicoField related to certain deliverables, which are expensed as development cost as incurred, at the average USD rate for the year. This development cost for the IDEX Group has been added because the milestone payments would have been paid if the Acquisition had taken place on 1 January 2012. This adjustment will not have a continuing impact.

Note c: Pro forma depreciation on the intangible assets reflects depreciation as if the Acquisition occurred on 1 January 2012. The pro forma depreciation is based on the asset value measured in NOK from the USD purchase amount on 1 January 2012, i.e. NOK 5.90 per USD, and as if depreciation had commenced on that date. The depreciation will continue for the useful life of the respective assets.

Note d: The adjustment to financial items is the NOK amount of currency gain from the Acquisition date to the payment date for the four months deferred payment for assets, when the USD depreciated to NOK 5.75 per USD. This adjustment will not have a continuing impact. Because the IDEX Group is funded on equity and supplier credit, there are no changes to interest income or interest cost related to the Acquisition.

There are no tax effects from the pro forma adjustments because IDEX has unrecognised deferred tax assets.

*Unaudited pro forma condensed interim profit and loss statement for the nine months to 30 September 2013*

Condensed unaudited PRO FORMA profit and loss statements NOK 1,000	1 January-30 September 2013					Pro forma IFRS combined activities (unaudited)
	IDEX Group (unaudited)	PicoField activities (unaudited)	Adjustments to IFRS (unaudited)	Pro forma adjustments (unaudited)	Note	
Sales and services revenue	7					7
Other operating revenue	2 114	20 906		(20 906)	a	2 114
Payroll expenses	(24 893)	(2 202)		228	b	(26 867)
Research and development expenses	(9 930)	(540)		(2 905)	c	(13 375)
Other operating expenses	(8 172)	(413)				(8 585)
Depreciation	(324)			(825)	d	(1 149)
Operating profit (loss), EBIT	(41 198)	17 751	-	(24 408)		(47 855)
Net financial items	1	-		(120)	e	(119)
Profit (loss) before income tax	(41 197)	17 751	-	(24 528)		(47 974)
Income tax expense	-	-				-
<b>Profit (loss) for the period</b>	<b>(41 197)</b>	<b>17 751</b>	<b>-</b>	<b>(24 528)</b>		<b>(47 974)</b>

The IDEX Group's numbers have been included as reported. PicoField's management accounts has been included at the average NOK/USD rate in January-September 2013, NOK 5.81 per USD, except for the revenue which occurred in September 2013, which has been included at the average rate of September, NOK 5.97 per USD.

There are no GAAP harmonization adjustments, as explained above.

Note a: The pro forma adjustment to revenue is the exclusion of PicoField's recorded gain on the sale of assets to IDEX. The adjustment is equal to the revenue reported by PicoField. This adjustment will not have a continuing impact.

Note b: PicoField has reported the cost of the three employees who became employed by IDEX America Inc. at the Acquisition. The adjustment concerns the cost of incentive subscription rights granted by IDEX to those employees on 23 September 2013: The cost reported by IDEX has been

taken out and the calculated cost if the incentive subscription rights had been granted on 1 January 2013 has been added. The net is a cost reduction because the actual cost to IDEX at grant in September 2013 was higher than if the grant had taken place on 1 January 2013. The salary cost, not the net saving, will be a continuing expense for the respective employees' service periods. Minimum service period is until 23 September 2015. The cost of the subscription rights will continue in accordance with IFRS whereby the calculated option cost is allocated over the vesting period, while the net present value of the employer's tax is adjusted in each period.

Note c: The Acquisition agreement includes certain milestone payments to PicoField related to certain deliverables, which are expensed as development cost as incurred. This development cost for the IDEX Group has been added because the milestone payments would have been paid if the Acquisition had taken place on 1 January 2013. This adjustment will not have a continuing impact.

Note d: Pro forma depreciation on the intangible assets reflects additional depreciation as if the Acquisition occurred on 1 January 2013 instead of 23 September 2013. The pro forma depreciation is based on the asset value measured in NOK from the USD purchase amount on 1 January 2013, i.e. NOK 5.55 per USD, and as if depreciation had commenced on the pro forma date. The depreciation will continue for the useful life of the respective assets.

Note e: The adjustment to financial items is the NOK amount of currency loss from the Acquisition date to the payment date for the four months deferred payment for assets, when the USD appreciated to NOK 5.79 per USD. This adjustment will not have a continuing impact. Because the IDEX Group is funded on equity and supplier credit, there are no changes to interest income or interest cost related to the Acquisition.

There are no tax effects from the pro forma adjustments because IDEX has unrecognised deferred tax assets.

## **6.8 Financial policies, treasury activities in the Group**

The Group does not buy or issue financial instruments other than shares, warrants and subscription rights as resolved or authorized by the general meeting.

IDEX is funded by equity and supplier credit. A convertible financial loan was settled by conversion to shares in the first quarter of 2010.

Subsidiaries should be funded by IDEX and should have a minimum equity ratio of 20 per cent, calculated exclusive of intercompany working capital items. The US subsidiary group has been funded on equity and an interest-free advance covering the estimated cost of one calendar quarter. Investments should be leased or funded by intra-company borrowing in the local currency of the subsidiary.

The operating cost base is largely in NOK, USD and EUR. The revenue and cost of goods sold of the business is essentially USD or EUR. The local content of the cost of goods sold is largely in Asian currencies. This conceptually represents a currency risk, but the uncertainty about revenue streams means that the risk cannot be hedged reliably. Until the Company has achieved a business with recurring, predictable revenue streams, currency hedging will only be considered for specific projects, and implemented if appropriate in the form of project-specific hedging instruments. Exposure to foreign currency assets/liabilities is reduced by minimising the amount of such items.

Cash is held in NOK-based deposit accounts in reputable Norwegian banks. Lock-up agreements may be entered into in order to increase yield. Any lockup must be approved by the CFO.

Credit limits and payment terms for customers must be approved by the CFO.

IDEX does not provide company credit cards to employees or contractors. IDEX does not issue any loans to or guarantees in favour of any IDEX staff member, shareholder or business partner.

IDEX has taken up the mandatory insurances related to its employed staff, such as workplace injury insurance and mandatory pension scheme (Norwegian: obligatorisk tjenestepensjon) and business travel insurance for all employees. The Company also has a business activity insurance securing employees' salaries in case of a business interruption and equipment insurance for all equipment. Credit insurance has not been taken up. IDEX has taken up board and officer responsibility insurance.

## **6.9 Cash flow and liquidity**

The Group's main cash outflow in the past has been related to the cash outflow from the operating loss.

The Group has no plans or obligations to make any significant investment in tangible or intangible assets. Going forward, the main cash outflows will be related to operating costs and cost of goods sold.

The main inflow to date has come from shareholders' investments and a settlement payment received from a competitor in 2007 and 2008 following a lawsuit. Some, but insignificant, revenue has been earned from sale of test kits and provision of services. Government support under the Norwegian Skattefunn and VerdIKT schemes and the European EuroSTARS programme have also contributed to cash inflow. Such support is granted or authorised for one or a couple years at a time. When the Group commences deliveries, the main cash inflows are expected to come from gross margin on sales of components. The Group may also earn licence fees and royalties on its IP from partners who manufacture components on their own account.

There are no restrictions on transfer of funds either way between the parent and the subsidiaries other than the conventional restrictions in the company law and accounting regulations in Norway and the US. There is no reason to expect that there will be any negative effect on the Group's or the parent company's business or financial situation in this respect.

The Group does not foresee any hindrances to cross-border cash flows in its expected business.

The Group was cash flow solvent as at 31 December 2013, and the short-term liquidity situation was adequate. The cash position was NOK 46.5 million. The net of payables, accruals and receivables amounted to a net liability of NOK 21.0 million leaving a balance sheet solvency, i.e. uncommitted cash of only NOK 25.5 million.

After 31 December 2013, operations have continued at the same rate as in 2013, and there was no material deterioration of the cash position between 31 December 2013 and the date of this Prospectus. Significant additional funding was obtained by the Private Placement, conf. Section 10.2 below.

## **6.10 Financial debt**

A convertible financial loan was converted to equity in the first quarter of 2010. The debt amounted to NOK 13.1 million at the time of conversion.

The Group does not have any financial debt at the date of this Prospectus.

## **6.11 Summary of accounting policies**

IDEX implemented IFRS in 2005 and restated the financial statements for 2004 in accordance with IFRS as approved by the EU. The transition from NGAAP to IFRS increased the net loss for 2004 by NOK 2.2 million and the net equity at 31 December 2004 was reduced by NOK 1.3 million. The Group's consolidated financial statements have been prepared in accordance with IFRS since the Group was established in 2007.

The audited annual financial statements for 2010, 2011 and 2012 as well as the unaudited, interim financial report for the third quarter 2013 (Appendices 5, 4, 3 and 2 respectively) have been prepared in accordance with IFRS.

The accounting principles are presented in more detail in the notes to the annual financial statements.

