

IDEX ASA

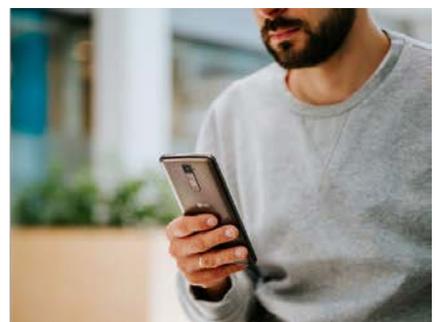
First quarter 2017 report

Highlights

- Mastercard and IDEX unveiled ground-breaking next-generation biometric card
 - Successful end-user trials completed with Pick n Pay and Absa Bank in South Africa
- Expansion of cards ecosystem with Card Tech and an additional top-tier card integrator
- Launch of next generation ASIC platform for contactless cards, mobile and IoT applications
- Launch of handset by Taiwanese OEM with IDEX Cardinal sensor
- Launch of silicon-based glass and ceramic sensors for smartphones
- Revenues of NOK 6.7 million in the first quarter of 2017

Outlook and key upcoming milestones

- Smart card programme rollout with Mastercard
 - Additional customer trials in Europe and Asia-Pacific in the second quarter of 2017
 - Product certification following trials
 - Roll-out targeted late 2017
- Sampling low-power off-chip sensor for contactless cards in the second quarter of 2017
- Expansion of card ecosystem partners
- Marketing new off-chip sensor optimised for back of smartphones
- Secure mobile design wins and 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 differentiated off-chip polymer sensors and conventional silicon-based 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 cards market, where larger area sensors with low power requirements are preferred, the off-chip technology offers significant cost advantages over silicon-based sensors, while also enabling the use of bendable sensors that are compatible with standard card manufacturing processes. In the mobile market, off-chip sensors offer both performance and cost advantages for medium and large sensors, and the off-chip technology is also well suited for integration in OLED displays.

Silicon sensors represent the first generation of capacitive fingerprint sensor products and they have been shipped in hundreds of millions of units per year by multiple suppliers across the industry. IDEX's Cardinal family of silicon-based sensors has demonstrated early success in both the mobile and IoT end markets. The primary way to reduce 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. These sensors address the price-sensitive market for low- and mid-end handsets.

New sensor based on recently launched ASIC expected to be sampling in the second quarter of 2017

In the first quarter of 2017, IDEX launched its new ASIC platform that delivers an unparalleled combination of enhanced performance and reduced power consumption at a lower price point. Designed to be flexible across multiple product applications in IDEX's target markets, the new ASIC's low power consumption and small area footprint make it ideally suited for contactless card applications.

The completed development of the ASIC is a significant milestone for IDEX and is the result of substantial investment. Since being launched in February the ASIC, which has been incorporated into new fingerprint sensor products, is expected to be ready for product sampling in the second quarter of 2017 and followed by production readiness during the second half of 2017.

IDEX AT THE FOREFRONT IN BIOMETRIC CARDS

During the first quarter of 2017, IDEX made significant progress on commercialisation of its sensor solution for cards. The company's off-chip technology is comprised of low-cost polymer material, which is thin, bendable and compliant with ISO standards for long-term durability. These attributes make IDEX's sensor uniquely suited for smart card integration and standard card mass production processes. IDEX is partnered with Safran Identity & Security on commercialising biometric cards. Safran contributes critical biometric card software, and has the required manufacturing capabilities.

Biometric sensors in cards is a key target market for IDEX with sizeable global potential. The company continues to invest significant resources in building its team, accelerating product and technology development as well as expanding its ecosystem partnerships to sustain its leadership position.

IDEX fingerprint sensor integral to Mastercard's next generation biometric card

Since the summer of 2015, IDEX has been working to develop a new biometric card together with Mastercard. In April, Mastercard unveiled its next generation biometric card, which attracted widespread interest in the payment card industry. IDEX provides the flexible off-chip sensor for fingerprint matching and security.

This market pioneering card programme has recently completed two successful end-user trials conducted in South Africa with Pick n Pay, a leading supermarket retailer, and with Absa Bank, a subsidiary of Barclays Africa. The trials included employees from Pick n Pay and Absa Bank to test the potential ways that convenience and security could contribute to the checkout process. Importantly, employees performed these live transactions with the biometric cards using existing payment infrastructure, and the results were very positive.

