



IDEX
THE ID OF YOU

IDEX ASA

Annual report 2011



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Report from the board of directors 2011

IDEX ASA is a Norwegian public company specialising in fingerprint imaging and recognition technology. IDEX has developed the SmartFinger® technology platform including the patented fingerprint imaging principle, sensing scheme and chip design. SmartFinger enables on-device enrollment, template storage and verification within the very same module, for example an ID card.

The company is located at Fornebu in Bærum municipality, Norway. The sales and marketing subsidiary company in USA has been inactive in 2011. The IDEX shares have been listed at Oslo Axess since 2010. The company has nearly 1,200 shareholders.

IDEX has made significant investments in research and product development in biometry and related technology, particularly in polymer-based sensor technology and embedded software solutions for fingerprint verification suitable for cards and ID devices. In 2011, IDEX carried out qualification and ramp-up to volume production of the SmartFinger Film sensor. The novel SmartFinger Film technology was launched in 2010. The SmartFinger Film is ultra-thin and bendable, and is especially well suited for ID cards, access control and financial cards. SmartFinger Film won the prestigious SESAMES Award 2010.

IDEX aims to earn revenue from sale of fingerprint sensor units and software as well as licensing its intellectual property rights. The licensing scheme is aimed at volume manufacturers and offers partners the opportunity to develop and manufacture the fingerprint technology on a non-exclusive basis. In addition, IDEX will have the sensor manufactured to sell fingerprint sensor units directly to original equipment manufacturers in selected segments.

The markets targeted by IDEX are characterised by massive volumes, particularly in authentication systems using biometric cards. There are also substantial volumes in mobile phones, PDAs, computers and data storage units.

Partner momentum

During 2011 the number of partner companies grew substantially. IDEX entered into cooperation agreements with Pierson Capital Technology, Identita Technologies, Shen Zhen Huajing Technology Co., S.I.C. Biometrics, UINT, Card Tech Srl., Embedx Corporation, and Future Electronics. The ongoing agreements from the prior years, with an undisclosed semiconductor company and Validus Technologies, remain active.

Three partners have shown demonstrators of system-on-card solutions where the card is an ISO-compliant card which includes the Smartfinger Film sensor and biometric algorithms. S.I.C. has launched a biometric security device with SmartFinger Film to users of Apple's smart phones and tablet computers. Future Electronics and IDEX works jointly to incorporate the IDEX SmartFinger Film fingerprint sensor and biometric algorithms into a fingerprint-based biometric authentication solution targeting the access control market segment.

All projects are still ongoing, but the progress on each project has varied and some projects are behind original schedule. This is not uncommon in such projects. Typical reasons are unforeseen matters related to staff, extended analysis of alternative designs or because technical tasks have been more time-consuming than originally assumed.

The eGo™ project is part of IDEX' strong focus on biometric solutions for the emerging mass markets. IDEX and twelve European R&D and industrial partners, among them Gemalto, ST Microelectronics, Precise Biometrics and Atos Worldline, will develop a new technology platform, eGo, that enables secure access and transaction by a wearable wireless, biometric device. The eGo device uses intra-body communication properties to convey digital certificates onto devices such as a person's car, phone, door-lock or other connected objects. The slogan of the project is "what you touch, is yours." In June 2011 IDEX was awarded a governmental grant under The Research Council of Norway's VerdIKT programme. The NOK 4.1 million grant supports an innovative project to develop fingerprint recognition technology for the Internet of Things and secures the company's participation in the eGo project.

Production ramp-up

The ramp-up to production, particularly the implementation of full-scale volume production equipment and methods, has taken more time than originally planned. Progress has been made in the second half of 2011, but the situation has not been fully resolved. IDEX is working intensively with the current supply chain partners in order to establish sufficient

capacity to deliver on volume orders in commercial quantities. The company qualifies additional suppliers in selected production steps.

In October IDEX entered into expanded and new agreements with Ionics EMS, Inc. that strengthen the strategic partnership between the two companies and facilitates volume production of IDEX SmartFinger Film.

The board of directors

The board comprised in 2011 Mr. Morten Opstad (chairman), Mr. Jon Ola Frankplads (elected for two years at the annual general meeting 2010), Ms. Hanne Høvdning, Ms. Joan Frost Urstad and Mr. Harald Voigt. The four board members who stood for election at the annual general meeting 2011 were reelected for two years.

Group annual financial statements

Revenue: IDEX earned revenue amounting to NOK 1.3 million in 2011. NOK 99 thousand were earned from product sales, while NOK 1,204 thousand related to government support under the VerdIKT programme. In 2010, the revenue amounted to NOK 144 thousand, half of which originated from product sales.

Payroll expenses: There were 15 persons employed in the company at year-end, up from 10 at the end of 2010. One employee work part time. Payable payroll expenses increased from NOK 10.4 million in 2010 to NOK 13.4 million in 2011. Notional cost of share-based compensation increased to NOK 4.3 million (2010: NOK 3.3 million). The increase was largely due to grants to new staff members and additional grants to continuing staff.

Research and development expenses: Gross external research and development expenses increased to NOK 14.7 million from NOK 7.4 million in 2010. Contributions from the 'SkatteFunn' R&D grant scheme managed by the Research Council of Norway amounted to NOK 1.1 million in 2011, same as in 2010. These grants, and a small additional grant in 2011 have been set off against research and developments expenses. Net reported R&D expenses were NOK 13.5 million in 2011 compared to NOK 6.3 million in 2010. Payroll cost of research and development conducted by IDEX employees are not included here, but in the payroll expenses line. Such expenses amounted to about NOK 5.0 million in 2011 versus NOK 3.3 million the year before.

Other operating expenses: Other operating expenses at NOK 7.6 million in 2011 were slightly lower than in 2010 at NOK 7.9 million. Marketing and PR activities were significantly increased, while some other items were reduced.

Depreciation amounted to NOK 245 thousand in 2011, up from NOK 134 thousand in 2010. IDEX has invested in total NOK 1.3 million in its office facility, computers and laboratory equipment in 2009-2012.

Net financial items: Net financial items amounted to NOK 0.4 million income in 2011, mainly from interest income on cash. In 2010, the interest income from second quarter until yearend matched the interest cost on the financial debt in the first quarter.

Taxes: IDEX operated at a loss and did not incur deferred or payable income taxes in 2011 or 2010.

Net result in the year: Net loss for the year was NOK 37.4 million, up from NOK 27.9 million in 2010, reflecting the increased staff and activity level. In order to be viable, IDEX needs to obtain revenue.

Total cash and bank deposits amounted to NOK 21.5 million at the end of 2011, compared to NOK 12.6 million at the preceding year-end. The operations have consumed cash in an amount of NOK 33.7 million in 2011 and NOK 23.2 million in 2010. New funds have been obtained by share issues amounting to net cash inflow of NOK 42.7 million in 2011 and NOK 30.7 million in 2010.

Equity: Equity was NOK 9.6 million at the start of 2011. During 2011, NOK 42.7 million was added by a private placement and warrants exercises (2010: also NOK 42.7 million added). The major inflows in 2011 were the private placement on 8 April raising NOK 31.1 million net after expenses, and the warrants exercise in the third quarter raising NOK 11.6 million net. Because of the loss in the year, equity at the end of 2011 amounted to NOK 19.4 million. The substantial annual losses have eroded the company's equity. There was no unrestricted equity at the end of 2011 or the preceding year. At 31 December 2011, 53 per cent of the share capital had been lost.

Liquidity and capital resources: The net current assets and liabilities at the end of 2011 was NOK 18.1 million. The available liquidity was insufficient to meet the expected need for working capital and capital expenditures until the end of 2012. The company will need to obtain additional working capital in the second quarter of 2012.

Financial statements of the parent company:

The subsidiaries are inactive. IDEX Holding Inc. performs solely holding company functions for IDEX America Inc., and does not have any employees. IDEX America Inc. performed marketing and sales activities on behalf of the parent company, primarily in the USA, and had one employee until 2010. There are only insignificant differences between the consolidated financial statements and the parent company's financial statements. The comments above regarding the consolidated financial statements, applies also to the parent company itself.

Events after 31 December 2011

Between 31 December 2011 and the date of the annual financial statements no events have occurred which may significantly impact the result for 2011 or the value of IDEX' assets and debt at the end of 2011. The board resolved on 23 April 2012 to issue 9,049,103 shares in a private placement of shares at a price of NOK 1.00 per share. The board also resolved to propose to the 2012 annual general meeting to issue one warrant for each new share that is issued in the placement. The warrants will be exercisable in September 2012 at a price of NOK 1.30 per share.

Going concern

53 per cent of the share capital of the parent company had been lost by the end of 2011. The board acknowledges its duty to act which follows from the loss of more than half the share capital. IDEX does not earn recurring revenue and there are limited funds and assets available for sale to cover future expenses. The going concern assumption has nevertheless been applied when preparing the financial statements of the group and the parent company.

There is significant uncertainty attached to this assumption. The board has resolved to issue 9,049,103 shares in a private placement at a price of NOK 1.00 per share. The board has reason to take for its basis that the placement will be fully subscribed. Depending on future activity level and possible revenue, the company will need further capital inflow in the second half of 2012. The board has proposed to the 2012 annual general meeting that one warrant shall be issued for each new share issued in the placement. The warrants shall be exercisable in September 2012 at a price of NOK 1.30 per share. The board takes for its basis that the warrants will be exercised and IDEX thus will have adequate funding until the end of 2012. The board thus confirms that there is basis for the going concern assumption and that this assumption has been applied when preparing the annual financial statements.

Allocation of net profit (loss) for the year

The net loss for 2011 of the parent company IDEX ASA was NOK 37,354,664. The board proposes that the loss shall be carried forward as uncovered losses. IDEX ASA had no unrestricted equity at the end of 2011, and the board does not propose any dividend payments for 2011.

Financial risk

IDEX is exposed to certain financial risks related to exchange rates and interest level. These are, however, insignificant compared to the Company's financial position at the end of 2010 and the long term business risk.

The financial situation of the Company is vulnerable at the end of 2011 and at the date of this report. The equity of the group as well as that of the parent company is inadequate. The board makes reference to its resolution to issue shares in a private placement and its proposal to the 2012 annual general meeting to issue warrants, as outlined in the section above regarding the going concern assumption.

Business risk may be summarised in the following points: (i) IDEX has had minimal revenue to date. The company has reported accumulating accounting losses and expects losses also in 2012. (ii) IDEX' business plan assumes revenue from products which IDEX has not yet traded commercially. (iii) Revenue from the company's products depend among other things on market factors, which are not controlled by IDEX. (iv) Competing companies' products have entered the commercial stage. (v) IDEX' intended market is immature and undergoing rapid technological changes.

IDEX does not have financial debt or financial instruments. IDEX does not have any significant trade receivables or other receivables with any credit risk.

Share capital and shareholders

The issued share capital of the company at the end of 2011 amounted to NOK 40,794,096.15, consisting of 271,960,641 ordinary shares, each share having a par value of NOK 0.15. At the end of 2011 there were a total of 1,186 registered shareholder accounts, compared to 840 one year earlier.

The closing share price on the last day of trading in 2011 was NOK 1.43, compared to NOK 1.80 at the last date of 2010. There were 10,264 trades in the share, with a total turnover amounting to NOK 174.4 million, up from 1,700 trades with a total turnover of NOK 29.0 million in the period 12 March-31 December 2010.

IDEX completed a successful placement of 18,098,222 shares on 8 April 2011 at a subscription price of NOK 1.80 per share. The company raised equity in an amount of NOK 32.6 million before expenses. Remaining warrants issued to subscribers in the company's rights issue in the third quarter of 2009 were exercisable from 1 May 2011 until 12 August 2011. More than 99 percent of the 2009 warrants were exercised, adding NOK 11.6 million of new equity and liquidity.

The board was authorised by the annual general meeting to issue up to 27,963,764 shares or 12 per cent of the share capital when the resolution was made. The authorisation is valid until the annual general meeting 2012. The authorisation had not been used by the date of this report.

