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IDEX ASA interim report for the first half of 2016

Highlights

- **Revenue amounting to NOK 17.7 million from sensor deliveries in the first half of 2016, NOK 14.1 million in the second quarter**
  This marks the definitive commencement of the commercial stage of the company with growing product shipments
- **LG Stylus 2 Plus launched with IDEX Cardinal Q touch sensor**
  First market deployment with tier-one mobile OEM validates IDEX's world-class sensor technology providing important reference for new customers
- **Secured additional Cardinal sensor design win for tier-one mobile customer**
- **Several design wins for major Asian customer**
  Strong momentum of customer wins and further commercial validation of IDEX's price/performance value proposition
- **Cardinal product family expanded by introduction of Cardinal N low-cost silicon touch sensor**
  Ultra-small, low-profile fingerprint sensor that can be mounted on the front, side or back of the device
- **Introduced lower-cost production design for in-glass touch sensor with tier-one partner**
  Superior industrial design and durability without compromising image quality
- **Delivered commercial-grade samples of industry's first flexible touch sensor for ISO-compliant card form factors, jointly with a major card systems integrator**
  Supports strategic partnership and trials with a global payments company
- **Execution of change to direct sales model through recruiting of several sales staff members, including Yang Chiah Yee, SVP World Wide sales**
- **Eagle family of off-chip touch sensors certified by the Fast IDentity Online (FIDO) Alliance**
  Extensive testing ensures compliance and interoperability to accelerate adoption

Outlook and key upcoming milestones

- **Continued volume shipments of Cardinal and Eagle touch sensors from existing customers and programs**
- **Additional design wins expected in coming quarters**
- **Increase customer engagement on glass sensor over the next quarters and preparing supply chain for customisation**
- **Launch of new polymer sensor products**
- **Consumer trials and pilot program of ISO card sensor during the second half of 2016, followed by potential initial volume shipments towards the end of 2016**
- **Expanding system integrator ecosystem and program opportunities for IDEX card sensors solutions**
- **Engage in selected opportunities within the Internet of Things, leveraging existing Eagle products**
- **Further expanding direct sales capabilities to enhance customer engagement and increase sensor distribution**

LG Stylus 2 Plus launched with IDEX Cardinal Q touch sensor

During the first half of 2016, IDEX made a commercial breakthrough by securing a production-volume order for fingerprint sensors to the LG Stylus 2 Plus mobile telephone.

The phone was launched in June featuring IDEX's touch fingerprint sensor Cardinal Q.

IDEX is proud to have our fingerprint sensor featured in a global LG smartphone. IDEX is one of a few fingerprint sensor vendors supplying sensors to tier-one mobile handsets. This is a significant validation of the IDEX value proposition.

Secured additional Cardinal sensor design win for tier-one mobile customer

Following on the inclusion in the LG Stylus 2 Plus, IDEX announced in July that a tier-one smartphone customer had selected IDEX's Cardinal touch fingerprint sensor for integration into a mobile handset.

This design win is another commercial validation of the price/performance value proposition of IDEX's fingerprint sensor products and technology.

Secured several design wins for major Asian customer

A major Asian smartphone customer selected IDEX's Cardinal touch fingerprint sensor for mobile handset integration. The customer will be launching multiple programmes with fingerprint sensors, and IDEX sensors have been qualified for several of these.

IDEX expects the first mobile smartphone launch with our sensor for this major Asian customer in the fourth quarter of this year.

Expanded Cardinal product family

Building on the successful market acceptance and shipment of Cardinal Q, IDEX has launched the Cardinal N sensor. This sensor is designed for use in ultra-small, low-profile fingerprint sensing applications. With the touch sensor's extremely thin, rectangular form factor, Cardinal N enables integration on the side of today's ultra-slim smartphones as well as front or back mounting.

Cardinal N has been qualified for volume production and is currently being evaluated by select mobile OEMs. The Cardinal N sensor and other IDEX sensors were demonstrated at the Mobile World Congress on 29 June through 1 July in Shanghai, China.

