



IDEX ASA

FIRST QUARTER REPORT 2019

HIGHLIGHTS

Growing demand for IDEX's biometric technologies

- » Landmark customer agreement signed with global IT services and news company to supply secure fingerprint system in high volumes. The agreement includes a significant minimum commitment over several years. Shipments expected to commence in H2 2019
- » XH Smart Tech showcases IDEX dual-interface sensor at Mobile World Congress in Barcelona
- » Edenred biometric smart card pilot for financial inclusion segment in Mexico using IDEX sensors heralding start of new vertical
- » Major Asian payment scheme demonstrates biometric payment cards featuring IDEX's dual-interface sensor

Accelerating development of biometric smart card market through eco-system collaborations

- » Collaboration with Goldpac, the largest card manufacturer in China
- » IDEX and Chutian Dragon working with PAX to accelerate biometric smart card adoption in Asia

IDEX cements role as biometric solution provider with remote enroll

- » Two foundational remote enroll patents granted in the US. More pending in other jurisdictions

Financial position enabling future investments

- » Completion of NOK 214 million funding

Organizational changes to reflect the technology development progress at IDEX

- » Appointment of new Chief Technology Officer and creation of Chief Innovation Officer role

OUTLOOK

Ongoing commercial progress to drive revenue growth in 2019

- » Continued strong interest in biometric solutions across multiple verticals
- » Increased number of dual-interface pilots using IDEX's sensors
- » New customers in multiple verticals
- » License agreements for remote enroll
- » Further evolution of the smart card ecosystem



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BUSINESS REVIEW

UNLOCKING VALUE IN THE BIOMETRIC SMART CARD MARKET THROUGH DISRUPTIVE TECHNOLOGY AND COMPLETE SOLUTIONS

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

IDEX is the only vendor worldwide capable of supplying off-chip sensor architecture designs and embedded biometric algorithms suited to capacitive fingerprint sensors for the biometric smart card market.

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

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

The importance of a 'systems approach'

In addition to its unique off-chip sensor technology, IDEX has assembled a highly accomplished team of innovators spanning numerous disciplines of technology in order to pursue a full systems approach to its solutions for biometric cards. This vast experience enables IDEX to support its customers in the integration of all the various components within the smart card. This approach is a key tenet of IDEX's strategy and the result is the SmartFinger platform; a full-featured, biometric authentication solution, which

enables on-device fingerprint enrollment, template storage and verification. By adopting a bespoke systems approach, IDEX offers customers the flexibility to supply a sensor only, a full biometric module or a matching algorithm which can perform the final fingerprint match in the secure element. This approach is expected to speed up adoption of biometric smart cards.

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

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



On 7 May the last of two foundational patents for enrollment on biometric smart cards was granted by the United States Patent and Trademark office. The patents have wide claims covering devices and methods to enable a user to enroll their finger on a biometric card using an unconnected power supply. IDEX's biometric sensors are compatible with both connected and unconnected methods of enrollment, however feedback has shown us that users favor the unconnected approach and it is anticipated that unconnected enrollment will gain greater traction over connected methods. These patents represent an important part of IDEX's competitive strategy to provide complete end-to-end biometric solutions.

Helping the biometric smart card market evolve

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

As a leader in biometric solutions, IDEX strongly believes that to enable the evolution of the market and achieve mass adoption of biometric smart cards requires partnership and cooperation within the smart card ecosystem. IDEX has established a long-standing partnership with Mastercard, the operator of the world's fastest payment processing network that connects consumers, financial institutions, merchants, governments and businesses in more than 210 countries. This partnership has enabled both companies to drive the evolution of the biometric payment card market.

In addition, IDEX has announced a number of collaborations with card integrators in Asia to help accelerate mass production and adoption of biometric smart cards in the region.

Future developments in payment cards

One of the key benefits that biometrics brings to the world of smart cards is security. IDEX and its partners are constantly searching for new ways to enhance both the security and user experience of the card. One area of progress is through the use of integrated displays for the next generation of fingerprint sensors in payment cards.

IDEX's display integration roadmap is enabled by its off-chip technology and internal expertise. IDEX recently formed a collaboration with Visionox, one of the world's leading display companies, to develop the next generation of payment card features. Developments include a dynamic CVV/CVC display to

address card-not-present fraud, the display of user-specific information such as account balance, or to provide feedback when enrolling the fingerprint, as seen with smart phones.