The board may grant up to 23,303,136 incentive subscription rights under the 2011 subscription rights based incentive programme, but limited in such a way that the total number of subscription rights outstanding may not exceed 10 per cent of the number of shares. The subscription rights may be granted to employees and individual contractors performing similar work in IDEX. In 2011 the board granted 2,557,500 subscription rights under the 2010 programme and 3,150,000 subscription rights under the 2011 programme. At the end of 2011, there were a total of 14,596,266 subscription rights outstanding under various programmes. Weighted average exercise price was NOK 1.32 per share.

There are no authorisations to the board to purchase own shares.

The equity of the group and the parent company was inadequate at the end of 2011. This was not a sustainable position and at the date of this report the board is working on alternatives for obtaining additional equity.

Organisation; health, safety and environment

At the end of the year IDEX had 15 employees (2010: 10). One worked part time. All are employed in the parent company. In addition, the company had four individual technical/scientific specialists on contract working on its premises. All employees are male. In addition to its employees IDEX makes use of contractors and service providers in functions like patenting, finance and administration.

The board and the management seek to create a working environment that is pleasant, stimulating, safe and to the benefit of all employees. The working environment complies with the existing rules and regulations. The company offers flexible working hours for all employees, and those who so wish have been equipped with a portable PC and a mobile phone, which enable them to work equally efficiently from other places than the company's facilities. The board has not found reason to implement special measures. No employee has suffered work-related injury resulting in sick leave. No accidents or incidents involving the assets of the company have occurred. The sick leave was less than 2 per cent in 2011 (2010: less than 1 per cent).

The Company practices equal opportunities in all aspects. All facilities at IDEX are equally well equipped for females and males. Traditionally, fewer women than men have graduated in IDEX' fields of work: solid state physics, software development and design of electronic components. Because of the highly specialized positions, the candidates available for recruiting have often solely been males. The management structure reflects the composition of the technical staff. The board has not taken any special measures.

IDEX' activities do not pollute the environment. No hazardous materials are used in the company's facilities.

Corporate governance

The board considers that the increasing attention to corporate governance is beneficial for companies and investors. IDEX seeks to comply with the Norwegian code of practice for corporate governance, while taking into account the size and maturity of the company. The board's review of corporate governance has been included in the annual report.

Statement on management remuneration

The annual general meeting in 2011 considered and resolved guiding and mandatory guidelines for management remuneration. The guidelines and the actual remuneration in 2011 have been included in a note to the financial statements.

The managing director of the parent company is also CEO for the group and has performed this duty as a part of his employment for no additional remuneration.

Outlook

IDEX' vision is to ensure individuals a safe, secure and simple use of personal ID. IDEX has developed the award-winning SmartFinger Film technology. SmartFinger Film is the next-generation fingerprint sensor technology and suitable for a range of mass market applications. IDEX offers solutions that can significantly improve card ID and financial security by incorporating biometric ID with existing systems. IDEX offers a particular advantage in system-on-card implementations, which avoid external exchange of fingerprint data.

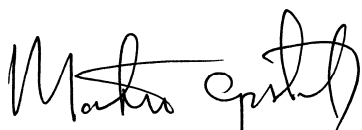
The SmartFinger Film sensor is thin and bendable and can be embedded in ID cards and smartcards of standard size and thickness. The first delivery of sensors to a customer was completed in 2011. IDEX is working intensively with the current supply chain partners in order to establish sufficient capacity to deliver on volume orders in commercial quantities. We are also qualifying additional suppliers in selected production steps.

In 2012, IDEX will support the company's growing number of customers and partners. Several projects for qualification of the use of the IDEX SmartFinger Film fingerprint sensor and biometric software and algorithms in the respective customers' product are on going. Each project has its own schedule and progress plan. The agreed intent of each qualification project is that a qualification will lead to commercial agreements under which IDEX will supply SmartFinger Film sensor technology.

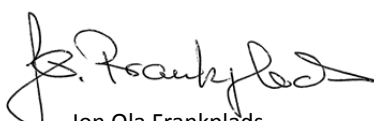
The board has resolved to issue 9,049,103 shares in a private placement at a price of NOK 1.00 per share. The board has reason to take for its basis that the placement will be fully subscribed. The board has proposed to the 2012 annual general meeting that one warrant shall be issued for each new share issued in the placement. The warrants shall be exercisable in September 2012 at a price of NOK 1.30 per share. The board takes for its basis that the warrants will be exercised and that the Company's equity and liquidity will be adequate under current planning assumptions.

Oslo, 23 April 2012

The board of directors of IDEX ASA



Morten Opstad
chairman



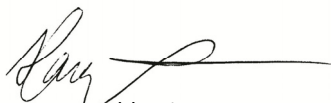
Jon Ola Frankplads
board member



Hanne Høvding
board member



Joan Frost Urstad
board membe



Harald Voigt
board member



Ralph W. Bernstein
CEO

Annual financial statements 2011 with notes

Statements of comprehensive income

| 1 January-31 December | | IDEX group | | IDEX ASA | |
|---|------|-----------------|----------|-----------------|----------|
| Amounts in NOK 1,000 | Note | 2011 | 2010 | 2011 | 2010 |
| Operating revenue | | | | | |
| Sales revenue | | 99 | 66 | 99 | 66 |
| Other income | 6 | 1 224 | 77 | 1 224 | 77 |
| Total revenue | | 1 323 | 143 | 1 323 | 143 |
| Operating expenses | | | | | |
| Payroll expenses | 4 | 17 696 | 13 739 | 17 696 | 12 864 |
| Research and development expenses | 6 | 13 481 | 6 278 | 13 481 | 6 278 |
| Other operating expenses | 14 | 7 632 | 7 912 | 7 632 | 8 790 |
| Profit (loss) before interest, tax, depreciation and amortisation (EBITDA) | | | | | |
| | | (37 486) | (27 786) | (37 486) | (27 789) |
| Depreciation expenses | 5 | 245 | 134 | 245 | 131 |
| Profit (loss) before interest and tax (EBIT) | | | | | |
| | | (37 731) | (27 920) | (37 731) | (27 920) |
| Financial income and expenses | | | | | |
| Interest income | | 348 | 221 | 348 | 221 |
| Agio | | 66 | 69 | 66 | 69 |
| Interest expenses | 13 | 0 | (271) | 0 | (271) |
| Disagio | | (38) | (27) | (38) | (27) |
| Net financial items | | 376 | (8) | 376 | (8) |
| Net result before tax (EBT) | | | | | |
| | | (37 355) | (27 928) | (37 355) | (27 928) |
| Taxes | 7 | 0 | 0 | 0 | 0 |
| Net loss for the year | | | | | |
| | | (37 355) | (27 928) | (37 355) | (27 928) |
| Profit (loss) per share, basic and diluted | | | | | |
| | 11 | (0.15) | (0.14) | | |
| Other comprehensive income | | | | | |
| | | 0 | 0 | 0 | 0 |
| Total comprehensive income for the year, net of tax | | | | | |
| | | (37 355) | (27 928) | (37 355) | (27 928) |

Statements of financial position 31 December

Amounts in NOK 1,000

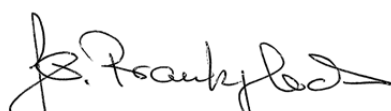
| Assets | Note | IDEX group | | IDEX ASA | |
|-------------------------------------|--------|---------------|---------------|---------------|---------------|
| | | 2011 | 2010 | 2011 | 2010 |
| Long-term assets | | | | | |
| Fixed assets | | | | | |
| Fixed assets | 5 | 939 | 632 | 939 | 632 |
| Total fixed assets | | 939 | 632 | 939 | 632 |
| Financial assets | | | | | |
| Shares in subsidiary | 17 | - | - | 6 | 6 |
| Other long-term receivables | 16 | 325 | 319 | 325 | 319 |
| Total financial assets | | 325 | 319 | 331 | 325 |
| Total long-term assets | | 1 264 | 951 | 1 270 | 957 |
| Current assets | | | | | |
| Receivables | | | | | |
| Accounts receivable | | 19 | 32 | 19 | 32 |
| Receivables from group companies | 14 | | | 54 | 53 |
| Other receivables | 13 | 3 161 | 1 572 | 3 161 | 1 572 |
| Prepaid expenses | | 343 | 318 | 343 | 318 |
| Total receivables | | 3 523 | 1 922 | 3 577 | 1 975 |
| Cash and bank deposits | | | | | |
| Cash and bank deposits | 3 | 21 462 | 12 649 | 21 458 | 12 648 |
| Total cash and bank deposits | | 21 462 | 12 649 | 21 458 | 12 648 |
| Total current assets | | 24 985 | 14 571 | 25 035 | 14 623 |
| Total assets | | 26 249 | 15 522 | 26 305 | 15 580 |
| Equity and liabilities | | | | | |
| Equity | | | | | |
| Paid-in capital | | | | | |
| Share capital | 8 | 40 794 | 32 240 | 40 794 | 32 240 |
| Share premium reserve | | 63 429 | 29 274 | 63 429 | 29 274 |
| Other paid-in capital | | 7 409 | 3 000 | 7 409 | 3 000 |
| Total paid-in capital | | 111 632 | 64 514 | 111 632 | 64 514 |
| Other equity | | (92 266) | (54 911) | (92 245) | (54 890) |
| Total equity | | 19 366 | 9 603 | 19 387 | 9 624 |
| Liabilities | | | | | |
| Short-term liabilities | | | | | |
| Short-term loan | 13, 14 | 0 | 0 | 0 | 0 |
| Accounts payable | | 2 230 | 1 553 | 2 227 | 1 547 |
| Accounts payable intercompany | 14 | | | 40 | 46 |
| Public duties payable | | 471 | 840 | 471 | 840 |
| Other short-term liabilities | 13 | 4 182 | 3 526 | 4 180 | 3 523 |
| Total liabilities | | 6 883 | 5 919 | 6 918 | 5 956 |
| Total equity and liabilities | | 26 249 | 15 522 | 26 305 | 15 580 |

Oslo, 23 April 2012

The board of directors of IDEX ASA




Morten Opstad, chairman



Jon Ola Frankplads, board member



Hanne Høvdning, board member



Joan Frost Urstad, board member



Harald Voigt, board member



Ralph W. Bernstein, CEO

Statements of changes in equity
IDEX group

| Amounts in NOK 1 000 | Share capital | Share premium fund | Other paid-in capital | Other equity | Total |
|--|---------------|--------------------|-----------------------|-----------------|-----------------|
| Balance at 1 January 2011 | 32 240 | 29 274 | 3 000 | (54 911) | 9 603 |
| Private placement on 8 April | 2 715 | 28 380 | | | 31 095 |
| Share issue on 19 May (board remuneration) | 19 | | | | 19 |
| Exercise of warrants on 8 July | 741 | 741 | | | 1 482 |
| Exercise of warrants on 12 August | 5 079 | 5 034 | | | 10 113 |
| Share-based remuneration | | | 4 409 | | 4 409 |
| Comprehensive income (loss) for the year | | | | (37 355) | (37 355) |
| Balance at 31 December 2011 | 40 794 | 63 429 | 7 409 | (92 266) | 19 366 |
| Balance at 1 January 2010 | 17 712 | 0 | 0 | (25 903) | (8 191) |
| Conversion of debt on 17 February | 3 282 | 9 848 | | (1 080) | 12 050 |
| Exercise of warrants on 9 March | 9 081 | 9 042 | | | 18 123 |
| Private placement on 10 March | 1 482 | 9 834 | | | 11 316 |
| Share issue on 11 May (board remuneration) | 17 | | | | 17 |
| Exercise of warrants on 30 September | 666 | 550 | | | 1 216 |
| Share-based remuneration | | | 3 000 | | 3 000 |
| Comprehensive income (loss) for the year | | | | (27 928) | (27 928) |
| Balance at 31 December 2010 | 32 240 | 29 274 | 3 000 | (54 911) | 9 603 |