Introduced improved low-cost production design for in-glass touch sensor

IDEX continues to work with a tier-one partner company to commercialise IDEX's in-glass fingerprint sensor. During the first half of 2016 a new, lower

production cost design has been developed. The optimised design uses IDEX's off-chip technology to achieve the best balance of image quality, aesthetics and robustness in a glass implementation.

Commercial-grade samples of a flexible touch sensor for ISO-compliant cards

IDEX has successfully developed 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 sampled to IDEX's ongoing strategic partnership with a leading global payments company.

IDEX's unique, 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 using a secure low-resource algorithm to achieve high-quality image sensing and biometric performance.

Strengthened organisation with significant industry talent

Experienced industry talent has been recruited to expand IDEX's global sales and support team. IDEX is shifting to a direct sales approach in the mobile market. This increases IDEX's control of the sensor sales and distribution process and is expanding customer engagements and opportunities.

Yang Chiah Yee has been appointed to the role of Senior Vice President for Worldwide sales. Mr Yee has extensive executive sales experience in the semiconductor industry, including eight years at Atmel, most recently as VP of Worldwide sales, and more than two decades driving sales at semiconductor companies to deliver profitable growth.

Stan Swearingen has joined IDEX's Strategy Advisory Board. Mr. Swearingen's previous experience includes roles as SVP & CTO at semiconductor companies Atmel and Synaptics. He has more than 30 years of experience in semiconductors, solutions for smartphones and biometrics. At Synaptics, Swearingen was instrumental in formulating the biometric fingerprint strategy, including the acquisition of Validity.

The Strategy Advisory Council advises IDEX on market, technology and strategic trends in the rapidly developing mass market for fingerprint sensors.

FIDO Certification of Eagle Touch Fingerprint Sensors

IDEX's Eagle family of off-chip touch fingerprint sensors was certified in June by the Fast IDentity Online (FIDO) Alliance.

The formal FIDO certification of IDEX's sensor follows extensive testing to ensure compliance and interoperability among various products and services that comply to FIDO specifications.

The certification of the Eagle sensor family underlines the company's continued commitment and contribution to the FIDO Alliance.

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.

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 sensor has been launched in the LG Stylo 2 Plus and has been designed in to several customer programs. The Eagle sensor has a unique cost and performance position for medium-sized sensors. The sensor has been shipped in volume for integration into IoT products. IDEX continues to develop new products demonstrated by the launch in April of the Cardinal N sensor targeting mobile OEMs.

IDEX expects these breakthroughs to generate more design wins and production orders in the second half of 2016.

Customer evaluations of IDEX's unique glass sensor solution will take place in the second half of 2016. Industrialisation of the commercial supply chain is in progress with aim to enable volume shipments by the end of 2016.

IDEX's strategic partnership with a major global payments company is progressing well, and IDEX is currently expanding its production capability to satisfy the anticipated demand. IDEX believes that its world-first polymer touch sensor for ISO-compliant cards will give it a leading position for fingerprint sensors in the card market. Card product trials are expected to take place shortly, and the company expects to progress to consumer pilot programmes during the second half of 2016. This will potentially lead to initial volume shipments late in 2016 or early 2017.

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. The company has leading-edge IP, a deeply 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, 10 August 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 30 June 2016 (Unaudited)

Profit and loss statements

IDEX earned NOK 17.7 million revenue from sensor deliveries in the first half of 2016 (Q2: NOK 14.1 million), up from NOK 0.1 million in the first half of 2015. This significant amount of revenue marks the definitive commencement of the commercial stage of the company. The gross margin was NOK 3.0 million or 17 per cent in the first half. The gross margins on the early-stage shipment volumes are not representative for future mass volume margins.

The total operating expenses in the first half of the year amounted to NOK 98.1 million (Q2: NOK 44.7 million), up from NOK 95.2 million in the first half of 2015. The depreciation of the US dollar by 5 per cent in the first half has reduced the costs when measured in NOK. While research and development and other operating expenses increased compared to the same period in 2015, payroll expenses were lower, due to variation in the cost of share-based remuneration. The underlying salary cost increased because of increased number of employees. IDEX is ramping up its operational capacity across all key functions including product development, supply chain, operations and sales, in preparation for mass volume deliveries.