### **Basis of preparation**

The consolidated financial statements of the Group have been prepared in accordance with IFRS as adopted by the EU. The consolidated financial statements have been prepared under the historical cost convention.

### **Segment information**

The Group operates in one business segment, fingerprint imaging and recognition technology, and the parent and subsidiaries are managed as one unified entity. Commercial, trading revenue have been insignificant to date. The US subsidiaries conduct marketing, sales and development activities on behalf of the parent on a cost basis, and represent a small share of the total costs in 2010-2013. Geographical segmentation has not been part of the management process.

### **Consolidation**

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies. Subsidiaries are fully consolidated from the date on which control is transferred to the group.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the Group companies are eliminated.

**Foreign currency translation**

The consolidated financial statements are presented in NOK which is both the Group's functional and its presentation currency.

**Group companies**

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, are charged or credited to shareholders' equity.

**Property, plant and equipment**

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Repairs and maintenance are expensed during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method: Installations: 5 years, Laboratory equipment: 5 years, Office equipment: 3-5 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

**Intangible assets**

Goodwill on acquisitions of subsidiaries is included in intangible assets, which is tested minimum annually for impairment and carried at cost less accumulated impairment losses.

Acquired patents, licenses and other acquired intangible assets are shown at historical cost less depreciation by the straight-line method over the economic lifetime of the asset.

Research costs are expensed as they are incurred. An intangible asset arising from development expenditure on an individual project is capitalized only when the Group can reliably measure the expenditure and can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, how the asset will generate future economic benefits, and the Group's ability of obtaining resources to complete the project. Development costs are amortized over the period of expected future economic benefit of the developed product.

**Impairment of non-financial assets**

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

**Share capital**

Share capital and share premium fund are classified as equity. Incremental costs directly attributable to the issue of new shares or subscription rights are shown in equity as a deduction, net of tax, from the share premium fund.

**Share-based remuneration**

Share based remuneration is expensed over the applicable service period. The fair value of cash-settled share based remuneration is recognized as a liability, while equity-settled share based payment is recognized as other equity.

## **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods, services or use of the Company's IP. Project-specific public grants for R&D projects and similar grants where the grant is earned based on project activities and progress are recognised as revenue. Sales within the Group are eliminated.

The Group recognizes revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity. Future costs of revenue, if any, are matched to the revenue.

## **Costs**

All costs are recognised on an accrual as incurred basis. Inventory for sale is held in the balance sheet at lower of cost and fair value. Components for development use and materials and consumables of insignificant item value are not inventoried. General public support and grants like the Norwegian Skattefunn scheme are credited to the corresponding costs when the grant is approved and the amount can be reliably determined.

### **6.12 Dividend policy**

IDEX has not any established dividend policy in place except to state that the Company's aim and focus is to enhance shareholder value.

IDEX has not as yet declared or paid any dividends on its shares. The Company does not anticipate paying any cash dividends on its shares in the next few years. IDEX intends to retain future earnings, if any, to finance operations and the expansion of its business. Any future determination to pay dividends will depend on the Group's and the Company's financial condition, results of operations and capital requirements.

### **6.13 Legal and arbitration proceedings**

The Group is not involved in any governmental, legal or arbitration proceedings, nor is the Group aware of any such pending or threatened proceedings, nor has the Group over the previous 12 months been involved in any governmental, legal or arbitration proceedings, which may have or have had any significant effects on the Group's or the Company's financial position or profitability.

### **6.14 Changes in financial and trading position since 30 September 2013**

Between 30 September 2013 and the date of this Prospectus, there has not been any significant change in the financial or trading position of the Group.

## **7 SHARE CAPITAL AND SHAREHOLDER MATTERS**

Note: Unless otherwise expressly stated, all share volumes (hereunder number of warrants and independent subscription rights) and per share amounts in this Prospectus referring to dates or periods prior to 10 March 2010 have been restated to reflect the 3:1 share consolidation (reverse split) that was resolved by the extraordinary general meeting on 17 February 2010, and became effective on 10 March 2010. To the extent historical volumes of shares, warrants and independent subscription rights by reason of the said adjustment result in figures with decimals, such figures are rounded down to the nearest whole number of shares, warrants or subscription rights, as the case may be.

## 7.1 Share capital

IDEX's share capital is NOK 60,706,159.80, divided into 404,707,732 ordinary shares, each share is fully paid and has a par value of NOK 0.15. There is one class of shares in the Company. The shares are issued pursuant to the PLCA.

On 1 January 2013, the Company's share capital was NOK 46,421,914.50 divided into 309,479,430 ordinary shares. On 31 December 2013, the Company's share capital was NOK 51,706,159.80 divided into 344,707,732 ordinary shares.

The Company's shares have been listed and traded on Oslo Axess since 12 March 2010.

The Company's shares are not listed on any other stock exchange, regulated market or other equivalent markets and no such other listing is sought or contemplated.

## 7.2 VPS registration

The Company's shares are in registered form, and are registered in the VPS under the securities identification code ISIN NO 000 307 0609. The Company's registrar is DNB ASA, Securities Services, Dronning Eufemias gate 30, NO-0191 Oslo, Norway.

## 7.3 Currency

The Company's shares are denominated in Norwegian Kroner (NOK), each with a par value of NOK 0.15 (fifteen Norwegian øre).

## 7.4 Transferability

The Company's shares are freely transferable according to Norwegian law and the Company's Articles of Association. There are no voting restrictions in the Company.

The Articles of Association of the Company does not contain any provisions restricting foreign ownership of shares. There are no limitations under Norwegian law on the rights of non-residents or foreign owners to hold or vote the shares.

The Company is not aware of any shareholder agreements or other similar understandings among its shareholders that may result in a change in control of IDEX. To the best of the Company's knowledge and belief, no shareholder, or group of shareholders, controls the Company, directly or indirectly.

## 7.5 Development of the Share Capital

The following table shows the development of the Company's share capital since 1 January 2011:

Date	Event and Share Capital
8 April 2011	Share capital increase with NOK 2,714,733.30 from NOK 32,239,971.30 to NOK 34,954,704.60 by issuance of 18,098,222 shares in a private placement of shares, at a subscription price per share of NOK 1.80.
20 April 2011	Share capital increase with NOK 18,744.90 from NOK 34,954,704.60 to NOK 34,973,449.50 by issuance of 124,966 shares as board remuneration, at a subscription price per share of NOK 0.15.

Date	Event and Share Capital
12 July 2011	Share capital increase with NOK 741,236.85 from NOK 34,973,449.50 to NOK 35,714,686.35 by issuance of 4,941,579 shares upon exercise of warrants, at an exercise price per share of NOK 0.30.
26 August 2011	Share capital increase with NOK 5,079,409.80 from NOK 35,714,686.35 to NOK 40,794,096.15 by issuance of 33,862,732 shares upon exercise of warrants, at an exercise price per share of NOK 0.30.
10 May 2012	Share capital increase with NOK 1,493,101.95 from NOK 40,794,096.15 to NOK 42,287,198.10 by issuance of 9,954,013 shares in a private placement of shares, at a subscription price of NOK 1.00 per share.
15 May 2012	Share capital increase with NOK 55,306.80 from NOK 42,287,198.10 to NOK 42,342,504.90 by issuance of 368,712 shares as board remuneration, at a subscription price per share of NOK 0.15.
9 November 2012	Share capital increase with NOK 4,079,409.60 from NOK 42,342,504.90 to NOK 46,421,914.50 by issuance of 27,196,064 shares in a private placement of shares, at a subscription price per share of NOK 0.75.
23 January 2013	Share capital increase with NOK 41,250 from NOK 46,421,914.50 to NOK 46,463,164.50 by issuance of 275,000 shares upon exercise of incentive subscription rights, at an exercise price per share of NOK 0.94.
19 April 2013	Share capital increase with NOK 63,750 from NOK 46,463,164.50 to NOK 46,526,914.50 by issuance of 425,000 shares upon exercise of incentive subscription rights, at an exercise price per share of NOK 0.98.
16 May 2013	Share capital increase with NOK 2,815,687.50 from NOK 46,526,914.50 to NOK 49,342,602 by issuance of 18,771,250 shares in a private placement of shares, at a subscription price per share of NOK 1.60.
21 May 2013	Share capital increase with NOK 52,973.55 from NOK 49,342,602 to NOK 49,395,575.55 by issuance of 353,157 shares as board remuneration, at a subscription price per share of NOK 0.15.
6 June 2013	Share capital increase with NOK 9,375 from NOK 49,395,575.55 to NOK 49,404,950.55 by issuance of 62,500 shares upon exercise of incentive subscription rights at an exercise price per share of NOK 1.96.
12 June 2013	Share capital increase with NOK 28,125 from NOK 49,404,950.55 to NOK 49,433,075.55 by issuance of 187,500 shares upon exercise of incentive subscription rights, at an exercise price per share of NOK 0.94.
1 September 2013	Share capital increase with NOK 1,104,759 from NOK 49,433,075.55 to NOK 50,537,834.55 by issuance of 7,365,060 shares in a private placement of shares, as a subscription price per share of NOK 4.15.