Statements of changes in equity
IDEX ASA

| Amounts in NOK 1 000 | Share capital | Share premium fund | Other paid-in capital | Other equity | Total |
|--|---------------|--------------------|-----------------------|-----------------|-----------------|
| Balance at 1 January 2011 | 32 240 | 29 274 | 3 000 | (54 890) | 9 624 |
| Private placement on 8 April | 2 715 | 28 380 | | | 31 095 |
| Share issue on 19 May (board remuneration) | 19 | | | | 19 |
| Exercise of warrants on 8 July | 741 | 741 | | | 1 482 |
| Exercise of warrants on 12 August | 5 079 | 5 034 | | | 10 113 |
| Share-based remuneration | | | 4 409 | | 4 409 |
| Comprehensive income (loss) for the year | | | | (37 355) | (37 355) |
| Balance at 31 December 2011 | 40 794 | 63 429 | 7 409 | (92 245) | 19 387 |
| Balance at 1 January 2010 | 17 712 | 0 | 0 | (25 882) | (8 170) |
| Conversion of debt on 17 February | 3 282 | 9 848 | | (1 080) | 12 050 |
| Exercise of warrants on 9 March | 9 081 | 9 042 | | | 18 123 |
| Private placement on 10 March | 1 482 | 9 834 | | | 11 316 |
| Share issue on 11 May (board remuneration) | 17 | | | | 17 |
| Exercise of warrants on 30 September | 666 | 550 | | | 1 216 |
| Share-based remuneration | | | 3 000 | | 3 000 |
| Comprehensive income (loss) for the year | | | | (27 928) | (27 928) |
| Balance at 31 December 2010 | 32 240 | 29 274 | 3 000 | (54 890) | 9 624 |

Cash flow statements

| 1 January-31 December | IDEX group | | IDEX ASA | |
|--|-----------------|-----------------|-----------------|-----------------|
| Amounts in NOK 1,000 | 2011 | 2010 | 2011 | 2010 |
| Cash flows from operating activities | | | | |
| Profit (loss) before interest and taxes | (37 731) | (27 920) | (37 731) | (27 920) |
| Share-based remuneration (equity part) | 4 409 | 3 000 | 4 409 | 3 000 |
| Depreciation | 245 | 134 | 245 | 131 |
| Interest paid | 0 | (174) | 0 | (174) |
| Change in receivables | (1 601) | 1 408 | (1 602) | 1 803 |
| Change in payables, accruals | 965 | 344 | 963 | 35 |
| Net other items | 28 | 41 | 28 | 40 |
| Net cash flow from operational activities | (33 685) | (23 167) | (33 688) | (23 085) |
| Cash flows from investing activities | | | | |
| Investments | (552) | (357) | (552) | (357) |
| Changes in long-term receivables | (7) | (6) | (7) | (6) |
| Interest received | 348 | 221 | 348 | 221 |
| Net cash flow from investing activities | (211) | (142) | (211) | (142) |
| Cash flows from financing activities | | | | |
| Share issues | 42 709 | 30 672 | 42 709 | 30 672 |
| Net cash flow from financing activities | 42 709 | 30 672 | 42 709 | 30 672 |
| Net change in cash and bank deposits | 8 813 | 7 363 | 8 810 | 7 445 |
| Cash and bank deposits at 1 January | 12 649 | 5 286 | 12 648 | 5 203 |
| Cash and bank deposits at 31 December | 21 462 | 12 649 | 21 458 | 12 648 |

Notes

1. Group information

IDEX ASA ("IDEX") is a Norwegian Public Limited Company with registered office in the Bærum municipality. IDEX shares were admitted to listing at the Oslo Axess marketplace of Oslo Børs on 12 March 2010. Formerly, trades in the company's shares were reported on the A-list of the Norwegian Stockbrokers Association's OTC system.

IDEX is a technology company specialized in the development of on-screen navigation and fingerprint recognition technology.

IDEX was incorporated in 1996. The IDEX group was formed on 20 January 2007 and comprises the parent company IDEX ASA and a sub-group in the USA. The sub-group consists of the parent company IDEX Holding Company Inc with subsidiary IDEX America Inc. All subsidiaries are owned 100 per cent.

The going concern assumption has been applied when preparing these financial statements. There is significant uncertainty attached to this assumption. The board has resolved to issue 9,049,103 shares in a private placement at a price of NOK 1.00 per share. The board has reason to take for its basis that the placement will be fully subscribed. Depending on future activity level and possible revenue, the company will need further capital inflow in the second half of 2012. The board has proposed to the 2012 annual general meeting that one warrant shall be issued for each new share issued in the placement. The warrants shall be exercisable in September 2012 at a price of NOK 1.30 per share. The board takes for its basis that the warrants will be exercised and IDEX thus will have adequate funding until the end of 2012.

If the going concern assumption had not been applied, the value of certain of the group's assets would be less than the balance sheet value at going concern. This applies to fixed assets and prepaid expenses. The value reduction would amount to NOK 850 thousand and NOK 66 thousand respectively. No additional debt would arise. Accrual for calculated employer's tax on incentive subscription rights, amounting to NOK 334 thousand, and an amortisation accrual amounting to NOK 136 thousand would be reversed. The net impairment would amount to NOK 446 thousand. Costs in a wind-down period, including payroll costs in the notice period, would amount to about NOK 5.2 million. In addition to the impairment at group level, the parent company's investment in the U.S. subsidiary would be impaired by NOK 20 thousand. IDEX would earn proceeds from a possible sale of the company's intellectual property rights, chiefly patents and trademarks. Such proceeds can not be reliably estimated.

The annual financial statements for 2011 were resolved by the board on 23 April 2012 and will be presented to the annual general meeting on 15 May 2012.

2. Accounting principles

Basis of preparation

The accounting year coincides with the calendar year. The annual financial statements have been prepared on a historical cost basis. The group's financial statements are presented in NOK which is also the parent company's functional currency. All figures in the tables have been rounded to the nearest thousand except where indicated otherwise. The financial statements of the IDEX group and IDEX ASA have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The standards have been applied congruently in the group and in the parent company.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

IFRS is continuously developed and recently published standards, amendments and interpretations have been reviewed and considered. None of the new standards, amendments and interpretations that apply as of 1 January 2011 had any impact on the result or equity of IDEX in 2011, or the company does not have transactions or balance sheet items that shall be disclosed under the new or amended rules.

The company considers that new standards which have been resolved by the date of these financial statements and which standards will apply to the accounting year 2012, will not have any significant impact on the annual financial statements for 2012.

The company does not operate business segments, geographical segments or have significant revenue and has therefore not presented segment reports. IDEX will apply IFRS 8 Operating segments in due course.

Significant accounting judgements and estimates

Preparation of financial statements compliant to IFRS implies that the management makes judgements and prepares estimates and assumptions which have an impact on the recognised amounts for assets, liabilities, revenue and costs. Estimates and related assumptions have been based on the management's best knowledge of past and recent events, experience and other factors which are considered reasonable under the circumstances. Actual results may deviate from such assumptions. Estimates and underlying assumptions are subject to continuous evaluation. Critical accounting estimates for IDEX are:

Share based remuneration: IDEX estimates the fair value of option and subscription rights at the grant date. IDEX has applied a Black & Scholes option pricing model when valuing the subscription rights. The option valuation is based on assumptions about volatility, interest rates and duration of the option. The cost of share based remuneration is expensed over the vesting period. Estimates with regards to future attrition are applied. Such estimates are updated at the balance sheet date. Changes in this estimate will impact the expensed cost of share based remuneration in the period.

Income taxes: Deferred tax asset related to losses carried forward is recognised when it is probable that the loss carried forward may be utilised. Evaluation of probability is based on historical earnings, expected future margins and the size of the order back-log. Future events may lead to these estimates being changed. Such changes will be recognised when reliable new estimates can be made.

Financial risk, capital management

IDEX is exposed to certain financial risks related to exchange rates and interest level. These are, however, insignificant compared to the business risk and the Company's financial position.

Business risk may be summarised in five points: (i) IDEX has had minimal revenue to date. The company has reported accumulating financial losses and expects future losses. (ii) IDEX' business plan assumes revenue from products which IDEX has not yet traded commercially. (iii) Revenue from the company's products depend among other things on market factors, which are not controlled by IDEX. (iv) Competing companies' products have entered the commercial stage. (v) IDEX' intended market is immature and undergoing rapid technological changes.

IDEX had in 2007 taken up a financial loan with principal amounting to NOK 12,505 thousand with payable fixed interest and the lender had the right to convert the receivable to shares. The lender gave notice of conversion in January 2010 and the loan including interest was converted to NOK 13.1 million new equity on 17 February 2010.

IDEX does not have any significant trade receivables or other receivables with any credit risk.

IDEX does not hold any other financial instruments in the balance sheet or any such instruments outside the balance sheet.

IDEX manages its liquidity passively, which means that funds are placed in floating-interest bank accounts. Investments in fixed assets are only made when mandatory for the needs of the company's core business. The company has been funded by equity in the past, but practical circumstances implied that the company took up a

short-term financial loan in June 2007. The loan was repaid by conversion to equity in 2010. The company will prepare and implement comprehensive capital management and funding policies as and when needed.

The financial situation of the Company is vulnerable at the end of 2011 and at the date of these financial statements. The equity of the group as well as that of the parent company is inadequate and IDEX needs to obtain liquidity in the first half of 2012.

Summary of significant accounting policies

Consolidation

The Group's consolidated financial statements comprise IDEX ASA and companies in which IDEX ASA has a controlling interest. A controlling interest is normally obtained when the Group holds more than 50 per cent of the voting rights or has decisive power on the entity's operational and financial management. Minority interests are included in the group's equity.

Intra-group transactions and balance sheet items and any unrealised gains or losses or revenue and cost related to intra-group transactions have been eliminated when preparing the consolidated financial statements. The purchase method is applied when accounting for business combinations. Companies which have been bought or sold during the year are included in the consolidated financial statements from the date when control is achieved and until the date when control ceases.

Revenue

Revenue is recognised to the extent that it is probable that an economic benefit will flow to the group and the revenue can be reliably measured.

Royalty: Royalty revenue will be recognised at the time the licensee generates income on which IDEX shall receive a royalty payment.

Development and milestone payments: Revenue will be recognised at the time of performance, and when the risk of the delivered items have passed to the buyer and can be reliably measured.

Rendering of services: Revenue generated by rendering of services is recognised as the services are delivered.

Delivery of products: Revenue will be recognised at the time of delivery, and when the risk of the goods has passed to the buyer and can be reliably measured.

Currency

Monetary assets and liabilities denominated in foreign currency are converted using exchange rates of the balance sheet date. Revenues and expenses in foreign currency are converted using the exchange rate at the transaction date.

Assets and liabilities in foreign operations, including goodwill and fair value adjustments, are translated into NOK using the exchange rates on the balance sheet date. Incomes and expenses relating to foreign operations are translated into NOK using the average exchange rate. Exchange rate differences are recognised in equity.

Translation differences due to the translation of a net investment in foreign operations and from related hedging objects are included in comprehensive income. Translation differences previously recognised in comprehensive income are reversed and recognised in the net result of the year when the foreign operations are disposed of.

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from the development expenditure on an individual project is recognised only when IDEX can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the company's intention and capability of completing the development and realise the asset, and the net future financial benefits of use or sale.

Fixed assets

Fixed assets are carried at cost less accumulated depreciation and impairment losses. When assets are sold or retired, the gross carrying amount and accumulated depreciations are derecognised. Any gain or loss on the sale or retirement is recognised in the income statement.

The gross carrying amount of fixed assets is the purchase price, including duties/taxes and direct acquisition costs related to making the non-current asset ready for use. Subsequent costs, such as repair and maintenance expenses, are normally recognised in profit or loss as incurred. When increased future economic benefits as a result of repair/maintenance work can be proven, such expenses will be recognised in the balance sheet as additions to non-current assets.

The assets are depreciated using the straight-line method over each asset's economic life. The depreciation period and method are assessed each year to ensure that the method and period used harmonise with the financial realities of the non-current asset. The same applies to the residual value.

Impairment of fixed assets

An assessment of impairment losses on fixed assets is made when there is an indication of a fall in value. If an asset's carrying amount is higher than the asset's recoverable amount, an impairment loss will be recognised in the income statement. The recoverable amount is the higher of the fair value less costs to sell and the discounted cash flow from continued use. The fair value less costs to sell is the net amount that can be obtained from a sale to an independent third party. The recoverable amount is determined separately for each asset.

