

Interim report for the fourth quarter and preliminary financial statements for 2011

Fingerprint biometrics for the Internet of Things

- Partners demonstrate new implementations of SmartFinger Film in their cards and mobile security products
- The strong market momentum continues - two new partner companies in the card business
- Receives government support to develop near field communication biometric smart cards
- IDEX enters into partner agreement with global electronics distributor
- Pareto appointed as advisor to evaluate strategic partners

"In the last quarter, our customers demonstrated new design-ins of our award-winning SmartFinger technology, at the same time as we, together with European partners, made headway in developing next generation biometric security platforms for the Internet of Things," said Ralph W. Bernstein, CEO of IDEX.

The IDEX SmartFinger® Film fingerprint sensor is ultra-thin, bendable and ideal for integration in a range of biometric cards, mobile phone security, biometric security tokens and other biometric system on-device products.

"The increasing interest in our fingerprint technology is underpinned by strong trends. Technologies for wireless interaction and communication with everyday objects are maturing and will soon be in the consumer's hands. The growing deployment of contactless transactions, data transfer and access as well as new services like cloud computing and remote data storage means that companies and users demand secure and simple authentication," Bernstein continued. "Fingerprint biometrics is the obvious choice for personal security and privacy within the Internet of Things."

Government supported projects for contactless payment and the Internet of Things

In January 2012 IDEX and its French partner company UINT were awarded a support grant under the European Eurostars programme to develop a smart card with a fingerprint sensor tailored for new solutions in contactless payments by the use of near field communication, NFC, technology. Contactless cards contain re-writeable smart card chips that can communicate via radio waves.

"The result of this project will be significantly more secure smart cards than those currently in use. Implementation of the SmartFinger Film permits only the appropriate persons to use the card, while NFC enables simple wireless communication between devices. NFC is also seen as a one of the key enablers for the vision of the Internet of Things", said Bernstein.

The use of contactless cards is expected to take off in the nearest few years. Biometrics is barely present in banking cards today, but contactless payment represents a very promising opportunity for fingerprint system-on-card. System-on-card fingerprint systems, powered by the IDEX SmartFinger Film, allow secure contactless transactions and reduce the risk of skimming. The number of contactless payment cards is expected to grow by nearly 30 per cent in 2012.

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 international eGo™ project.

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."

IDEX delivered a small batch of SmartFinger Film sensors to Gemalto for field testing of eGo prototypes in the fourth quarter of 2011. Further testing using the SmartFinger Film sensors and ultra-wideband signal technology is scheduled to begin in 2012. The purpose of the tests is to evaluate the use cases and the users' acceptance. The goal for eGo is to deliver the first product to the market in 2013.

Partners demonstrated new implementations

In November IDEX showcased the SmartFinger Film technology, products and applications at the major industry trade show CARTES & IDentification in Paris, France. Two IDEX partners, S.I.C Biometrics and Card Tech, demonstrated prototype products with integrated SmartFinger at the IDEX booth. IDEX also showed the new SmartFinger Secure Processor, SSP. SSP is a complete embedded authentication software solution preinstalled on a microcontroller to be used in stand-alone biometric authentication modules. In addition and a new SmartFinger evaluation kit for customers who wish initiate development using the IDEX sensor and software was displayed.

The Fingerprint Identification Device, FID[®], from S.I.C. offers biometric security to users of Apple's smart phones and tablet computers. "We expect considerable market adoption of on-device fingerprint system products which protect the personal, critical and confidential information on modern mobile devices and safeguard the use of such devices in access and payment applications," said Bernstein.

Card Tech showed pinKey[™] Smart, an ISO-compliant card with an integrated SmartFinger Film sensor. "The form factor of the thin and bendable SmartFinger Film allows us to build fingerprint security into an ISO-compliant card, our pinKey Smart device, targeting a very large market," said Fabrizio Borracci, CEO of Card Tech.

Partner momentum continues

During 2011 the number of partner companies grew substantially. In the fourth quarter, three new companies teamed up with IDEX, Card Tech Srl., Embedx Corporation, and Future Electronics. "All agreements are important strategic steps in delivering the IDEX SmartFinger technology on the global market," said Bernstein.

Card Tech has developed an ISO-compliant card which includes the Smartfinger Film sensor and biometric algorithms in addition to a battery and microprocessor, constituting a secure fingerprint system-on-card.