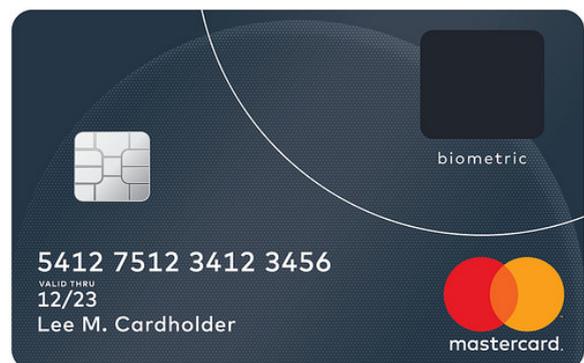


Image credit: Mastercard

Over the next few months, additional trials will be conducted with the biometric card in Europe and in Asia-Pacific. Following these trials, the card will undergo a final certification process in advance of rollout expected later in 2017.

Extension of partnership with Card Tech to collaborate with top-tier card integrator

In the first quarter of 2017, IDEX received initial orders from Card Tech for IDEX's next generation touch fingerprint sensor, enabling secure authentication in standard contactless and contact cards.

IDEX and Card Tech have extended the partnership to collaborate with a top-tier card integrator to deliver a biometric card module. The solution is using IDEX's off-chip sensor and Card Tech's electronic system expertise and patented technology for secure biometric card products. The programme targets mass deployable smart card programmes in the government ID and banking markets.

Organisational strength and technology development to sustain market leadership

IDEX is investing significant resources in strengthening its cards team and accelerating product development and technology innovation to sustain the leadership in fingerprint sensors for cards. The company has hired a significant number of highly experienced staff across multiple engineering functions such as software, ASIC development and systems engineering to accelerate the commercialisation of the card products.

The company's new off-chip sensor, enabling contactless payment cards, is expected to be sampling in the second quarter of 2017 and to be ready for production in the second half of 2017. The completion of the new ASIC incorporated in this sensor was a significant strategic milestone for IDEX.

MOBILE MARKET DEVELOPMENT

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.

IDEX has continued to ship its Cardinal silicon sensor to LG during the first quarter of 2017. IDEX is single-source supplier to the LG handsets. IDEX is, however, second-source supplier on some of the company's design wins with other Asian OEMs. The market environment and pricing for silicon-based sensors remains highly competitive, especially in China where certain OEMs have indicated a recent build-up in inventories. Combined with lower than anticipated demand for one customer's handsets, these factors have impacted IDEX's volumes in the first quarter of 2017. IDEX continues to actively sample these sensors to OEMs in the Far East as the adoption of fingerprint sensors expands to mid- and entry-level mobile devices.

Launch of glass and ceramic fingerprint sensors for smartphones

During the first quarter of 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 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 product line was developed in partnership with CanvasBio.

IDEX's new sensors offer the seamless look and feel of glass. The sensors are intended for front mounted mobile applications, combining an elegant cosmetic solution and strong biometric performance at a very competitive price point.

Future product development for mobile focused on infinity displays

The mobile market is rapidly evolving towards infinity displays, which maximizes the viewable area on smartphone displays. This structural design requires the fingerprint sensor frequently positioned in the bottom-front bezel to be moved to either the back of the handset or integrated into the display itself. Given the technical challenges and potential impact on biometric performance associated with display

integration, industry analysts expect that only flagship mobile devices will adopt more costly in-display sensors, while lower-end devices are likely to rely on a sensor designed into the back of the handset. Additionally, mobile OEMs are expected to increasingly adopt OLED displays in next generation devices due to a number of advantages over using current LCD panel displays.

Both the trend towards sensors being moved to the back of the handset, as well as the adoption of OLED displays represent a unique opportunity for IDEX. Sensors on the back of the phone can be larger in size, increasing the user experience through fewer enrolments and added features, such as navigation. For larger sensors, IDEX's off-chip sensor has a significant cost advantage over silicon-based sensors and IDEX is currently marketing its new optimized off-chip sensor intended for the back of the handset. Also, as off-chip sensors can be made using the same flexible polymer material that is used to manufacture OLED displays, IDEX's technology is ideally suited for integration into OLED displays. As a result of the differentiating capability of the company's off-chip technology, IDEX will mainly focus its research and development efforts in the mobile market on in-display solutions for OLED devices. The in-display development efforts will build on current core IDEX technology and know-how.