Impairment losses recognised in the income statements for previous periods are reversed when there is information that the need for the impairment loss no longer exists. The reversal is recognised as revenue or an increase in other reserves. Reversal is limited by the carrying amount not exceeding acquisition cost less normal depreciation.

Provisions

Provisions are recognised when and only when the group has a valid liability (legal or constructive) as a result of events that have taken place and it is more probable than not that a financial settlement will take place as a result of the event(s), and that the size of the amount can be measured reliably. Provisions are reviewed on each balance sheet date and their level reflects the best estimate of the liability. When the effect of time is insignificant, the provisions will be equal to the size of the expense necessary to be free of the liability. When the effect of time is significant, the provisions will amount to the present value of future payments to cover the liability. Any increase in the provisions due to time is recorded as interest costs.

Interest bearing debt

Loans and credits are initially recognised at cost, which is fair value of the received amount less directly attributable transaction costs. Following the initial recognition, the interest bearing debt are measured at amortised cost applying the effective interest method. Any difference between amount received and repayment amount is recognised over the duration of the loan. Any transaction costs and discounts are taken into account when calculating amortised cost. Amortised cost is calculated. Gains and losses are recorded as net gain or loss when the liability is derecognised.

Loans which the lender or IDEX may convert to equity and where the number of issued shares does not change with any change in fair value, are considered composite financial instruments. The equity component is calculated on the issue date as the excess of the amount received and the present value of future interest and repayment amounts, discounted by the market rate for comparable loans without conversion rights. Interest cost is recognised applying the effective interest method.

Accounts receivable

Receivables are carried at amortised cost. The interest element is disregarded if it is insignificant. Should there be evidence of impairment, the receivable is written down to the present value of future cash flows discounted by the receivable amount's effective interest rate.

Cash and bank deposits

Cash and bank deposits include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and any bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Taxes

The tax expense consists of the tax payable and changes in deferred tax. Deferred tax is calculated with 28 per cent on the temporary differences between the recorded and tax values, as well as on any tax loss carry-forward at the balance sheet closing date. Any temporary differences increasing or reducing tax that will or may reverse in the same period, are netted.

A deferred tax asset is recognised when it is probable that the group will have a sufficient profit for tax purposes to utilise the tax asset. At each balance sheet date, IDEX carries out a review of its unrecognised deferred tax assets and the value it has recognised. The group recognises an unrecognised deferred tax asset to the extent that it has become probable that the group can utilise the deferred tax asset. Similarly the group will reduce its deferred tax asset to the extent that it can no longer utilise it.

Deferred tax and deferred tax assets are measured on the basis of the expected future tax rates.

Contingent liabilities and assets

Contingent liabilities are possible obligations resulting from past events which existence depends on future events; obligations that are not recognised because it is not probable that they will lead to an outflow of resources; and obligations that cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the annual financial statements, but will be disclosed in the notes if applicable.

A contingent asset is not recognised in the annual financial statements, but is disclosed in the notes if there is a degree of probability that a benefit will accrue to IDEX.

Share-based remuneration

Option and subscription rights granted to employees and members of the board of directors are charged against the profit and loss at their fair value over the vesting period. The fair value of share based awards is determined using a Black & Scholes option pricing model.

Social security tax related to share-based remuneration is calculated on the fair value of options and subscription rights and accrued on the balance sheet date.

Leasing agreements

Leasing contracts are classified as financial or operational leases based on an individual assessment. Operational lease contracts are expensed on a straight-line basis through the contract period. Assets financed by financial leases are capitalised and amortised over their economic useful lives. The corresponding lease commitment is reduced by the value of lease payments made, less calculated interest.

Earnings per share

Earnings per share are calculated by dividing the profit or loss for the period by the weighted average number of ordinary shares outstanding over the course of the period. Earnings per share fully diluted are calculated based on the result for the year divided by the average number of shares fully diluted. The effect of dilution is not counted in when the result is a loss.

Cash flow

The cash flow statement has been drawn up in accordance with the indirect method and reports cash flows during the period classified by operating, investing and financing activities.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as a reduction in expense. When the grant can be viewed as payment for a deliverable, it is recognised as other revenue.

Segment reporting

The company does not operate business segments, geographical segments or have significant revenue and has therefore not presented segment reports. IDEX will implement segment reporting as and when segment reporting will be informative.

3. Cash and bank deposits

Cash and bank deposits amounted to NOK 21,462 thousand at the end of 2011. Of this amount, NOK 616 thousand were employees' withheld payroll tax deposits and NOK 170 thousand were restricted deposits to cover credit lines on purchasing cards. The counter value of NOK 4 thousand was held in USD, while the remaining was held in NOK. At the end of 2010 cash and bank deposits amounted to NOK 12,649 thousand of which NOK 501 thousand were employees' withheld payroll tax deposits and NOK 166 thousand were restricted deposits to cover credit lines on purchasing cards. No amounts were held in foreign currency. Deposits for rent of facilities have not been included in bank deposits.

4. Payroll expenses and remuneration

| Amounts in NOK 1,000 | IDEX group | | IDEX ASA | |
|--|---------------|---------------|---------------|---------------|
| | 2011 | 2010 | 2011 | 2010 |
| Payroll expense | | | | |
| Salaries, fees | 10 909 | 8 757 | 10 909 | 7 986 |
| Share-based remuneration (notional salary) | 4 409 | 3 000 | 4 409 | 3 000 |
| Share-based remuneration (accrual of employer's tax) | (99) | 323 | (99) | 323 |
| Pension contribution | 147 | 134 | 147 | 134 |
| Social security taxes | 1 574 | 1 214 | 1 574 | 1 161 |
| Other personnel expenses | 756 | 311 | 756 | 260 |
| Total | 17 696 | 13 739 | 17 696 | 12 864 |
| Average number of employees | 11 | 9 | 11 | 8 |

The parent company provides a contribution based pension insurance scheme for all employees. The scheme satisfies the mandatory service pension ('OTP') in Norway. The contribution is 2 per cent of the employee's annual salary between 2G and 12G, where G is the basic amount in the Norwegian social security system, and amounted to NOK 79 thousand in 2011.

All employees are male so salary statistics per gender have not been prepared.

Actual remuneration for senior managers

2011

| Amounts in NOK 1,000 | Salary | Variable/ incentive pay | Other benefits | Pension cost | Share based remune- ration | Total remune- ration |
|--|--------|-------------------------------|-------------------|-----------------|----------------------------------|----------------------------|
| Ralph W. Bernstein, CEO | 1 468 | 0 | 6 | 18 | 187 | 1 679 |
| John R. Robinson, VP of sales and marketing | 870 | 148 | 5 | 15 | 86 | 1 124 |
| Erling Sveta, CFO | 1 852 | 0 | 6 | 14 | 115 | 1 987 |
| Total remuneration | 4 190 | 148 | 17 | 47 | 388 | 4 790 |

Salary, bonus and other benefits in 2011 are the amounts as declared for tax purposes, while pension cost and share based remuneration are expensed amounts in the year. All amounts exclude employer's tax. No incentive subscription rights were exercised in 2011.

Mr. Sveta worked flexible hours as required by IDEX until 30 April 2011, and the remuneration was based on the number of hours worked. As of 1 May 2011, Mr. Sveta is employed full time on fixed salary with a variable bonus component.

2010

| Amounts in NOK 1,000 | Salary | Variable/ incentive pay | Other benefits | Pension cost | Share based remune- ration | Total remune- ration |
|--|--------|-------------------------------|-------------------|-----------------|----------------------------------|----------------------------|
| Ralph W. Bernstein, CEO | 1 366 | 0 | 9 | 17 | 827 | 2 219 |
| John R. Robinson, VP of sales and marketing | 354 | 62 | 3 | 6 | 120 | 545 |
| Erling Sveta, CFO | 1 395 | 0 | 6 | 25 | 24 | 1 450 |
| Total remuneration | 3 115 | 62 | 18 | 48 | 971 | 4 214 |

Salary, bonus and other benefits in 2010 are the amounts as declared for tax purposes, while pension cost and share based remuneration are expensed amounts in the year. All amounts exclude employer's tax. No incentive subscription rights were exercised in 2010.

Mr. Robinson joined IDEX on 2 August 2010. Mr. Sveta worked flexible hours as required by IDEX in 2010, and the remuneration was based on the number of hours worked. Mutual minimum work and pay obligation was 40 per cent of full time.

Guidelines for remuneration to senior managers

In order to attract and retain the competence the company needs, the remuneration of senior managers, and all other employees, shall be competitive and comprise a basic salary which may be supplemented by performance-based cash bonus and subscription rights. Cash bonus plans are limited to fixed amounts or percentage of base pay. All parts of the remuneration – fixed as well as variable – shall reflect the responsibility and performance over time of the respective manager and employee. The basic salary is evaluated annually. The board determines the salary and other remuneration to the CEO. The CEO determines the salary and other remuneration of all other employees, within the framework set by the board. There is no post-employment remuneration beyond notice periods of 3-6 months.

The company has not made any advance payments or issued loans to, or guarantees in favour of, any members of the management.

Share-based remuneration

Employees and senior management are eligible to participate in the company's subscription rights plan(s) as resolved by the general meeting. The purpose of such plans is to strengthen the company by providing to employees, management and individual contractors additional performance incentive.

Implementation and effect of the policies

Salary, pension and any bonuses will attract employer's tax which will be expensed simultaneously with the remuneration.

The notional cost of subscription rights as share based remuneration is expensed but the equity effect is nil because the contra item is a notional equity injection of equal amount. In addition employer's tax is accrued on the net present value of the subscription right as an option on the balance sheet date. The value varies with the share price and may entail a net reversal of costs. In 2011 NOK 22 thousand was reversed and the accumulated accrual amounted to NOK 102 thousand for employer's tax on the subscription rights to management. In 2010, NOK 83 thousand was expensed and the accumulated accrual amounted to NOK 124 thousand for employer's tax.

If and when the subscription rights are exercised, the accrued employer's tax will be reversed and the payable employer's tax of the actual gain will be expensed.

For the shareholders a possible exercise will represent a dilution. At the end of 2011, the number of outstanding subscription rights to management amounted to 4,538,629, corresponding to 1.7 per cent of the share capital.

Board remuneration

The company has no other obligation to remunerate the board than the board remuneration as resolved by the annual general meeting. The company has not issued any advance payments or loans to, or guarantees in favour of, any board member.

The annual general meeting 2011 resolved an annual board remuneration amounting to NOK 140 thousand per board member for the period from the annual general meeting 2010 to the annual general meeting 2011. The chairman shall receive an additional NOK 40 thousand for the service as chairman. The board members had the option to receive part or all of the remuneration in the form of shares. The number of shares corresponded to a gross value of 133 per cent of the board remuneration, for which the board paid the par value and the shares were locked up for one year. Board member Harald Voigt chose to take the full remuneration in shares. The transaction was completed in the second quarter 2011.

The company has accrued a corresponding amount for board remuneration in the period May-December 2011. The accrual amounted to NOK 490 thousand at the end of 2011. Such remuneration, if any, shall be resolved by the annual general meeting 2012.

The company refunds relevant out-of-pocket expenses incurred by the board members.

5. Fixed assets

| Amounts in NOK 1,000 | IDEX group | | IDEX ASA | |
|--|--------------|------------|--------------|------------|
| | 2011 | 2010 | 2011 | 2010 |
| Cost at 1 January | 795 | 497 | 795 | 474 |
| Additions | 552 | 357 | 552 | 357 |
| Disposals at cost | (18) | (59) | (18) | (36) |
| Currency adjustment | | | | |
| Cost at 31 December | 1 329 | 795 | 1 329 | 795 |
| Accumulated depreciation at 1 January | 163 | 88 | 163 | 69 |
| Depreciation | 245 | 134 | 245 | 131 |
| Accumulated depreciation of disposed items | (18) | (59) | (18) | (36) |
| Currency adjustment | | | | |
| Accumulated depreciation at 31 December | 390 | 163 | 390 | 163 |
| Book value at 31 December | 939 | 632 | 939 | 632 |
| Depreciation period (straight line), years | 3-5 | 3-5 | 3-5 | 3-5 |

Fixed assets at the end of 2011 comprised mainly upgrade of leased facilities, personal computers, office furniture.