Embedx designs and manufactures one-time password cards, biometric security cards with fingerprint sensors, biometric readers and powered stored-value cards for commercial applications.

Future Electronics is a world-class leader and innovator in the distribution and marketing of semiconductors and passive, interconnect and electro-mechanical components. Future operates in 169 locations in 42 countries in the Americas, Europe and Asia. Future Electronics and IDEX will work 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.

Earlier in 2011, IDEX entered into cooperation agreements with Pierson Capital Technology, Identita Technologies, Shen Zhen Huajing Technology Co., S.I.C. Biometrics and UINT, in addition to the ongoing agreements from the prior years, with an undisclosed semiconductor company, with Validus Technologies and the eGo project.

IDEX and the semiconductor manufacturer considers possible commercial opportunities for silicon-based SmartFinger sensors with a special focus on the mobile phone market.

During the fourth quarter of 2011 and first quarter of 2012 several existing and possible new partners have

progressed their development and design-in programmes. 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 IDEX team supports the partners with software development and sensor integration in order to secure seamless integration of IDEX' solutions into customers' products. Several hundreds of sensors as well a number for evaluation kits and demo modules have been shipped to partners to be used in demonstrators and prototypes.

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 fourth quarter, 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. We are also qualifying 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.

Pareto appointed as advisor

In February 2012, IDEX appointed Pareto Securities AS as financial advisor to assist in evaluating potential strategic industry partners.

"We want to fully exploit the potential of IDEX's ground breaking SmartFinger technology and products in the fast expanding global market for biometric ID and data protection," said Ralph W. Bernstein, CEO of IDEX, and added that "IDEX is willing to offer a suitable partner an equity stake in IDEX through a capital injection."

"IDEX possesses leading edge technology for high-volume consumer applications in personal data protection that is on the cusp of taking off on an accelerated growth trajectory in several mass markets applications," Bernstein continued.

List of notable events in 2011

- IDEX received in January an order for a trial batch of SmartFinger Film fingerprint sensors from Validus Technologies Inc. Validus has designed IDEX' fingerprint solution into its ValidCard.
- The company experienced in the beginning of 2011 strong interest in SmartFinger Film after it was awarded the prestigious Sesames industry award at the CARTES & IDentification 2010 exhibition in Paris in December.
- Extensive quality testing of SmartFinger Film was performed at accredited testing laboratories, resulting in the decision in February to initiate ramp-up to volume production of polymer-based fingerprint sensors.
- In March IDEX entered into a cooperation agreement with Pierson Capital Technology for a biometric transactional security device using SmartFinger Film.
- Also in March, IDEX entered into a cooperation agreement with Identita Technologies for a biometric powered card using SmartFinger Film.
- IDEX completed a successful placement of shares in April. The company raised equity in an amount of NOK 32.6 million before expenses at a subscription price of NOK 1.80 per share.
- In April IDEX entered into a cooperation agreement with Shen Zhen Huajing Technology Co., which is developing a biometric-enabled transactional security device incorporating SmartFinger Film.
- The annual general meeting was held on 19 May 2011. The meeting resolved to issue up to 9,049,111 warrants to those who participated in the private placement, the allocation being one warrant for every two shares issued in the placement. The exercise price of the warrants is NOK 2.10 per share, and the warrants are exercisable 16-27 April 2012.
- IDEX was awarded a grant amounting to NOK 4.1 million from The Research Council of Norway, a government body, in June. The grant supports an innovative project in the VerdIKT programme to develop fingerprint recognition technology for the Internet of Things.

