



IDEX ASA

Fourth quarter and
preliminary year-end results 2016

Highlights

- Launch of next generation ASIC platform for contactless card, mobile and IoT applications
- Smartcard programme with global payment provider advances to end customer trials
- Launch of silicon-based glass and ceramic sensors for smartphones
- Multiple design wins, volume shipments and smartphone launches in Mobile
- Strengthened organisation with key hires and expanded sales channels in the US and China with partners
- Revenues of NOK 12.5 million in the fourth quarter, NOK 38.6 million for the full year 2016

Outlook and key upcoming milestones

- Smartcard sensor programme with global payments company
 - Completion of customer trials in the second quarter 2017
 - Commercial launch during the second half of 2017
- Launch of low-power flexible sensor for contactless cards in second quarter 2017
- New Cardinal sensor design wins and customer smartphone launches





IDEX'S TECHNOLOGY DIFFERENTIATION

Complete portfolio of capacitive sensor products

IDEX has a comprehensive portfolio of capacitive fingerprint sensors and is the only supplier in the industry offering both conventional silicon-based sensors, as well as off-chip polymer sensors.

Silicon sensors represent the first generation of capacitive fingerprint sensor products and have been shipped in hundreds of millions of units per annum by multiple suppliers across the industry. IDEX offers a silicon-based product with its Cardinal sensors. The key driver for reducing the cost of silicon-based sensors is to shrink the sensor size, which reduces the amount of silicon required but also negatively impacts biometrics performance. Additionally, it's broadly accepted in the industry that there are physical limitations on the ability to capture high-quality images through glass using silicon sensors.

IDEX is one of only two vendors with commercially proven and patent-protected off-chip capacitive sensing technology. Separating the ASIC from the sensing array provides IDEX and its customers with increased form factor flexibility and lower cost for medium and large area sensors. The company's off-chip technology is a key differentiator in multiple target end markets. In the mobile market, off-chip sensors offer both a performance premium and a cost advantage for medium and large form factors, and the off-chip technology is also well suited for integration in future OLED displays. In the cards market where larger area sensors with relatively low power requirements are preferred, off-chip technology has significant cost advantages over silicon-based sensors while also enabling the use of flexible sensors that are compatible with standard card manufacturing processes.

Launch of next generation ASIC platform enabling reduced cost, substantially lower power consumption and enhanced performance

IDEX taped out its newest generation ASIC platform for off-chip touch sensors in the third quarter of 2016 and has successfully implemented the first touch sensors with this technology. The new ASIC chip delivers an impressive combination of enhanced performance and reduced power consumption at a lower price point. Designed specifically to be flexible across multiple product applications in IDEX's target markets cards, mobile and IoT, the chip's low power consumption also makes it ideally suited for contactless card applications. Additionally, the ASIC features an on-board microcontroller for increased processing power and enhanced security features, such as encryption.

IDEX has partnered with TSMC, the leading company in its field with customers such as Apple, Qualcomm and Mediatek, as the foundry for volume manufacturing of the ASIC. The relationship provides IDEX's customers with significant capacity from the leading semiconductor producer in the world.

The completion of the ASIC is a significant milestone for IDEX and is the result of substantial investment. The ASIC has been inserted into new fingerprint sensor products, which will be ready for product sampling in the second quarter of 2017 and for mass production during the second half of 2017.

SMARTCARD ADOPTION PROGRESSING

Biometric smartcard programme with strategic eco-system partners advances to end customer trials

During the fourth quarter of 2016 and throughout the first quarter of 2017, IDEX has made significant progress on commercialisation of its smartcard sensor.

In November 2016, Safran Identity & Security and IDEX announced that the two companies were partnering to commercialise the world's first ISO standard form factor smartcard with a touch fingerprint sensor. The companies have been working in close collaboration with a major global payment partner on a strategic programme to launch a mass-deployable biometric smartcard.

The first of several end-customer trials in this programme commenced in the first quarter of 2017 and multiple customers are planning to participate in dedicated trials over the coming months for banking and financial inclusion initiatives. These customer-level trials follow successful trials completed internally by IDEX's undisclosed global payments partner and are one of the final steps in the commercialisation process. After completion of the trials, and subsequent analysis, the card is expected to complete the formal certification process prior to being made available for commercial production in the second half of 2017.



Together with card ecosystem partners, IDEX has actively been working on a strategic programme to launch a mass deployable biometric smartcard. This collaboration has resulted in an end-to-end solution that is secure and commercially deployable for use with existing payment and enrolment infrastructure. More specifically, the solution has proven compatibility with existing point of sales terminals. It contains a certified on-card matcher, and has been designed into a mass enrolment system.

The solution leverages IDEX's capacitive touch fingerprint sensor in a standard thickness card that is compliant with ISO bending tests. The card sensor is compatible with standard low-cost card manufacturing processes, and has the lowest price point of any similar biometric sensor solution.