Robust financial position enabling future investments

On 25 January 2019 IDEX completed a private placement by existing shareholders totaling NOK 214 million. The funding will satisfy working capital requirements and the Company can continue to invest in its biometric solutions whilst being able to satisfy the anticipated ramp-up in sales demand.

BIOMETRIC CARD MARKET POISED FOR SIGNIFICANT GROWTH

Recent market developments

The market for biometric cards is gaining considerable momentum and IDEX's sensor technology is now ready for mass deployment. Companies across the entire smart card ecosystem, such as card integrators, payment scheme providers and component vendors, are increasing investments and expanding development efforts. Card integrators are making continuous progress in their efforts to mass-manufacture biometric payment cards to industry-compliant standards.

Card issuer interest has also become stronger as consumers, who are familiar with the security and convenience of biometrics in smart phones, increasingly recognize the benefits that biometrics can bring to payment cards. In the first quarter, a global bank and two main payment schemes began pilots using biometric payments cards. IDEX is confident that this is an important step towards mainstream adoption.

IDEX's commercial progress

IDEX has forged strong commercial partnerships in the fast-growing Asian markets where there is considerable demand for biometric solutions in smart cards. Notable collaborations in the region include

three of the top six card integrators; Goldpac, Hengbao and Chutian Dragon.

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

Steady commercial progress is also underway with other customers in the region. In February one of IDEX's close partners, XH Smart Tech, showcased a dual-interface biometric card with IDEX sensor at Mobile World Congress in Barcelona. XH Smart Tech has shipped more than 3 billion smart cards and has passed certification with China Union Pay, VISA and Mastercard. The company's customer base includes domestic Chinese and international banks and IDEX anticipates further positive developments to come.

More recently, IDEX has been working closely with Chutian Dragon, one of the largest smart card manufacturers in the region, to accelerate the adoption of biometric smart cards. Both companies have begun a collaboration with PAX Technology Limited, a leading international supplier of secure electronic payment terminal hardware and transactional software services, to run real-life EMV compliant transactions of biometric smart cards using IDEX's SmartFinger® IDX 3200 dual-interface sensor. The aim is to ensure interoperability between all elements of the transaction value chain and is a clear example of IDEX actively driving the creation of the biometric smart card market.

In May, biometric payment cards were showcased by a leading Asian payment scheme provider at the 2nd Digital China Summit in Fuzhou, China. The card, featuring IDEX's SmartFinger® IDX 3200 dual-interface sensor, was manufactured by Hengbao, one of China's largest smart card integrators and a partner with IDEX since September 2018.

LEVERAGING OUR BIOMETRIC TECHNOLOGY IN OTHER END MARKETS

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

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

IDEX's first high-volume order

In April, IDEX achieved a significant milestone in its journey to commercialise biometric technology. IDEX was chosen by one of the world's leading providers of advanced IT systems and news to the financial markets, to upgrade their existing biometric security solutions. The agreement involves a multimillion-dollar commitment for IDEX's SmartFinger® IDX 3200 dual-interface sensors, enhanced with advanced security features, and will be delivered over the next three years.

This first volume order for IDEX's dual-interface sensor validates IDEX's technological leadership and industry expertise in secure biometric solutions. This customer has successfully deployed biometric authentication solutions for over a decade. Our partnership will enable IDEX to accelerate the development of its next generation security technology for the smart card market.

Biometric technology enabling financial inclusion

Biometric technology has long been seen as a way to reliably and conveniently authenticate the identity of millions of people and ensure greater financial inclusion for those who remain unbanked due to a range of factors from language, health limitations and physical barriers to a distrust of the financial system.

In May, IDEX sensors were used in a pilot between Edenred, one of the world's largest payment solutions providers, and Mastercard to ensure greater security for state benefit programs. The pilot is being conducted by Sonora state in Mexico and will provide beneficiaries with increased security when receiving their entitled benefit since the card protects their identity and cannot be used by anyone else.

This trial heralds the start of a new vertical for IDEX where significant opportunities for fingerprint technologies will reduce the use of cash payments, improving the user experience, and will help with the allocation of funds, especially within social programs.