6. Research and development expenses

Research costs are expensed when incurred. The criteria for capitalization of development expenses have not been met at the date of these financial statements, because IDEX has not demonstrated its ability to earn revenue from the SmartFinger. Hence, all costs related to development have been expensed.

External direct costs for research and development (R&D) including patenting costs have been expensed, and any grants and contributions have been credited. The gross expense amounted to NOK 14,664 thousand in 2011 compared to NOK 7,418 thousand in 2010. Since 2005, IDEX has received R&D grants from the 'Skattefunn' scheme, a governmental R&D grant scheme operated by the Research Council of Norway. In 2011, the company received a small amount under another scheme. For 2011, IDEX expects to receive combined NOK 1,183 NOK which has been set off against R&D expenses. For 2010 the grant amounted to NOK 1,040 thousand. Net R&D cost was NOK 13,481 thousand in 2011 versus NOK 6,278 thousand in 2010.

In addition to the support that has been credited to costs, NOK 1,204 thousand support under the VerdIKT programme has been recognised as other income because it is considered related to a delivery.

In addition to the direct external R&D costs, about NOK 5.5 million of the payroll expenses in 2011 were related to R&D (2010: NOK 3.3 million). Infrastructure costs are not included.

7. Income tax expense

| Amounts in NOK 1,000 | IDEX group and IDEX ASA | |
|--|-------------------------|------|
| | 2011 | 2010 |
| Specification of the tax expense for the year | | |
| Payable taxes on the result of the year | 0 | 0 |
| Change in deferred tax asset/liability | 0 | 0 |
| Tax expense on net result | 0 | 0 |

| Amounts in NOK 1,000 | IDEX group and IDEX ASA | |
|--|--------------------------------|-------------|
| Computation of taxes payable for the year | 2011 | 2010 |
| Net result before taxes | (37 355) | (27 928) |
| Permanent differences | 1 667 | (1 824) |
| Changes in temporary differences | (7) | (62) |
| Basis for taxes payable | (35 695) | (29 814) |
| 28% tax, representing total taxes payable on current year's result | 0 | 0 |

| Amounts in NOK 1,000 | Change in temporary differences | |
|--------------------------------|--|-----------------------------|
| IDEX group and IDEX ASA | 31 December 2011 | 31 December 2010 |
| Midlertidige forskjeller | 25 | 18 |
| | 7 | (62) |

| Amounts in NOK 1,000 | IDEX group and IDEX ASA | |
|---|--------------------------------|-----------------------------|
| Specification of temporary differences | 31 December 2011 | 31 December 2010 |
| Fixed Assets | 25 | 18 |

| Amounts in NOK 1,000 | IDEX group and IDEX ASA | |
|---|--------------------------------|-----------------------------|
| Specification of deferred taxes | 31 December 2011 | 31 December 2010 |
| Losses carried forward | (283 487) | (253 876) |
| Temporary differences | 25 | 18 |
| Basis for deferred taxes | (283 462) | (253 858) |
| Calculated deferred tax, 28 % | 79 369 | 71 080 |
| Deferred tax asset in the balance sheet | 0 | 0 |

| Amounts in NOK 1,000 | IDEX group and IDEX ASA | |
|--|--------------------------------|-----------------------------|
| Specification of payable taxes in the balance sheet | 31 December 2011 | 31 December 2010 |
| Taxes payable on this year's result | 0 | 0 |
| Total taxes payable | 0 | 0 |

| Amounts in NOK 1,000 | IDEX group and IDEX ASA | |
|---|--------------------------------|-------------|
| Specification of actual tax expense | 2011 | 2010 |
| Result (loss) before tax | (37 355) | (27 928) |
| Theoretical tax expense (income) | (10 459) | (7 819) |
| Adjustment permanent differences in prior years | 1 647 | |
| Permanent differences | 467 | (510) |
| Deferred tax asset not recognised | 8 345 | 8 329 |
| Actual tax expense (income) | 0 | 0 |

The accumulated deferred tax asset of NOK 79,369 thousand is virtually entirely related to tax losses carry forward. IDEX has not generated taxable profits in prior years. At 31 December 2011 there was not sufficiently convincing evidence that sufficient taxable profit will be generated, against which the unused tax losses could be applied. There are no restrictions as to how long tax losses may be carried forward.

8. Share capital and shareholder information, warrants and incentive subscription rights

There is one class of shares, and all shares have equal rights and are freely negotiable. There were 271,960,641 shares in the company on 31 December 2011, compared to 214,933,142 shares on 31 December 2010. The share capital is fully paid in. The par value of the shares after the 3:1 consolidation on 10 March 2010 is NOK 0.15 (15 Norwegian øre) per share.

2011

| | Antall aksjer | Antall warrants |
|---|--------------------|------------------|
| Balance at 1 January | 214 933 142 | 39 205 778 |
| Private placement on 8 April | 18 098 222 | 9 049 103 |
| Share issued (board remuneration) on 19 May | 124 966 | |
| Warrants exercised on 8 July | 4 941 579 | (4 941 579) |
| Warrants exercised on 12 August | 33 862 732 | (33 862 732) |
| Expiry of warrants on 12 August | | (401 467) |
| Balance at 31 December | 271 960 641 | 9 049 103 |

2010

| | Antall aksjer | Antall warrants |
|--|--------------------|-------------------|
| Balance at 1 January | 354 233 139 | 312 558 652 |
| Conversion of debt on 17 February | 65 651 250 | |
| Warrants exercised on 9 March | 181 631 781 | (181 631 781) |
| Accumulated | 601 516 170 | 130 926 871 |
| Consolidation 3:1 on 10 March | 200 505 390 | 43 642 230 |
| Private placement on 10 March | 9 877 500 | |
| Share issue (board remuneration) on 11 May | 113 800 | |
| Warrants exercised on 30 September | 4 436 452 | (4 436 452) |
| Balance at 31 December | 214 933 142 | 39 205 778 |

At the end of 2011 there were 1,186 shareholder accounts compared to 840 at the end of 2010. Investors who participated in the private placement in April 2011 received one warrant for each two new issued shares. The warrants are exercisable at NOK 2.10 per share in the period 16-27 April 2012 whereafter the warrants expire.

In the 3:1 consolidation of shares on 10 March 2010, a resulting fractional share per shareholder was rounded up and a corresponding total number of shares was taken from shareholder A. S. Holding A/S. A resulting fractional warrant per shareholder was rounded down.

| Top 20 shareholders at 31 December 2011 | Number of shares | Percent of shares |
|--|-------------------------|--------------------------|
| A. S. Holding A/S | 73 632 177 | 27.1 |
| Charles Street International Ltd | 36 935 940 | 13.6 |
| Colargol Invest AS | 17 543 118 | 6.5 |
| Euroclear Bank S.A./N.V. (Nominee) | 16 579 881 | 6.1 |
| Rønne, Lars Frithjof | 5 700 000 | 2.1 |
| Rønne, Sven Christian | 4 760 953 | 1.8 |
| Marc O'Polo Norge AS | 4 413 268 | 1.6 |
| Sundvall, Audar | 4 324 653 | 1.6 |
| Storebrand Vekst | 3 658 988 | 1.3 |
| Big Top Holding AS | 3 379 679 | 1.2 |
| Henriksen, Jens Andreas | 3 097 000 | 1.1 |
| Frankplads, Jon Ola | 2 814 320 | 1.0 |
| Hedger Management SA | 2 777 778 | 1.0 |
| Voigt, Harald | 2 571 402 | 0.9 |
| Heap, John Andrew | 2 240 420 | 0.8 |
| Wiermyhr, Kristian | 2 121 890 | 0.8 |
| Tortin Holdings Limited | 1 665 971 | 0.6 |
| Nimeco AS | 1 494 574 | 0.5 |
| Fredricsson, Björn-Olof | 1 471 971 | 0.5 |
| Saugestad, Kristin | 1 467 486 | 0.5 |
| Others | 79 309 172 | 29.2 |
| Total | 271 960 641 | 100.0 |

| Top 22 warrant holders at 31 December 2011 | Number of warrants | Percent of warrants |
|---|---------------------------|----------------------------|
| Hedger Management SA | 1 388 889 | 15,3 |
| Storebrand Vekst | 1 388 889 | 15,3 |
| Stålhe Invest AS | 555 555 | 6,1 |
| Alpine AS | 500 000 | 5,5 |
| Bergsvand, Rune | 416 666 | 4,6 |
| Ruten AS | 333 333 | 3,7 |
| Sundvall, Audar | 277 777 | 3,1 |
| A. S. Holding A/S | 277 777 | 3,1 |
| Monsen, Svein Laurits | 277 777 | 3,1 |
| Acier AS | 250 000 | 2,8 |
| Lupum AS | 208 333 | 2,3 |
| Wiermyhr, Kristian | 208 333 | 2,3 |
| Hyseni, Driton | 200 000 | 2,2 |
| Harma Holding AS | 162 500 | 1,8 |
| Tigerstaden AS | 150 000 | 1,7 |
| Forsland, Runar | 150 000 | 1,7 |
| Kragset, Jørgen | 138 889 | 1,5 |
| Jaras Eiendom AS | 138 889 | 1,5 |
| Kvaase, Truls | 137 500 | 1,5 |
| Tauler, Torgeir | 125 000 | 1,4 |
| Evermore AS | 125 000 | 1,4 |
| Bustnes, Brynjar | 125 000 | 1,4 |
| Orhers | 1 512 996 | 16,7 |
| Total | 9 049 103 | 100,0 |

| Shares, warrants and subscription rights held or controlled by primary insiders and their close relations at 31 December | 2011 | | | 2010(*) | | |
|--|-------------------|----------|-------------------------------------|------------------|------------------|-------------------------------------|
| | Shares | Warrants | Incentive subscription rights | Shares | Warrants | Incentive subscription rights |
| Morten Opstad, chairman | 6 359 845 | 0 | 0 | 5 444 728 | 915 117 | 0 |
| Jon Ola Frankplads, board member | 3 712 552 | 0 | 0 | 1 480 988 | 1 333 332 | 0 |
| Hanne Høvdning, board member | 255 997 | 0 | 29 657 | 152 664 | 103 333 | 29 657 |
| Joan Frost Urstad, board member | 110 234 | 0 | 59 314 | 96 944 | 13 290 | 59 314 |
| Harald Voigt, board member | 2 571 402 | 0 | 59 314 | 2 446 436 | 0 | 59 314 |
| Ralph W. Bernstein, CEO | 334 638 | 0 | 2 731 963 | 177 319 | 157 319 | 2 231 963 |
| John R. Robinson, VP of sales and marketing | 0 | 0 | 1 100 000 | 0 | 0 | 850 000 |
| Erling Svela, CFO | 0 | 0 | 706 666 | 0 | 0 | 66 666 |
| Total | 13 344 668 | 0 | 4 686 914 | 9 799 079 | 2 522 391 | 3 296 914 |

* Note: Because of the 3:1 consolidation of shares on 10 March 2010, the outstanding shares, warrants and subscription rights were correspondingly consolidated.

The board may grant up to 23,303,136 incentive subscription rights under the 2011 subscription rights based incentive programme resolved by the annual general meeting on 19 May 2011, but limited in such a way that the total number of subscription rights outstanding may not exceed 10 per cent of the number of shares. The subscription rights may be granted to employees and individual contractors performing similar work in IDEX. The exercise price shall be equal to the average closing price of the IDEX share on ten trading days preceding the date of the grant. The subscription rights vest in four equal tranches every 12 months after the date of the grant and lapse on the fifth anniversary after the programme was resolved. Grants under programmes for prior years have the same vesting schedule and duration. The recipient must remain an employee or working contractor in IDEX at the time of vesting or exercise. There are no cash settlement alternatives.

| | 2011 | | 2010(*) | |
|--|-------------------------------|---------------------------------|-------------------------------|---------------------------------|
| Incentive subscription rights | Number of subscription rights | Weighted average exercise price | Number of subscription rights | Weighted average exercise price |
| Outstanding at 1 January | 8 917 096 | 1.31 | 6 879 774 | 1.51 |
| Granted | 5 707 500 | 1.40 | 2 849 660 | 1.30 |
| Exercised | | | | |
| Forfeited | | | (715 091) | 1.32 |
| Expired | (28 330) | 15.25 | (97 247) | 15.10 |
| Outstanding at 31 December | 14 596 266 | 1.32 | 8 917 096 | 1.31 |
| Number which were exercisable at 31 December | 3 766 939 | 1.34 | 1 571 412 | 1.69 |
| Weighted average fair value of subscription rights granted in the year | 5 707 500 | 1.00 | 2 849 660 | 0.87 |

* Note: Because of the 3:1 consolidation of shares on 10 March 2010, the outstanding shares, warrants and subscription rights were correspondingly consolidated. This consolidation has been made on 1 January 2010 in this table.