Planned launch of flexible contactless card sensor in the second quarter 2017

In parallel with the ongoing smartcard programme IDEX expects to launch an industry leading touch sensor for contactless cards during the second quarter of 2017. The solution has specifically been designed to function without an extra battery or supercapacitor, while still delivering excellent quick-match accuracy and performance. The contactless card sensor is enabled by the company's new generation ASIC, which significantly lowers the power consumption. Additionally, the ASIC's increased processing power using an on-board MCU and lower cost point combine to create an ideal sensor for contactless cards. Once introduced, the solution is anticipated to further increase IDEX's leadership position in both the payment and ID card markets.

CONTINUED MOMENTUM IN MOBILE

Multiple design wins and launches of new handsets featuring IDEX's Cardinal silicon sensor

In 2016, IDEX's Cardinal touch fingerprint sensor gained strong momentum in the mobile market. The company secured its first design win with LG in December 2015, and the launch of the first LG smartphone in June 2016 marked an important commercial breakthrough for IDEX. Following this, the company experienced a significant increase in interest from mobile OEMs, leading to seven new design wins across three customers, of which two handsets were launched in the fourth quarter of 2016.

IDEX recorded revenues of NOK 38.6 million for the full year 2016, the majority of which was generated by the shipment of Cardinal silicon sensors for mobile handsets applications. The Cardinal sensor's value proposition is a compelling combination of biometrics performance and a small silicon footprint.

Two handsets featuring IDEX's sensor launched from LG

Following positive reviews of IDEX's sensor after the launch of the first LG smartphone, IDEX received a second design win with LG for a phone launched in the fourth quarter 2016. This phone was LG's Stylo 2 V, which was a specific model for a U.S. carrier, Verizon Wireless.

IDEX fingerprint sensor in flagship model launched from Taiwanese OEM

In August 2016, IDEX announced that a major Asian smartphone customer had selected IDEX's Cardinal touch fingerprint sensor for integration into multiple mobile handset programmes.

The company received the initial production order from this customer early in the fourth quarter and in November this mobile Taiwanese OEM launched a new flagship model featuring IDEX fingerprint sensor Cardinal Q. Also, IDEX received an additional design win with this customer in late October.

In summary, IDEX has achieved a total of five design wins with this Taiwanese OEM, of which one smartphone has been launched. IDEX expects to see further smartphone launches from this customer in the first half of 2017.

Design win for Chinese mobile OEM

Early in the fourth quarter, a Chinese smartphone OEM selected the Cardinal sensor for integration into a mobile handset. The handset is expected to be launched in the second quarter of 2017.

Launch of glass and ceramic fingerprint sensors for smartphones

On 20 February 2017, IDEX announced the expansion of its portfolio of fingerprint solutions with a new series of glass and ceramic touch sensors for mobile applications. The new fingerprint sensor solutions are based on the company's silicon-based Cardinal architecture with enhanced imaging performance to replace conventional coating by sensing through glass and ceramic covers. The new glass and ceramic sensor product range has been developed in partnership with CanvasBio.

IDEX's new sensor offer the look and feel of glass to mobile OEMs, which are increasing relying on glass to strengthen the industrial designs of next generation smartphones. Intended for front mounted mobile applications, IDEX's glass and ceramic sensor solutions combine an elegant cosmetic solution and strong biometric performance at a very competitive price point.



IDEX will demonstrate its new glass and ceramic fingerprint sensor at the Mobile World Congress in Barcelona from 27 February to 2 March.

Product evolution in the mobile market

The mobile market is rapidly evolving towards infinity displays. Industry experts expect that flagship mobile devices will adopt costly in-display sensors, while lower end devices will have lower cost solutions on the back of the handset. In addition, new sensor technologies are emerging, for example, Apple's rumored iris scanner on the iPhone 8.

IDEX's off-chip technology is ideally suited both for larger sensors on the back of the handset, as well as integration into OLED displays. Off-chip sensors are made of flexible polymer, which can be the same material used to manufacture flexible OLED displays.

IDEX will prioritise to invest in extending this technology for use in next generation flexible products, including re-focussing its development resources from in-glass to in-display sensor solutions. To accelerate this development, IDEX recently strengthened its team with the addition of core display integration expertise. In the fourth quarter, IDEX appointed Mr. Stan Swearingen as the company's Chief Products Officer. Mr. Swearingen has extensive product leadership experience from companies such as Synaptics and Atmel. In addition, Mr. Swearingen has attracted further world class talent to IDEX, particularly with display integration expertise. This talent, in addition to IDEX's existing off-chip know-how and experience, makes the company uniquely positioned and well prepared for the next generation mobile displays.