Date	Event and Share Capital
19 September 2013	Share capital increase with NOK 47,325 from NOK 50,537,834.55 to NOK 50,585,159.55 by issuance of 315,500 shares upon exercise of incentive subscription rights, at an exercise price per share of NOK 1.20 (for 250,000 shares) and NOK 1.60 (for 65,500 shares).
23 September 2013	Share capital increase of NOK 702,000 from NOK 50,585,159.55 to NOK 51,287,159.55 by issuance of 4,680,000 shares in a private placement of shares, at a subscription price per share of NOK 5.04.
16 October 2013	Share capital increase with NOK 328,125 from NOK 51,287,159.55 to NOK 51,615,284.55 by issuance of 2,187,500 shares upon exercise of incentive subscription rights at an exercise price of NOK 1.20 per share (187,500 shares), NOK 1.00 (1,000,000 shares) and NOK 1.30 (1,000,000 shares) .
22 October 2013	Share capital increase with NOK 5,969.70 from NOK 51,615,284.55 to NOK 51,621,254.25 upon exercise of 39,798 subscription rights, at an exercise price of NOK 1.20 per share.
1 November 2013	Share capital increase with NOK 84,905.55 from NOK 51,621,254.25 to NOK 51,706,159.80 upon exercise of 566,037 subscription rights, at an exercise price of NOK 0.90 per share.
29 January 2014	Share capital increase with NOK 9,000,000 from NOK 51,706,159.80 to NOK 60,706,159.80 by issuance of 60,000,000 shares in a private placement, at a subscription price of NOK 5.00 per share.

## 7.6 Board Authorization to Issue Shares

On 16 May 2013, the Annual General Meeting approved a Board authorization to issue shares, with a maximum nominal value of NOK 4,934,260.20 (representing 10 per cent of the share capital of the Company at the time of the authorization). The authorization is valid until the 2014 Annual General Meeting. All previous authorizations were withdrawn by the shareholders with effect from the date the authorization was registered in the Company Registry. At the date of this Prospectus, a total of NOK 1,806,759 has been used out of this authorization.

The Company's shareholders' pre-emptive rights may be set aside in connection with any share capital increases under the authorization.

The authorization may be used by the Board in relation to a private placement of the Company's shares and share issues to suitable investors (new or existing shareholders, hereunder employees in the Group) and/or rights issues in order to raise additional capital for the Company. The Board was authorized to determine the subscription terms in regard to share issues. The subscription price may be paid by way of non-cash consideration pursuant to Section 10-2 of the PLCA. The new shares which may be subscribed for according to the authorization shall have rights to dividends declared subsequent to the subscriber having paid the subscription price and the associated share capital increase having been registered in the Company Registry. In other respects, the shares shall have shareholder rights from the time of issuance, unless the Board otherwise determines.

There are no other board authorizations in effect as of the date of this Prospectus.

## **7.7 Independent subscription rights and other financial instruments**

### **Independent subscription rights**

At the 2013 Annual General Meeting, the shareholders adopted an incentive subscription rights plan whereby the board can grant incentive subscription rights to employees and individual contractors on long-term contracts in the Company or its subsidiaries (“the 2013 Plan”). The Company has had in place annual corresponding incentive subscription right plans for the years 2009 (the “2009 Plan”), 2010 (the “2010 Plan”), 2011 (the “2011 Plan”) and 2012 (the “2012 Plan”), where no further grants can be made under a former plan once a new plan has been adopted. The maximum number of subscription rights that may be issued under the 2013 Plan is 32,895,068 subscription rights but grants are also limited by the provision that the total number of outstanding subscription rights under all of the Company’s subscription rights programmes shall not exceed 10 per cent of the Company’s share capital at any time.

Upon vesting, each subscription right entitles the holder to demand the issuance of one share in IDEX. The exercise price for each new share shall, at a minimum, equal the average closing price on the Company’s share as reported on the Oslo Axess over a period of ten trading days immediately preceding the date of grant of the subscription right.

25 per cent of the subscription rights vest (becomes exercisable) every 12 months following the date of grant. The Board may determine an accelerated or other vesting schedule in cases of particular circumstances. In case the subscription rights holder resigns or is terminated, without cause, he or she will be entitled to exercise the subscription rights that were vested at the expiration of the employment or service notice period. In case the subscription rights holder is terminated for cause all non-exercised subscription rights will be cancelled. The terms and conditions for vesting and exercise of subscription rights under former subscription right plans are similar to the terms and conditions of the 2013 Plan. The independent subscription rights under the 2013 Plan will expire on 16 May 2018.

6,000,000 subscription rights were granted under the 2012 Plan on 30 August 2012. Due to specific circumstances the Board resolved non-standard terms and conditions for this grant. The exercise price of the subscription rights was NOK 1.00 per share for 3,000,000 shares and NOK 1.30 per share for 3,000,000 shares. 1/3 of the subscription rights in each category vest at grant, 1/3 vest 9 months after the grant and 1/3 vest 18 months after the grant. The subscription rights expire on 30 August 2014.

At the date of this Prospectus, 4,828,983 independent subscription rights are outstanding under the 2009 Plan, 3,584,862 subscription rights are outstanding under the 2010 Plan, 562,500 subscription rights are outstanding under the 2011 Plan, 14,700,000 subscription rights are outstanding under the 2012 Plan, and 5,010,000 subscription rights have been granted and are outstanding under the 2013 Plan. The total number of subscription rights outstanding under the 2009, 2010, 2011, 2012 and 2013 Plans is 28,686,345 with a weighted average exercise price of NOK 1.98.

At the 29 January 2014 Extraordinary Meeting of the Company, it was resolved to issue a total of 60,000,000 shares to Invesco funds in the Private Placement, at a subscription price per share of NOK 5. In addition, the said Extraordinary General Meeting resolved the issuance of a total of 30,000,000 Warrants (in the form of independent subscription rights), to the same investors with an exercise price per share of NOK 7.50, to facilitate a follow-on investment. Each Warrant entitles the holder to demand the issuance of one share in IDEX on the following terms and conditions: The Warrant is exercisable at any time after the one-year anniversary of the date of the resolution of said

Extraordinary General Meeting and thereafter until 29 January 2016. The Board would have the right (exercisable at its sole discretion), but not the obligation, to allow an early exercise of the Warrant in cases of particular circumstances. In case of a change of control in IDEX during the initial one-year holding period, the Warrants shall immediately become exercisable. No separate consideration was paid for the Warrants. The Warrants are transferable. The Warrants shall expire on and no longer be exercisable after 29 January 2016.

The Company currently has no outstanding rights shares, convertible loans, convertible securities, exchangeable securities, securities with warrants or other financial instruments in issue but those listed above giving the holder the right to subscribe for shares in the Company.

If all existing subscription right holders and warrant holders should exercise their rights IDEX's share capital would increase by NOK 8,802,951.75.

### **7.8 Authority to Repurchase Shares**

No shares in IDEX are held by or on behalf of the Company itself or by any of its subsidiaries. The general meeting of the Company has not granted any authorizations to the Board of Directors to repurchase shares in the Company.

### **7.9 Shareholder Structure**

As of the date of this Prospectus<sup>22</sup>, IDEX has a total of 2,012 registered shareholders, 1,893 of them Norwegian and 119 foreign, holding 58 per cent and 42 per cent respectively of the issued and outstanding shares in the Company. Members of the Board, management and staff, including ongoing contractors, hold a total of 4.0 per cent of the shares. The Company's largest shareholder is Sundvall Holding AS, holding about 17.2 per cent of the issued and outstanding shares. IDEX or its subsidiaries do not hold shares in IDEX.

All shares in the Company have equal voting rights, with each share carrying the right to one vote at the general meeting of shareholders.

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<sup>22</sup> The information is based on current VPS data and the Private Placement.

## Largest shareholders

The top 20 registered shareholders with the largest shareholdings as of the date of this Prospectus<sup>23</sup> are listed below:

Ranking	Name	Shareholding	Percentage
1	SUNDVALL HOLDING AS	69 614 455	17.2
2	CHARLES STREET INTER	37 107 236	9.2
3	INVESCO PERPETUAL HIGH INCOME FUND	35 485 594	8.8
4	EUROCLEAR BANK S.A./	26 139 454	6.5
5	INVESCO PERPETUAL INCOME FUND	24 514 406	6.1
6	COLARGOL INVEST AS	17 000 318	4.2
7	SMART RICHES LIMITED	12 045 060	3.0
8	MP PENSJON PK	9 372 773	2.3
9	DUKAT AS	6 950 000	1.7
10	BLUE OCEAN MARINE IN	5 000 000	1.2
11	SIX SIS AG	4 977 934	1.2
12	DELPHI NORGE	4 697 796	1.2
13	MARC O POLO NORGE AS	4 613 148	1.1
14	LOMBARD ODIER AND CI	4 000 000	1.0
15	STÅLHE INVEST AS	3 882 282	1.0
16	LUPUM AS	3 762 235	0.9
17	ALDEN AS	3 675 000	0.9
18	RØNNE SVEN CHRISTIAN	3 621 973	0.9
19	BIG TOP HOLDING AS	3 500 000	0.9
20	HENRIKSEN JENS ANDRE	3 063 636	0.8
	Total top 20 shareholders	283 023 300	69.9
	Other shareholders	121 684 432	30.1
	Total number of shares	404 707 732	100.0

## Schemes for employee share purchases

There is no programme for employee share purchases except the incentive subscription rights programme outlined in Section 7.7 above.

