

## IDEX ASA interim report for the first quarter of 2016

### First quarter and recent highlights

- Shipped early production volume of Cardinal touch fingerprint sensor to fulfil first order from tier-one mobile OEM  
*Clear validation of world-class sensor technology and requisite supply chain*
- Repeat production volume order for Cardinal sensor  
*Builds on design win in December and initial production order in February*
- Expanded Cardinal product family with introduction of Cardinal N low-cost silicon touch sensor  
*Designed to address ultra-small, low-profile fingerprint sensing applications*
- Introduced cost reduced production design for the in-glass touch sensor with tier-one partner  
*Provides superior industrial design and durability without compromising image quality*
- Delivered commercial-grade samples of first flexible touch sensor for ISO-compliant cards  
*Supports strategic partnership and expected trials with global payments company*
- Showcased latest sensor solutions at CES in Las Vegas and Mobile World Congress in Barcelona  
*Strong interest from leading OEMs and ecosystem partners*
- BIO-key introduced compact Windows Certified USB fingerprint reader leading to IDEX Eagle sensor shipments  
*Addresses growing market for adding biometric authentication to existing devices*

### Outlook and upcoming milestones

- Positioned for accelerated growth within multi-billion dollar market for fingerprint sensors with strong product portfolio, proven production volume manufacturing and order fulfilment capabilities
- Shipments of Cardinal and Eagle touch sensor ongoing, current orders expected to be fulfilled in the second quarter
- OEM launch of tier one handset incorporating Cardinal sensor late in the second quarter
- Continue seeding additional design win opportunities with active sampling of a broad range of silicon- and polymer-based sensors to multiple OEMs
- Further cooperation with global payments partner on flexible touch sensor for ISO cards, in support of expected card product trials late in the second quarter 2016
- Consumer trials and pilot for the card sensor during the second half of 2016, and initial volume shipments expected towards the end of 2016
- Targeting customer evaluations of newest in-glass sensor solutions mid year and industrialising supply chain for volume by the end of 2016
- Expanding direct sales capabilities to increase IDEX control of sensor distribution

### Initial production order and shipment of Cardinal sensor for tier-one mobile OEM

Building on the design win announced in December 2015, on 8 February IDEX announced that it had received an initial commercial volume production order for its Cardinal touch fingerprint sensor for a tier-one mobile handset. The device is expected to be distributed by a major wireless carrier.

"Our first commercial volume production order represents a major milestone for IDEX, serving as clear validation of our world class sensor technology. IDEX's fingerprint technology is protected by one of the strongest IP portfolios in the industry and we have a compelling value proposition for leading mobile OEMs. We are now marketing and sampling our cutting edge portfolio of products to the mobile industry," Dr. Hemant Mardia, CEO of IDEX, said as the order was announced.

IDEX began early production volume shipments of sensors to this customer in the first quarter.

### Follow-on production order for Cardinal Q sensor

On 27 April, after the end of the first quarter, IDEX announced that it had received follow-on volume production orders for its Cardinal Q touch fingerprint sensor, following the design win in December and the first production order in February.

IDEX started to ship sensors to the customer in the first quarter and expect to fulfil the current orders in the second quarter.

The handset is expected to be launched by the customer late in the second quarter.

### Introduced Cardinal N low-cost on-chip silicon sensor

Building on the successful deployment of Cardinal Q, IDEX announced its latest

offering within the Cardinal series of silicon touch sensors. The new Cardinal N sensor is designed specifically to address ultra-small, low-profile fingerprint sensing applications. With an extremely thin rectangular touch sensor form factor, Cardinal N enables both integration on the side of today's ultra slim smart phones as well as front mounting.

Cardinal N is qualified for volume production and is currently being evaluated by select mobile OEMs.

### Cost-reduced in-glass sensor design

In July 2015, it was announced that IDEX had entered into a strategic partnership with a tier-one company for commercialisation of IDEX's in-glass fingerprint sensor.