The total payroll expenses were NOK 39.6 million in the first half (Q2: NOK 17.1 million), down from NOK 43.1 million in the first half of 2015 (Q2 2015: NOK 17.7 million). The underlying salary cost increased from NOK 29.5 million in the first half of 2015 to NOK 38.9 million in the first half of 2016 because of increased number of employees. The net effect of share-based remuneration, which often vary substantially between quarters, was NOK 13.3 million lower in the first half of 2016 than in the same period of 2015. 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 half of 2016. The cost or reversal does not have any cash effect.

R&D expenses amounted to NOK 46.3 million in the first half, compared to NOK 41.8 million in the first half of 2015 (2H 2015: NOK 60.8 million). The second quarter of 2016 was however lower than the preceding quarter and also lower than the going rate in 2015. R&D expenses vary according to the amount of services and materials purchased externally.

Other operating expenses, mainly sales and marketing and general admin, amounted to NOK 12.2 million in the first half of 2016 (Q2: NOK 6.7 million), up from NOK 10.3 million in the first half of 2015 (Q2 2015: NOK 4.9 million). Most of the increase was related to sales and marketing activities.

The total staff of employees and ongoing individual contractors was 74 at 30 June 2016, up from 66 one year earlier and 70 at the end of the first quarter 2016. IDEX had 61 employees at 30 June 2016, and 10 technical/scientific individual contractors working full time or regularly as part of the development team. Three sales representatives work on contract.

Depreciation amounted to NOK 3.9 million in the first half (Q2: NOK 1.8 million), compared to NOK 3.3 million in the first half of 2015 (Q2 2015: NOK 1.6 million). In the first half NOK 0.8 million was invested in scientific equipment and engineering tools, compared to NOK 1.6 million in the first half of 2015.

EBIT in the first half amounted to a loss of NOK 99.0 million (Q2: NOK 44.1 million loss), compared to a loss of NOK 98.4 million in the first half of 2015 (Q2 2015: NOK 49.6 million loss). The increase in operating expenses has been offset by the gross margin on shipments.

Financial items amounted to a net cost of NOK 41 thousand in the first half (Q2: net cost NOK 0.6 million). In the first half of 2015, financial items amounted to a net loss of NOK 0.6 million (Q2 2015: net gain NOK 0.2 million). Interest income is small due to the low interest level. The variation between periods is mainly 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 0.4 million in the first half. The net result for the IDEX group in the first half of 2016 was a loss amounting to NOK 99.5 million. In the corresponding period of 2015, the net loss amounted to NOK 99.3 million.

Profit or loss per basic weighted average number of shares amounted to a loss of NOK 0.19 in the first half, compared to NOK 0.23 per share in the first half of 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 30 June 2016, IDEX held a cash balance amounting to NOK 623.4 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 89 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 half of 2016. In the first half of 2015, IDEX capitalised own development expenses related to the Cardinal sensor product, in an amount of NOK 0.5 million.

Fixed assets amounted to NOK 5.6 million at 30 June 2016, 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 first half, inventory amounted to NOK 7.1 million, up from NOK 2.3 million at the beginning of the year. IDEX will necessarily need to build up its inventory when shipment volume increases.

Customer receivables amounted to NOK 11.7 million on 30 June 2016, up from NOK 3.6 million at the end of the first quarter and NOK 0.3 million at the end of 2015. IDEX will necessarily accumulate customer receivables when shipment volume increases.

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

On 30 June 2016, the total assets amounted to NOK 702.0 million, of which NOK 623.4 million was 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 35.7 million at 30 June 2016, down from NOK 42.9 million at the end of the preceding quarter and NOK 69.1 million at 31 December 2015. The 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 656.5 million at 30 June 2016, down from NOK 698.7 million on 31 March 2016 and 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.

Cash flow, cash position

The operational cash outflow in the first half of 2016 was NOK 141.6 million (Q2: NOK 59.6 million). The main operating cash item was the operating loss amounting to NOK 99.0 million in the period, partly offset by the equity part of the share-based compensation and depreciation. Working capital was negative by NOK 51.2 million in the first half mainly because of increased customer receivables and payment of liabilities since yearend 2015. There are usually variations between quarters, mainly due to fluctuating payables to suppliers and accrued liabilities.