IoT MARKET

The market potential for biometrically enabled IoT (Internet of Things) products is huge and IDEX's off-chip sensor is well suited for these products, as a flexible high-performing touch sensor. The IoT market is also fragmented and IDEX is therefore focusing on selective vertical opportunities where the off-chip sensor offer a strong value proposition.

Leveraging on existing and proven technology for cards and mobile devices, IDEX is currently developing a standard sensor solution offering intended for multiple IoT customers and applications.

During the first quarter of 2017, BIO-key International, an innovative provider of biometric software and hardware solutions, introduced several products featuring IDEX's off-chip sensor, including USB fingerprint readers for Windows and Android devices and a line of biometric padlocks.

ORGANISATIONAL UPDATE

Investments in strengthening the team, in particular in cards

During the first quarter, IDEX attracted and employed several key hires in prioritised areas, such as card development and mobile display integration. The total number of employees and on-going individual contractors increased by 19 during the first quarter, from 92 at 31 December 2016 to 111 at 31 March 2017.

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.

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, ensuring sufficient presence and logistical capacity for IDEX in China, 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: cards, mobile and Internet of Things. IDEX believes that the market potential for biometric cards is significant. The company has long maintained a strong commitment and consistent focus on commercialising its sensors in the cards market and continues to make significant investments in its team and accelerating product development and technology innovation. More specifically, maintaining its existing leadership position in the biometric cards market is one of the company's highest priorities.

Additional end-customer trials on strategic programme with Mastercard

Following the successful completion of two end-user trials with Pick n Pay and Absa bank in South Africa, additional trials will be conducted in Europe and the Asia-Pacific during the next couple of months.

Once completed and the results are analysed, IDEX expects the card programme to move into the formal certification process, after which a roll out is planned late 2017.

Launch of contactless card

In parallel, following the completion of development of its next generation ASIC platform, IDEX expects to have product sampling of its industry leading contactless card sensor during the second quarter of 2017. 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 intercept next generation mobile with off-chip sensors

In the mobile market, the company continues to offer the Cardinal family of silicon sensors, actively sampling OEM customers as market penetration of fingerprint sensors increases.

The qualification of the company's off-chip sensor with a tier-one mobile OEM is ongoing and IDEX is marketing a new optimised off-chip sensor to mobile OEMs delivering premium biometric performance and aligning with trends which are expected to drive demand for sensors on the back of the phone. In addition, IDEX will invest in extending this technology for use in next generation flexible products, developing in-display sensor solutions for OLED devices.

Fornebu, 11 May 2017
The Board of Directors of IDEX ASA

FINANCIAL REVIEW

Consolidated interim financial statements as at 31 March 2017 (Unaudited)

Profit and loss statements

IDEX recorded revenues of NOK 6.7 million in the first quarter of 2017, up from NOK 3.6 million in the corresponding quarter of 2016. Virtually all revenue originated from sensor sales. The revenue was lower than the preceding quarter at NOK 12.5 million. This is partly due to seasonality.

The gross margin was NOK 1.3 million in the quarter, representing a 19.3 per cent margin, while the gross margin in the first quarter of 2016 was 17.9 per cent, and 15.2 per cent in the full year 2016. 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 first quarter of 2017 amounted to NOK 59.2 million, compared to NOK 53.4 million in the corresponding quarter of 2016 and NOK 46.8 million in the fourth quarter of 2016. The increase is mainly due to an increase in payroll expenses, resulting from a higher number of employees and increased activity. External research and development expenses were lower this quarter than the corresponding quarter in 2016 and on par with the fourth quarter of 2016.

The payroll expenses were NOK 35.6 million in the quarter, up from NOK 22.4 million in the corresponding quarter of 2016, and NOK 25.1 million in the fourth quarter of 2016. The underlying cost excluding share-based remuneration increased to NOK 32.7 million in the quarter, compared to NOK 22.7 million in the first quarter of 2016. The increase chiefly reflects that the average number of employees was 87 in the first quarter this year compared to 56 in the first quarter of 2016. In addition, there are variations between quarters because of bonus adjustments and other staff related items such as recruiting costs. The net cost of share-based remuneration often vary substantially between quarters because of share price variations as well as grants and exercises.