ORGANISATIONAL CHANGES

IDEX continues to invest in people and capabilities that will enable the growth of the business and help the organization deliver on its strategy of achieving leadership in biometric technology solutions. IDEX has strengthened its sales and marketing infrastructure over the past twelve months, as well as a number of key hires to enhance the business development and support functions.

On 1 March 2019, Anthony Eaton became the new Chief Technology Officer, taking over from Fred Benkley who moved to the newly created position of Chief Innovation Officer. Chief Financial Officer Henrik Knudtzon will step down as CFO effective 1 June 2019. IDEX is in the process of hiring a new CFO based in the US.

SUMMARY AND OUTLOOK

IDEX continues to see strong interest for its biometric solutions and the growing operational momentum has continued in 2019. IDEX expects further commercial progress in the year as the biometric smart card market continues to evolve and customers seek a differentiated biometric solution.

Further contract wins are anticipated, leading to an increase in sensor shipments towards the second half of the year. The company remains focused on helping its customers achieve high quality, mass produced biometric smart cards and expects to report material progress throughout 2019.

FINANCIAL REVIEW

CONSOLIDATED INTERIM FINANCIAL INFORMATION

Statements of income

IDEX recorded revenues of NOK 1.4 million in the first quarter of 2019, including NOK 0.1 million in product sales and NOK 1.3 million in services income. This compares to NOK 1.8 million in the corresponding period of 2018. The shipments are chiefly related to card products. The gross margin on product sales in the first quarter was 38%, compared to 20% in same quarter of 2018. The gross margin at small volumes are not necessarily representative of the gross margin at mass volumes.

Total operating expenses in the first quarter of 2019 amounted to NOK 64.6 million, compared to NOK 55.8 million in the first quarter of 2018.

The payroll expenses amounted to NOK 45.1 million in the first quarter of 2019, compared to NOK 37.9 million in the corresponding period of 2018. The underlying payroll cost excluding share-based remuneration was NOK 38.3 million in the first quarter, up from NOK 33.3 million in the corresponding period of 2018. The increase reflects that the average number of IDEX employees was 105 full-time equivalents (FTE) in the first quarter this year, up from 100 FTE in the first quarter last year. In addition, there are fluctuations between quarters as salaries in subsidiaries are paid in foreign currency and variations in other staff related items, such as recruiting costs. The net cost of share-based remuneration may vary substantially between quarters because of share price fluctuations as well as grants and exercises. Cost of exercises are funded by the capital injected at exercise.

IDEX's staff, counting both employees and individual contractors, was 113 FTE at 31 March 2019, down from 115 FTE at 31 December 2018. The staff is comprised of 103 FTE IDEX employees and 10 individual contractors working continuously as part of the

development or sales teams. IDEX does not currently plan to make significant changes in staff size.

Development expenses amounted to NOK 9.8 million in the first quarter of 2019, down from NOK 10.7 million in the corresponding quarter of 2018.

Other operating expenses, mainly expenses related to sales, marketing and administration, amounted to NOK 9.7 million in the first quarter of 2019, compared to NOK 7.2 million in the corresponding period of 2018. The increase is mainly related to outsourcing of accounting services, increase in IT expenses and legal services.

Amortization and depreciation amounted to NOK 3.4 million in the first quarter of 2019, compared to NOK 1.7 million in the corresponding period the year before. The increase is chiefly due IDEX's investment in in-house, high-volume test equipment that started depreciating at the beginning of 2019.

Net financial items amounted to an expense of NOK 0.1 million in the first quarter this year, compared to an income of NOK 0.2 million in the first quarter previous year. The variation in net financial items between periods is mainly caused by re-/devaluations of foreign currency, mainly the U.S. dollar, causing gains or losses on receivables and debt denominated in currencies other than NOK.

The IDEX group recorded a tax charge of NOK 0.8 million in the first quarter this year, compared to a tax charge of NOK 1.1 million in the first quarter of 2018. The tax is due to profits in IDEX's subsidiaries in the USA, UK and China.

The IDEX group had a net loss of NOK 67.7 million in the first quarter of 2019, compared to a net loss of NOK 56.8 million in the first quarter of 2018.

Loss per weighted average number of basic shares amounted to NOK 0.12 in the first quarter, compared to a loss of NOK 0.10 per share in the first quarter of 2018.