NOK 0.8 million was invested in scientific equipment and engineering tools in the first half, down from average NOK 1.6 million in the first half of 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 half of 2016. In the first half of 2015 IDEX capitalised NOK 0.5 million own development expenses.

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

At 30 June 2016 the cash position amounted to NOK 623.4 million, compared to NOK 682.7 million at 31 March 2016 and NOK 763.7 million at the beginning of the year. Net of receivables less payables and accruals amounted to NOK 8.9 million payable, leaving a balance sheet solvency of NOK 614.5 million compared to NOK 701.7 million at the beginning of 2016. IDEX does not have financial debt.

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IDEX ASA
Condensed consolidated interim financial statements with notes
30 June 2016 (Unaudited)

Interim consolidated statements of comprehensive income Amounts in NOK 1,000	**1 April-30 June 2016**	1 April-30 June 2015	**1 January-30 June 2016**	1 January-30 June 2015	1 January-31 December 2015
Operating income					
Sales and services income	**14 110**	33	**17 672**	83	349
Other operating revenue					
Total revenue	**14 110**	**33**	**17 672**	**83**	**349**
Cost of goods sold	**11 732**	32	**14 655**	63	137
Gross margin	**2 378**	**1**	**3 017**	**20**	**212**
Operating expenses					
Payroll expenses	**17 128**	17 737	**39 558**	43 082	98 226
Research and development expenses	**20 865**	25 361	**46 319**	41 799	102 567
Other operating expenses	**6 689**	4 903	**12 235**	10 275	18 972
Total operating expenses	**44 682**	**48 001**	**98 112**	**95 156**	**219 765**
Profit (loss) before interest, tax, depreciation and amortization (EBITDA)	**(42 304)**	**(48 000)**	**(95 095)**	**(95 136)**	**(219 553)**
Depreciation	**1 810**	1 621	**3 929**	3 296	6 834
Profit before interest and tax (EBIT)	**(44 115)**	**(49 621)**	**(99 025)**	**(98 432)**	**(226 388)**
Financial income and expenses					
Interest income	**229**	987	**487**	1 643	2 810
Other financial income	**381**	63	**812**	1 242	3 312
Interest expenses			**(1)**	(1)	(1)
Other financial expenses	**(1 182)**	(806)	**(1 339)**	(3 462)	(8 023)
Net financial items	**(572)**	**244**	**(41)**	**(578)**	**(1 902)**
Net result before tax	**(44 687)**	**(49 377)**	**(99 066)**	**(99 010)**	**(228 290)**
Income tax expense (credit)	**193**	155	**391**	303	541
Net profit (loss) for the period	**(44 880)**	**(49 532)**	**(99 457)**	**(99 313)**	**(228 831)**
Profit (loss) per share - basic and diluted	***NOK (0.09)***	*NOK (0.11)*	***NOK (0.19)***	*NOK (0.23)*	*NOK (0.50)*

Net profit (loss) for the period	**(44 880)**	**(49 532)**	**(99 457)**	**(99 313)**	**(228 831)**
Other comprehensive income	**839**	(422)	**(167)**	29	(1 006)
Total comprehensive income for the period, net of tax	**(44 041)**	**(49 954)**	**(99 624)**	**(99 284)**	**(229 837)**

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

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Interim consolidated balance sheets Amounts in NOK 1,000	30 June 2016	30 June 2015	31 December 2015
ASSETS			
Long-term assets			
Goodwill	**8 260**	8 260	8 260
Other intangible assets	**36 747**	41 103	39 172
Fixed assets	**5 627**	6 349	6 576
Long-term receivables	**1 170**	1 143	1 155
Total long-term assets	51 804	56 855	55 163
Current assets			
Inventory and receivables			
Inventory	**7 136**	7 944	2 281
Customer receivables	**11 688**	33	254
Other receivables	**3 956**	3 967	4 319
Prepaid expenses	**4 010**	2 890	2 531
Total inventory and receivables	26 790	14 834	9 385
Cash and bank deposits			
Cash and bank deposits	**623 394**	431 115	763 716
Total cash and bank deposits	623 394	431 115	763 716
Total current assets	650 184	445 949	773 101
TOTAL ASSETS	701 988	502 804	828 264