The total number of employees and on-going individual contractors was 111 at 31 March 2017, up from 70 at 31 March 2016 and 92 at 31 December 2016. The staff of 111 includes 91 IDEX employees, 17 technical/scientific individual contractors working full time or regularly as part of the development team, and 3 sales representatives working on contract.

Research and development (R&D) expenses amounted to NOK 14.9 million in the first quarter of 2017, compared to NOK 25.5 million in the corresponding quarter of 2016. The R&D expenses vary depending on the development stage of the various projects, and the need for external technical services, manufacturing and testing work and consumption of materials. In the first quarter of 2016 the costs were unusually high due to external design services related to the development of the company's new ASIC platform.

Other operating expenses, mainly comprising expenses related to sales, marketing and general administration, amounted to NOK 8.7 million in the first quarter of 2017, up from NOK 5.5 million in the corresponding quarter of 2016. The increase mainly relates to increased level of sales and marketing activities.

Depreciation amounted to NOK 1.6 million in the quarter, compared to NOK 2.1 million in the first quarter of 2016. NOK 1.7 million was invested in scientific equipment and engineering tools in the quarter, and NOK 0.3 million to obtain sole ownership to patent rights that hitherto were held jointly with a former technical

partner. The investments in the quarter were higher than in the full year 2016. Additional equipment investments in IDEX America and IDEX UK are planned in 2017.

EBIT for the first quarter of 2017 was a loss of NOK 59.5 million, compared to a loss of NOK 53.4 million in the corresponding quarter of 2016. The increased loss mainly relates to higher payroll costs.

Net financial items amounted to a loss of NOK 0.8 million in the quarter, compared to an income of NOK 0.5 million in the first quarter of 2016. 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, same as in the corresponding quarter of 2016.

The IDEX group had a net loss of NOK 60.5 million in the first quarter of 2017, higher than the loss of NOK 54.6 million in the first quarter of 2016 and a loss of NOK 44.6 million in the fourth quarter of 2016. The main reason was the increased operating expenses explained above.

Profit or loss per basic weighted average number of shares amounted to a loss of NOK 0.11 in the quarter, compared to a loss of NOK 0.10 per share in the corresponding quarter of 2016.

Balance sheets

IDEX has a strong balance sheet. At 31 March 2017, IDEX had a cash balance of NOK 506.8 million, down from NOK 532.6 million at 31 December 2016. The group has no debt to financial institutions or lenders.

The main assets held on the balance sheet are acquired intangible assets and cash in bank. Cash is the dominant item, representing 88 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. No development expenses were capitalised in the first quarter of 2017. In the year 2016, own development expenses of NOK 0.3 million were capitalised.

Fixed assets amounted to NOK 5.8 million at 31 March 2017, up from NOK 4.7 million at the end of 2016. The fixed assets are scientific equipment and engineering tools, leasehold outfitting, office equipment and furniture with useful lives of 3-5 years. The investments in the first quarter 2017 were made in IDEX America's branch in Rochester, New York and IDEX UK's facility in Farnborough.

Total short-term liabilities amounted to NOK 55.2 million at the end of the quarter, compared to NOK 41.3 million at the end of 2016. The major liabilities are various operational payables which normally varies between quarters due to payment terms. At 31 March 2017, there was also a total of NOK 17.5 million payable withheld and employer's taxes on subscription rights exercised in the first quarter of the year.

Equity amounted to NOK 515.8 million at 31 March, down from NOK 562.4 million at 31 December 2016. The decrease is mainly caused by the net loss in the first quarter, partly off-set by the share capital injected from the exercise of subscription rights.

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

The net working capital, inventory plus receivables less trade accounts payable, amounted to net NOK 7.5 million at 31 March 2017, down from NOK 16.4 million at the beginning of 2017. During the quarter, receivables were reduced, while the other elements were stable. IDEX will necessarily need to build up its inventory as shipment volume increases and accounts receivables will also reflect business volume.

Cash flow, cash position

The operational cash outflow in the first quarter of 2017 was NOK 35.1 million, compared to NOK 82.0 million in the corresponding quarter of 2016. The main operating cash items are the operating losses in each period, partly offset by the equity part of the share-based compensation and depreciation, as well as the working capital changes.

