

FINGERPRINTS



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## FINGERPRINTS ANNUAL REPORT 2020

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# YOU ARE THE KEY TO EVERYTHING

Fingerprint Cards AB makes everyday life easier for users throughout the world by offering secure and convenient identification and authentication. This provides greater security while increasing user-friendliness.

Fingerprint Cards AB, or Fingerprints, is the leading global biometrics company with Swedish roots. Our solutions are integrated into over a billion devices and applications and are used billions of times every day. We deliver secure and convenient identification and authentication and create value by facilitating the everyday lives of our global user base.

Fingerprints develops biometric systems comprising sensors, algorithms, software and packaging technologies. Our success is built on product development with leading-edge specialist competence that spawns world-leading products in terms of security, user-friendliness and

performance. The current product range consists largely of fingerprint sensors and customers are primarily manufacturers of smartphones. The use of biometrics is increasing in several application areas, and Fingerprints' solutions can be found in e.g. payment cards, PCs and door locks.

Fingerprints is listed on Nasdaq Stockholm (ticker FING B). Most of its workforce is located in Sweden, but the company also has offices in Denmark, China, India, Japan, Singapore, South Korea, Switzerland, Taiwan and the United States.

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## History

Fingerprints Cards AB was incorporated in 1997, but the patent that prefaced our history, later dubbed the Ljöfberg Patent, had been granted 15 years before this. The patent was granted to Swedish film director and passionate inventor Bo Ljöfberg. Accordingly, we have been in business for more than 20 years. During this period, a lot has changed in the world of technology. But one thing that hasn't changed is our conviction that people should be able to avoid the hassle of PINs and passwords. Product development and innovation are our lifeblood, and patent protection is an essential part of our business.

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## Vision

A secure and seamless universe, where you are the key to everything.

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## Mission

To provide secure and convenient identification and authentication with a human touch.

# 2020 IN SUMMARY

## 22%

GROSS MARGIN (23%)

## LAUNCH OF FPC1542

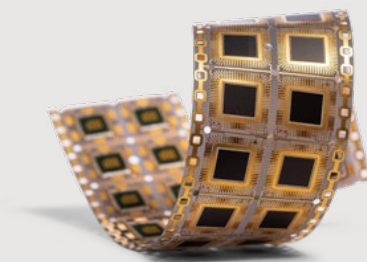
With the launch of the FPC1542 during 2020, Fingerprints strengthened its position in the market for ultrathin fingerprint sensors for smartphones.

## MSEK 1,256

REVENUES  
(MSEK 1,459)

## LARGE-SCALE COMMERCIAL LAUNCHES

The second generation T-Shape® sensor module for contactless biometric cards is enabling large-scale commercial launches of biometric payment cards.



## MSEK 158

CASH FLOW FROM OPERATING ACTIVITIES  
(MSEK 160)

## DESIGN WIN

Design win for Fingerprints' new biometric PC solution from a leading global PC manufacturer.

## FIVE-YEAR SUMMARY

MSEK	2020	2019	2018	2017	2016
Revenues	1,255.7	1,458.6	1,535.1	2,966.0	6,638.3
Gross profit	275.2	331.1	2.4	988.9	3,165.3
Gross margin, %	22	23	0	33	48
Operating result	-365.8	-14.4	-771.6	154.6	2,578.5
Operating margin, %	-29	-1	-50	5	39
EBITDA	59.4	128.7	-505.2	234.0	2,627.1
Result before tax	-381.2	-17.4	-796.7	141.8	2,613.5
<b>Net result for the year</b>	<b>-340.8</b>	<b>-13.6</b>	<b>-630.7</b>	<b>120.3</b>	<b>2,034.7</b>
Earnings per share, SEK	-1.10	-0.04	-2.01	0.38	6.40
Equity/assets ratio, %	75	80	77	66	64
Number of coworkers	276	261	263	558	438

# FINGERPRINTS AS AN INVESTMENT

The Fingerprints share is listed on the Mid Cap segment of Nasdaq Stockholm. 1,544 million shares were traded in 2020, corresponding to around five times the number of outstanding shares.

## Biometrics is an expanding global industry

Biometric solutions represent an industry of the future, which is being driven by an ever greater need for secure and user-friendly authentication, not least as increasing numbers of devices are being connected to the Internet. Biometrics have had a major impact on the mobile phone industry and this application area is expected to continue to be a growing market.

At the same time, interest in adopting biometric solutions in other sectors is growing. The area that offers the greatest potential for developing into the next mass market is the segment for biometric payment cards. Computers is an interesting segment where rapid growth is expected. Yet another example is the automotive industry, where biometrics can help to deliver personalized features that improve security and convenience.