MULTIPLE IOT PRODUCTS LAUNCHED

BIO-key introduced several products featuring IDEX's off-chip fingerprint sensor at the CES

The market potential for biometrically enabled IoT products is huge and IDEX's off-chip sensor is ideally suited for these products, as a flexible high-performing touch sensor. However, the IoT market is also fragmented. IDEX is focusing on selective vertical opportunities, where its off-chip fingerprint sensors offer a strong value proposition. The off-chip sensor uniquely combines excellent biometric performance from medium to large area sensors with a very compelling cost point. The off-chip technology also enables greater flexibility in terms of sensor material and form factors than other competing sensors.

BIO-key International, an innovative provider of biometric software and hardware solutions continues to introduce products featuring IDEX's Eagle off-chip sensor.

At the Consumer Electronic Show (CES) in Las Vegas in January 2017, BIO-key debuted several new products, expanding their suite of fingerprint biometric solutions. The debuted products included two USB fingerprint readers for Windows, FreePass and SidePass, a USB fingerprint reader for Android devices, Q-180 Touch, and a line of fingerprint biometric padlocks called TouchLock. BIO-key had previously launched the SideToch, a USB dongle featuring IDEX's sensor.

ORGANISATIONAL UPDATE

IDEX strengthens technical team to accelerate product development and enhance customer support

During the fourth quarter, IDEX attracted and employed several key technical hires in several disciplines such as software, firmware, ASIC design and hardware design. The total number of employees and on-going individual contractors was 92 at 31 December 2016, up from 65 at 31 December 2015. Subsequently, the company has added further employees during the first two months of 2017.

The talent has been hired to strengthen prioritised areas, such as card development and mobile display integration. To enhance internal focus and efficiency the engineering staff was reorganised in January 2017 under the leadership of Stan Swearingen as Chief Product Officer.

Appointment of Paragon Technical as sales agent in the US to expand reach of the direct sales team

In January 2017, IDEX entered into an agreement with Paragon Technical to serve as the company's sales representative in the Northern California and Northern Nevada regions of the US.

Paragon Technical has a large team of dedicated account managers with a solid track record and a deep technology understanding. The sales team has strong relationships with technology companies based in and around Silicon Valley, expanding the reach of IDEX's direct sales team that has mainly been focused on the Asia market.

IDEX appoints Comtech as distributor in China

In February 2017, IDEX entered into an agreement with Comtech, one of the largest providers of electronic components and solutions in China. Following this agreement, Comtech will serve as IDEX's distributor in China. The Chinese market for fingerprint sensors is large and growing. The partnership ensures sufficient presence and logistical capacity for IDEX in this market, as well as enabling the company's direct sales team in China to focus more on securing customer orders.

OUTLOOK

IDEX's strategy is to drive adoption of its sensor technology across three mass markets: Mobile, cards and the Internet of Things (IoT). In 2016, IDEX gained commercial traction across these three core markets. Going forward, IDEX expects this traction to continue and the company expects to see increased margins from differentiated market segments using its off-chip sensor technology.

Completion of card customer pilot leading to commercial traction

During the first half of 2017, IDEX and its partners expect to complete several trials with multiple end-customers for banking and financial inclusion initiatives. These tests will provide valuable real-world feedback on the solution and cement customer interest. Once completed and the results are analysed, IDEX expects the card programme to move into the formal certification process, and then become available for mass production starting in the second half of 2017.

Launch of contactless card

In parallel, following the completion of development of its next generation ASIC, IDEX expects to launch the industry leading contactless card touch sensor during the second quarter of 2017, which can function without requiring an extra battery or supercapacitor. This card will be ideal for multiple applications, including payment, ID and access control. With the introduction of a user friendly contactless card solution, IDEX expects to secure additional tier one partners in the card ecosystem to accelerate product roll out and commercialisation.

Strategy to monetise Cardinal sensors in existing mobile market and intercept next generation mobile with off-chip sensors

In the mobile market, the company is currently offering the competitive Cardinal family of silicon sensors where it had a commercial break through with multiple design wins in 2016. IDEX expects many of these design wins to convert into volume shipments during 2017. The company launched its glass and ceramic variants of this silicon sensor in the first quarter of 2017, and expects to continue securing design wins with the Cardinal sensor.

The qualification of the Eagle off-chip sensor with a tier one mobile OEM is ongoing and IDEX will continue to market the off-chip sensor to mobile OEMs who need premium biometric performance. In addition, IDEX will prioritise to invest in extending this technology for use in next generation flexible products, including re-focussing its development resources from in-glass to in-display sensor solutions.

Strong product and technology development

At the core of IDEX's activities is product and technology development. IDEX is accelerating its investments and leveraging its off-chip technology to target suitable products for which the company anticipates current or future market demand. This effort will be driven by the new Chief Product Officer, Stan Swearingen.

IDEX has developed a growing portfolio of high-performance and cost-effective products. The company has leading-edge IP, a highly knowledgeable organisation with an expanded direct sales team, tier one industry partners, and a solid financial position. With these assets, the company expects to capture a significant share of the expanding, multi-billion dollar market opportunity for fingerprint sensors.