### 7.10 Articles of Association

The Articles of Association of the Company are included as Appendix 1 to this Prospectus.

The Company's purpose according to Section 2 of the Articles of Association is "...to deliver computer-based identification systems and other related activities".

According to Section 6 of the Articles of Association, the Board shall have from three up to seven members. Other than the foregoing, there are no provisions in the Articles of Association of the Company that relate to the Board or management.

The Articles of Association of the Company does not contain any provisions stricter than is required by the PLCA in relation to changing the rights of holders of the shares. The statutory requirements in this regard is set forth in Section 10.7 below (under the heading "Voting Rights").

### 7.11 Shareholder Matters

#### Transfer of Shares

According to the Company Articles of Association, there are no limitations on transfer of the Company's shares.

<sup>23</sup> The information is based on current VPS data and the Private Placement.

## Disclosure requirements

Under Norwegian law, an acquisition that causes the acquirer's proportion of shares and/or rights to shares to reach or exceed 5 %, 10 %, 15 %, 20 %, 25 %, 1/3, 50 %, 2/3 and 90 % of the share capital or an equivalent proportion of the voting rights in a company whose shares are quoted on the Oslo Børs (hereunder Oslo Axess), the acquirer shall immediately notify such acquisition to Oslo Børs. This applies correspondingly to anyone who through disposal or other circumstances changes his or her proportion of shares so that the proportion is reduced to or below the set thresholds.

As of the date of this Prospectus and based on the table set out in Section 7.9 above as well as disclosures that have been made at the Oslo Børs Newsweb, the following registered shareholders have holdings in excess of the statutory thresholds for disclosure requirements. Note: The list includes a nominee shareholder, which holding may belong to one or several beneficial owners. In case of nominee shareholders, the disclosure requirement applies to the beneficial owner of the shares.

Name	Shareholding	Percentage
SUNDVALL HOLDING AS	69 614 455	17.2
CHARLES STREET INTER	37 107 236	9.2
INVESCO PERPETUAL HIGH INCOME FUND	35 485 594	8.8
EUROCLEAR BANK S.A./	26 139 454	6.5
INVESCO PERPETUAL INCOME FUND	24 514 406	6.1

Shares held or acquired or disposed of by close associates, as defined in Section 2-5 of the Securities Trading Act, are regarded as equivalent to the acquirer's or disposer's own shares.

Other than the foregoing and the primary insiders' mandatory obligation to disclose trades, the Board is not aware of any person having an interest in the Company's share capital or voting rights that must be disclosed under Norwegian law.

## 8 GENERAL INFORMATION

### 8.1 Documents in display

The following documents (or copies thereof) may be inspected during usual business hours at the offices of the Company's legal advisor Advokatfirma Ræder DA, Henrik Ibsens gate 100, P.O. Box 2944 Solli, NO-0230 Oslo, Norway, telephone +47 23 27 27 00 or facsimile +47 23 27 27 01.

- Prospectus (comprising Summary, Share Registration Document and Share Securities Note),
- The Memorandum of Incorporation and Articles of Association of the Company,
- Audited financial statements for 2010, 2011 and 2012 for IDEX and the Group; and
- Unaudited financial statements for the three quarters to 30 September 2013 for the Group.

The above documents are available for inspection for the life of this registration document.

There are no reports, letters, valuations or statements prepared by any expert at the Company's request which are referred to in the Prospectus.

## **8.2 Jurisdiction**

This Prospectus is subject to Norwegian law, unless otherwise stated herein. Any dispute arising in respect of this Prospectus is subject to the exclusive jurisdiction of Oslo District Court (Oslo tingrett).

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**PART III: SHARE SECURITIES NOTE**

## 9 KEY INFORMATION

### 9.1 Working capital statement

IDEX is of the opinion that its working capital as at the date of this Prospectus is sufficient for its present requirements.

On 31 December 2013 (unaudited), the Group had a cash position of NOK 46.5 million. Net short-term payables and accruals less receivables amounted to a net liability of NOK 21.0 million. On 30 September 2013 (unaudited), the Group had a cash position of NOK 60.5 million. Net short-term payables and accruals less receivables amounted to a net liability of NOK 17.5 million.

Under current planning assumptions, the Group's expenses will exceed the revenues through 2014. The Group does not have draft facilities or other working capital reserves but its cash, and the Group does not possess assets suitable for pledging as security for borrowing.

As a result of the Private Placement, IDEX will receive additional gross proceeds of NOK 300.0 million. Proceeds from the Warrants issued, if exercised following the one-year holding period, may amount to an additional gross injection of NOK 225.0 million.

Given the cash position presented above, the additional funds provided through the Private Placement, the potential additional funds from the possible exercise of Warrants and the planned future requirements, the Company does not foresee any need for additional funding in the foreseeable future. Hence, it is the Company's opinion that the working capital is sufficient for the Group's present requirements.

### 9.2 Capitalization and indebtedness of the Group

After the unaudited interim report dated 30 September 2013 was published, the Group's business and operations have progressed as planned.

The IDEX Group is funded by equity and supplier credit. The Group does not have financial debt. The Group has no indirect or contingent indebtedness.

#### *Consolidated debt and shareholders' equity on 31 December 2013 and 30 September 2013*

NOK 1,000	31 December 2013 (unaudited)	30 September 2013 (unaudited)
<b>Total Current debt:</b>	<b>23 761</b>	<b>20 731</b>
Guaranteed	-	-
Secured	-	-
Unguaranteed/ Unsecured	23 761	20 731
<b>Total Non-Current debt (excluding current portion of long-term debt)</b>	<b>-</b>	<b>-</b>
Guaranteed	-	-
Secured	-	-
Unguaranteed/ Unsecured	-	-
<b>Shareholders' equity</b>	<b>50 369</b>	<b>67 387</b>
a. share capital	51 706	51 287
b. Legal Reserve	168 631	166 119
c. Other Reserves	(169 968)	(150 019)
<b>Total debt and shareholders' equity</b>	<b>74 130</b>	<b>88 118</b>

The unsecured current debt consists of accounts payable and accrued expenses.

IDEX does not have any credit lines. There are no ongoing intercompany financial loan agreements in the Group.

The numbers as at 31 December 2013 above does not include the NOK 300.0 million in new equity and working capital (before expenses) raised in the Private Placement.

### ***Consolidated net financial indebtedness on 31 December 2013 and 30 September 2013***

NOK 1,000	31 December 2013 (unaudited)	30 September 2013 (unaudited)
A. Cash (in bank)	46 475	60 483
B. Cash equivalents	-	-
C. Trading securities	-	-
<b>D. Liquidity (A+B+C)</b>	<b>46 475</b>	<b>60 483</b>
E. Current financial receivable	-	-
F. Current bank debt	-	-
G. Current portion of non-current debt	-	-
H. Other current financial debt	-	-
I. Current financial debt (F+G+H)	-	-
<b>J. Net current financial indebtedness (I-E-D)</b>	<b>(46 475)</b>	<b>(60 483)</b>
K. Non-current bank loans	-	-
L. Bonds issued	-	-
M. Other non-current loans	-	-
N Non-current financial indebtedness (K+L+M)	-	-
<b>O. Net financial indebtedness (J+N)</b>	<b>(46 475)</b>	<b>(60 483)</b>

Negative indebtedness in the table above indicates a net favorable cash position, as opposed to indebtedness. The Group does not have any financial debt, but a net positive cash position. The Group has no indirect or contingent financial indebtedness, and neither had or has any plan to raise additional financial debt.

The numbers as at 31 December 2013 above do not include the NOK 300.0 million in new equity and working capital (before expenses) raised in the Private Placement.

### **9.3 Reasons for the Private Placement and Use of the Proceeds**

On 31 December 2013 the Group did not have sufficient working capital for the then present requirements. Under the 2014 planning assumptions, the Group would be balance sheet insolvent in March 2014 and cash flow insolvent in May 2014. The Group held cash amounting to NOK 60.5 million on 30 September 2013 and the short term receivables and payables amounted to a net payable of NOK 17.5 million, leaving a balance sheet solvency, i.e. net uncommitted cash amounting to NOK 43.0 million or twice the operating cash outflow in the first three quarters of 2013. The 2014 plans includes increased number of staff and increased activity in technical development, marketing and sales, as well as commencement of volume deliveries; all entailing increased cash outflow.