EQUITY AND LIABILITIES			
Equity			
Paid-in-capital			
Share capital	**79 812**	70 391	79 651
Share premium	**1 171 570**	738 436	1 170 454
Other paid-in capital	**49 761**	39 604	44 566
Total paid-in-capital	1 301 143	848 431	1 294 671
Other equity	**(644 610)**	(414 434)	(544 987)
Total equity	656 533	433 997	749 684
Liabilities			
Long-term liabilities			
Other long-term liabilities	**9 746**	11 503	9 445
Total long-term liabilities	9 746	11 503	9 445
Short-term liabilities			
Accounts payable	**10 666**	29 361	17 755
Public duties payable	**1 692**	1 858	4 012
Accrued payable income tax	**859**	1 005	1 019
Notional employer's tax on share incentives	**8 549**	8 569	13 900
Other short-term liabilities	**13 943**	16 511	32 449
Total short term liabilities	35 709	57 304	69 135
Total liabilities	45 455	68 807	78 580
TOTAL EQUITY AND LIABILITIES	701 988	502 804	828 264

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Interim consolidated cash flow statements Amounts in NOK 1,000	1 April-30 June 2016	1 April-30 June 2015	1 January-30 June 2016	1 January-30 June 2015	1 January-31 December 2015
Cash Flows from operating activities					
Profit (loss) before interest and taxes	**(44 115)**	(49 621)	**(99 025)**	(98 432)	(226 388)
Share-based remuneration (equity part)	**2 550**	3 267	**5 195**	6 797	11 779
Depreciation	**1 810**	1 621	**3 929**	3 296	6 834
Net financial gain (cost)	**(801)**		**(528)**	(1)	(4 712)
Change in working capital and other items	**(19 025)**	17 354	**(51 175)**	7 405	25 124
Net cash flow from operational activities	**(59 581)**	**(27 379)**	**(141 604)**	**(80 935)**	**(187 363)**
Cash flows from investing activities					
Purchases of assets	**(648)**	(920)	**(785)**	(1 602)	(2 624)
Capitalised development costs		(509)		(509)	(813)
Change in long-term receivables			**1**		(12)
Interest income	**229**	987	**487**	1 643	2 810
Net cash provided by investing activities	**(419)**	**(442)**	**(297)**	**(468)**	**(639)**
Cash flows from financing activities					
Share issues net of expenses	**152**	277 817	**1 277**	283 112	724 391
Paid-in, not registered share capital		21		21	
Change in long-term payable	**503**	97	**301**	1 424	(634)
Net cash provided by financing activities	**655**	**277 935**	**1 578**	**284 557**	**723 757**
Net change in cash and cash equivalents	**(59 344)**	250 114	**(140 322)**	203 154	535 755
Opening cash balance	**682 738**	181 001	**763 716**	227 961	227 961
Closing cash balance	**623 394**	**431 115**	**623 394**	**431 115**	**763 716**

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	**161**	**1 117**			**1 278**
Share-based compensation			**5 195**		**5 195**
Total comprehensive income for the period				**(99 624)**	**(99 624)**
Balance 30 June 2016	**79 812**	**1 171 571**	**49 761**	**(644 611)**	**656 533**
Balance 1 January 2015	61 948	463 766	32 787	(315 150)	243 351
Share issues	8 442	274 670			283 112
Paid-in, not registered share capital			21		21
Share-based compensation			6 797		6 797
Total comprehensive income for the period				(99 284)	(99 284)
Balance 30 June 2015	70 390	738 436	39 605	(414 434)	433 997
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.