Fornebu, 22 February 2017
The Board of Directors of IDEX ASA

FINANCIAL REVIEW

Consolidated interim financial statements as at 31 December 2016 (Unaudited)

Profit and loss statements

IDEX recorded revenues of NOK 12.5 million from sensor deliveries in the fourth quarter of 2016, up from NOK 0.2 million in the corresponding quarter of 2015. For the full year 2016, revenues amounted to NOK 38.6 million, up from NOK 0.3 million in 2015.

The gross margin was NOK 1.7 million in the quarter, representing a 13.5 per cent margin, while the margin in the full year ended at 15.2 per cent. The gross margin on the early-stage shipments reflect that the Cardinal sensor, which represent the majority of the volumes shipped in 2016, is a co-developed product.

The total operating expenses for the fourth quarter 2016 amounted to NOK 46.8 million, compared with NOK 73.0 million in the fourth quarter 2015. For the full year 2016, IDEX's total operating expenses ended at NOK 202.0 million, down from NOK 219.8 million in the previous year.

The payroll expenses were NOK 25.1 million in the quarter, down from NOK 32.1 million in the corresponding quarter of 2015, while the total payroll expenses for 2016 ended at NOK 91.7 million compared with NOK 98.2 million in 2015. The underlying salary cost increased from NOK 73.0 million in 2015 to NOK 85.1 million in 2016 due to an increase in the number of employees. The net effect of share-based remuneration, which often vary substantially between quarters, was NOK 17.7 million lower in 2016 than in 2015. The notional cost of incentive subscription rights, including accrued employer's tax, varies with the share price. The cost element related to the subscription rights was NOK 12.6 million in 2016 compared with NOK 10.5 million in 2015. The accrued employer's tax on subscription rights amounted to a credit of NOK 8.1 million in 2016, compared with a cost of NOK 11.7 million in 2015. The cost or reversal does not have any cash effect.

R&D expenses amounted to NOK 12.1 million in the fourth quarter of 2016, down from NOK 36.5 million in the same quarter of 2015 and from NOK 23.0 million in the previous quarter. The R&D expenses vary depending on what development phase the different projects are in. In the fourth quarter 2016, several key projects has been in phases with less external costs related to services and materials purchased. For the full year 2016, IDEX's R&D expenses ended at NOK 81.4 million, compared with NOK 102.6 million for the full year 2015.

Other operating expenses, mainly comprising expenses related to sales, marketing and general administration, amounted to NOK 9.6 million in the fourth quarter of 2016, up from NOK 4.4 million in the corresponding quarter of 2015. These expenses amounted to a total of NOK 28.8 million in 2016, up from NOK 19.0 million in 2015. The increase mainly relates to increased level of sales and marketing activities.

The total number of employees and on-going individual contractors was 92 at 31 December 2016, up from 80 at 30 September 2016 and from 65 at 31 December 2015. The staff of 92 includes 78 IDEX employees, 11 technical/scientific individual contractors working full time or regularly as part of the development team, and 3 sales representatives working on contract.

Depreciation amounted to NOK 1.6 million in the quarter, compared with NOK 1.8 million in the fourth quarter of 2015. For 2016, depreciation amounted to NOK 7.3 million, up from NOK 6.8 million for 2015. NOK 1.3 million was invested in scientific equipment and engineering tools in 2016, compared with NOK 2.6 million in 2015.

EBIT for the fourth quarter of 2016 ended at a loss of NOK 46.7 million, compared with a loss of NOK 74.8 million for the corresponding quarter of 2015. For 2016, EBIT ended at a loss of NOK 203.4 million, up from a loss of NOK 226.4 million for the full year of 2015

Net financial items were NOK 2.3 million in the quarter, compared with a negative NOK 0.6 million in the fourth quarter of 2015. For 2016, net financial items amounted to NOK 1.0 million, compared with a negative NOK 1.9 million for 2015. Interest income is small due to the low interest and the variation between periods is mainly caused by re-/devaluations of the US dollar causing gain/loss on receivables and debt denominated in US dollars.

Due to profits in IDEX's wholly-owned subsidiaries in the US and UK, there was a tax charge of NOK 0.2 million in the quarter, compared with NOK 27 thousand for the corresponding quarter of 2015. For 2016, IDEX recorded a tax charge of NOK 0.8 million, up from NOK 0.5 million for 2015.

The IDEX group had a net loss of NOK 44.6 million in the fourth quarter of 2016, down from a loss of NOK 75.4 million in the fourth quarter of 2015. For the full year 2016, the Group recorded a loss of NOK 203.3 million, compared with a loss of NOK 228.8 million for the full year 2015.

Profit or loss per basic weighted average number of shares amounted to NOK 0.38 in 2016. Per share results are not directly comparable between quarters or years because the number of shares has increased by share issues.

Balance sheets

IDEX has a strong balance sheet. At 31 December 2016, IDEX had a cash balance of NOK 532.6 million, down from NOK 579.4 million at 30 September 2016 and from 763.7 million at 31 December 2015. The group has no financial debt.