Financial position

The main assets held in the balance sheet are acquired intangible assets and cash in bank. Cash is the major item, representing 73% of the total assets.

The acquired intangible assets and intellectual property rights have been capitalized in accordance with IFRS, and included goodwill amounting to NOK 8.3 million and depreciating assets at net book value of NOK 25.9 million at 31 March 2019. The corresponding numbers at 31 March 2018 were NOK 8.3 million and NOK 29.6 million respectively. The assets depreciate over the economic life of the respective items. IDEX's self-developed intellectual property rights and product development costs are generally not held in the balance sheet because they do not satisfy the IFRS criteria for capitalization. No development expenses have been capitalized in 2019 or 2018.

Tangible fixed assets amounted to NOK 22.0 million at 31 March 2019, up from NOK 14.6 million at 31 December 2018 and NOK 7.3 million at 31 March 2018. The fixed assets are scientific and test equipment, engineering tools, leasehold outfitting, office equipment and furniture with useful lives of 3-7 years.

Inventory amounted to NOK 11.8 million at 31 March 2019, up from NOK 10.2 million at 31 December 2018 and 10.7 million at 31 March 2018. The inventory consists mainly of components and fingerprint sensors for cards. Because of significant lead times for certain components, IDEX holds inventory to satisfy expected demand for deliveries with short notice.

There were customer receivables at 31 March 2019 amounting to NOK 1.1 million, up from NOK 0.3 million at the end of 2018. There were no customer receivables at 31 March 2018.

At 31 March 2019 IDEX had a cash balance of NOK 224.9 million, up from NOK 83.7 million at the end of 2018. On 25 January 2019 IDEX made a private placement amounting to NOK 214 million. The share issue has been completed and significantly strengthened the balance sheet.

Equity amounted to NOK 273.3 million at the end of the first quarter of 2019, up from NOK 123.2 million at the end of 2018. In the first quarter of 2019, new

equity in a net amount of NOK 211.1 was added. The ongoing decrease is mainly caused by net loss.

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

IDEX implemented IFRS 16 effective 1 January 2019. The total right-of-use asset recognized for the group was NOK 9.9 million. The corresponding liability was NOK 4.0 million long-term and NOK 5.9 million short-term. In line with IFRS 16, the implementation will lead to decreased rental costs offset by increased depreciation and financial costs. For the first quarter of 2019, these are NOK 1.5 million in depreciation, NOK 1.5 million in rent offset and NOK 0.1 million financial cost. See note 2 and 6 for more information.

Total short-term liabilities amounted to NOK 30.2 million at 31 March 2019, down from NOK 32.8 million at 31 December 2018 and up from NOK 25.9 million at 31 March 2018. Variations between quarters are caused by activity level, specific pay terms and timing of deliveries.

The net working capital, inventory plus receivables less trade accounts payable, amounted to NOK 19.6 million at 31 March, up from NOK 16.6 million at 31 December 2018 and down from NOK 20.2 million at 31 March 2018. IDEX will need to build up its inventory and accumulate receivables as sales to the card markets increase.

Liquidity

IDEX's operational cash outflow was NOK 68.5 million in the first quarter of 2019, compared to NOK 57.5 million in the first quarter of 2018. The main operating cash items are the operating losses in each period, partly offset by the equity part of the share-based compensation and depreciation. The working capital varies between quarters, mainly due to fluctuating payables to suppliers and accrued liabilities. Future planned growth of sales is expected to cause an increase in working capital in the form of inventory and receivables, partly funded by payables.

IDEX invested NOK 0.3 million in the quarter, compared to NOK 0.4 million in the first quarter of 2018. Going forward, IDEX will invest in more equipment for scaling its manufacturing but does not

expect the investments in 2019 to exceed those of 2018.

IDEX's balance sheet solvency, which is the cash position less the net of receivables and short-term

liabilities, amounted to NOK 206.9 million at 31 March 2019, up from NOK 62.4 million at the beginning of the year. The increase was mainly caused by the private placement partly offset by net loss in the period.