The Board resolved on 2 January 2014 (subject to approval by the general meeting) to carry out the Private Placement of 60,000,000 new shares in IDEX, and funds managed by Invesco Asset Management Limited have entered into a subscription agreement for the placement. The subscription price shall be NOK 5.00 per share, totaling NOK 300.0 million. Following the share

issue, Invesco will hold 14.8% of the shares in the Company. Upon subscription in the Private Placement, the funds managed by Invesco will also receive 30,000,000 warrants, each at an exercise price of NOK 7.50. The warrants are open to be exercised 12 months after the date of their issue and will expire 24 months after issue. The issuance of shares and warrants was formally approved at an extraordinary general meeting of shareholders in IDEX on 29 January 2014.

The proceeds from the Private Placement will be used to fund the planned cash operating expenses - payroll costs, research and development expenses, sales, marketing and other expenses - in 2014 and future years.

The production will be carried out by use of contract manufacturers. While gross margin from the sales of fingerprint sensors in 2014 is expected to be positive, the net cash flow from gross margin less associated working capital is assumed to represent a net negative cashflow of more than NOK 20 million in 2014.

Planned investments in tangible fixed assets in 2014 amount to less than NOK 3 million.

The planned use of funds in 2014 amounts less than 1/3 of the proceeds from the Private Placement.

#### **9.4 Reasons for price and other terms in the Private Placement**

The subscription price per share, NOK 5, as well as other terms, hereunder those related to the Warrants, were determined through negotiations between IDEX and Invesco Asset Management Limited, in its capacity as authorized agent and discretionary manager of the Invesco funds subscribing for the New Shares and the Warrants.

The agreed pricing of the New Shares is based on the weighted average of the 10 trading days to 20 December 2013, when the investment terms were substantially agreed. The agreed subscription price was considered on or about market terms and deemed by the Board to be the best attainable price in order to secure the Private Placement. Given the nature of the investor and the level of the investment, the Private Placement will in the Board's opinion increase shareholder values. For the foregoing reasons, no proposal for a repair issue is being contemplated by the Board.

Due to specific factors like the stage of the fingerprint industry at large and the fact that IDEX does not yet earn recurring revenue, the IDEX share price is volatile. It is also impacted by general market conditions.

At the 29 January 2014 Extraordinary General Meeting the shareholders in the Company waived their pre-emptive right to subscribe for shares in relation to the Private Placement.

#### **9.5 Interest of natural and legal persons involved in the issue**

A UK broker, Cenkos securities plc., 6.7.8. Tokenhouse Yard, London, C2R 7AS, assisted IDEX in the placement of the shares. The commission to such broker is a placement fee of 4 % on the total investment payable in cash or shares in IDEX, as determined by the broker. In case of issuance consideration shares, the number of shares will be calculated based on price per share equal to the subscription price in the Private Placement, and the share capital increase will be resolved under the existing board authorization to issue shares. Other than the foregoing, the Private Placement was conducted without the use of managers, coordinators or underwriters. No paying agents or depository agents were retained or engaged, other than the Company's VPS registrar, DNB Bank ASA, Securities Services, Dronning Eufemias gate 30, NO-0191 OSLO, Norway, for purposes of issuance of the New Shares in the VPS. No major shareholder, member of IDEX's management, supervisory or administrative bodies subscribed in the offer.

## **9.6 Public Takeover Bids**

The Board is not aware of any public takeover bids with respect to the shares in IDEX having occurred during the 2013 or 2014 financial years. The Board is not aware of any mandatory takeover bids in relation to the shares in IDEX.

## **10 INFORMATION CONCERNING THE SECURITIES BEING ADMITTED TO TRADING**

### **10.1 Current Share Capital**

#### **Share capital**

IDEX's share capital prior to the Private Placement was NOK 51,706,159.80, divided into 344,707,732 ordinary shares, each share with a par value of NOK 0.15. Following the Private Placement, the share capital amounts to NOK 60,706,159.80 divided into 404,707,732 shares, each share having a par value of NOK 0.15. The shares are issued under Norwegian law and pursuant to the PLCA.

The Company's shares have been listed on Oslo Axess since 12 March 2010.

#### **VPS registration**

The Company's shares are in registered form, and are registered in the VPS under the securities identification code ISIN NO 000 3070609. The Company's registrar is DNB Bank ASA, Securities Services, NO-0021 Oslo, Norway.

#### **The Shares**

The Company's shares are denominated in Norwegian Kroner (NOK), each with a par value of NOK 0.15 (fifteen Norwegian øre).

The Company's shares have equal rights to the Company's profits, in the event of liquidation and to receive dividends unless all the shareholders approve otherwise. Further, there are no dividend restrictions or specific procedure for non-Norwegian resident shareholders in the PLCA or otherwise applicable for the Company. Each share gives the holder the right to cast one vote at general meetings of shareholders.

For the new shares issued under the Private Placement, the subscribers will obtain rights to receive dividends from the time at which the new shares are issued.

The Company's shares are freely transferable according to Norwegian law and the Company's Articles of Association.

The Articles of Association of the Company does not contain any provisions restricting foreign ownership of shares. There are no limitations under Norwegian law on the rights of non-residents or foreign owners to hold or vote the shares.

The Company is not aware of any shareholder agreements or other similar understandings among its shareholders that may result in a change in control of IDEX. To the best of the Company's knowledge and belief, no shareholder, or group of shareholders, control the Company, directly or indirectly.

### **10.2 The Private Placement**

The full terms and conditions of the Private Placement are set out in Section 10.6.

On 29 January 2014, the Extraordinary General Meeting resolved a private placement of a total of 60,000,000 shares to certain Invesco funds. Of these shares, 35,485,594 were allocated to Invesco Perpetual High Income Fund and 24,514,406 were allocated to Invesco Perpetual Income Fund. There were no other subscribers in the Private Placement, i.e., the Invesco funds subscribed for 100 per cent of the shares issued in the Private Placement.

The subscribers are funds managed by Invesco, Ltd., a leading independent global investment manager, dedicated to helping investors worldwide achieve their financial objectives. Invesco Ltd. provides a comprehensive range of investment strategies and vehicles to retail, institutional and high net worth clients around the world. Operating in more than 20 countries, Invesco Ltd. has approximately US\$ 700 billion in assets under management. Invesco Ltd. has in excess of 6,000 employees across the globe and its headquarters are in Atlanta, Georgia. The common shares are listed on the New York Stock Exchange under the ticker “IVZ”.

The subscription price per share was NOK 5, amounting to an aggregate subscription price of NOK 300,000,000. No expenses or taxes were specifically charged to the subscribers. The New Shares have, according to allotment, been duly and irrevocably subscribed for by Invesco Perpetual High Income Fund and Invesco Perpetual Income Fund by executing and delivering to IDEX a share subscription form and the total subscription amount has been paid in full to IDEX’s bank account with DNB Bank ASA on 31 January 2014, being within the payment deadline on 7 February 2014. The subscription for the shares was made on 30 January 2014. The share capital increase associated with the Private Placement was duly registered in the Company Registry on 3 February 2014, with a subsequent announcement on 4 February 2014 regarding the registration of the share capital increase in the Company Registry.

The Private Placement did not include any retail tranche or tranche for Company employees and no allotment method was consequently used by over-subscription of such tranches. No subscription period was applied in connection with the Private Placement other than the subscription deadline for the Invesco funds participating in the Private Placement. Multiple subscriptions were not admitted as the Private Placement was formalised by way of a subscription agreement with subsequent execution of subscription forms. Amounts allotted were communicated in the subscription agreement, and with final effect by way of notification of the resolution of the Extraordinary General Meeting held 29 January 2014. There were no restrictions on dealing with the New Shares before notification was made, but no subscription rights were issued and the New Shares were not listed in any regulated market.

Following the Private Placement of New Shares, the share capital amounts to NOK 60,706,159.80, divided into 404,707,732 shares, each having a par value of NOK 0.15. The shares are issued pursuant to the PLCA.

It was also resolved in the same Extraordinary General Meeting that a total of 30,000,000 Warrants, each of the Warrants with an exercise price of NOK 7.50, were issued to Invesco Perpetual High Income Fund and Invesco Perpetual Income Fund with allotments corresponding to the subscribed shares in the Private Placement, i.e., 17,742,797 of the Warrants were issued to Invesco Perpetual High Income Fund and 12,257,203 of the Warrants were issued to Invesco Perpetual Income Fund. Warrants are exercisable at any time after the one-year anniversary of the date of the Extraordinary General Meeting on 29 January 2014 and thereafter until 29 January 2016. No separate consideration was paid for the Warrants. The Warrants were issued according to the PLCA, registered in the Company Registry on 3 February 2014, and are transferable. However, the Warrants will not be traded on Oslo Axess.