- In June IDEX hosted a successful project meeting of the eGo project in Oslo. The project's ambition is to develop technology for simple and secure ID for users of all kinds of devices that one tends to call "things", not only PCs and mobile phones. The eGo project will use IDEX sensors with accompanying software.
- Also in June, IDEX entered into a cooperation agreement with S.I.C. Biometrics for integration of SmartFinger Film into S.I.C.'s biometric security products and solutions.
- A cooperation agreement was signed with UINT in June. UINT intends to incorporate SmartFinger Film into a powered thin and bendable electronic banking card compliant with the ISO standard.
- In the second quarter, IDEX began recruiting additional staff to new positions within production management, product and production test, customer development and support, as well as technical sales support. Five new employees were contracted in the third quarter.
- 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.
- In September IDEX was among the exhibitors at the Biometrics Consortium Conference and Technology Expo in Tampa, Florida. The company received great attention from the approximately 2,000 participants.
- In October, CEO Ralph W. Bernstein gave a lecture at the prestigious Transatlantic Science Week conference at the University of California Berkeley.
- In October IDEX entered into two agreements with Ionics EMS, Inc. The agreements strengthen the strategic partnership between the two companies and facilitating volume production of SmartFinger Film sensors.
- Later in October, IDEX entered into a partner agreement with Future Electronics for the co-development, sales and marketing of a fingerprint biometric authentication module based on the SmartFinger Film fingerprint sensor and biometric algorithms.
- Also in October, IDEX entered into a cooperation agreement with Embedx Corporation that forms the basis for integration of the IDEX SmartFinger Film fingerprint sensor and biometric algorithms into thin and bendable ISO-format cards and associated readers designed by Embedx.
- In November IDEX entered into a cooperation agreement with Card Tech srl for integration of the IDEX SmartFinger Film into Card Tech products. At CARTES 2011 in Paris, the two companies showcased the pinKey Smart, a thin and bendable ISO-format card incorporating IDEX SmartFinger Film and biometric algorithms.
- In November the company showcased the SmartFinger Film technology platform at the major industry trade show CARTES & IDentification in Paris, France. At the conference held in connection with the exhibition, CEO Ralph W. Bernstein presented "Fingerprint biometrics for secure authorization within the Internet of Things".
- S.I.C. Biometrics demonstrated its FID, Finger Identification Device, for the iPhone at the IDEX booth at CARTES. The FID is targeted at individual consumers and professional users, and incorporates the SmartFinger Film sensor.
- In November IDEX delivered a batch of sensors for eGo prototypes and Gemalto began alpha field testing of eGo devices equipped with SmartFinger Film sensors and wireless technology. Testing continues in 2012.

Interim financial statements

Profit and loss statements

IDEX earned revenue amounting to NOK 1.3 million in 2011. NOK 0.1 million was earned from sales of samples and evaluation kits, while NOK 1.2 million related to government support under the VerdIKT programme. The fourth quarter amounts were NOK 19 thousand from sales and NOK 0.7 million from government support. The revenue has been recognised corresponding to the recognition of the expenses that the grant is intended to compensate. In 2010, the revenue was NOK 143 thousand, of which NOK 66 thousand was related to deliveries to customers.

Operating expenses in the year were NOK 38.8 million, up from NOK 27.9 million in 2010. The fourth quarter costs were NOK 9.9 million in 2011 compared to NOK 7.9 million the same period in 2010. The cost increase is mainly due to expanded staff and the increased level of research and development (R&D) activities, which include production ramp-up. The R&D expenses fluctuate with the purchases of materials and services, and the

R&D activity level in 2011 is more than twice that of 2010. R&D costs and costs related to IP have been expensed. The earned government support under the Skattefunn programme has been credited towards the R&D costs in the fourth quarter. In 2011, the support amounted to NOK 1.2 million and the amount was NOK 1.1 million in 2010.

IDEX had fifteen employees at the end of the year, up from ten at the beginning of 2011. In addition, about four technical/scientific individual contractors work full time or regularly as part of the development team, and additional technical experts are contracted as and when needed. One independent sales representative work on contract. The payroll cost line includes the notional cost of subscription rights, NOK 4.3 million in 2011 compared to NOK 3.2 million in 2010.

Investments in tangible assets such as office facilities, computers and laboratory equipment have been moderate. Depreciation is about NOK 0.2 million per year.

Because of the small amount of revenue, EBIT in the quarter amounted to a loss of NOK 8.9 million, compared to a loss of NOK 7.9 million in the same period in 2010. The losses in the year were NOK 37.7 million for 2011 and NOK 27.9 million for 2010.

Financial items amounted to NOK 134 thousand in the quarter and NOK 376 thousand in the year, mainly from interest income after the placement in April. In the corresponding quarter of 2010, net financial items were NOK 94 thousand, also from interest income, while for the year 2010 the interest income was offset by interest cost on a financial loan, leaving a net financial cost of NOK 8 thousand in the year.

Profit/loss per basic weighted average number of shares amounted to a loss of NOK 0.03 in the fourth quarter of 2011, and NOK 0.15 per share in the year. Because of the share issues in 2010 as well as 2011, the profit/loss amounts per share are incomparable year on year.