Significant resources were applied to this project in the first quarter to secure a lower production cost design. IDEX applies its off-chip technology to achieve best balance of image quality,

aesthetics and robustness in a glass implementation for fingerprint sensors.

#### **First flexible touch sensor for ISO cards**

On 17 February, IDEX announced its successful development of a flexible polymer touch sensor with image quality and performance specifically designed for smart and ID card applications.

This world-first touch sensor for ISO ID-1 form factor cards is in support of IDEX's previously announced and ongoing strategic partnership with a leading global payments company.

IDEX's uniquely flexible, low-cost polymer touch sensor is ideal for card applications given its ability to be integrated into a thin and flexible ISO ID-1 form factor, while at the same time producing the required image sensing quality and biometric performance using a secure low-resource algorithm.

A card product trial with IDEX's global payments partner is expected in late second quarter 2016, in support of further consumer pilots in the second half of 2016. The company is targeting initial volume shipments towards the end of 2016.

#### **Showcased latest sensor solutions at CES and MWC**

In the first quarter, IDEX participated at two major industry events, the Consumer Electronics Show in Las Vegas and the Mobile World Congress in Barcelona, showcasing its range of mass production-ready silicon- and polymer-based sensor products.

#### **BIO-key introduced compact USB fingerprint reader with IDEX sensor**

At the Mobile World Congress in February, IDEX's partner BIO-key announced that it had combined IDEX's advanced off-chip sensor technology with BIO-key's Windows Biometric Framework (WBF) fingerprint engine to

create a new biometric solution, Side-Touch. The end product is a USB fingerprint reader compatible with both existing Windows and Android platforms.

Thanks to the success of Apple's Touch ID and Microsoft's extensive advertising of its new biometric authentication platform Hello, there is a fast-growing market comprised of Windows and Android customers who understand and want to add the benefits of secure and convenient biometric logon to laptops and tablets without an integrated fingerprint touch device.

With the introduction of SideTouch, millions of consumers now have an easy and affordable way to install and embrace the benefits of biometric logon on existing mobile devices.

#### **Outlook**

IDEX's strategy is to drive adoption of its sensor technology across three mass markets: mobile devices, ID and smart cards and the Internet of Things (IoT).

IDEX is the only fingerprint sensor manufacturer in the market with the IP, knowhow and product portfolio to offer both conventional silicon sensors (the Cardinal product family) and next-generation polymer off-chip sensors (the Eagle product family) to leading OEMs. The Cardinal sensor has a small form factor and provides highly competitive price and performance characteristics. The Eagle sensor has a unique cost and performance position for medium-sized sensors. Additionally, the company continues to develop new products as demonstrated by its April launch of the Cardinal N sensor targeting mobile OEMs.

Recently IDEX received production volume orders for both the Eagle and the Cardinal sensors in various market segments. Shipments of the Cardinal sensor for the tier-one mobile OEM and of the Eagle sensor for IoT products

commenced in the first quarter of 2016. IDEX expects these market adoption breakthroughs to generate more design wins and production orders throughout 2016.

Work on IDEX's unique in-glass sensor technology has also progressed with a cost-reduced design. IDEX expects lead customer evaluation by mid-year 2016 and industrialising supply chain for volume by end of 2016.

IDEX's strategic partnership with a major global payments company is proceeding well, and IDEX is currently expanding its production organisation to satisfy the anticipated demand. IDEX believes that its world's-first polymer touch sensor for cards will give it a leading position for fingerprint sensors in the cards market. Card product trials with our partner, for this one-of-a-kind sensor, are expected to take place in late second quarter. IDEX expects to progress to consumer pilots during the second half of 2016, potentially leading to initial volume shipments by the end of 2016.

Over the past year, adoption of fingerprint sensors in mobile devices has become increasingly widespread, and growth is expected to accelerate as the use of biometrics proliferates. Secure payment services are among the leading drivers behind the need for secure and convenient authentication in the digital world.