At the 29 January 2014 Extraordinary General Meeting, the shareholders waived their pre-emptive right to subscribe for the New Shares in relation to the Private Placement.

### **10.3 New Shares**

The New Shares are ordinary shares in the Company, i.e., the same class as the IDEX shares already in issue and listed on Oslo Axess. The New Shares are issued according to the PLCA and registered in the Company Registry on 3 February 2014. For the New Shares issued under the Private Placement, the subscriber will obtain rights to receive dividends from the time at which the New Shares are issued. Otherwise the New Shares rank equally to the other shares of the Company as from the date the share capital increase is registered in the Company Registry.

The New Shares will have the same VPS registrar and the same ISIN number as the Company's other shares, ISIN NO 0003070609.

### **10.4 Listing and Expected First Day of Trading**

The listing on Oslo Axess of the New Shares issued in the Private Placement is subject to the approval of the Prospectus by the Financial Supervisory Authority (Norwegian: Finanstilsynet) under the rules of the Securities Trading Act. Such approval was granted on 4 February 2014.

The first day of trading on Oslo Axess of the New Shares issued in the Private Placement, will be on or about 5 February 2014.

### **10.5 Dilution**

The per share dilution of ownerships as a result of the Private Placement is 14.8 per cent. The amount of dilution compared to the latest observed closing price before the Private Placement was announced to the market is NOK 0.19 per share corresponding to a total of NOK 64.9 million in total.

### **10.6 Corporate Resolutions**

#### **Private Placement**

Resolution by the Extraordinary General Meeting on 29 January 2014:

#### Original resolution in the Norwegian language

Selskapets aksjekapital forhøyes med NOK 9 000 000, fra NOK 51 706 159,80 til NOK 60 706 159,80 gjennom utstedelse av 60 000 000 aksjer i en rettet emisjon til tegningskurs NOK 5 per aksje, hver aksje pålydende NOK 0,15. Det totale tegningsbeløp er NOK 300 000 000, hvorav NOK 9 000 000 tillegges aksjekapitalen og NOK 291 000 000 tillegges Selskapets fond iht. allmennaksjelovens bestemmelser.

35 485 594 aksjer utstedes til Invesco Perpetual High Income Fund og 24 514 406 aksjer utstedes til Invesco Perpetual Income Fund, som begge har bekreftet at de vil tegne seg for aksjene i henhold til allmennaksjelovens bestemmelser. Nåværende aksjeeiere gir avkall på sine fortrinnsretter til å tegne aksjer i medhold av allmennaksjeloven i forbindelse med denne kapitalforhøyelsen.

De nye aksjene skal tegnes så snart som praktisk mulig etter den ekstraordinære generalforsamling, og senest innen 7. februar 2014. Innbetaling av tegningsbeløp skal skje senest 7. februar 2014, likevel slik at styret i særskilte tilfeller kan forlenge innbetalingsfristen, men ikke lenger enn til 28. februar 2014.

De nye aksjene vil være fullt innbetalt og gi rett til utbytte fra det tidspunkt aksjene er utstedt.

Kostnadene ved emisjonen inkluderer et honorar til et internasjonalt meglerfirma, for å bistå med plassering av emisjonen, som utgjør 4 % av den totale investeringen (som skal betales kontant eller i form av aksjer i IDEX ASA etter meglerhusets valg, og der man for det tilfellet at oppgjør skal skje i aksjer skal beregne antall aksjer ved å benytte samme pris per aksje som tegningskurs i emisjonen, og gjennomføre kaptialforhøyelsen under gjeldende emisjonsfullmakt til styret). I tillegg påløper juridiske honorarer og kostnader knyttet til utarbeidelse av prospekt på om lag NOK 500 000.”

#### English Office Translation

“The Company’s share capital shall be increased by NOK 9 000 000 from NOK 51 706 159,80 to NOK 60 706 159,80 through the issuance of 60 000 000 shares in a private placement, at a subscription price of NOK 5 per share, each share having a par value of NOK 0.15. The total subscription amount is NOK 300 000 000 of which NOK 9 000 000 is added to the Company’s share capital while NOK 291 000 000 is added to the Company’s reserves in accordance with the provisions of the PLCA.

35,485,594 shares are issued to Invesco Perpetual High Income Fund and 24, 514,406 shares are issued to Invesco Perpetual Income Fund, who both have confirmed that they will subscribe for the shares in accordance with the provisions of the PLCA. Existing shareholders waive their preferential right to subscribe for shares under the PLCA in connection with the instant share capital increase.

The subscription for the shares must be made as soon as reasonably practical after the Extraordinary General Meeting and at latest on 7 February 2014. Payment of the subscription price must be made latest on 7 February 2014; provided, however, that the Board, in cases of particular circumstances, may allow an extended time period for payment, but no later than 28 February 2014.

The new shares will be fully paid and carry rights to dividends from the time the shares are issued.

The costs of the share issue include a placement fee of 4% on the total investment to an international broker firm (payable in cash or IDEX ASA shares, as determined by the broker, whereby in the latter alternative the number of shares will be calculated based on a price per share equal to the subscription price in the private placement and the share capital increase will be resolved under the existing board authorisation to issue shares), as well as legal fees and costs related to the preparation of a listing prospectus, estimated to amount to about NOK 500 000.”

#### **10.7 Provisions of the PLCA, the Securities Trading Act and the Norwegian Competition Act relevant for the New Shares**

The following is a summary of certain of the provisions of the PLCA, the Securities Trading Act and the Norwegian Competition Act that are relevant for the New Shares:

##### **Disclosure requirements under the Securities Trading Act**

Under Norwegian law, an acquisition that causes the acquirer’s proportion of shares and/or rights to shares to reach or exceed 5%, 10%, 15%, 20%, 25%, 1/3, 50%, 2/3 and 90% of the share capital or an equivalent proportion of the voting rights in a company whose shares are quoted on the Oslo Børs (hereunder Oslo Axess), the acquirer shall immediately notify such acquisition to Oslo Børs. This applies correspondingly to anyone who through disposal or other circumstances changes his or her proportion of shares so that the proportion is reduced to or below the set thresholds. Shares held or acquired or disposed of by close associates, as defined in Section 2-5 of the Securities Trading Act, are regarded as equivalent to the acquirer’s or disposer’s own shares.

### **Mandatory offer requirement under the Securities Trading Act**

Norwegian law requires any person, entity or group acting in concert that acquires more than one-third of the voting rights of a Norwegian company listed on Oslo Børs (hereunder Oslo Axess) to make an unconditional general offer for the purchase of the remaining shares in the company, with repeated obligations upon reaching thresholds of 40% and 50%, see Securities Trading Act, Chapter 6. The offer is subject to approval by Oslo Børs before submission of the offer to the shareholders. The offer price per share must be at least as high as the highest price paid or agreed by the offeror in the six-month period prior to the date the statutory threshold was exceeded, but equal to the market price if the market price was higher when the statutory threshold was exceeded. In the event that the acquirer thereafter, but prior to the expiration of the bid period acquires, or agrees to acquire, additional shares at a higher price, the acquirer is obliged to restate its bid at that higher price. A mandatory offer must be in cash or contain a cash alternative at least equivalent to any other consideration offered. A shareholder who fails to make the required offer must within four weeks dispose of sufficient shares so that the obligation ceases to apply. Otherwise, Oslo Børs may cause the shares exceeding the statutory limit to be disposed of by an enforced sale. A shareholder who fails to make such bid cannot, as long as the mandatory bid requirement remains in force, vote his shares or exercise any rights of share ownership unless a majority of the remaining shareholders approve. The shareholder can, however, exercise the right to dividend and pre-emption rights in the event of a share capital increase. Oslo Børs may impose a daily fine upon a shareholder who fails to make the required offer.

### **Compulsory acquisition under the PLCA**

If a shareholder, directly or via subsidiaries, acquires shares representing more than 90 per cent of the total number of issued shares as well as more than 90 per cent of the total voting rights attached to such shares, then such majority shareholder pursuant to Article 4-25 in the PLCA would have the right (and each remaining minority shareholder of the Company would have the right to require such majority shareholder) to effect a compulsory acquisition for cash of any shares not already owned by such majority shareholder. Such compulsory acquisition would imply that the majority shareholder has become the owner of the thus acquired shares with immediate effect. Upon effecting the compulsory acquisition the majority shareholder would have to offer the minority shareholders a specific price per share, the determination of which price would be at the discretion of the majority shareholder. At the same time the majority shareholder must pay the total offer price into a separate account with a bank that is permitted to carry on business activities in Norway. Should any minority shareholder not accept the offered price, such minority shareholder may, within a specified deadline not to be of less than two months' duration, request that the price be set by the Norwegian courts. Absent such request or other objection to the price being offered, the minority shareholders would be deemed to have accepted the offered price after the expiry of the two months deadline. The cost of such court procedure would, as a general rule, be for the account of the majority shareholder, and the courts would have full discretion in respect of the valuation of the shares as per the effectuation of the compulsory acquisition.