Balance sheets

The assets held in the balance sheet essentially comprise of cash in bank, the receivable from the government R&D grant schemes for the preceding year; prepayments and deposits; and investments in office facilities and equipment – with cash being the major item. On 31 December 2011, the assets amounted to NOK 26.2 million of which NOK 21.5 million were cash. At the end of 2010, the assets amounted to NOK 15.5 million of which NOK 12.6 million were cash. The patents and other intellectual property rights are not held in the balance sheet because they do not satisfy the criteria for capitalisation. The same applies to the development costs. The cash position is commented upon below. The main liabilities are various operational payables to employees and suppliers, and amounted to NOK 6.9 million at 31 December 2011, up NOK 0.9 million from the preceding quarter and NOK 1.0 million higher than the year before. The variations are due to fluctuating payables to suppliers and accrued liabilities.

Equity amounted to NOK 19.4 million or 47 per cent of the share capital at the end of 2011. The board acknowledges its duty to act on this situation. IDEX will also need to obtain liquidity in the second quarter of 2012. Reference is made to the outstanding warrants which are exercisable in April 2012. The board will also take other measures as appropriate to ensure that the equity shall be adequate under current planning assumptions.

The going concern assumption has been applied when preparing this interim financial report. The board points out that until IDEX enters the commercial stage, there is uncertainty attached to this assumption. IDEX does not earn recurring revenue. On 31 December 2011, the equity amounted to NOK 19.4 million or 47 per cent of the share capital. The board acknowledges its duty to act on this situation. Reference is made to the outstanding warrants which are exercisable in April 2012. IDEX has appointed Pareto Securities AS as financial advisor to assist in evaluating potential strategic industry partners. The company has stated that to cement such strategic alliance, it is willing to offer a suitable partner an equity stake in IDEX through a capital injection. The board will also prepare and take other measures as required to ensure that the equity shall be adequate under current planning assumptions.

Cash flow, cash position

The operational cash outflow in 2011 was NOK 33.7 million and NOK 7.6 million in the fourth quarter, both periods substantially equal to cash costs. In the corresponding periods of 2010, operational cash outflow was NOK 23.2 million and NOK 4.8 million, also reflecting each period's cash costs and an increase in payables and accruals in 2010.

Investments in 2011 amounted to NOK 0.5 million, up from NOK 0.4 million in 2010. Investments in both years relate mainly to IT and lab equipment.

The share issue in April and the warrants exercised in the third quarter 2011 added net NOK 42.7 million liquidity. At 31 December 2011 the cash position amounted to NOK 21.5 million, up from NOK 12.6 million one year earlier. Share issues have added more liquidity than has been consumed in the periods. Net receivables and payables amounted to NOK 3.4 million payable. The company does not have financial debt. The company needs to obtain liquidity in the second quarter of 2012. Reference is made to the comments above regarding the equity situation.

Principal risks

It is the duty of the board of directors to present the principal risks of IDEX and its business. IDEX does not have any significant assets or liabilities with risk. IDEX does not have financial instruments or financial assets or liabilities, and has limited financial risks related to currency and interest rates. About half the share capital has been lost, and the company needs to obtain liquidity in the second quarter of 2012. The board will take appropriate measures to ensure that the equity shall be adequate under current planning assumptions.

The company's major risk is its business risk, meaning its ability to earn revenue. This risk is difficult to assess, because IDEX hitherto has earned insignificant revenue from its technology. The company's ability to earn revenue depends on firstly, its ability to develop and market successful components which its partners will embed in their products and systems, and secondly, the company's ability to legally protect its IPR, and finally, to maintain a competitive advantage. IDEX considers that its fingerprint sensor has one of the best biometric performances among swipe sensors, and that the SmartFinger Film sensor offers unique properties.

Outlook

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.

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.

The board will during the first half of 2012 prepare and carry out activities to ensure that the equity and liquidity will be adequate under current planning assumptions.