The fair value for the subscription rights granted in the year has been calculated by use of the Black & Scholes option pricing model applying the following assumptions applied in 2011:

- Exercise price NOK 0.94-1.96 per share, weighted average NOK 1.40 per share
- Actual share price at date of grant average NOK 1.44 per share
- Duration up to 4.6 years
- Volatility of share price based on share price history 110 per cent
- Risk free interest rate of 1.9-3.2 per cent, average 2.4 per cent
- No payment of dividends
- Actual population of subscription rights holders, no attrition

| Incentive subscription rights outstanding at 31 December 2011 | Grant date | Expiry date | Grantee capacity | Number of subscription rights | Exercise price NOK |
|--|--------------|--------------|------------------|-------------------------------|--------------------|
| Hanne Høvdning, board member | 18 Jun. 2008 | 18 Jun. 2013 | board remun. | 3 125 | 10.83 |
| | 11 May 2010 | 11 May 2015 | board remun. | 26 532 | 1.20 |
| Joan Frost Urstad, board member | 18 Jun. 2008 | 18 Jun. 2013 | board remun. | 6 250 | 10.83 |
| | 11 May 2010 | 11 May 2015 | board remun. | 53 064 | 1.20 |
| Harald Voigt, board member | 18 Jun. 2008 | 18 Jun. 2013 | board remun. | 6 250 | 10.83 |
| | 11 May 2010 | 11 May 2015 | board remun. | 53 064 | 1.20 |
| Ralph W. Bernstein, CEO | 8 Aug. 2008 | 10 May 2012 | employee | 16 666 | 9.75-21.00 |
| | 26 Aug. 2008 | 18 Jun 2013 | employee | 42 342 | 8.85 |
| | 8 Oct. 2009 | 8 May 2014 | employee | 339 622 | 0.90 |
| | 8 Oct. 2009 | 8 May 2014 | employee | 1 333 333 | 1.20 |
| | 2 Nov. 2010 | 11 May 2015 | employee | 250 000 | 1.02 |
| | 2 Nov. 2010 | 11 May 2015 | employee | 250 000 | 1.50 |
| | 10 Apr. 2011 | 11 May 2015 | employee | 500 000 | 1.96 |
| John R. Robinson, VP of sales and marketing | 2 Aug. 2010 | 11 May 2015 | employee | 850 000 | 0.98 |
| | 10 Apr. 2011 | 11 May 2015 | employee | 250 000 | 1.96 |
| Erling Svela, CFO | 8 Oct. 2010 | 8 May 2014 | employee | 66 666 | 1.20 |
| | 10 Apr. 2011 | 11 May 2015 | employee | 640 000 | 1.96 |
| Other employees | 26 Aug. 2008 | 18 Jun. 2013 | | 48 648 | 8.85 |
| | 8 Oct. 2009 | 8 May 2014 | | 2 377 355 | 0.90 |
| | 8 Oct. 2009 | 8 May 2014 | | 1 798 849 | 1.20 |
| | 7 May 2010 | 8 May 2014 | | 250 000 | 1.20 |
| | 16 Dec. 2010 | 11 May 2015 | | 1 117 000 | 1.60 |
| | 10 Apr. 2011 | 11 May 2015 | | 1 167 500 | 1.96 |
| | 23 Oct. 2011 | 19 May 2016 | | 3 150 000 | 0.94 |
| Total | | | | 14 596 266 | |

9. Board authorisations to issue shares or acquire own shares

Only authorisations valid on 31 December 2011 have been included.

The authorisations were resolved at the annual general meeting 2011 and are valid until the annual general meeting 2012 but no longer than 30 June 2012. The combined issue under both authorisations may not exceed 27,963,764 shares.

| Purpose of the authorization | Authorised number of shares | Issued number of shares |
|---|-----------------------------|-------------------------|
| Private placement of shares to raise additional capital | 27 963 764 | 0 |
| Issue of shares in a rights issue to raise additional capital | 27 963 764 | 0 |

There were no authorisations to purchase own shares in effect at the end of 2011.

10. Events after 31 December 2011

Between 31 December 2011 and the date of these annual financial statements no events have occurred which may significantly impact the result for 2011 or the value of the company's assets and debt at the end of 2011.

The board resolved on 23 April 2012 to issue 9,049,103 shares in a private placement of shares at a price of NOK 1.00 per share. The board also resolved to propose to the 2012 annual general meeting to issue one warrant for each new share that is issued in the placement. The warrants will be exercisable in September 2012 at a price of NOK 1.30 per share.

11. Earnings per share

Earnings per share are calculated by dividing the profit or loss for the period by the weighted average number of ordinary shares outstanding in the year. Earnings per share fully diluted are calculated based on the result for the year divided by the weighted average number of shares fully diluted. The effect of dilution is not considered when a net loss for the year is presented.

| | IDEX group | |
|--|---------------|---------------|
| | 2011 | 2010 |
| Net profit (loss) for the year (NOK 1,000) | (37 355) | (27 928) |
| Number of ordinary shares in issue at 31 December | 271 960 641 | 214 933 142 |
| Weighted average basic number of ordinary shares | 242 434 609 | 195 543 310 |
| Weighted average diluted number of shares | 264 397 686 | 238 824 595 |
| Basic and diluted profit (loss) per share in the year (NOK per share) | (0.15) | (0.14) |

12. Audit fees

Audit fees for the statutory audit of 2011 amounted to NOK 195 thousand (2010: NOK 195 thousand) and for other assurance services NOK 8 thousand (2010: NOK 115 thousand). Fees related to tax assistance amounted to NOK 38 thousand (2010: NOK 42 thousand) and other services, such as confirmations related to capital increases NOK 38 thousand (2010: NOK 69 thousand). Total fees for 2011 amounted to NOK 279 thousand (2010: NOK 421 thousand).

13. Financial loan and other financial obligations; other payables and other receivables; contingent assets and liabilities

At the end of 2009, IDEX had convertible debt to shareholder A. S. Holding A/S. The principal amounted to NOK 12,505 thousand and accrued payable interest of NOK 625 thousand had been added to the loan. The lender gave notice of conversion in January 2010 and the loan including interest was converted to equity on 17 February 2010.

Because the lender could request conversion of the loan to shares at a fixed price per share, there was a notional equity element related to the loan. The equity element was the difference between the nominal value of the loan (amount received from lender) and the net present value of the repayment and interest payment. When the debt was converted early, a part of the equity element was reversed.

| Interest expense specification | Amounts in NOK 1,000 | |
|--|----------------------|----------|
| | IDEX group | IDEX ASA |
| | 2011 | 2010 |
| Interest and compound interest due to lender accrued in the year | - | 171 |
| Expensed notional interest cost and financial cost | - | 268 |

IDEX had no significant financial obligations at the end of 2011 or 2010. Ongoing expenses are generally paid monthly and accounts payable were largely due in less than one month. In 2009, the company entered into a five-year leasehold agreement for facilities. The annual rent and cost sharing is prepaid quarterly and the lease obligation amounted to about NOK 500 thousand per year, with annual adjustment in line with price indices.

Other short-term liabilities, amounting to NOK 4,182 thousand, were mainly for accrued expenses, and all were due in 12 months or less. NOK 1,299 thousand were due in less than 3 months, NOK 2,404 thousand were due in 3-6 months and NOK 479 thousand in more than 6 months. Other receivables, amounting to NOK 3,161 thousand,

were all due in less than 12 months. NOK 2,028 thousand, were due in less than 3 months, related to VAT refund and government support, and NOK 1,133 thousand, related to Skattefunn contribution for 2011, were due in more than 6 months.

The company will need to obtain additional liquidity during the first half of 2012. See note 1 regarding the going concern assumption and note 10 regarding events after 31 December 2011.

IDEX had no contingent assets or liabilities at the end of 2011 or 2010.

14. Related party transactions

The company's shareholders, board members and management are considered related parties. All transactions with related parties have been carried out on arm's length principle.

A financial loan from a shareholder was settled in 2010. See note 13.

The chairman is a partner and chairman of the board in Advokatfirma Ræder DA. The law firm provided services to the company amounting to NOK 2,061 thousand in 2011 (2010: NOK 1,973 thousand). The amount in 2011 includes, among other assignments, Ræder's work with the private placement in April and the warrants exercise in the third quarter. (2010: significant work related to the share issues in March and work in connection with the listing at Oslo Axess.) The amount includes accruals. The board approved in December 2011 that the company entered into a limited service agreement with a company controlled by board member Joan Frost Urstad. The agreement was entered into in January 2012.

There were no overdue open items with related parties at the end of 2011 or 2010. See also note 4.

The subsidiaries in the USA are also close relations to the parent company IDEX ASA. See note 17. The parent company purchases sales and marketing services from the subsidiary IDEX America Inc. The services are purchased at actual full cost without profit. The purchases amounted to NOK 70 thousand in 2011 (2010: NOK 1,093 thousand). At the end of 2011 and 2010, only the amount for the fourth quarter of each preceding year was unsettled and was paid early in the following year.

15. Government grants

| Grants during the year | Amounts in NOK 1,000 | IDEX group and IDEX ASA | |
|------------------------|----------------------|-------------------------|-------|
| | | 2011 | 2010 |
| SkatteFunn | | 1 133 | 1 140 |
| VerdIKT | | 1 204 | - |
| Other schemes | | 50 | - |

To receive grants from SkatteFunn, the company has to be a research and development company. It is also required that the company reports progress and achievements to the Research Council of Norway. The grant for 2011 will be paid out in the second half of 2012. There are similar conditions for the VerdIKT scheme, where the support for 2011 will be paid out in the first quarter of 2012. See also note 6.

16. Restricted assets

IDEX has placed an amount corresponding to 6 months' rent, allocations and VAT of its leasehold facilities on an escrow account. At the end of 2011, the escrow account amounted to NOK 325 thousand (2010: NOK 319 thousand).

At the end of 2011, NOK 170 thousand of bank deposits were restricted to cover credit lines on purchasing cards (2010: NOK 166 thousand).

17. Subsidiaries

The following subsidiaries have been included in the consolidated financial statements. The companies were inactive at the end of 2010 and through 2011.

| Subsidiaries at 31 Desember 2011 | Ownership | Share of votes |
|--|------------------|-----------------------|
| IDEX Holding Company Inc., Delaware, USA | 100 % | 100 % |
| IDEX America Inc., Delaware, USA | 100 % | 100 % |

IDEX Holding Company Inc. ("Holding") is a holding company for the business in the USA. IDEX America Inc. is held by Holding and has been established to conduct marketing and sales of IDEX`products in the USA.

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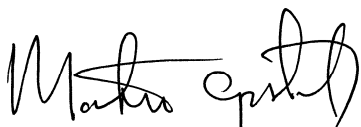
Responsibility statement

The board and the managing director have today reviewed and approved this report from the board of directors as well as the annual financial statements for the IDEX group and the parent company IDEX ASA as at 31 December 2011.

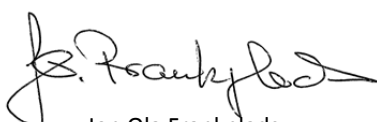
The consolidated annual financial statements and the annual financial statements for IDEX ASA have been prepared in accordance with IFRS as adopted by the EU and the additional requirements in the Norwegian accounting act. The notes are an integral part of the respective financial statements. The report from the board of directors have been prepared in accordance with the Norwegian accounting act and generally accepted accounting practice in Norway.