Fornebu, Norway, 8 May 2019
The board of directors of IDEX ASA

INTERIM CONSOLIDATED FINANCIAL INFORMATION

STATEMENTS OF INCOME

Amounts in NOK 1,000	Note	First three months		Full year
		2019	2018	2018
Operating revenue				
Product sales		85	452	2 181
Other operating income		1 287	1 389	1 404
Total revenue		1 371	1 841	3 585
Cost of goods sold				
		53	362	1 502
Gross margin				
		1 318	1 479	2 082
Operating expenses				
Payroll expenses	4	45 110	37 914	160 983
Development expenses		9 784	10 723	45 850
Other operating expenses	5, 6	9 710	7 186	31 908
Total operating expenses		64 604	55 823	238 740
Profit (loss) before interest, tax, depreciation and amortization (EBITDA)				
		(63 286)	(54 344)	(236 658)
Amortization and depreciation	6, 7	3 444	1 656	6 854
Profit (loss) before interest and tax (EBIT)				
		(66 730)	(56 000)	(243 512)
Net financial items				
	6, 8	(147)	222	(2 254)
Net result before tax (EBT)				
		(66 877)	(55 778)	(245 766)
Income taxes				
	9	807	1 069	332
Net loss for the period				
		(67 684)	(56 847)	(246 097)
Profit (loss) per share, basic and diluted (NOK)				
	10	(0.12)	(0.10)	(0.45)

STATEMENTS OF COMPREHENSIVE INCOME

Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):

Amounts in NOK 1,000	First three months		Full year
	2019	2018	2018
Net loss for the period			
	(67 684)	(56 847)	(246 097)
Exchange differences on foreign operations			
	(148)	(557)	946
Total comprehensive income (loss) for the period, net of tax			
	(67 832)	(57 404)	(245 151)

STATEMENTS OF FINANCIAL POSITION

Assets	Note	At 31 March 2019	At 31 March 2018	At 31 December 2018
Long-term assets				
Goodwill		8 260	8 260	8 260
Other intangible assets		25 889	29 552	26 763
Total intangible assets		34 149	37 812	35 023
Fixed assets		13 605	7 349	14 590
Right-of-use assets	6	8 375		
Total fixed assets		21 979	7 349	14 590
Long-term receivables		1 255	1 232	1 269
Total financial assets		1 255	1 232	1 269
Total long-term assets	7	57 383	46 393	50 882
Current assets				
Inventory		11 795	10 697	10 164
Customer receivables		1 115		339
Prepaid expenses		4 688	5 440	5 529
Other short-term receivables		6 399	6 748	5 684
Total receivables		12 202	12 188	11 552
Cash and bank deposits		224 915	244 776	83 714
Total current assets		248 912	267 661	105 430
Total assets		306 296	314 054	156 312
Equity and liabilities				
Equity				
Share capital	10	89 663	81 357	81 647
Share premium		1 395 335	1 185 355	1 192 222
Other paid-in capital		105 324	79 192	98 553
Total paid-in capital		1 590 322	1 345 904	1 372 422
Retained earnings (losses)		(1 317 015)	(1 061 436)	(1 249 183)
Total equity		273 307	284 468	123 239
Long-term liabilities				
Deferred tax liabilities		201	362	226
Long-term lease liabilities		2 540		
Other long-term liabilities		0	3 297	
Total long-term liabilities		2 742	3 659	226
Short-term liabilities				
Accounts payable		4 414	2 731	5 126
Income tax payable		2 575	3 677	1 716
Short-term lease liabilities		5 897		
Public duties payable		2 468	1 853	2 276
Notional employer's tax on share-based remuneration	11	0	1	
Other short-term liabilities		14 894	17 665	23 729
Total short-term liabilities		30 247	25 927	32 847
Total liabilities		32 988	29 586	33 073
Total equity and liabilities		306 296	314 054	156 312