Fornebu, 27 February 2012
The board of directors of IDEX ASA

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IDEX ASA group
Condensed consolidated interim financial statements with notes
31 December 2011 (Unaudited)

Consolidated interim Statements of comprehensive income Amounts in NOK 1,000	1 October- 31 December 2011	1 October- 31 December 2010	1 January- 31 December 2011	1 January- 31 December 2010
Operating income				
Sales revenue	19	34	99	66
Other operating revenue	742	13	1 224	77
Total revenue	761	47	1 323	143
Operating expenses				
Payroll expense	4 907	4 098	17 696	13 739
Research and development expenses	2 869	1 573	13 481	6 278
Other operating expenses	2 080	2 224	7 632	7 912
Total operating expenses	9 856	7 895	38 809	27 929
Profit (loss) before interest, tax, depreciation and amortization (EBITDA)	(9 095)	(7 848)	(37 486)	(27 786)
Depreciation	72	48	245	134
Profit before interest and tax (EBIT)	(9 167)	(7 896)	(37 731)	(27 920)
Financial Income and Expenses				
Interest income	122	70	348	221
Other financial income	28	27	66	69
Interest expense	-	-	-	(271)
Other financial expense	(16)	(3)	(38)	(27)
Net financial items	134	94	376	(8)
Net result before tax	(9 033)	(7 802)	(37 355)	(27 928)
Taxes	-	-	-	-
Net profit (loss) for the period	(9 033)	(7 802)	(37 355)	(27 928)
<i>Profit (loss) per share -basic and diluted</i>	NOK (0.03)	<i>NOK (0.04)</i>	NOK (0.15)	<i>NOK (0.14)</i>
Net profit (loss) for the period	(9 033)	(7 802)	(37 355)	(27 928)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period, net of tax	(9 033)	(7 802)	(37 355)	(27 928)

The notes on pages 4-6 are an integral part of this condensed interim financial report.

Consolidated interim balance sheets	31 December 2011	31 December 2010
Amounts in NOK 1,000		
ASSETS		
Long-term assets		
Fixed assets		
Machinery and office equipment	939	632
Total fixed assets	939	632
Financial assets		
Long-term receivables	325	319
Total financial assets	325	319
Total long-term assets	1 264	951
Current assets		
Receivables		
Accounts receivable	19	32
Other receivables	3 161	1 572
Prepaid expenses	343	318
Total receivables	3 523	1 922
Cash and bank deposits		
Cash and bank deposits	21 462	12 649
Total cash and bank deposits	21 462	12 649
Total current assets	24 985	14 571
TOTAL ASSETS	26 249	15 522

EQUITY AND LIABILITIES		
Equity		
Paid-in-capital		
Share capital	40 794	32 240
Share premium reserve	63 429	29 274
Other paid-in capital	7 409	3 000
Total paid-in-capital	111 632	64 514
Other equity	(92 266)	(54 911)
Total equity	19 366	9 603
Liabilities		
Short-term liabilities		
Accounts payable	2 230	1 553
Public duties payable	471	840
Other short-term liabilities	4 182	3 526
Total short term liabilities	6 883	5 919
Total liabilities	6 883	5 919
TOTAL EQUITY AND LIABILITIES	26 249	15 522

The notes on pages 4-6 are an integral part of this condensed interim financial report.

Consolidated interim cash flow statements Amounts in NOK 1,000	1 October-31 December 2011	1 October-31 December 2010	1 January-31 December 2011	1 January-31 December 2010
Profit (loss) before interest and taxes	(9 167)	(7 896)	(37 731)	(27 920)
Share-based remuneration (equity part)	1 142	659	4 409	3 000
Depreciation	72	48	245	134
Interest paid	-	-	-	(174)
Change in working capital and other items	310	2 353	(627)	1 793
Net cash flow from operational activities	(7 643)	(4 836)	(33 704)	(23 167)
Purchases of property, plant and equipment	(207)	(67)	(540)	(357)
Change in long-term receivables	-	(6)	-	(6)
Interest received	122	70	348	221
Net cash provided by investing activities	(85)	(3)	(192)	(142)
Share issues	10	192	42 709	30 672
Paid-in, not registered share capital	-	-	-	-
Net cash provided by financing activities	10	192	42 709	30 672
Net change in cash and cash equivalents	(7 718)	(4 647)	8 813	7 363
Opening cash balance	29 180	17 296	12 649	5 286
Closing cash balance	21 462	12 649	21 462	12 649

Consolidated interim statements of changes in equity Amounts in NOK 1,000	Share capital	Share premium	Other paid-in capital	Retained earnings (uncovered loss)	Total equity
Balance 1 January 2011	32 240	29 274	3 000	(54 911)	9 603
Share issues	8 554	34 155	-		42 709
Share-based compensation			4 409		4 409
Total comprehensive income for the period				(37 355)	(37 355)
Balance 31 December 2011	40 794	63 429	7 409	(92 266)	19 366
Balance 1 January 2010	17 712	-	-	(25 903)	(8 191)
Share issues	11 246	19 426	-		30 672
Conversion of convertible loan	3 282	9 848	-	(1 080)	12 050
Share-based compensation			3 000		3 000
Total comprehensive income for the period				(27 928)	(27 928)
Balance 31 December 2010	32 240	29 274	3 000	(54 911)	9 603

The notes on pages 4-6 are an integral part of this condensed interim financial report.