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

**Fornebu, 10 May 2016**

**The board of directors of IDEX ASA**

*A financial narrative and interim financial statements with notes are enclosed.*

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## Consolidated interim financial statements as at 31 March 2016 (Unaudited)

### Profit and loss statements

IDEX earned NOK 3.6 million revenue from sensor deliveries in the first quarter of 2016, up from NOK 0.2 million in the fourth quarter 2015. The gross margin was NOK 0.6 million or 18 per cent compared to NOK 0.1 million or 59% in the fourth quarter 2015. The gross margins on the small shipment volumes are not indicative for future mass volume margins.

The total operating expenses in the first quarter amounted to NOK 53.4 million, down from NOK 73.0 million in the preceding quarter, but on par with the average in 2015. About half the reduction from the fourth quarter 2015 to the first quarter 2016 was due to share-based remuneration. The other half was due to a peak in R&D costs in the fourth quarter. The depreciation of the US dollar by 6 per cent in the first quarter has also reduced the costs when measured in NOK. IDEX is ramping up its operational capacity across all key functions including product development, supply chain, operations and sales, in preparation for commercial production.

The total payroll expenses were NOK 22.4 million in the first quarter, down from NOK 32.1 million in the fourth quarter of 2015. The underlying cost of salaries including payroll taxes and other personnel expenses was about unchanged. The net effect of share-based remuneration, which often vary substantially between quarters, was

NOK 8.6 million lower in the first quarter than the preceding quarter. The notional cost of incentive subscription rights, including accrued employer's tax, varies with the share price. There was a net reversal of cost in the first quarter of 2016. The cost or reversal does not have any cash effect.

R&D expenses amounted to NOK 25.5 million in the quarter, compared to NOK 36.5 million in the last quarter of 2015. The cost in the fourth quarter included NOK 7.9 million one-time write-off of inventoried third-party algorithm licences, because IDEX plans to use other algorithms.

Other operating expenses, mainly sales and marketing and general admin, amounted to NOK 5.5 million in the first quarter, on par with the preceding quarter.

The total staff of employees and on-going individual contractors was 70 at 31 March 2016, up from 42 one year earlier and 65 at the end of 2015. IDEX had 57 employees at 31 March 2016, and 12 technical/scientific individual contractors working full time or regularly as part of the development team. One sales representative works on contract.

Depreciation amounted to NOK 2.1 million in the quarter, compared to NOK 1.8 million in the fourth quarter of 2015. In the quarter, only NOK 0.1 million was invested in scientific

equipment and engineering tools, compared to average NOK 0.7 million per quarter in 2015.

EBIT in the quarter amounted to a loss of NOK 54.9 million, compared to a loss of NOK 74.8 million in the preceding quarter, when the costs peaked, and average NOK 56.6 million per quarter in 2015.

Financial items amounted to a net income of NOK 0.5 million in the first quarter. In the fourth quarter 2015, financial items amounted to a net loss of NOK 0.6 million, and the total in 2015 was a loss amounting to NOK 1.9 million. Interest income is small due to the low interest level. The variation is caused by re-/devaluations of the US dollar driving gain/loss on receivables and debt denominated in US dollars.

Because IDEX's wholly-owned subsidiaries in the USA and UK make profits, there was a tax charge in an amount of NOK 0.2 million in the quarter. The net result for the IDEX group in the first quarter was a loss amounting to NOK 54.6 million. In the preceding quarter, the net loss amounted to NOK 75.4 million.

Profit or loss per basic weighted average number of shares amounted to a loss of NOK 0.10 in the first quarter, compared to NOK 0.50 per share in the year 2015.

### Balance sheets

IDEX has a very strong balance sheet after raising net NOK 1,029.8 million in 2014-15, mainly in private placements of shares. At 31 March 2016, IDEX held a cash balance amounting to NOK 682.7 million, and the group had no financial debt.

The main assets held on the balance sheet are the intangible assets acquired

in 2013-14, inventory and receivables, and cash in bank. Cash is the dominant item, representing 91 per cent of the total assets.

The acquired intangible assets and intellectual property rights have been capitalised in accordance with IFRS, and included goodwill in an amount of 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 17.3 years or 9.5 years from acquisition.