The main assets held on the balance sheet are the intangible assets acquired in 2013 and 2014, inventoried components and sensors, and cash in bank. Cash is the dominant item, representing 87 per cent of the total assets.

The acquired intangible assets and intellectual property rights have been capitalised in accordance with IFRS, and included goodwill amounting to NOK 8.3 million and depreciating assets in an original acquisition amount of NOK 43.6 million. The assets depreciate over economic life for the respective assets. The major items depreciate over 9.5 year and 17.3 years from acquisition.

IDEX's self-developed patents and other intellectual property rights are generally not held in the balance sheet because they do not satisfy the IFRS criteria for capitalisation. Development costs have in the past largely been expensed for the same reason. In the fourth quarter of 2016 IDEX capitalised own development expenses of NOK 0.3 million related to the Cardinal sensor products, while no development expenses were

capitalised in the first nine months of 2016. In 2015, own development expenses of NOK 0.2 million was capitalised in the fourth quarter and a total of NOK 0.8 million in the full year 2015.

Fixed assets amounted to NOK 4.7 million at 31 December 2016, down from NOK 6.6 million at the end of 2015. The fixed assets are scientific equipment and engineering tools, leasehold outfitting, office equipment and furniture with useful lives of 3-5 years.

At the end of 2016, inventory amounted to NOK 9.3 million, up from NOK 7.6 million at the end of the third quarter 2016 and from NOK 2.3 million at the end of 2015. IDEX will necessarily need to build up its inventory as shipment volume increases.

Customer receivables, net of provisions for bad debts, amounted to NOK 12.2 million at 31 December 2016, compared with NOK 7.0 million at 30 September 2016 and NOK 0.3 million at 31 December 2015. IDEX expects customer receivables to increase when shipment volume increases.

At 31 December 2016, the total assets amounted to NOK 610.1 million, of which NOK 532.6 million was cash. At 31 December 2015, total assets amounted to NOK 828.3 million.

The major liabilities are various operational payables to suppliers and employees. These amounted to NOK 41.3 million at the end of 2016, up from NOK 40.3 million at the end of the previous quarter and down from NOK 69.1 million at the end of 2015. The variations between quarters are normal and due to fluctuating payables to suppliers and accrued liabilities.

Equity amounted to NOK 562.4 million at 31 December 2016, down from NOK 601.5 million at 30 September 2016 and from NOK 749.7 million at 31 December 2015. The decreases are mainly caused by the net loss in the fourth quarter and the full year respectively.

IDEX does not have financial debt. The company has adequate equity and liquidity to operate as going concern for significantly longer than 12 months from the date of this report.

Cash flow, cash position

The operational cash outflow in the fourth quarter of 2016 was NOK 44.7 million, compared with NOK 38.3 million in the corresponding quarter of 2015. For the full year 2016, the operational cash outflow was NOK 230.7 million, compared with NOK 187.4 million for 2015. 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.

Change in working capital was negative by NOK 5.7 million and NOK 48.0 million in the fourth quarter and full year 2016 respectively, while the change was positive by NOK 33.2 million and 25.1 million in the corresponding periods of 2015 respectively. The working capital varies between quarters, mainly due to fluctuating payables to suppliers and accrued liabilities. Growing sales volume will cause increased working capital.

IDEX invested NOK 0.5 million in scientific equipment and engineering tools in the fourth quarter of 2016, compared with nil in the fourth quarter of 2015. In the full year, NOK 1.3 million was invested in 2016, while NOK 2.6 million was invested in 2015. Investments vary according to project requirements for new

equipment and tooling. NOK 0.3 million of IDEX's own development expenses were capitalised in 2016, while NOK 0.8 million were capitalised in 2015.

In the fourth quarter of 2016, employees who exercised incentive subscription rights injected new equity amounting to NOK 0.9 million net of expenses. In the corresponding period of 2015, new equity amounting to NOK 423.3 million was raised in two exercises of warrants. For the full year 2016, IDEX had share issues net of expenses resulting from employees exercising incentive subscription rights of NOK 2.4 million. For 2015, new equity amounting to NOK 724.4 million net of expenses was raised by a private placement of shares, payables settled in shares, two exercises of warrants and two rounds of exercises of incentive subscription rights.

At 31 December 2016, IDEX cash position was NOK 532.6 million, down from NOK 579.4 million at 30 September 2016 and NOK 763.7 million at 31 December 2015. The balance sheet solvency, which is the cash position less the net of receivables and short term liabilities, amounted to NOK 510.5 million, compared with NOK 701.7 million at the end of 2015. IDEX does not have financial debt.