Selected notes to the condensed consolidated interim financial statements (unaudited)

1 IDEX ASA group

The IDEX ASA group ("IDEX") consists of the Norwegian parent company IDEX ASA, the subsidiary IDEX Holding Inc. and its subsidiary IDEX America Inc, which are both in the USA. The group was formed in January 2007 when IDEX ASA established the subsidiaries. The subsidiaries have been inactive since the second quarter of 2010. IDEX ASA is a public limited liability company incorporated and domiciled in Norway. The address of the registered office is Rolfsbuktveien 17 at Fornebu, Norway. IDEX ASA shares have been listed at Oslo Axess market place of Oslo Børs since 12 March 2010. Formerly, trades in IDEX ASA shares were reported at the Norwegian Securities Dealers Association's information service, NOTC.

The objective of the company as stated in the articles of association is to deliver computer-based identification systems and other related activities.

2 Basis of preparation, accounting policies, resolution

This condensed preliminary financial report for 2011 has been prepared in accordance with IAS 34 'Interim financial reporting'. The condensed consolidated interim financial report should be read in conjunction with the consolidated annual financial statements for 2010.

The IFRS accounting policies applied in this condensed consolidated interim financial report are consistent with those applied and described in the consolidated annual financial statements for 2010.

In June 2011, IDEX was awarded government support for research and development activities under the VerdIKT programme. Effective from the fourth quarter 2011, IDEX has adopted an accounting policy for this grant and similar grants whereby the grant is recognized as other operating revenue. The revenue has been recognised corresponding to the recognition of the expenses that the grant is intended to compensate. The revenue amount was NOK 1,204 thousand in 2011, of which NOK 722 thousand in the fourth quarter.

The going concern assumption has been applied when preparing this interim financial report. The board points out that until IDEX enters the commercial stage, there is uncertainty attached to this assumption. IDEX does not earn recurring revenue. On 31 December 2011, the equity amounted to NOK 19.4 million or 47 per cent of the share capital. The board acknowledges its duty to act on this situation. IDEX will also need to obtain liquidity in the second quarter of 2012. Reference is made to the outstanding warrants which are exercisable in April 2012 and also to note 8 below. The board will also prepare and take other measures as required to ensure that the equity and liquidity shall be adequate under current planning assumptions.

This consolidated interim financial report has not been subject to audit. The report was approved by the board of directors on 27 February 2012.

3 Property, plant and equipment

<i>Amounts in NOK 1 000</i>	Tangible assets
1 January-31 December 2011	
Net book value on 1 January 2011	632
Additions	540
Disposals	0
Depreciation and other movements	(233)
Net book value on 31 December 2011	939
<i>1 January-31 December 2010</i>	
Net book value on 1 January 2010	409
Additions	357
Disposals	0
Depreciation and other movements	(134)
Net book value on 31 December 2010	632

4 Shares, warrants and subscription rights

Shares	1 January- 31 December 2011	1 January- 31 December 2010
Opening balance	214 933 142	354 233 139
Conversion of debt to shares		65 651 250
Warrants exercised		181 631 781
Accumulated		601 516 170
Consolidated 3:1 on 10 March 2010		200 505 390
Share issue(s)	18 223 188	9 991 300
Warrants exercised	38 804 311	4 436 452
Closing balance	271 960 641	214 933 142

Warrants and subscription rights	1 January- 31 December 2011	1 January- 31 December 2010
Opening balance	48 122 874	333 198 027
Exercise of warrants		(181 631 781)
Accumulated		151 566 246
Consolidated 3:1 on 10 March 2010, rounded down		50 522 004
Issue of warrants	9 049 103	
Exercise of warrants	(38 804 311)	(4 436 452)
Expired warrants	(401 467)	
Grant of incentive subscription rights	5 707 500	2 849 660
Terminated/expired subscription rights	(28 330)	(812 338)
Closing balance	23 645 369	48 122 874

2011:

Following a book building process in March-April 2011, IDEX completed a successful private placement of shares on 8 April 2011, in which 18,098,222 new shares were issued at a subscription price of NOK 1.80 per share. The annual general meeting on 19 May 2011 resolved that one warrant ("2011-warrants") shall be attached to and issued for every two shares that were subscribed for and allocated in the placement. 9,049,103 such 2011-warrants at an exercise price of NOK 2.10 per share and a term of one year were issued.