IDEX's own patents and other intellectual property rights are generally not held in the balance sheet because they

do not satisfy the criteria for capitalisation. Development costs have in the past largely been expensed for the same reason. No development has been capitalised in the first quarter of 2016. In 2015, IDEX capitalised own development expenses related to the Cardinal sensor product, in an amount of NOK 0.8 million.

Fixed assets amounted to NOK 5.6 million at 31 March 2015, down from NOK 6.6 million at the end of 2015. The fixed assets are scientific equipment and engineering tools, leasehold upgrades, office equipment and furniture with useful lives of 3-5 years.

At the end of the quarter, inventory amounted to NOK 3.1 million, up from NOK 2.3 million at the beginning of the year. IDEX will necessarily build up its inventory when shipment volume increases.

### Cash flow, cash position

The operational cash outflow in the quarter was NOK 82.3 million. The main operating cash item was the operating loss in the period, partly offset by the equity part of the share-based compensation and depreciation. Working capital was negative by NOK 32.4 million in the quarter because of increased customer receivables, inventory and payment of liabilities since yearend 2015. There are usually variations between quarters, mainly due to fluctuating payables to suppliers and accrued liabilities.

Only NOK 0.1 million was invested in

Customer receivables amounted to NOK 3.6 million, up from NOK 0.3 million at the end of the preceding quarter. IDEX will necessarily accumulate customer receivables when shipment volume increases. The receivables are current.

The levels of inventory and receivables are not indicative of IDEX's long-term performance on these parameters at volume shipment stage.

On 31 March 2016, the total assets amounted to NOK 750.9 million, of which NOK 682.7 million were cash. The total assets amounted to NOK 828.3 million at the beginning of 2016. The cash position is further commented upon in the next section.

The major liabilities are various operational payables to suppliers and employees, and amounted to NOK 42.9 million at 31 March 2016, down from 69.1 million at 31 December 2015. The

scientific equipment and engineering tools in the quarter, down from average NOK 0.7 million per quarter in 2015. Investments vary according to project requirements for new equipment and tooling. IDEX has not capitalised any of its own development expenses in the first quarter. In 2015 IDEX capitalised NOK 0.8 million own development expenses.

In the first quarter, employees who exercised incentive subscription rights injected new equity amounting to NOK 1.1 million net of expenses. In 2015, new equity amounting to NOK 724.4 million net after expenses was raised by

reduction is mainly due to liabilities having been paid. There are usually variations between quarters due to fluctuating payables to suppliers and accrued liabilities.

Equity amounted to NOK 698.7 million at 31 March 2016, down from NOK 749.7 million at the beginning of 2016. The reduction was mainly caused by the net loss in the quarter.

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.

a private placement of shares, payables settled in shares, two exercises of warrants and two rounds of exercises of incentive subscription rights.

At 31 March 2016 the cash position amounted to NOK 682.7 million, compared to NOK 763.7 million at the beginning of 2016, while net of receivables less payables and accruals amounted to NOK 30.7 million payable, leaving a balance sheet solvency of NOK 652.0 million compared to NOK 701.7 million at the beginning of 2016. IDEX does not have financial debt.