FINANCIAL STATEMENTS

IDEX ASA, Interim consolidated statements of comprehensive income

Interim consolidated statements of comprehensive income Amounts in NOK 1,000	1 October- 31 December 2016	1 October- 31 December 2015	1 January- 31 December 2016	1 January- 31 December 2015
Operating income				
Sales and services income	12 472	177	38 556	349
Other operating revenue	2		2	
Total revenue	12 474	177	38 558	349
Cost of goods sold	10 787	73	32 688	137
Gross margin	1 686	104	5 869	212
Operating expenses				
Payroll expenses	25 088	32 093	91 734	98 226
Research and development expenses	12 085	36 524	81 356	102 567
Other operating expenses	9 637	4 422	28 881	18 972
Total operating expenses	46 810	73 039	201 971	219 765
Profit (loss) before interest, tax, depreciation and amortization (EBITDA)	(45 124)	(72 935)	(196 102)	(219 553)
Depreciation	1 579	1 840	7 319	6 834
Profit before interest and tax (EBIT)	(46 703)	(74 776)	(203 421)	(226 388)
Financial income and expenses				
Interest income	241	341	933	2 810
Other financial income	2 821	868	4 417	3 312
Interest expenses			(1)	(1)
Other financial expenses	(795)	(1 777)	(4 388)	(8 023)
Net financial items	2 267	(568)	960	(1 902)
Net result before tax	(44 437)	(75 344)	(202 462)	(228 290)
Income tax expense (credit)	206	27	790	541
Net profit (loss) for the period	(44 644)	(75 371)	(203 252)	(228 831)
Profit (loss) per share - basic and diluted	NOK (0.08)	NOK (0.15)	NOK (0.38)	NOK (0.50)
Net profit (loss) for the period	(44 644)	(75 371)	(203 252)	(228 831)
Other comprehensive income	498	(517)	79	(1 006)
Total comprehensive income for the period, net of tax	(44 146)	(75 888)	(203 173)	(229 837)

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

IDEX ASA, Interim consolidated balance sheet

Interim consolidated balance sheets	31 December	31 December
Amounts in NOK 1,000	2016	2015
ASSETS		
Long-term assets		
Goodwill	8 260	8 260
Other intangible assets	34 843	39 172
Fixed assets	4 695	6 576
Long-term receivables	1 277	1 155
Total long-term assets	49 075	55 163
Current assets		
Inventory and receivables		
Inventory	9 303	2 281
Customer receivables	12 177	254
Other receivables	4 663	4 319
Prepaid expenses	2 295	2 531
Total inventory and receivables	28 438	9 385
Cash and bank deposits		
Cash and bank deposits	532 619	763 716
Total cash and bank deposits	532 619	763 716
Total current assets	561 058	773 101
TOTAL ASSETS	610 133	828 264
EQUITY AND LIABILITIES		
Equity		
Paid-in-capital		
Share capital	80 067	79 651
Share premium	1 173 342	1 170 454
Other paid-in capital	57 120	44 566
Total paid-in-capital	1 310 528	1 294 671
Other equity	(748 160)	(544 987)
Total equity	562 368	749 684
Liabilities		
Long-term liabilities		
Other long-term liabilities	6 504	9 445
Total long-term liabilities	6 504	9 445
Short-term liabilities		
Paid-in, not registered capital	811	
Accounts payable	11 978	17 755
Public duties payable	3 448	4 012
Accrued payable income tax	1 276	1 019
Notional employer's tax on share incentives	5 752	13 900
Other short-term liabilities	17 996	32 449
Total short term liabilities	41 261	69 135
Total liabilities	47 765	78 580
TOTAL EQUITY AND LIABILITIES	610 133	828 264

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IDEX ASA, Interim consolidated cash flow statements

Interim consolidated cash flow statements Amounts in NOK 1,000	1 October- 31 December 2016	1 October- 31 December 2015	1 January- 31 December 2016	1 January- 31 December 2015
Cash Flows from operating activities				
Profit (loss) before interest and taxes	(46 703)	(74 776)	(203 421)	(226 388)
Share-based remuneration (equity part)	4 029	1 459	13 364	11 779
Depreciation	1 579	1 840	7 319	6 834
Net financial gain (cost)	2 025		27	(4 712)
Change in working capital and other items	(5 650)	33 210	(47 963)	25 124
Net cash flow from operational activities	(44 720)	(38 267)	(230 674)	(187 363)
Cash flows from investing activities				
Purchases of assets	(485)	19	(1 341)	(2 624)
Capitalised development costs	(271)	(172)	(271)	(813)
Change in long-term receivables	(95)	(11)	(105)	(12)
Interest income	241	341	933	2 810
Net cash provided by investing activities	(610)	177	(784)	(639)
Cash flows from financing activities				
Share issues net of expenses	924	423 317	2 423	724 391
Paid-in, not registered share capital	881		881	
Change in long-term payable	(3 231)	(3 462)	(2 943)	(634)
Net cash provided by financing activities	(1 426)	419 855	361	723 757
Net change in cash and cash equivalents	(46 756)	381 766	(231 097)	535 755
Opening cash balance	579 375	381 950	763 716	227 961
Closing cash balance	532 619	763 716	532 619	763 716