Change in working capital was positive by NOK 21.1 million in the quarter versus negative NOK 32.2 million in the first quarter of 2016, when a significant payable from 2015 was paid. The working capital varies between quarters, mainly due to fluctuating payables to suppliers and accrued liabilities. About NOK 17.5 million of the positive effect in the first quarter of 2017 was related to withholding and employer's tax which will be paid in the second quarter. Growing sales volume is expected to cause an increase in working capital.

IDEX invested NOK 2.0 million in scientific equipment and engineering tools in the first quarter of 2017, compared to NOK 0.1 million in the first quarter of 2016. Investments vary according to project requirements for new equipment and tooling. Staff growth also mandates investments.

In the first quarter of 2017, employees who exercised incentive subscription rights injected new equity amounting to NOK 10.8 million net of expenses. Of this, NOK 0.8 million was received in the fourth quarter of 2016. In the corresponding period of 2016, employees injected NOK 1.1 million net of expenses.

At 31 March 2017, IDEX's cash position was NOK 506.8 million, down from NOK 532.6 million at 31 December 2016. The balance sheet solvency, which is the cash position less the net of receivables and short term liabilities, amounted to NOK 464.1 million, compared to NOK 510.5 million at the end of 2016. The reduction was mainly caused by the net loss in the period.

FINANCIAL STATEMENTS

Interim consolidated statements of comprehensive income

Amounts in NOK 1,000	1 January- 31 March 2017	1 January- 31 March 2016	1 January- 31 December 2016
Operating income			
Sales and services income	6 578	3 562	38 556
Other operating revenue	194		2
Total revenue	6 772	3 562	38 558
Cost of goods sold	5 466	2 923	32 688
Gross margin	1 305	639	5 869
Operating expenses			
Payroll expenses	35 558	22 430	91 734
Research and development expenses	14 925	25 454	81 356
Other operating expenses	8 691	5 546	28 881
Total operating expenses	59 174	53 430	201 971
Profit (loss) before interest, tax, depreciation and amortization (EBITDA)	(57 869)	(52 791)	(196 102)
Depreciation	1 622	2 119	7 319
Profit before interest and tax (EBIT)	(59 491)	(54 911)	(203 421)
Financial income and expenses			
Interest income	705	258	933
Other financial income	182	431	4 417
Interest expenses	(25)	(1)	(1)
Other financial expenses	(1 663)	(157)	(4 388)
Net financial items	(801)	531	960
Net result before tax	(60 293)	(54 380)	(202 462)
Income tax expense (credit)	173	198	790
Net profit (loss) for the period	(60 467)	(54 578)	(203 252)
Other comprehensive income	9	(136)	79
Total comprehensive income (loss) for the period, net of tax	(60 458)	(54 714)	(203 173)
Profit (loss) per share - basic and diluted	NOK (0.11)	NOK (0.10)	NOK (0.38)

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

Interim consolidated balance sheets

Amounts in NOK 1,000	31 March 2017	31 March 2016	31 December 2016
ASSETS			
Long-term assets			
Goodwill	8 260	8 260	8 260
Other intangible assets	34 069	37 891	34 843
Fixed assets	5 841	5 601	4 695
Long-term receivables	936	1 170	1 277
Total long-term assets	49 106	52 922	49 075
Current assets			
Inventory and receivables			
Inventory	9 415	3 067	9 303
Customer receivables	4 389	3 575	12 177
Other receivables	5 932	4 182	4 663
Prepaid expenses	2 094	4 398	2 295
Total inventory and receivables	21 830	15 222	28 438
Cash and bank deposits			
Cash and bank deposits	506 845	682 738	532 619
Total cash and bank deposits	506 845	682 738	532 619
Total current assets	528 676	697 960	561 058
TOTAL ASSETS	577 782	750 882	610 133
EQUITY AND LIABILITIES			
Equity			
Paid-in-capital			
Share capital	81 036	79 788	80 067
Share premium	1 183 193	1 171 442	1 173 342
Other paid-in capital	60 239	47 212	57 120
Total paid-in-capital	1 324 467	1 298 442	1 310 528
Other equity	(808 618)	(599 702)	(748 160)
Total equity	515 849	698 740	562 368
Liabilities			
Long-term liabilities			
Other long-term liabilities	6 779	9 243	6 504
Total long-term liabilities	6 779	9 243	6 504
Short-term liabilities			
Paid-in, not registered capital			811
Accounts payable	13 199	15 197	11 978
Public duties payable	20 790	2 005	3 448
Accrued payable income tax	1 447	698	1 276
Notional employer's tax on share incentives	1 255	10 277	5 752
Other short-term liabilities	18 463	14 722	17 996
Total short term liabilities	55 154	42 899	41 261
Total liabilities	61 933	52 142	47 765
TOTAL EQUITY AND LIABILITIES	577 782	750 882	610 133