## IDEX ASA

### Condensed consolidated interim financial statements with notes 31 March 2016 (Unaudited)

Interim consolidated statements of comprehensive income	1 January- 31 March 2016	1 January- 31 March 2015	1 January- 31 December 2015
Amounts in NOK 1,000			
<b>Operating income</b>			
Sales and services income	3 562	50	349
Other operating revenue			
<b>Total revenue</b>	<b>3 562</b>	<b>50</b>	<b>349</b>
Cost of goods sold	2 923	31	137
<b>Gross margin</b>	<b>639</b>	<b>19</b>	<b>212</b>
<b>Operating expenses</b>			
Payroll expenses	22 430	25 345	98 226
Research and development expenses	25 454	16 438	102 567
Other operating expenses	5 546	5 372	18 972
<b>Total operating expenses</b>	<b>53 430</b>	<b>47 155</b>	<b>219 765</b>
Profit (loss) before interest, tax, depreciation and amortization (EBITDA)	(52 791)	(47 136)	(219 553)
Depreciation	2 119	1 674	6 834
<b>Profit before interest and tax (EBIT)</b>	<b>(54 911)</b>	<b>(48 810)</b>	<b>(226 388)</b>
<b>Financial income and expenses</b>			
Interest income	258	656	2 810
Other financial income	431	1 179	3 312
Interest expenses	(1)	(1)	(1)
Other financial expenses	(157)	(2 658)	(8 023)
<b>Net financial items</b>	<b>531</b>	<b>(824)</b>	<b>(1 902)</b>
<b>Net result before tax</b>	<b>(54 380)</b>	<b>(49 634)</b>	<b>(228 290)</b>
Income tax expense (credit)	198	148	541
<b>Net profit (loss) for the period</b>	<b>(54 578)</b>	<b>(49 782)</b>	<b>(228 831)</b>
<i>Profit (loss) per share - basic and diluted</i>	<b>NOK (0.10)</b>	<b>NOK (0.12)</b>	<b>NOK (0.50)</b>
<b>Net profit (loss) for the period</b>	<b>(54 578)</b>	<b>(49 782)</b>	<b>(228 831)</b>
Other comprehensive income	(136)	451	(1 006)
<b>Total comprehensive income for the period, net of tax</b>	<b>(54 714)</b>	<b>(49 331)</b>	<b>(229 837)</b>

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

Interim consolidated balance sheets	31 March	31 March	31 December
Amounts in NOK 1,000	2016	2015	2015
<b>ASSETS</b>			
<b>Long-term assets</b>			
Goodwill	8 260	8 260	8 260
Other intangible assets	37 891	41 699	39 172
Fixed assets	5 601	6 087	6 576
Long-term receivables	1 170	1 143	1 155
<b>Total long-term assets</b>	<b>52 922</b>	<b>57 189</b>	<b>55 163</b>
<b>Current assets</b>			
<b>Inventory and receivables</b>			
Inventory	3 067	7 944	2 281
Customer receivables	3 575	37	254
Other receivables	4 182	2 688	4 319
Prepaid expenses	4 398	2 489	2 531
<b>Total inventory and receivables</b>	<b>15 222</b>	<b>13 158</b>	<b>9 385</b>
<b>Cash and bank deposits</b>			
Cash and bank deposits	682 738	181 001	763 716
<b>Total cash and bank deposits</b>	<b>682 738</b>	<b>181 001</b>	<b>763 716</b>
<b>Total current assets</b>	<b>697 960</b>	<b>194 159</b>	<b>773 101</b>
<b>TOTAL ASSETS</b>	<b>750 882</b>	<b>251 348</b>	<b>828 264</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Paid-in-capital</b>			
Share capital	79 788	62 493	79 651
Share premium	1 171 442	468 517	1 170 454
Other paid-in capital	47 212	36 316	44 566
<b>Total paid-in-capital</b>	<b>1 298 442</b>	<b>567 326</b>	<b>1 294 671</b>
Other equity	(599 702)	(364 481)	(544 987)
<b>Total equity</b>	<b>698 740</b>	<b>202 845</b>	<b>749 684</b>
<b>Liabilities</b>			
<b>Long-term liabilities</b>			
Other long-term liabilities	9 243	11 406	9 445
<b>Total long-term liabilities</b>	<b>9 243</b>	<b>11 406</b>	<b>9 445</b>
<b>Short-term liabilities</b>			
Accounts payable	15 197	5 064	17 755
Public duties payable	2 005	5 946	4 012
Accrued payable income tax	698	869	1 019
Notional employer's tax on share incentives	10 277	7 639	13 900
Other short-term liabilities	14 722	17 579	32 449
<b>Total short term liabilities</b>	<b>42 899</b>	<b>37 097</b>	<b>69 135</b>
<b>Total liabilities</b>	<b>52 142</b>	<b>48 503</b>	<b>78 580</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>750 882</b>	<b>251 348</b>	<b>828 264</b>