Following the annual general meeting of IDEX on 19 May 2011, the board member Harald Voigt elected to receive the board remuneration in shares. He acquired 124,966 shares for which he paid the par value, in lieu of a cash board remuneration of NOK 140,000.

The board resolved on 10 April 2011 to grant a total of 2,557,500 incentive subscription rights ("SRs") to employees under the company's 2010 subscription rights plan as resolved at the annual general meeting on 11 May 2010. The exercise price of the SRs is NOK 1.96 per share. 25 per cent of the SRs vest on each anniversary from the date of the grant. The SRs expire on 11 May 2015.

The board resolved on 23 October 2011 to grant a total of 3,150,000 incentive subscription rights ("SRs") to employees under the company's 2011 subscription rights plan as resolved at the annual general meeting on 19 May 2011. The exercise price of the SRs is NOK 0.94 per share. 25 per cent of the SRs vest on each anniversary from the date of the grant. The SRs expire on 19 May 2016.

IDEX has granted incentive subscription rights (SRs) to employees and board members. The grants to board members have been made by the general meeting in lieu of cash board remuneration. The subscription rights vest by ¼ every 12 months following the date of the grant, and expire on the fifth anniversary following the general meeting that resolved the programme. Unvested subscription rights terminate on the holder's last working day. Vested subscription rights may be exercised up to 90 days after the holder's last working day. The weighted average exercise price of 14,596,266 outstanding incentive SRs on 31 December 2011 was NOK 1.32 per share.

2010:

The subscribers to shares in the rights issue completed in September 2009 were allocated one warrant per new share ("2009-warrants"). The majority of the 2009-warrants were exercised in the first quarter 2010 in connection with the listing of IDEX shares, and in the first ordinary exercise period 12 August–30 September 2010. The remaining 39,205,778 outstanding 2009-warrants were exercisable in the final exercise period 1 May–12 August 2011. 38.8 million or 99 per cent of the 2009-warrants were exercised.

5 Profit (loss) per share

	1 January- 31 December 2011	1 January- 31 December 2010
Profit (loss) attributable to the shareholders (NOK 1 000)	(37 355)	(27 928)
Weighted average basic number of shares	242 434 609	195 543 310
Weighted average diluted number of shares	264 397 686	238 824 595
Profit (loss) per share, basic and diluted	NOK (0.15)	NOK (0.14)

Effective 10 March 2010, the shares were consolidated 3-to-1. In the calculation of weighted number of shares in 2010, the number of shares in the period 1 January–9 March 2010 has been restated as if the consolidation was effective 1 January 2010.

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

The diluted number of shares has been calculated by the treasury stock method. The observed share prices, exercise prices and number of shares and dilutive instruments have been adjusted as if the consolidation was effective 1 January 2010. If the exercise price of subscription rights or warrants exceeds the average share price in the period, the subscription rights or warrants are not counted as being dilutive.

6 Contingent assets and liabilities

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

7 Related party transactions

In 2011, IDEX has recorded NOK 2,061 thousand for services provided from IDEX' legal counsel, law firm Ræder, in which IDEX' chairman is a partner. Morten Opstad's work beyond board duty is invoiced by Ræder. The amount includes Ræder's work with the private placement of shares in April 2011 and the exercise of warrants in the third quarter of 2011, and also expenses.

8 Events occurring after the balance sheet date

IDEX announced on 6 February 2012 that the company has appointed Pareto Securities AS as financial advisor to assist in evaluating potential strategic industry partners in order to fully exploit the potential of the company's SmartFinger technology and products in the fast expanding global market for biometric ID and data protection. IDEX stated that to cement such strategic alliance, it is willing to offer a suitable partner an equity stake in IDEX through a capital injection.

Between 31 December 2011 and the resolution of these condensed consolidated financial statements, there have not been any events which have had any noticeable impact on IDEX' result for 2011 or the value of the company's assets and liabilities at 31 December 2011.