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Notes to the condensed consolidated interim financial statements 30 June 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 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 Basis of preparation, accounting policies, resolution. Risks

This condensed consolidated interim financial report for the first half 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 until the second quarter of 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 10 August 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
Additions			**769**	**16**	**785**
Disposals at cost					
Depreciation and impairment losses		**(2 425)**	**(1 504)**		**(3 929)**
Effects of changes in foreign currency			**(214)**	**(1)**	**(215)**
Balance 30 June 2016	8 260	36 747	5 627	1 170	51 804
Balance 1 January 2015	8 260	42 805	5 588	1 143	57 796
Additions		509	1 602		**2 111**
Disposals at cost					
Depreciation and impairment losses		(2 211)	(1 085)		**(3 296)**
Effects of changes in foreign currency			244		**244**
Balance 30 June 2015	8 260	41 103	6 349	1 143	56 855
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)**
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 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-30 June: Granted incentive subscription rights	**2 475 000**		
1 January-30 June: Exercised incentive subscription rights	**(937 500)**		**937 500**
1 January-30 Juneh: Expired and forfeited incentive subscription rights	**(275 000)**		
25 May 2016: Issue of board remuneration shares			**133 339**
Balance 30 June 2016	23 482 500	0	532 080 255

Balance 1 January 2015	26 460 362	30 000 000	413 488 862
1 January-30 June: Granted incentive subscription rights	1 555 000		
1 January-30 June: Exercised incentive subscription rights	(3 282 862)		3 282 862
1 January-30 June: Expired and forfeited incentive subscription rights	(162 500)		
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
Balance 30 June 2015	24 570 000	56 250 000	469 409 416

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 sub–scription 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 30 June 2016 was NOK 4.08 per share.

5 Payroll expenses

Amounts in NOK 1,000	1 April-30 June 2016	1 April-30 June 2015	1 January-30 June 2016	1 January-30 June 2015	1 January-31 December 2015
Salary, payroll tax, benefits, other expenses	**16 224**	14 166	**38 875**	29 502	**73 007**
Capitalised cost of development work		(388)		(388)	**(547)**
Payroll tax on exercised subscription rights	**121**	71	**877**	1 453	**3 618**
Share-based remun., notional salary expense	**2 512**	2 959	**5 157**	6 176	**10 479**
Share-based remun., accrual (rev.) of emplr.'s tax	**(1 729)**	930	**(5 351)**	6 339	**11 669**
Payroll expenses	17 128	17 737	39 558	43 082	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 – 30 June 2016	1 January – 30 june 2015	**1 January – 31 December 2015**
Profit (loss) attributable to the shareholders (NOK 1 000)	**(99 457)**	(99 313)	**(228 831)**
Weighted average basic number of shares	**531 568 235**	433 504 518	**459 123 063**
Weighted average diluted number of shares	**542 934 213**	444 219 802	**471 523 685**
Profit (loss) per share, basic and diluted	**NOK (0.19)**	NOK (0.23)	**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: 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.

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

In the first half of 2016 IDEX has recorded NOK 1,498 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 August 2016 the board resolved to grant 3,380,000 incentive subscription rights (SRs) to employees and contractors of the company. The grant was made under the 2016 incentivesubscription rights plan. The exercise price of the SRs is NOK 7.79 per share. On the same date, the board resolved to issue 200,000 shares at an average price of NOK 1.15 per share to an employee who had exercised subscription rights which were granted in 2013.

Between 30 June 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 the first half of 2016 or the value of the company's assets and liabilities at 30 June 2016.

Responsibility statement
Interim report for the first half 2016 (Unaudited)

We confirm, to the best of our knowledge, that the condensed consolidated financial statements with notes for the period 1 January-30 June 2016 has been prepared in accordance with IAS 34 - Interim Financial Reporting and gives a true and fair view of IDEX's assets, liabilities, financial position and profit or loss as a whole. Major related parties transactions have been disclosed in note 9.

We also confirm, to the best of our knowledge, that the interim report issued in concert with these condensed financial statements includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year.

Fornebu, 10 August 2016
The board of directors of IDEX ASA

Morten Opstad, Chairman	Lawrence John Ciaccia, Board Member	Deborah Lee Davis, Board Member
Hanne Høvding, Board Member	Andrew James Macleod, Board Member	Hemant Mardia, CEO