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



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Interim consolidated cash flow statements	1 January-31 March 2016	1 January-31 March 2015	1 January-31 December 2015
Amounts in NOK 1,000			
<b>Cash Flows from operating activities</b>			
Profit (loss) before interest and taxes	(54 911)	(48 810)	(226 388)
Share-based remuneration (equity part)	2 645	3 530	11 779
Depreciation	2 119	1 674	6 834
Net financial gain (cost)	273	(113)	(4 712)
Change in working capital and other items	(32 150)	(9 837)	25 124
<b>Net cash flow from operational activities</b>	<b>(82 024)</b>	<b>(53 556)</b>	<b>(187 363)</b>
<b>Cash flows from investing activities</b>			
Purchases of assets	(137)	(682)	(2 624)
Capitalised development costs			(813)
Change in long-term receivables	1		(12)
Interest income	258	656	2 810
<b>Net cash provided by investing activities</b>	<b>122</b>	<b>(26)</b>	<b>(639)</b>
<b>Cash flows from financing activities</b>			
Share issues net of expenses	1 125	5 295	724 391
Change in long-term payable	(202)	1 327	(634)
<b>Net cash provided by financing activities</b>	<b>923</b>	<b>6 622</b>	<b>723 757</b>
<b>Net change in cash and cash equivalents</b>	<b>(80 978)</b>	<b>(46 960)</b>	<b>535 755</b>
Opening cash balance	763 716	227 961	227 961
<b>Closing cash balance</b>	<b>682 738</b>	<b>181 001</b>	<b>763 716</b>

Interim consolidated statements of changes in equity	Share capital	Share premium	Other paid-in capital	Retained earnings (uncovered loss)	Total equity
Amounts in NOK 1,000					
Balance 1 January 2016	79 651	1 170 454	44 566	(544 987)	749 684
<b>Share issues</b>	<b>137</b>	<b>988</b>			<b>1 125</b>
<b>Share-based compensation</b>			<b>2 645</b>		<b>2 645</b>
<b>Total comprehensive income for the period</b>				<b>(54 714)</b>	<b>(54 714)</b>
Balance 31 March 2016	79 788	1 171 442	47 211	(599 701)	698 740
Balance 1 January 2015	61 948	463 766	32 787	(315 150)	243 351
Share issues	545	4 750			5 295
Share-based compensation			3 530		3 530
<b>Total comprehensive income for the period</b>				<b>(49 331)</b>	<b>(49 331)</b>
Balance 31 March 2015	62 493	468 516	36 317	(364 481)	202 845
Balance 1 January 2015	61 948	463 766	32 787	(315 150)	243 351
<b>Share issues</b>	<b>17 703</b>	<b>706 688</b>			<b>724 391</b>
<b>Share-based compensation</b>			<b>11 779</b>		<b>11 779</b>
<b>Total comprehensive income for the period</b>				<b>(229 837)</b>	<b>(229 837)</b>
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 the condensed consolidated interim financial statements 31 March 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 com

pany 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, which provides development services as well as sales and marketing

services to IDEX ASA. IDEX ASA also has a subsidiary in the UK, established in 2014, and a subsidiary in People's Republic of China, established in 2015. The subsidiaries provide various services to IDEX ASA.

### 2 Basis of preparation, accounting policies, resolution. Risks

This condensed consolidated interim financial report for the first quarter of 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 IDEX hitherto has earned 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 10 May 2016.