We confirm, to the best of our knowledge, that the information presented in the financial statements gives a true and fair view of the group's and the parent company's assets, liabilities, financial position and result for the period viewed in their entirety, and that the report from the board of directors gives a true and fair view of the development, performance and financial position of the group and the parent company, and includes a description of the principal risks and uncertainties which the group and the parent company are facing.

Oslo, 23 April 2012
The board of directors of IDEX ASA



Morten Opstad
chairman



Jon Ola Frankplads
board member



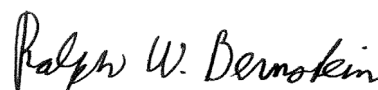
Hanne Høvdning
board member



Joan Frost Urstad
board member



Harald Voigt
board member



Ralph W. Bernstein
CEO

To the Annual Shareholders' Meeting of
Ilex ASA

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of Ilex ASA, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company and the Group comprise the statement of financial position as at 31 December 2011, the statements of comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Chief Executive Officer's responsibility for the financial statements

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the EU, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

Opinion

In our opinion, the financial statements of IDEX ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Parent Company and the Group as of 31 December 2011 and their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Matter of emphasis

Without qualifying our opinion in the paragraph above, we emphasize that the continued operation requires additional funding of the company. The company states in note 1 and 13 and in the report from the Board of Directors that the company will need additional financing during the first half of 2012. The financial statements are prepared on the going concern basis and realization of assets and settlements of liabilities in course of normal business. There has been no provision or write downs for losses that may occur if this assumptions will not be present.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and the statement on corporate governance

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report and the statement on corporate governance concerning the financial statements, the going concern assumption and the proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and Chief Executive Officer have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 24 April 2012
ERNST & YOUNG AS

Per Øyvind Borge-Hansen
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

Articles of association

Office translation for information purposes.

IDEX ASA, Corp.ID. NO 976 846 923 VAT, last amended on 26 August 2011

- § 1 The name of the company is IDEX ASA and it is a public limited company.
- § 2 The objective of the company is to deliver computer-based identification systems and other related activities.
- § 3 The business offices are in the Bærum municipality, Norway.
- § 4 The company's shares shall be registered in the Norwegian Registry of Securities.
- § 5 The company's share capital is NOK 40,794,096.15 divided into 271,960,641 registered shares at NOK 0.15.
- § 6 The board of the company consists of from 3 to 7 members.
- § 7 The ordinary general meeting shall handle and decide:
- Determination of the profit and loss account and balance sheet
 - Appropriation of (net) profit or covering of losses
 - Election of board and determination of board remuneration
 - Election of auditor and determination of auditor's remuneration
 - Other matters which are governed by law
 - Other matters which are mentioned in the notice of the meeting
- § 8 Documents which timely have been made available on the Internet site of the company and which deal with matters that are to be handled at the general meeting need not be sent to the company's shareholders.
- § 9 As a general rule, the company's general meetings shall be conducted in Norwegian. The general meeting may however resolve by a simple majority vote that English shall be used.
- § 10 A shareholder who wishes to attend the general meeting, in person or by proxy, shall notify his/her attendance to the company no later than 2 days prior to the general meeting. If the shareholder does not notify the company of his/her attendance in a timely manner, the company may deny him/her access to the general meeting.

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Corporate governance

Update resolved by the board of directors of IDEX ASA on 23 April 2012.

This statement outlines the position of IDEX ASA ("IDEX" or "the Company") in relation to the recommendations contained in the Norwegian Code of Practice for Corporate Governance dated 21 October 2010 ("the Code") and the updates to the Code published on 20 October 2011. The Code is publicly available at www.nues.no and from Oslo Børs. In the following, the board of directors will address each recommendation of the Code and identify any areas where the Company does not fully comply with the recommendations and explain the underlying reasons for the deviations and any compensating measures where applicable.

1. Implementation and reporting on corporate governance

The Company seeks to create sustained shareholder value. The Company makes every effort to comply with the wording and intent of the laws, rules and regulations in the countries and markets where it operates. IDEX is not aware of being or having been in breach of any such statutory laws, rules or regulations. The Company pays due respect to the norms of the various stakeholders in the business. In addition to the shareholders, the Company considers its employees, the Company's business partners, the society in general and the authorities as stakeholders. IDEX is committed to maintain a high standard of corporate governance, be a good corporate citizen and demonstrate integrity and high ethical standards in all its business dealings.

The board believes that in the present organisation – the IDEX group presently has only about fifteen persons employed and a small number of ongoing contractors on site – the board and the management have adequate monitoring and control systems in place to ensure insight in and control over the activities. (Note: in this review, the noun "the management" includes all persons conducting managerial functions, whether employed or otherwise contracted.)

The board has resolved ethical guidelines which apply to all employees, consultants and contractors as well as the elected board members. The ethical guidelines also incorporate the Company's guidelines on corporate social responsibility.

2. IDEX' business

In the articles of association, the Company's business is defined as "The objective of the Company is to deliver computer-based identification systems and other related activities."

The Company's business goals and key strategies are stated in a business plan adopted by the board. The plan is reviewed and revised as and when appropriate. The business goals and key strategies are presented in the annual report.

3. Equity and dividends

The board is aware of and acknowledges the equity requirements and duty of action in connection with loss of equity, as set out in the Norwegian Public Limited Companies Act.

In the past, the Company has been in need of raising equity on several occasions to fund its activities. The board has proposed to the general meeting only reasonable authorisations for share issues and moderate incentive schemes. Such board authorisations have explicitly stated the type and purposes of transactions in which the authorisations may be applied. Proposed authorisations to issue shares have been considered and voted separately by each type and purpose. The board authorisations to issue shares have been valid until the next annual general meeting, as recommended by the Code. The proposals have been approved by the shareholders.

The Company has not had in place any authorisation to the board to acquire own shares. As and when such authorisation is adopted, the board will propose that the length of the authorisation be limited to a period ending at the next annual general meeting of shareholders.

IDEX has not as yet declared or paid any dividends on its shares. The Company does not anticipate paying any cash dividends on its shares in the next few years. IDEX intends to retain future earnings, if any, to finance operations and the expansion of its business. Any future determination to pay dividends will depend on the Company's financial condition, results of operation and capital requirements.

4. *Equal treatment of shareholders and transactions with close associates*

The Company places great emphasis on ensuring equal treatment of its shareholders. The Company has one class of shares. There are no trading restrictions or limitations relating only to non-residents of Norway under the articles of association of the Company. Each share carries one vote. There are no restrictions on voting rights of the shares.

In the authorisations to issue new shares where the shareholders resolves to waive the pre-emptive rights of existing shareholders, the rationale for doing so shall be included as part of the decision material presented to the general meeting. If and when such transactions are conducted, the justification will also be included in the announcements to the market.

All related-party transactions in effect have been and will be carried out on arm's length basis. Any not immaterial future related-party transactions shall be subject to an independent third-party valuation unless the transaction by law requires shareholder approval. The Company takes legal and financial advice on these matters when relevant.

Members of the board and the management are obliged to notify the board if they have any material direct or indirect interest in any transaction contemplated or entered into by the Company.

5. *Freely negotiable shares*

All shares are freely assignable. The articles of association do not contain any restrictions on the shares.

6. *General meetings*

The general meeting of shareholders provides a forum for shareholders to raise issues with the board. To the maximum degree possible, all members of the board shall be present at the general meeting. The Company's auditors shall also be present at the general meeting. The shareholders elect a person to chair the general meeting. The board will arrange for an independent candidate if so requested by shareholders. Notice of a meeting of the shareholders shall be sent in a timely manner, and the Company shall issue the notice and documents for a general meeting, including the proxy form, no later than 21 days before the date of the general meeting. Foreign residents will receive the notice and any documents in English.

The general meeting has included in the articles of association of the Company that documents which deal with matters that are to be handled at the general meeting need not be sent to the Company's shareholders if the documents timely have been made available on the Internet site of the Company.

The board endeavours to provide comprehensive information in relation to each agenda item in order to facilitate constructive discussions and informed resolutions at the meeting. The notice will also provide information on the procedures shareholders must observe in order to participate in and vote at the general meeting. Shareholders who are unable to attend in person will be provided the option to vote by proxy in favour or against each of the board's proposals. The notice shall contain a proxy form as well as information of the procedure for proxy representation. At the meeting, votes shall be cast separately on each subject and for each office/candidate in the elections. Consequently, the proxy form shall to the extent possible, facilitate separate voting instructions on each subject and on each office/candidate in the elections. The notice, as well as the Company's website, will set out that the shareholders have the right to propose resolutions in respect of matters to be dealt with at the general meeting.

7. *Nomination committee*

The board stated at the general meeting on 19 May 2011 that it would take the appropriate steps to establish a nomination committee in accordance with the Code. Until a nomination committee has been elected by the general meeting, the board will conduct the tasks conventionally conducted by a nomination committee. The board has resolved to propose to the first upcoming general meeting that the nomination committee is included in

the company's articles of association, a mandate for the nomination committee and candidates for election to the nomination committee. The nomination committee thus elected will nominate candidates for the elections at next annual general meeting.

8. Corporate assembly and board of directors; composition and independence

IDEX does not have a corporate assembly because it is exempted from having a corporate assembly.

The board acknowledges the Code's recommendation that the majority of the members of the board shall be independent of the Company's management and material business contacts. All board members are required to make decisions objectively in the best interest of the Company, and the majority of independent directors is intended to ensure that sufficient independent advice and judgment is brought to bear. The majority of the current board meets the independence criteria of the Code. The board meets the statutory gender requirements for the board. The board's attendance statistics is included in the presentation of the board members in the annual report.

Board members stand for election every two years.

The board considers that at this stage of IDEX' corporate development, it is beneficial for the Company and its shareholders that also board members are shareholders in the Company and encourages the members of the board to hold shares in the Company.

The board pays attention to ensure that ownership shall not in any way affect or interfere with proper performance of the fiduciary duties which the board members and the management owe the Company and all shareholders. As and when appropriate, the board takes independent advice in respect of its procedures, corporate governance and other compliance matters.

9. The work of the board of directors

The division of responsibility and duties between the board and the managing director is based on applicable laws and well-established practices, which have been formalized in writing through board instructions in accordance with the Norwegian Public Limited Companies Act. The board instructions also set out the number of scheduled board meetings per year and the procedures in connection with the board's work and meetings.

The board instructions state that in situations when the chairman cannot or should not lead the work of the board, the longest-serving board member shall chair the board until an interim chairman has been elected by and among the board members present.

The board shall evaluate its performance and expertise annually. Moreover, the board will resolve an annual plan for its work, with particular emphasis on objectives, strategy and implementation.

With a compact board of five members and in view of the size of the Company, there has not been any need for sub-committees to date. The future need for any sub-committees will be considered at least annually in connection with the annual review of the Company's corporate governance.

IDEX is not obliged to have a separate audit committee and in view of the small number of board members, the board holds the opinion that the audit committee shall consist of all board members who are not also executives or have similar roles in the Company. The board instructions include instructions for the audit committee.

10. Risk management and internal control

The board has adopted internal rules and guidelines regarding, amongst other matters, risk management and internal control. The rules and guidelines duly take into account the extent and nature of the Company's activities as well as the Company's corporate values and ethical guidelines, including the corporate social responsibility. The board conducts an annual review of the Company's most important areas of exposure to risk and its internal control arrangements, including the reporting procedures.

In view of the size of the Company and the number of board members, the board has chosen to elect the full board to constitute the audit committee. The audit committee policies and activities are compliant with the Norwegian Public Limited Companies Act.

IDEX issues interim financial reports each quarter and annual financial report according to the published financial calendar. The accounting policies are applied when preparing the reports, which satisfy the regulatory requirements. The board reviews monthly financial reports for each entity as well as the group, comparing actual results to budget. The size of the company's operation and staff number necessarily leads to dependence on key individuals. However, the same factors also provide for transparency and inherent risk reduction. The subsidiaries are inactive, hence the controls of the parent company in practice covers the group. The audit committee regularly meets separately with the external auditor to review risk factors and measures, and any incidents and issues. The audit committee reviews all reports before resolution by the board. The board has resolved a financial manual, which sets out policies and procedures for financial management and reporting in the group. This manual provides instructions for financial planning, treasury, accounting and reporting. It is reviewed annually by the audit committee, and updated as and when appropriate.