IDEX ASA, Interim consolidated statements of equity

Interim consolidated statements of changes in equity Amounts in NOK 1,000	Share capital	Share premium	Other paid-in capital	Retained earnings (uncovered loss)	Total equity
Balance 1 January 2016	79 651	1 170 454	44 566	(544 987)	749 684
Share issues	416	2 888			3 304
Share-based compensation			12 554		12 554
Total comprehensive income for the period				(203 173)	(203 173)
Balance 31 December 2016	80 067	1 173 342	57 120	(748 160)	562 368
Balance 1 January 2015	61 948	463 766	32 787	(315 150)	243 351
Share issues	17 703	706 688			724 391
Share-based compensation			11 779		11 779
Total comprehensive income for the period				(229 837)	(229 837)
Balance 31 December 2015	79 651	1 170 454	44 566	(544 987)	749 684

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

NOTES TO FINANCIAL STATEMENTS

Notes to the condensed consolidated interim financial statements 31 December 2016 (Unaudited)

1 IDEX ASA and the IDEX group

IDEX ASA is a public limited liability company incorporated and domiciled in Norway. The address of the registered office, which is also the head office, is Martin Linges vei 25 at NO-1364 Fornebu, Norway. IDEX ASA shares have been listed at Oslo Børs since 12 March 2010. The objective of the company as stated in the articles of association is to deliver computer-based identification systems and other related activities.

IDEX ASA holds a subsidiary group in the USA, established in 2013. The US company provides development services as well as sales and marketing assistance to IDEX ASA. IDEX ASA also has a subsidiary in the UK, established in 2014, and a subsidiary in the People's Republic of China, established in 2015. The subsidiaries provide various services to IDEX ASA.

2 Accounting policies and risk factors

This condensed consolidated interim financial report for 2016 has been prepared in accordance with IAS 34 Interim financial reporting. The interim financial report should be read in conjunction with the annual financial statements for 2015. The IFRS accounting policies applied in this report are consistent with those applied and described in the annual financial statements for 2015.

It is the duty of the board of directors to duly present the principal risks of IDEX and its business. IDEX does not have any significant assets or liabilities with financial risk. IDEX does not hold financial instruments or noteworthy financial assets or liabilities, and has limited financial risks related to currency and interest rates.

The company's major long-term risk is its business risk, meaning its ability to earn revenue. This risk is difficult to assess, because until 2016, IDEX has earned only insignificant revenue from its technology. The company's ability to earn revenue depends on firstly, its ability to develop and market successful components which its partners will embed in their products and systems, and secondly, the company's ability to legally protect its intellectual property rights, and finally, to maintain a competitive advantage.

IDEX considers that its fingerprint sensor technology has one of the best biometric performances, and that the fingerprint sensor product range offers unique properties.

The going concern assumption has been applied when preparing this interim financial report. IDEX does not yet earn a significant amount of recurring revenue. The company does not have financial debt, and IDEX has adequate liquidity and equity under current planning assumptions for a period significantly longer than 12 months from the date of this report.

This interim financial report has not been subject to audit. The report was approved by the board of directors on 22 February 2017.

3 Long-term assets

Amounts in NOK 1,000	Goodwill	Other intangible assets	Tangible fixed assets	Long-term receivables	Total long-term assets
Balance 1 January 2016	8 260	39 172	6 576	1 155	55 163
Additions		270	1 341	125	1 735
Disposals at cost			(1 605)		(1 605)
Depreciation and impairment losses		(4 599)	(2 720)		(7 319)
Depreciation on disposed assets			1 227		1 227
Effects of changes in foreign currency			(124)	(3)	(127)
Balance 31 December 2016	8 260	34 843	4 695	1 277	49 075
Balance 1 January 2015	8 260	42 805	5 588	1 143	57 796
Additions		813	2 625	12	3 450
Disposals at cost					
Depreciation and impairment losses		(4 446)	(2 388)		(6 834)
Depreciation on disposed assets					
Effects of changes in foreign currency			753		753
Balance 31 December 2015	8 260	39 172	6 576	1 155	55 163

Under IFRS goodwill is not amortised but impairment tested at each year end. Acquired patents and other capitalised intangible assets depreciate over the economic life.

IDEX's self-developed patents and other intellectual property rights are generally not held in the balance sheet because they do not satisfy the IFRS criteria for capitalisation. Development costs have in the past largely been expensed for the same reason.

IDEX has in 2016 capitalised NOK 0.3 million development expenses related to the Cardinal sensor products.

2015:

IDEX capitalised in 2015 NOK 0.8 million development expenses related to the Cardinal sensor product.