STATEMENTS OF EQUITY

Amounts in NOK 1,000	Share capital	Share premium	Other paid-in capital	Retained earnings (uncovered loss)	Total equity
Balance at 1 January 2019	81 647	1 192 222	98 553	(1 249 183)	123 239
Share issue 25 January	8 016	203 113			211 128
Share-based remuneration			6 772		6 772
Profit (loss) for the period				(67 684)	(67 684)
Other comprehensive income				(148)	(148)
Balance at 31 March 2019	89 663	1 395 335	105 324	(1 317 015)	273 307
Balance at 1 January 2018	81 357	1 185 355	74 382	(1 004 032)	337 062
Share-based remuneration			4 810		4 810
Profit (loss) for the period				(56 847)	(56 847)
Other comprehensive income				(557)	(557)
Balance at 31 March 2018	81 357	1 185 355	79 192	(1 061 436)	284 468
Balance at 1 January 2018	81 357	1 185 355	74 382	(1 004 032)	337 062
Exercise of subscript. rights	245	6 868			7 112
Share issue (board remun.)	45		1 030		1 075
Share-based remuneration			23 141		23 141
Profit (loss) for the year				(246 097)	(246 097)
Other comprehensive income				946	946
Balance at 31 December 2018	81 647	1 192 223	98 553	(1 249 183)	123 239

STATEMENTS OF CASH FLOWS

Amounts in NOK 1,000	First three months		Full year
	2019	2018	2018
Operating activities			
Profit (loss) before tax	(66 877)	(55 776)	(245 759)
Amortization and depreciation	3 444	1 656	6 854
Share-based remuneration (equity part)	6 772	4 810	24 170
Change in inventories	(1 632)	(1 442)	(909)
Change in accounts receivables	(776)	640	211
Change in accounts payable	(724)	(251)	2 051
Change in other working capital items	(8 444)	(5 940)	997
Other operating activities	(50)	(68)	973
Net financial items	(280)	(480)	(1 731)
Change in income taxes	31	(136)	(1 593)
Net cash flows from operating activities	(68 535)	(57 469)	(214 374)
Investing activities			
Investments in tangible assets	(256)	(384)	(8 991)
Change in long-term receivables	16		(3)
Interest income receipts	280	366	1 095
Net cash flows used in investing activities	41	(19)	(7 899)
Financing activities			
Net proceeds from issue of shares	211 128		7 157
Payments on lease liabilities	(1 408)		
Change in long-term payables		163	(3 271)
Net cash flows from financing activities	209 720	163	3 886
Net change in cash and bank deposits	141 201	(57 326)	(218 388)
Effect of foreign exchange rate changes	(24)	(482)	360
Opening cash and bank deposits balance	83 714	302 102	302 102
Closing cash and bank deposits balance	224 915	244 776	83 714

NOTES TO INTERIM FINANCIAL STATEMENTS

1 General information

IDEX ASA is a provider of fingerprint identification technologies and other related activities. The company is a public limited liability company incorporated and domiciled in Norway. IDEX ASA's shares are listed at Oslo Børs, the stock exchange in Oslo. The address of the head office is Martin Linges vei 25 at NO-1364 Fornebu, Norway.

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

2 Basis of preparation and accounting policies

These interim financial statements for the first quarter of 2019 have been prepared in accordance with IAS 34 Interim financial reporting. The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the interpretations set out by the International Accounting Standards Board, as approved by the European Union. This interim financial report has not been subject to audit. The report was approved by the board of directors on 8 May 2019.

The accounting policies applied are consistent with those applied in the previous financial year, except for the implementation of IFRS 16 - Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

The group has, with effect from 1 January 2019, adopted IFRS 16 using the modified retrospective approach. Accordingly, comparable information has not been restated, and the effect is entered in the statement of financial position in the implementation year 2019. Upon implementation, the right-of-use asset and lease liability will be the same amount and will not impact on equity.

At the commencement date of a lease, a lessee will recognize a liability at the present value of lease payments with a corresponding asset representing the right to use the underlying asset during the lease term (right-of-use asset). The recognized asset is amortized over the lease period and the depreciation expense is recognized as an operating expense on an ongoing basis. The lease liabilities will be discounted at the incremental borrowing rate, and the interest expense on the lease commitment is recognized as a financial expense.

IDEX has identified office buildings to be the only material lease agreements. The group has used the relief option for leases with a duration of less than 12 months as at 1 January 2019 and leases with low value, and these leases will not be recognized in the statement of financial position, but recognized as an operating expense over the lease period. This approach will be applied consistently to all lease contracts.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The impacts of IFRS 16 adoption per 1 January 2019 and first quarter 2019 impact of IFRS 16 are summarized in note 6.