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

Interim consolidated cash flow statements

Amounts in NOK 1,000	1 January- 31 March 2017	1 January- 31 March 2016	1 January- 31 December 2016
Cash Flows from operating activities			
Profit (loss) before taxes (EBT)	(60 293)	(54 380)	(202 462)
Share-based remuneration (equity part)	3 119	2 645	12 553
Depreciation	1 622	2 119	7 319
Interest income	(705)	(258)	(933)
Change in working capital and other items	21 121	(32 150)	(48 194)
Net cash flow from operational activities	(35 136)	(82 024)	(231 717)
Cash flows from investing activities			
Purchases of assets	(1 970)	(137)	(1 089)
Capitalised development costs			(271)
Change in long-term receivables	341	1	(125)
Interest income	705	258	933
Net cash provided by investing activities	(924)	122	(552)
Cash flows from financing activities			
Share issues net of expenses	10 821	1 125	3 304
Paid-in, not registered share capital	(811)		811
Change in long-term payable	276	(202)	(2 943)
Net cash provided by financing activities	10 286	923	1 172
Net change in cash and cash equivalents	(25 774)	(80 978)	(231 097)
Opening cash balance	532 619	763 716	763 716
Closing cash balance	506 845	682 738	532 619

Interim consolidated statements of equity

Amounts in NOK 1,000	Share capital	Share premium	Other paid-in capital	Retained earnings (uncovered loss)	Total equity
Balance 1 January 2017	80 067	1 173 342	57 119	(748 160)	562 368
Share issues	969	9 851			10 820
Share-based compensation			3 119		3 119
Total comprehensive income for the period				(60 458)	(60 458)
Balance 31 March 2017	81 036	1 183 193	60 238	(808 618)	515 849
Balance 1 January 2016	79 651	1 170 454	44 566	(544 987)	749 684
Share issues	137	988			1 125
Share-based compensation			2 645		2 645
Total comprehensive income for the period				(54 714)	(54 714)
Balance 31 March 2016	79 788	1 171 442	47 211	(599 701)	698 740
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			12 553		12 553
Total comprehensive income for the period				(203 173)	(203 173)
Balance 31 December 2016	80 067	1 173 342	57 119	(748 160)	562 368

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

NOTES

Notes to the condensed consolidated interim financial statements 31 March 2017 (Unaudited)

1 IDEX ASA and the IDEX group

IDEX ASA is a public limited liability company incorporated and domiciled in Norway. The address of the registered office, which is also the head office, is Martin Linges vei 25 at NO-1364 Fornebu near Oslo, Norway. IDEX ASA 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 established a subsidiary group in the USA in 2013, and a subsidiary in the People's Republic of China in 2015. IDEX America and IDEX China provides development services as well as sales facilitation and marketing assistance to IDEX ASA. IDEX ASA's subsidiary in the UK, established in 2014, provides development services and logistics management for IDEX ASA.

2 Accounting policies and risk factors

This condensed consolidated interim financial report for the first quarter of 2017 has been prepared in accordance with IAS 34 Interim financial reporting. The interim financial report should be read in conjunction with the annual financial statements for 2016. The IFRS accounting policies applied in this report are consistent with those applied and described in the annual financial statements for 2016.

This interim financial report has not been subject to audit. The report was approved by the board of directors on 11 May 2017.

It is the duty of the board of directors to duly present the principal risks of IDEX and its business. IDEX does not have any significant assets or liabilities with financial risk. IDEX's balance sheet is mainly cash, working capital and equity. 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. 2016 was the first year that IDEX earned significant revenue from its technology. The company's ability to earn revenue in the future depends on firstly, its ability to develop and successfully market 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 has commenced earning noticeable amounts 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.