### **Voting rights under the PLCA**

Each ordinary share in the Company carries one vote.

As a general rule, resolutions that shareholders are entitled to make pursuant to Norwegian law or the Company's Articles of Association require a simple majority of the votes cast. In the case of election of directors to the Board of Directors, the persons who obtain the most votes cast are deemed elected to fill the positions up for election. However, as required under Norwegian law, certain decisions, including resolutions to waive preferential rights in connection with any share issue, to approve a merger or de-merger, to amend the Company's Articles of Association or to authorise an increase or reduction in the share capital, must receive the approval of at least two-

thirds of the aggregate number of votes cast as well as at least two-thirds of the share capital represented at a shareholders' meeting. Norwegian law further requires that certain decisions which have the effect of substantially altering the rights and preferences of any shares or class of shares receive the approval of the holders of such shares or class of shares as well as the majority required for amendments to the Company's Articles of Association. Decisions that (i) would reduce any shareholder's right in respect of dividend payments or other rights to the assets of the Company or (ii) restrict the transferability of the shares require a majority vote of at least 90 per cent of the share capital represented at the general meeting in question as well as the majority required for amendments to the Company's Articles of Association. Certain types of changes in the rights of shareholders require the consent of all shareholders affected thereby as well as the majority required for amendments to the Company's Articles of Association.

In general, in order to be entitled to vote, a shareholder must be registered as the beneficial owner of shares in the share register kept by the VPS. Beneficial owners of shares that are registered in the name of a nominee are generally not entitled to vote under Norwegian law, nor are any persons who are designated in the register as holding such shares as nominees. Readers should note that there are varying opinions as to the interpretation of Norwegian law in respect of the right to vote nominee-registered shares. For example, Oslo Børs has held that in its opinion “nominee-shareholders” may vote in general meetings if they actually prove their shareholding prior to the general meeting.

#### **General meetings of shareholders (PLCA)**

Through the general meeting, the Company's shareholders exercise the supreme authority in the Company, subject to the limitations provided by Norwegian law.

All shareholders in the Company are entitled to attend and vote at general meetings, either in person or by proxy. See “Voting rights under the PLCA” (above) with regard to certain restrictions on voting right applying for nominee-registered shares, etc.

General meetings are convened by the Company's Board. In a public limited liability company a notice of a general meeting shall be sent at the latest two weeks before the date of the meeting, however, in a company whose shares are listed on a regulated market (such as IDEX), the notice period is three weeks. The notice shall include a proposal for an agenda for the meeting. A shareholder is entitled to submit proposals to be discussed at general meetings provided such proposals are submitted in writing to the Board in such good time that it can be entered on the agenda of the meeting. In the case of the Company, a shareholder who wishes to attend the general meeting, in person or by proxy, shall notify its attendance to the Company no later than two days prior to the general meeting; see Section 11 of the Articles of Association.

The annual general meeting shall be called by the Board such that it can be held within six months from the end of each financial year. The annual general meeting shall deal with and decide on the adoption of the annual financial statement and annual report, the question of declaring dividend and such other matters as may be set out in the notice calling the meeting.

Extraordinary general meetings can be called by the Board, and if applicable the corporate assembly or the chairman of the corporate assembly. In addition, the Board shall call an extraordinary general meeting whenever so demanded in writing by the auditor or shareholders representing at least 5 % of the share capital, in order to deal with a specific subject. The extraordinary general meeting must be held within one month from the date of the demand. The notice period is three weeks in a company whose shares are listed on a regulated market (such as IDEX).

### **Additional issuances and preferential rights (PLCA)**

All issuances of shares by the Company, including bonus issues, require an amendment to the Articles of Association, which requires the same vote as other amendments to the Articles of Association. Furthermore, under Norwegian law, the Company's shareholders have a preferential right to subscribe for issues of new shares by the Company. The preferential rights to subscribe in an issue may be waived by a resolution in a general meeting by the same vote required to approve amendments to the Articles of Association. A waiver of the shareholders' preferential rights in respect of bonus issues requires the approval of all outstanding shares, irrespective of class.

Under Norwegian law, bonus issues may be distributed, subject to shareholder approval, by transfer from the Company's free equity or from its share premium reserve. Such bonus issues may be effected either by issuing shares or by increasing the par value of the shares outstanding.

### **Dividends (PLCA)**

Dividends may be paid in cash or in some instances in kind. Pursuant to the PLCA, a public limited liability company may only distribute dividends to the extent it will have net assets covering the company's share capital and other restricted equity after the distribution has been made. The calculation shall be made on the basis of the balance sheet in the company's last approved financial statements, provided, however, that it is the registered share capital on the time of decision that applies.

In the amount that may be distributed, a deduction shall be made for (i) the aggregate nominal value of treasury shares held by the company, (ii) credit and collateral pursuant to Sections 8-7 and 8-10 of the PLCA, with the exception of credit and collateral repaid or settled prior to the time of decision or credit which is settled by a netting in the dividend and (iii) other dispositions after the balance day which pursuant to law shall lie within the scope of the funds that the Company may use to distribute dividend. Even if all other requirements are fulfilled, the company may only distribute dividend to the extent that it after the distribution has a sound equity and liquidity.

Distribution of dividends is resolved by a majority vote at the general meeting of the shareholders of the Company, and on the basis of a proposal from the Board of Directors. The general meeting cannot distribute a larger amount than what is proposed or accepted by the Board of Directors.

According to the PLCA, there is no time limit after which entitlement to dividends lapses. Under the Norwegian Limitations Act, the general period of limitation is three years from the date on which an obligation is due. Further, there are no dividend restrictions or specific procedures for non – Norwegian resident shareholders in the PLCA.

Under Norwegian foreign exchange controls currently in effect, transfers of capital to and from Norway are not subject to prior government approval except for the physical transfer of payments in currency, which is restricted to licensed banks. Consequently, a non-Norwegian resident may receive dividend payments without Norwegian exchange control consent if such payment is made only through a licensed bank.

### **Rights on Liquidation (PLCA)**

Under Norwegian law, a company may be liquidated by a resolution in a general meeting of the Company passed by a two thirds majority of the aggregate votes cast as well as two thirds of the aggregate share capital represented at such meeting. The shares rank *pari passu* in the event of a return on capital by the company upon a liquidation or otherwise.

### **Mandatory filing requirements under the Norwegian Competition Act**

The Competition Act requires that concentrations (mergers, acquisitions, etc.) wherein the undertakings concerned have a combined annual turnover in Norway exceeding NOK 1 billion, shall be notified to the Norwegian Competition Authority (Konkurransetilsynet) (hereinafter "NCA") by way of a notification. If, however, only one of the undertakings concerned has an annual turnover in Norway exceeding NOK 100 million, notification is not required. The NCA may, however, order the submission of a notification even below these thresholds. The deadline to order such submission is the earlier of three (3) months from: (i) a final agreement is entered into or (ii) when control is acquired.

A notification shall contain detailed information on the concentration. The requirements are similar to that of the Commission's form CO.

All notifications are published on the NCA's website. Such publication includes information on the names and enterprise registration numbers of the undertakings concerned, on the concentration, and on affected markets.

Transactions requiring notifications are prohibited from being implemented (consummated) before they have been notified to and reviewed by the NCA. There is no deadline for notifying concentrations to the NCA, provided that the parties have not started to implement the concentration.

## **10.8 Reports to shareholders and publishing of information**

### **Reports to Shareholders**

The Company publishes annual and interim reports that include financial statements for the Group in accordance with IFRS.

### **Notification and Publication Requirements**

The Company provides its shareholders, Oslo Børs and the market as a whole with timely and accurate information. Notices are published through Oslo Børs' information system and on the Company's web site, [www.idex.no](http://www.idex.no).

## **11 TAXATION**

### **11.1 General**

The statements herein regarding taxation are, unless otherwise stated, based on the laws in force in Norway as of the date of this Prospectus, and are subject to any changes in law occurring after such date. Such changes could be made on a retrospective basis.

The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, own or dispose of the shares. Furthermore, the summary only focuses on the shareholder categories explicitly mentioned below (individual shareholders and limited liability companies). Shareholders are advised to consult their own tax advisors concerning the overall tax consequences of their ownership of shares. In particular, this document does not include any information with respect to U.S. taxation. Prospective investors who may be subject to tax in the United States are urged to consult their tax adviser regarding the U.S. federal, state, local and other tax consequence of owning and disposing of shares in IDEX.

## **11.2 Norwegian Shareholders**

### **Taxation of dividends - Individual shareholders**

Dividends distributed to Norwegian individual shareholders are taxable as general income at a rate of 27%. The shareholders are, however, entitled to deduct a calculated tax-free allowance when calculating their taxable dividend income. The tax-free allowance will be calculated on a share by share basis, and the allowance for each share will be equal to the cost price of the share, multiplied by a risk free interest rate. Any part of the calculated allowance one year exceeding the dividend distributed on the share will the following years be deducted from taxable dividend income and also included in the basis for calculating the allowance.