3 Risk factors

It is the duty of the board of directors to duly present the principal risks of IDEX and its business. The company's major risk is its business risk, meaning its ability to earn revenue and generate profit. The future revenue generation will depend on IDEX's ability to market and deliver successful and competitive products, and further the company's ability to legally protect its intellectual property rights. IDEX considers that its fingerprint sensor technology has one of the best biometric performances, and that its fingerprint sensor products offer unique properties, particularly in the card market.

IDEX does not have any significant assets or liabilities with financial risk. IDEX's balance sheet comprises mainly cash and working capital and the company is fully funded on equity. IDEX does not hold financial instruments or significant financial assets or liabilities and has limited financial risks related to currency and interest rates. USD is the dominant currency of the company's payables.

4 Payroll expenses

Amounts in NOK 1,000	First three months		Full year
	2019	2018	2018
Salary, payroll tax, benefits, other	38 338	33 281	136 960
Payroll tax on exercised subscr. rights			31
Share-based remun., notional cost	6 772	4 810	24 170
Accr. (rev.) payr. tax on share-based remun.	0	(177)	(179)
Payroll expenses	45 110	37 914	160 983

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

5 Related party transactions

The chairman Morten Opstad is a partner in Advokatfirma Ræder DA. The law firm provided services to the company amounting to NOK 1,740 thousand in the first quarter 2019. Mr. Opstad's work beyond board duty has been invoiced by Ræder. The recognized amounts include accruals for services received but not yet billed.

Larry Ciaccia, who was elected board member at the annual general meeting on 12 May 2015, has served on IDEX's Strategy Advisory Committee (SAC) since 2014 and continues his tenure on the SAC. The SAC service fee is USD 15 thousand per year. Mr. Ciaccia also provides consulting services beyond board duty to IDEX for a fixed fee of USD 50 thousand per year.

Since 2016, board member Andy MacLeod has provided consulting services beyond board duty to IDEX for a fixed fee of GBP 60 thousand per year. The service agreement ended on 27 March 2019.

6 Leases

Leases in the statements of income	Quarters
Amounts in NOK 1,000	Q1 2019
Other operating expense	(1 521)
EBITDA	1 521
Depreciation of right-of-use assets	1 471
EBITA	50
Interest expense on lease liabilities	112
EBIT	(63)

Leases in the statements of financial position

Amounts in NOK 1,000	At 31 March 2019	At 1 January 2019
Assets		
Right-of-use-assets - office buildings	8 375	9 909
Total lease assets	8 375	9 909
Liabilities		
Short-term liabilities	2 540	2 964
Long-term liabilities	5 897	6 945
Total lease liabilities	8 437	9 909

Note: At the implementation date 1 January 2019, the right-of-use assets and lease liabilities were at the same amount and equity was not impacted.

Reconciliation of lease commitments to lease liabilities

Amounts in NOK 1,000	
Operating lease obligation at 31 December 2018	12 101
Relief option for short-term leases	(1 753)
Gross lease liabilities at 1 January 2019	10 348
Effect of discounting using incremental borrowing rate	(439)
Lease liability and right-of-use assets recognized at initial application	9 909

The lease liabilities were discounted at the incremental borrowing rate as at 1 January 2018. The weighted average discount rate was 4.89%

Leases in the statements of cash flows

In the statements of cash flows the cash payments for the principal are classified within cashflows from financing activities. The interest portion of the lease liability is classified as net financial items within cashflows from operating activities.

7 Long-term assets

Amounts in NOK 1,000	Goodwill	Other intangible assets	Tangible fixed assets	Right-of-use assets	Long-term receivables	Total long- term assets
Balance at 1 January 2019	8 260	26 763	14 590	0	1 269	50 882
Additions			281	9 830		10 110
Disposals and retirements at cost			(225)		(16)	(242)
Depreciation and impairment losses		(874)	(1 099)	(1 471)		(3 444)
Depreciation on disposed and retired assets			201			201
Effects of changes in foreign currency			(142)	16	2	(124)
Balance at 31 March 2019	8 260	25 889	13 605	8 375	1 255	57 383
Balance at 1 January 2018	8 260	30 464	8 002	0	1 251	47 977
Additions			384			384
Depreciation and impairment losses		(912)	(742)			(1 654)
Effects of changes in foreign currency			(295)		(19)	(314)
Balance at 31 March 2018	8 260	29 552	7 349	0	1 232	46 393
Balance at 1 January 2018	8 260	30 464	8 002	0	1 251	47 977
Additions			9 016		3	9 019
Disposals and retirements at cost			(222)			(222)
Depreciation and impairment losses		(3 701)	(3 153)			(6 854)
Depreciation on disposed and retired assets			197			197
Effects of changes in foreign currency			750		15	765
Balance at 31 December 2018	8 260	26 763	14 590	0	1 269	50 882