3 Long-term assets

Amounts in NOK 1,000	Goodwill	Other intangible assets	Tangible fixed assets	Long-term receivables	Total long-term assets
Balance 1 January 2017	8 260	34 843	4 695	1 277	49 075
Additions		295	1 675	176	2 146
Disposals at cost				(525)	(525)
Depreciation and impairment losses		(1 069)	(553)		(1 622)
Effects of changes in foreign currency			24	8	32
Balance 31 March 2017	8 260	34 069	5 841	936	49 106
Balance 1 January 2016	8 260	39 172	6 576	1 155	55 163
Additions			121	16	137
Depreciation and impairment losses		(1 281)	(838)		(2 119)
Effects of changes in foreign currency			(258)	(1)	(259)
Balance 31 March 2016	8 260	37 891	5 601	1 170	52 922
Balance 1 January 2016	8 260	39 172	6 576	1 155	55 163
Additions		271	1 089	125	1 484
Disposals at cost			(1 352)		(1 352)
Depreciation and impairment losses		(4 600)	(2 720)		(7 320)
Depreciation on disposed assets			1 226		1 226
Effects of changes in foreign currency			(124)	(3)	(127)
Balance 31 December 2016	8 260	34 843	4 695	1 277	49 075

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 largely been expensed for the same reason. IDEX has not capitalised any development expenses in 2017. In 2016 IDEX capitalised NOK 0.3 million development expenses related to the Cardinal sensor products.

4 Shares, warrants and subscription rights

Number of financial instruments	Incentive subscription rights	Shares
Balance 1 January 2017	26 037 500	533 780 255
1 January-31 March: Granted incentive subscription rights	2 800 000	
1 January-31 March: Issued shares for incentive sub.rights exerc. in 2016		125 000
1 January-31 March: Exercised incentive subscription rights	(6 337 500)	6 337 500
1 January-31 March: Expired incentive subscription rights	(1 090 000)	
Balance 31 March 2017	21 410 000	540 242 755
Balance 1 January 2016	22 220 000	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 incentive subscription rights	(275 000)	
Balance 31 March 2016	23 507 500	531 921 916

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

IDEX has granted incentive subscription rights (SRs) to employees and individual contractors. Unless specifically resolved otherwise, 25 per cent of each grant of subscription rights vest 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 2017 was NOK 5.91 per share.

5 Payroll expenses

	1 January- 31 March 2016	1 January- 31 March 2016	1 January- 31 December 2016
Amounts in NOK 1,000			
Salary, payroll tax, benefits, other expen	32 732	22 651	85 142
Capitalised cost of development work			8
Payroll tax on exercised subscription righ	4 204	756	2 179
Share-based remun., notional salary exp	3 119	2 645	12 553
Share-based remun., accrual (rev.) of em	(4 497)	(3 622)	(8 148)
Payroll expenses	35 558	22 430	91 734

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

6 Income tax expense

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

7 Profit (loss) per share

	1 January – 31 March 2017	1 January – 31 March 2016
Profit (loss) attributable to the shareholders (NOK 1 000)	(61 565)	(51 511)
Weighted average basic number of shares	536 293 450	531 350 350
Weighted average diluted number of shares	542 882 795	542 582 660
Profit (loss) per share, basic and diluted	NOK (0.11)	NOK (0.10)

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

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

8 Contingent assets and liabilities

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

9 Related party transactions

IDEX has in the first quarter of 2017 recorded NOK 1,076 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.

Board member Andy MacLeod provides consulting services beyond board duty to IDEX for a fixed fee of GBP 60 thousand per year.

CEO Hemant Mardia exercised 5,000,000 incentive subscription rights on 23 February 2017 and IDEX issued the same number of shares at a weighted average price of NOK 1.69 per share. The subscription rights were granted to Dr Mardia under the company's 2013 incentive subscription rights plan.

10 Events occurring after the balance sheet date

Between 31 March 2017 and the resolution of these condensed consolidated interim financial statements, there have not been any events that have had any noticeable impact on IDEX's result in the first quarter of 2017 or the value of the company's assets and liabilities at 31 March 2017.