### **Taxation of dividends - Corporate shareholders (Limited liability companies)**

Dividends distributed to a shareholder which is a limited liability company resident in Norway for tax purposes (“Norwegian corporate shareholders”) and holding more than 90% of the shares and votes in the distributing company are fully exempt from taxation. To other corporate shareholders 3% of the dividends shall be subject to general income tax at the 27% rate.

### **Taxation on realization of shares – Individual shareholders**

Sale, redemption or other disposal of shares is considered a realization for Norwegian tax purposes. A capital gain or loss generated by a Norwegian individual shareholder through a disposal of shares is taxable or tax deductible in Norway. Such capital gain or loss is included in or deducted from the basis for computation of general income in the year of disposal. The general income is taxable at a rate of 27%. The gain is subject to tax and the loss is tax deductible irrespective of the duration of the ownership and the number of shares disposed of.

The capital gain is calculated on the consideration received less the cost price of the share and transactional expenses. From this capital gain, Norwegian individual shareholders are entitled to deduct a calculated tax-free allowance when calculating their taxable income. The allowance for each share is equal to the total of allowance amounts calculated for this share for previous years (ref. “Taxation of dividends – Individual shareholders” above), which exceeded dividends distributed on this share. The calculated allowance may only be deducted in order to reduce a taxable gain calculated upon the realization of the share, and may not be deducted in order to produce or increase a loss for tax purposes.

If the shareholder owns shares acquired at different points in time, the shares that were acquired first will be regarded as the first to be disposed of, on a first-in first-out basis.

### **Taxation on realization of shares - Corporate shareholders (Limited liability companies)**

Norwegian corporate shareholders are not taxable for capital gains related to realization of shares in a Norwegian company, and losses related to such realization are not tax deductible.

### **Taxation related to independent subscription rights – Individual shareholders**

A Norwegian individual shareholder’s subscription for independent subscription rights is not subject to taxation in Norway. Costs related to the subscription for independent subscription rights will be added to the cost price of the independent subscription right.

Exercise of independent subscription rights is not taxable; the cost price of the subscription right shall be added to the tax base of the shares acquired.

A capital gain or loss generated by a Norwegian individual shareholder through a sale of independent subscription rights is taxable or tax deductible in Norway. Such capital gain or loss is

generally included in or deducted from the basis for computation of general income in the year of disposal. The general income is taxable at the rate of 27%.

However, please note that the gains related to independent subscription rights granted to employees as a consequence of their employment will be included in the basis for calculating their salary payments. Such salary payments are subject to taxation at a marginal tax rate of 47.2%. In addition, the employer will be obligated to pay social security contributions at a rate normally of 14.1%.

### **Taxation related to independent subscription rights – Corporate shareholders**

A Norwegian corporate shareholder's subscription for independent subscription rights is not subject to taxation in Norway. Costs related to the subscription for independent subscription rights will be added to the cost price of the independent subscription rights.

Norwegian corporate shareholders are generally exempt from tax on capital gains upon the sale or other realization of independent subscription rights to shares in a Norwegian company, and losses are not tax deductible.

### **Net wealth tax**

The value of shares is included in the basis for the computation of wealth tax imposed on Norwegian individual shareholders. The marginal wealth tax rate is 1.0% of the value assessed. The value for assessment purposes for shares on Oslo Børs is 100% of the listed value as of 1 January in the year of assessment. Norwegian corporate shareholders are not subject to net wealth tax.

## **11.3 Non-Resident Shareholders**

This section summarizes Norwegian tax rules relevant to shareholders who are not resident in Norway for tax purposes ("Non-resident shareholders"). Non-resident shareholders' tax liabilities in their home country or other countries will depend on applicable tax rules in the relevant country.

### **Taxation of dividends**

Dividends distributed to shareholders who are individuals not resident in Norway for tax purposes ("Non-resident individual shareholders"), are as a general rule subject to withholding tax at a rate of 25%. The withholding tax rate of 25% is normally reduced through tax treaties between Norway and the country in which the shareholder is resident. The withholding obligation lies with the company distributing the dividends.

The above generally applies also to shareholders who are limited liability companies not resident in Norway for tax purposes ("Non-resident corporate shareholders"). However, dividends distributed to Non-resident corporate shareholders resident within the EEA for tax purposes are exempt from Norwegian withholding tax, provided the shareholder genuinely is established and conducts business activity in the relevant jurisdiction.

Non-resident individual shareholders resident within the EEA area are subject to ordinary withholding tax, but entitled to apply for a partial refund of the withholding tax, equal to a calculated allowance similar to the calculated allowance used by Norwegian individual shareholders, ref above.

Nominee registered shares will be subject to withholding tax at a rate of 25% unless the nominee has obtained approval from the Tax Directorate for the dividend to be subject to a lower withholding tax rate. To obtain such approval the nominee is committed to file a summary to the tax authority including all beneficial owners that are subject to lower withholding tax. Non-resident shareholders that have suffered a higher withholding tax than set out by an applicable tax treaty or

the Norwegian Tax Act may apply to the Norwegian tax authorities for a refund of the excess withholding tax deducted.

If a Non-resident shareholder is carrying on business activities in Norway, and the shares are effectively connected with such activities, the shareholder will be subject to the same taxation as Norwegian shareholders, as described above.

#### **Taxation on realization of shares or independent subscription rights**

Realization of shares or independent subscription rights by a Non-resident individual or corporate shareholder will not be subject to taxation in Norway unless the Non-resident shareholder is holding the shares or warrants in connection with the conduct of a trade or business in Norway, in which case the tax treatment is as described for Norwegian shareholders.

#### **Net wealth tax**

Shareholders not resident in Norway for tax purposes are not subject to Norwegian net wealth tax. Foreign individual shareholders can however be taxable if the shareholding is effectively connected to the conduct of trade or business in Norway.

#### **11.4 Duties on the Transfer of Shares**

No stamp or similar duties are currently imposed in Norway on the transfer of shares whether on acquisition or disposal.

### **12 COSTS RELATED TO THE PRIVATE PLACEMENT**

The estimated transaction costs directly attributable to the Private Placement, which are for the account of the Company, are about NOK 12,500,000 excluding VAT.

In addition to the costs above, the Company will also be responsible for certain other minor costs incurred, such as the costs of printing and distributing the Prospectus.

### **13 ADDITIONAL INFORMATION**

#### **13.1 Advisors**

Advokatfirma Ræder DA, Henrik Ibsens gate 100, P.O. Box 2944 Solli, NO-0230 Oslo, Norway serves as the legal counsel of IDEX.

#### **13.2 Managers, underwriters**

The Private Placement was conducted without the use of managers, coordinators or underwriters.

#### **13.3 Auditors**

The Company's auditor is Ernst & Young AS, Dronning Eufemias gate 6, NO-0191 Oslo, Norway, who has acted as the Company's auditors since 13 November 2000.

#### **13.4 Expert statements**

There are no reports, letters, evaluations or statements prepared by any expert at the Company's request, which are referred to in the Prospectus.

## 14 DEFINITIONS

<b>Acquisition</b>	IDEX's acquisition of assets and intellectual property rights from PicoField on 23 September 2013.
<b>ASIC</b>	Application Specific Integrated Circuit
<b>Board</b>	Board of Directors of the Company
<b>Company or IDEX Company Registry</b>	IDEX ASA, the parent company of the IDEX Group The Norwegian Register of Business Enterprises or Foretaksregisteret
<b>Group or IDEX Group</b>	IDEX ASA consolidated with its subsidiaries
<b>IFRS</b>	International Financial Reporting Standards
<b>IP</b>	Intellectual property
<b>IPR</b>	Intellectual property rights
<b>ISO</b>	International Organisation for Standardization
<b>NOK</b>	The currency of the Kingdom of Norway
<b>OEM</b>	Original Equipment Manufacturer
<b>Oslo Børs</b>	Oslo Børs ASA
<b>PicoField</b>	PicoField Technologies, Inc.
<b>PLCA</b>	The Norwegian Public Limited Companies Act of 13 June 1997 No.45 (as amended)
<b>Private Placement</b>	The private placement of 60,000,000 new shares ( <b>New Shares</b> ) in IDEX to Invesco Perpetual High Income Fund and Invesco Perpetual Income Fund as resolved by the Extraordinary General Meeting on 29 January 2014.
<b>Prospectus</b>	The combined Prospectus comprising of Part I: Summary Note, Part II: Share Registration Document and Part III: Share Securities Note
<b>Securities Trading Act</b>	The Norwegian Securities Trading Act of 29 June 2007 No. 752 (as amended)
<b>VPS</b>	The Norwegian Central Securities Depository or Verdipapirsentralen
<b>Warrants</b>	The 30,000,000 warrants in the Company issued to Invesco Perpetual High Income Fund and Invesco Perpetual Income Fund by the Extraordinary General Meeting on 29 January 2014 in connection with the Private Placement