### 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
<b>Additions</b>			<b>121</b>	<b>16</b>	<b>137</b>
<b>Disposals at cost</b>					
<b>Depreciation and impairment losses</b>		<b>(1 281)</b>	<b>(838)</b>		<b>(2 119)</b>
<b>Effects of changes in foreign currency</b>			<b>(258)</b>	<b>(1)</b>	<b>(259)</b>
Balance 31 March 2016	8 260	37 891	5 601	1 170	52 922
Balance 1 January 2015	8 260	42 805	5 588	1 143	57 796
<b>Additions</b>			<b>682</b>		<b>682</b>
<b>Disposals at cost</b>					
<b>Depreciation and impairment losses</b>		<b>(1 106)</b>	<b>(568)</b>		<b>(1 674)</b>
<b>Effects of changes in foreign currency</b>			<b>385</b>		<b>385</b>
Balance 31 March 2015	8 260	41 699	6 087	1 143	57 189
Balance 1 January 2015	8 260	42 805	5 588	1 143	57 796
<b>Additions</b>		<b>813</b>	<b>2 625</b>	<b>12</b>	<b>3 450</b>
<b>Disposals at cost</b>					
<b>Depreciation and impairment losses</b>		<b>(4 446)</b>	<b>(2 388)</b>		<b>(6 834)</b>
<b>Effects of changes in foreign currency</b>			<b>753</b>		<b>753</b>
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 own patents and other intellectual property rights created by IDEX are not held in the balance sheet because they do not satisfy the criteria for capitalisation. Development costs may be expensed for the same reason.

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	0	531 009 416
1 January-31 March: Granted incentive subscription rights	2 475 000		
1 January-31 March: Exercised incentive subscription rights	(912 500)		912 500
1 January-31 March: Expired and forfeited incentive subscription rights	(275 000)		
Balance 31 December 2015	23 507 500	0	531 921 916

Balance 1 January 2015	26 460 362	30 000 000	413 488 862
1 January-31 March: Granted incentive subscription rights	1 015 000		
1 January-31 March: Exercised incentive subscription rights	(3 131 362)		3 131 362
1 January-31 March: Expired and forfeited incentive subscription rights	(150 000)		
Balance 31 March 2015	24 194 000	30 000 000	416 620 224

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 and forfeited 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	0	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 March 2016 was NOK 4.06 per share.

#### 5 Payroll expenses

Amounts in NOK 1,000	1 January-31 March 2016	1 January-31 March 2015	1 January-31 December 2015
Salary, payroll tax, benefits, other expenses	22 651	15 336	73 007
Capitalised cost of development work			(547)
Payroll tax on exercised subscription rights	756	1 382	3 618
Share-based remun., notional salary expense	2 645	3 217	10 479
Share-based remun., accrual (rev.) of emplr.'s tax	(3 622)	5 409	11 669
Payroll expenses	22 430	25 345	98 226

The fair value at grant date of subscription rights granted to employees are 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 March 2016	1 January – 31 March 2015	1 January – 31 December 2015
Profit (loss) attributable to the shareholders (NOK 1 000)	<b>(51 511)</b>	(49 798)	<b>(228 831)</b>
Weighted average basic number of shares	<b>531 350 350</b>	414 783 152	<b>459 123 063</b>
Weighted average diluted number of shares	<b>542 582 660</b>	424 954 683	<b>471 523 685</b>
Profit (loss) per share, basic and diluted	<b>NOK (0.10)</b>	NOK (0.12)	<b>NOK (0.50)</b>

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: Henrik Knudtzon, CFO, 375,000 SRs; Hemant Mardia, CEO, 1,000,000 SRs; Preeti Mardia, SVP Operations, 250,000 SRs; Art Stewart, SVP Product Management, 200,000 SRs, Anthony Sweeney, SVP Engineering, 150,000 SRs. The grants were made under the 2015 incentive subscription rights plan. The exercise price of the SRs is NOK 8.10 per share.

In the first quarter of 2016 IDEX has recorded NOK 797 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 he 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 amounts to NOK 2.0 million per year.

## 10 Events occurring after the balance sheet date

On 10 May 2016 the board resolved to grant 225,000 incentive subscription rights (SRs) to employees of the company. The grant was made under the 2015 incentive subscription rights plan. The exercise price of the SRs is NOK 8.36 per share.

Also on 10 May 2016 the board resolved to issue 25,000 shares at a price of NOK 7.03 per share to an employee who had exercised incentive subscription rights.

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