The board has adopted an insider manual with ancillary documents. The insider manual is intended to ensure that, among other things, trading in the Company's shares by board members, executives and/or employees, including close relations to the aforementioned, are conducted in accordance with applicable laws and regulations.

11. Remuneration of the board of directors

A reasonable cash remuneration to the board members for their services from the annual general meeting in 2010 until the annual general meeting in 2011 was proposed to and resolved at the 2011 annual general meeting. To lessen the cash outflow, the annual general meeting granted an option for the board members to receive the remuneration in kind in the form of shares. One of the board members took up this option. The board has the intention to propose board remuneration at the same level for the period between the annual general meetings of 2011 and 2012.

Advokatfirma Ræder DA, in which the IDEX chairman, Morten Opstad, is a partner, renders legal services to the Company. Generally, such services are largely undertaken by lawyers at Ræder other than Morten Opstad. In the cases where legal services provided by Ræder are carried out by Morten Opstad, such services, which are outside Morten Opstad's duties as chairman, are billed by Ræder.

Any board member performing work for the Company beyond the board duty shall ensure that such assignments do not in any way affect or interfere with proper performance of the fiduciary duties as a board member. Moreover, the board, without the participation of the interested member, shall approve the terms and conditions of such arrangements. Adequate information about the remuneration shall be disclosed in the annual financial statements.

12. Remuneration to the management

IDEX offers market-based compensation packages for the executives and employees in order to attract and retain the competence which the Company needs. The exercise price for any subscription rights is in line with the share price at the time of the grant. The subscription rights vest in tranches over four years. No so-called golden parachutes are in effect, and post-employment pay will only apply in case the Company invokes contractual non-competition clauses.

The board shall determine the compensation of the CEO. There cash incentive remuneration per calendar year is limited to an amount or a percentage of annual base pay. It follows from the nature of the incentive subscription rights programme resolved by the annual general meeting that the limit does not apply to the possible gain on subscription rights. The board has adopted a policy for the CEO's remuneration of the employees.

At the annual general meeting, the board will present to the shareholders a statement of remuneration to the management. The resolution by the annual general meeting is binding to the extent it relates to share-based compensation and advisory in other aspects.

13. Information and communications

The board places great emphasis on the relationship and communication with the shareholders. The primary channels for communication are the interim reports, the annual report and the associated financial statements. IDEX also issues other notices to shareholders when appropriate. The general meeting of shareholders provides a forum for shareholders to raise issues with the board. Since IDEX in December 2009 submitted the application for

listing on the Oslo Axess marketplace of Oslo Børs, all reports and notices have been issued and distributed according to the rules and practices at that marketplace. The Company publishes an annual financial calendar for the following year; setting forth the dates for major planned events such as its annual general meeting, publication of interim reports, any scheduled public presentations, any dividend payment date if applicable, etc. The reports and other pertinent information are also available on the Company's website, www.idex.no.

The board has adopted the following policies:

- Policy for reporting of financial and other information and investor relations;
- Policy for contact with shareholders outside general meetings; and
- Policy for information management in unusual situations attracting or likely to attract media or other external interest.

The financial reporting of IDEX is fully compliant with applicable laws and regulations. IDEX prepares and presents its annual financial reports in accordance with IFRS. The content of the interim reports are compliant with IFRS.

All reports are issued on the Oslo Axess marketplace of Oslo Børs (www.oslobors.no and www.newsweb.no). The reports and other pertinent information are also available at www.idex.no.

The current information practices are adequate under current rules. IDEX complies with the Oslo Børs code of practice for IR information.

14. Take-overs

There are no takeover defence mechanisms in place. The board will endeavour that shareholder value is maximised and that all shareholders are treated equally. The board shall otherwise ensure full compliance with section 14 of the Code.

15. Auditor

IDEX's auditor is fully independent of the Company. IDEX represents a minimal share of the auditor's business. IDEX does not obtain business or tax planning advice from its auditor. The auditor may provide certain technical and clerical services in connection with the preparation of the annual tax return and other secondary reports, for which IDEX assumes full responsibility.

The board has established written guidelines to the CEO in respect of assignments to the auditor other than the statutory audit.

The board shall otherwise ensure full compliance with section 15 of the Code.

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Board of directors

The current board but one member was elected at the annual general meeting 2011 and the term expires at the ordinary general meeting in 2013. Mr. Frankplads was elected at the annual general meeting 2010 for a term of two years and stands for election at the annual general meeting 2012.

There are no family relationships among the board members, management or key employees. There is no arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which members of the board or management was selected.

The board has held 22 meetings, of which seven were telephone conferences, in the period between the annual general meeting on 19 May 2011 and 23 April 2012.

Morten Opstad, chairman

Mr. Opstad has served as chairman of the Board in IDEX since March 1997. Mr. Opstad is a partner and chairman of the board in Advokatfirma Ræder DA in Oslo. He has rendered legal assistance with respect to establishing and organising several technology and innovation companies. His directorships during the last five years include current board positions in the Thin Film Electronics ASA (chairman), Total Sports Online AS (dissolved) (chairman), Glommen Eiendom AS and K-Konsult AS; and former directorships in Chaos AS, Fileflow Technologies AS, Rosa Media ASA and A. Sundvall AS. Mr. Opstad was born in 1953 and is a Norwegian citizen. He resides and works in Oslo. Mr. Opstad attended all board meetings in the period.

Jon Ola Frankplads, board member

Mr. Frankplads was elected to the board of IDEX in 2010. He is independent of the company's executive management, material business contacts and the company's larger shareholders. Mr. Frankplads has a Master's degree in business administration. He is a self-employed person, providing executive and managerial services in the fields of marketing, finance, strategy, motivation and general management. Earlier, he has been general manager of a pharmaceutical company, a computer company, a consulting company and venture capital company. Mr. Frankplads has experience from several early-stage companies. He is currently chairman of the following companies: Nordic Seafarms AS which trades are reported at the NOTC, G&T.Septech AS, Odin Invest AS, Activ Invest AS, Elma AS and Teknolab AS. Formerly, he has been board member of, among others, Norsk Gallupinstitutt AS, Robotteknikk AS, Separtech AS, AG Design AS, Byggutvikling AS, Næringseiendom AS, Midtoddveien 14 AS, Mercurus AS and Finansinkasso AS. Mr. Frankplads was born in 1945. He is a Norwegian citizen and resides in Asker. Mr. Frankplads attended all board meetings in the period.

Hanne Høvdning, board member

Ms. Høvdning has served on the board of IDEX since 2007. She is independent of the company's executive management, material business contacts and the company's larger shareholders. Ms. Høvdning has a Bachelor's Degree from the Norwegian School of Management. In her professional career Ms. Høvdning has held several management positions within personnel administration, finance, credit card administration and debt collection. She has served as chairman of the board of Cama Invest AS since 2005. Ms. Høvdning was born in 1954. She is a Norwegian citizen and resides and works in Oslo. Ms. Høvdning attended all board meetings in the period.

Joan Kristin Frost Urstad, board member

Ms. Frost Urstad has served on the board of IDEX since 2007. She is independent of the company's executive management, material business contacts and the company's larger shareholders. Ms. Frost Urstad has a BSc Honors in Chemistry and an MA in Information Technology Management from The University of Sheffield. Ms. Frost Urstad has had a career in the process and electronics industries, mainly in senior project management, where she has focused on Norwegian and international projects that cover activities within product development and industrial investment projects including R&D, sourcing, manufacturing, supply chain management and risk management. Ms. Frost Urstad works as a consultant, operating her own company Frost Urstad AS. Other board positions during the last five years include her current position as chairman of the board in Frost Produkt AS. She was born in 1943 and is a Norwegian citizen. Ms. Urstad resides in Oslo and works on project basis domestically and abroad. Ms. Urstad attended 18 board meetings in the period.

Harald Voigt, board member

Mr. Voigt has served on the board of IDEX since December 2007. He is independent of the company's executive management, material business contacts and the company's larger shareholders. Mr. Voigt has a Master's degree from the Norwegian School of Economics and Business Administration. He has a career in financial engineering, as a consultant within the offshore and maritime industry, and with project finance and syndication in financial institutions. During the last 20 years he has been a partner in Alliance Prosjekt AS, investing in and managing real estate. Mr. Voigt is presently a board member of several real estate companies: Alliance Eiendom AS, Alliance Eiendomsforvaltning AS, Alliance Eiendomsmegling AS, Alliance Prosjekt AS, AS Akersgaten 7 & 9, AV Holding AS (chairman), Grønland 30-34 ANS, Grønland 32 AS, Harald Voigt AS (chairman), HV Holding AS (chairman), Jerikoveien 20 ANS, Jerikoveien AS, Jerikoveien Oslo AS, Kirkeveien 159 AS, KV Holding AS (chairman), Lastcentrum Oslo AS, Maskinvest V ANS, MV Holding AS (chairman), Postterminalen Midtstranda ANS, Profura AS, Tarde AS, Åsenveien SKI ANS, as well as Georex SA, France, a seismic and geophysical company. In the last five years, he has also held board positions in the following companies: Lycée Francais René Cassin d'Oslo, Fleximatic AS (chairman), Grønland 30 AS, Helikopter Invest AS, Norsk Champignon AS, Grorudhagen ANS, Åsenveien 3 A AS, Tangerud Øst I ANS, Luhrtoppen AS, Luhrtoppen 3 AS, Svennerud Næringsbygg ANS, Atoll Eiendom AS and Atoll Eiendom Oslo AS. Mr. Voigt was born in 1956. He is a Norwegian citizen and resides and works on Oslo. Mr. Voigt attended all board meetings in the period.

Management

Ralph W. Bernstein, CEO

Dr. Bernstein serves as managing director of the company. Dr. Bernstein joined IDEX in 2006 as chief technology officer (CTO). In 2008 he was appointed managing director/CEO of IDEX, while also maintaining the position as CTO. He holds a Ph.D. in physical electronics – semiconductor physics from the Norwegian University of Science and Technology (NTNU). He has more than 15 years of experience as a senior scientist and research director within microsystems and nanotechnology at SINTEF. He also holds a part-time adjunct professor position in electronic devices and materials at NTNU. In the last five years, Dr. Bernstein has been a board member of GasSecure AS since 3 December 2009. and he served on the board of Nanoday AS from May 2009 until the company was dissolved in 2009. Dr. Bernstein was born in 1960 and is a Norwegian citizen. He resides in Bærum.

John R. (Jack) Robinson, vice president of sales and marketing

Mr. Robinson joined IDEX in 2010 as Vice President of Sales and Marketing. Previously he worked more than 20 years at Tandberg Data and Tandberg Storage, where his last assignment was vice president of sales and marketing. Mr. Robinson has a technical and commercial career working with the world's largest computer OEMs and has held several senior marketing and sales positions at the corporate level at Tandberg Data, based internationally and in Norway since 1997. He holds a B.A. in Computer Engineering from the Bucks County College in Pennsylvania, USA. Mr. Robinson was born in 1964, and is a U.S. citizen. He resides in Bergen.

Erling Svela, CFO

Mr. Svela has served as IDEX' chief financial officer (CFO) since second quarter 2008 on a part-time basis until he joined IDEX full time in May 2011. From 2006 until 2011 Mr. Svela was also on part-time basis the CFO of Thin Film Electronics ASA, which is listed on Oslo Axsess. From 2006 to 2008, he was CFO and corporate vice president in Kitron ASA, a company listed on Oslo Børs. Previously, from 2000 to 2006, he was finance director in Opticom AS and Thin Film OldCo AS. In the capacity of CFO of Kitron ASA, Mr. Svela was board member of the subsidiaries of Kitron ASA 2006-2008. In his capacity of finance director of Opticom AS and Thin Film OldCo AS, Mr. Svela was board member of Thin Film Electronics AB. Mr. Svela holds an MSc. in Forest Economy and Management from the Norwegian University of Life Sciences (1985), an MBA from Henley Management College (1993) and he is a certified European financial analyst from the Norwegian School of Economics and Business Administration (2000). He has also completed the IFRS Academy by the Norwegian Institute of Public Accountants. Mr. Svela was born in 1958. He is a Norwegian citizen and resides in Oslo.

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