Acquired intangible assets and intellectual property rights have been capitalized in accordance with IFRS, and included goodwill amounting to NOK 8.3 million and depreciating assets in an original acquisition amount of NOK 42.7 million. The assets depreciate over the economic life of the respective assets. The major items depreciate over 9.5 years and 17.3 years from acquisition, through July 2024 and to the end of 2030 respectively. Under IFRS, goodwill is not amortized but impairment tested at each year end. Intangible assets that are fully depreciated are by definition retired.

IDEX's self-developed patents and other intellectual property rights are generally not held in the balance sheet because they do not satisfy the IFRS criteria for capitalization. Development costs have largely been expensed for the same reason. IDEX has not capitalized any development expenses in 2019 or 2018.

8 Financial items

Amounts in NOK 1,000	Quarters		First three months		Full year
	Q1 2018	2019	2018	2018	2018
Interest income	366	280	366		1 095
Currency exchange gain	1 921	1 259	1 921		13 201
Other financial income					
Total financial income	2 287	1 540	2 287		14 296
Interest expenses	8	0	8		14
Interest expenses on lease liabilities		112			
Interest expenses on deferred settlement	197	114	197		828
Currency exchange loss	1 859	1 460	1 859		15 173
Other financial expenses					535
Total financial expense	2 065	1 686	2 065		16 550
Net financial items	222	(147)	222		(2 254)

9 Income tax expense

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

10 Profit (Loss) per share

	First three months		Full year
	2019	2018	2018
Profit (loss) attributable to the shareholders (NOK 1 000)	(69 483)	(56 847)	(246 097)
Weighted average basic number of shares	570 440 738	542 383 105	542 795 969
Weighted average diluted number of shares	570 441 050	542 657 305	543 117 924
Profit (loss) per share, basic and diluted	NOK (0.12)	NOK (0.10)	NOK (0.45)

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

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

11 Shares and subscription rights

Number of financial instruments	Incentive subscription rights	Shares
Balance at 1 January 2019	37 471 050	544 314 537
25 January: Share issue		53 437 500
Granted incentive subscription rights	873 800	
Expired/forfeited incentive subscription rights	(277 000)	
Balance at 31 March 2019	38 067 850	597 752 037
Balance at 1 January 2018	25 260 000	542 383 105
Granted incentive subscription rights	5 215 000	
Expired/forfeited incentive subscription rights	(623 750)	
Balance at 31 March 2018	29 851 250	542 383 105
Balance at 1 January 2018	25 260 000	542 383 105
Granted incentive subscription rights	23 400 600	
Exercised incentive subscription rights	(1 631 250)	1 631 250
Expired/forfeited incentive subscription rights	(9 558 300)	
9 May: Issued shares in lieu of board remuneration		300 182
Balance at 31 December 2018	37 471 050	544 314 537

The annual general meeting of IDEX on 9 May 2018 resolved that the board members could elect to receive all or part of the board remuneration in the form of shares in IDEX. In 2018, the chairman and three board members took board remuneration partly or fully in shares in lieu of cash against a payment of par value NOK 0.15 per share.

IDEX from time to time grants incentive subscription rights (SRs) to employees and individual contractors. Unless specifically resolved otherwise, 25% of each grant of subscription rights vest per year and expire on the fifth anniversary following the general meeting that resolved the program. Unvested subscription rights terminate on the holder's last day of employment. Vested subscription rights may be exercised up to 90 days after the holder's last day of employment. The weighted average exercise price of outstanding incentive SRs on 31 March 2019 was NOK 5.48 per share.

12 Events occurring after the balance sheet date

There have been no events between 31 March 2019 and the resolution of these interim financial statements that have had any noticeable impact on IDEX's result in the first quarter of 2019 or the value of the company's assets and liabilities at 31 March 2019.