4 Shares, warrants and subscription rights

Number of financial instruments	Incentive subscription rights	Warrants	Shares
Balance 1 January 2016	22 220 000	-	531 009 416
1 January-31 December: Granted incentive subscription rights	7 995 000		
1 January-31 December: Exercised incentive subscription rights	(2 637 500)		2 637 500
1 January-31 December: Exerc. incentive sub. rights, shares not issued	(125 000)		
1 January-31 December: Expired incentive subscription rights	(1 415 000)		
25 May 2016: Issue of board remuneration shares			133 339
Balance 31 December 2016	26 037 500	-	533 780 255

Balance 1 January 2015	26 460 362	30 000 000	413 488 862
1 January-31 December: Granted incentive subscription rights	2 285 000		
1 January-31 December: Exercised incentive subscription rights	(5 482 862)		5 482 862
1 January-31 December: Expired incentive subscription rights	(1 042 500)		
29 April 2015: Private placement of shares, issue of warrants		26 250 000	52 500 000
13 May 2015: Issue of board remuneration shares			137 692
2 July 2015: Private placement of shares			3 150 000
16 November 2015: Exercise of warrants		(30 000 000)	30 000 000
4 December 2015: Exercise of warrants		(26 250 000)	26 250 000
Balance 31 December 2015	22 220 000	-	531 009 416

IDEX has granted incentive subscription rights (SRs) to employees and individual contractors. Unless specifically resolved otherwise, 25 per cent of each grant of subscription rights vest 12 months following the date of the grant, and expire on the fifth anniversary following the general meeting that resolved the programme. Unvested subscription rights terminate on the holder's last day of employment. Vested subscription rights may be exercised up to 90 days after the holder's last day of employment. The weighted average exercise price of outstanding incentive SRs on 31 December 2016 was NOK 4.86 per share.

5 Payroll expenses

Amounts in NOK 1,000	1 October-31 December 2016	1 October-31 December 2015	1 January-31 December 2016	1 January-31 December 2015
Salary, payroll tax, benefits, other expense:	23 110	23 778	85 142	73 007
Capitalised cost of development work	8	(103)	8	(547)
Payroll tax on exercised subscription rights	1 116	2 068	2 179	3 618
Share-based remun., notional salary expen:	3 218	1 114	12 553	10 479
Share-based remun., accrual (rev.) of emplr	(2 364)	5 236	(8 148)	11 669
Payroll expenses	25 088	32 093	91 734	98 226

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

6 Income tax expense

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

7 Profit (loss) per share

	1 January – 31 December 2016	1 January – 31 December 2015
Profit (loss) attributable to the shareholders (NOK 1 000)	(203 252)	(228 831)
Weighted average basic number of shares	532 167 502	459 123 063
Weighted average diluted number of shares	542 985 135	471 523 685
Profit (loss) per share, basic and diluted	NOK (0.38)	NOK (0.50)

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

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

8 Contingent assets and liabilities

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

9 Related party transactions

On 26 February 2016, the board granted incentive subscription rights (SRs) to the following managers who are primary insiders:

Name, position	Number of subscription rights (SR) granted
Hemant Mardia, CEO	1,000,000
Henrik Knudtson, CFO	375,000
Preeti Mardia, SVP Operations	250,000
Art Stewart, SVP Product Management	200,000
Anthony Sweeney, SVP Engineering	150,000

The grants were made under the 2015 incentive subscription rights plan. The exercise price of the SRs is NOK 8.10 per share.

Following the annual general meeting of IDEX on 11 May 2016, board members could elect to receive part or full board remuneration in shares in lieu of cash, paying a subscription price of NOK 0.15 per share. Board member Deborah Davis acquired 48,487 shares, board member Hanne Høvdning acquired 48,487 shares, and board member Andrew James Macleod acquired 36,365 shares.

In 2016 IDEX has recorded NOK 2,685 thousand for services provided by IDEX's legal counsel, law firm Ræder, in which chairman Morten Opstad is a partner. Mr. Opstad's work beyond board duty has been invoiced by Ræder.

Board member Larry Ciaccia serves on IDEX's Strategy Advisory Council (SAC). The SAC service fee is USD 15 thousand per year. Mr. Ciaccia also provides consulting services beyond board duty to IDEX for a fixed fee of USD 50 thousand per year.

Effective 1 February 2016, board member Andy MacLeod provides consulting services beyond board duty to IDEX for a fixed fee of GBP 60 thousand per year. On 26 February 2016 Mr. MacLeod was granted 500,000 incentive subscription rights (SRs) in his capacity as service provider. The grant was made under the 2015 incentive subscription rights plan. The exercise price of the SRs is NOK 8.10 per share.

Robert N. Keith assists IDEX in strategic analysis and in dealing with larger, international, prospective partners. Mr. Keith's fee for his services in the year 2016 amounts to NOK 2.0 million.

10 Events occurring after the balance sheet date

Between 31 December 2016 and the resolution of these condensed consolidated interim financial statements, there have not been any events that have had any noticeable impact on IDEX's result in 2016 or the value of the company's assets and liabilities at 31 December 2016.