**Read more on pages 8-10**

## Fingerprints occupies a leading market position

Fingerprints was one of the pioneers when biometrics achieved its global breakthrough in mobile telephony. We are currently a market leader in capacitive sensors and supply them to nine of the world's ten largest smartphone manufacturers. We are simultaneously expanding our **Mobile** product portfolio to new areas and we aim to further increase our market share.

Fingerprints is also very well positioned to capture a significant share of new, emerging global markets for biometric solutions. The prioritized areas are **Payments** and **Access** (lock and access control systems). Fingerprints' technology is used in all commercial launches so far of biometric payment cards and in all announced market trials of contactless biometric payment cards throughout the world.

**Read more on pages 11-16**

## Strong innovation capability

Continuous product development is crucial for maintaining and strengthening competitiveness in an industry that is characterized by rapid technological progress. Fingerprints is renowned for being an innovative, high-tech and entrepreneurial company that provides solutions with a very high level of security. The company's innovativeness is strong, with access to specialist expertise in biometrics, electronics, materials technology, coding and production technology.

Our research and development (R&D) organization accounts for almost 40 percent of the total workforce. Fingerprints always endeavors to have a balanced and fast growing patent portfolio extending from algorithms, through biometric image processing to sensors and hardware packaging technology.

**Read more on pages 13-17**

## Capital-light, cost-effective and cash generative business model

Flexibility, short decision-making routes and proximity to customers are essential in managing intense competitive pressure and rapidly changing market conditions. Since its inception, Fingerprints has supplied more than one billion sensors and, for many years, it has been building an efficient and reliable global supply chain. Fingerprints does not have any proprietary production capacity. Instead, hardware production is conducted using a network of external suppliers.

Optimizing working capital through efficient management of inventories and accounts receivable is an important focus area for Fingerprints, with the aim of freeing up capital for financing growth-generating investments. Core working capital as a share of revenues continued to improve during the year, with a positive impact on cash flow.

**Read more on pages 18-19 and 53-58**

## MESSAGE FROM THE CEO

# MAJOR OPPORTUNITIES IN A UNIQUE INDUSTRY OF THE FUTURE

During the year, Fingerprints strengthened its position in the market for capacitive fingerprint sensors for smartphones, while demand is now increasing in new application areas.

## STRONG DEMAND, ALSO IN NEW AREAS

The demand trend for Fingerprints' products was strong during the year. At the same time as we saw an upswing in the market for capacitive sensors for smartphones – where we are the global leader – there are clear indications that biometrics are about to make serious inroads into a number of new consumer markets where Fingerprints occupies a strong position.

But 2020 was also a year that was severely impacted by the outbreak of the coronavirus and increasing geopolitical tensions in the world. Let me begin by discussing how this has affected us and I will then return to our starting point entering 2021 and our growth plans moving forward.

Early in the year, our sales were adversely impacted by restrictions on goods transportation in Asia due to the coronavirus outbreak. Although the conditions for transportation improved relatively quickly, the pandemic made it necessary to adapt our work procedures in order to protect the health and well-being of our employees, customers and

partners, and thus also contributing to reducing the spread of infection in the surrounding community.

The restrictions and behavior changes that have accompanied the pandemic have had far-reaching consequences for economic development. While certain industries have fared well, others are finding it difficult to survive without comprehensive assistance. The global smartphone market, which accounts for some 90 percent of Fingerprints' sales, declined about 8 percent in 2020. The replacement cycle for mobile phones has been prolonged, since consumers have been waiting for ever longer periods to replace their devices.

Despite this setback in the mobile market, we saw favorable demand for our capacitive sensors from smartphone manufacturers. Fingerprints is currently the market leader in this segment, with a share representing more than one-third of the global market. The capacitive fingerprint sensor is a proven and popular technology in the mobile industry, largely because of its reliability, performance and cost efficiency. The fact is that some

of Fingerprints' customers are once again showing a preference for capacitive sensors as opposed to under-display sensors. Our thin sensors for side mounting are particularly popular.

At the same time as we were reaping major successes in the market, Fingerprints' earnings were impacted due to insufficient access to production capacity among large semiconductor manufacturers. This is because the geopolitical situation has led to increased domestic demand for silicon chips in China, while the need for chips has generally increased due to the accelerating global digitalization, partly as a result of the pandemic. This situation limited our sales during the year, while higher purchase prices adversely affected our gross margin.

## BROADENING THE SUPPLIER BASE IS ESSENTIAL

Work to continue to broaden our supplier base is highly important, in part to reduce the risks in our supply chain and in part to position the company for growth. Investments in new

capacity have increased, but it takes time to build new production lines. We therefore intensified our efforts during the year to secure more providers of key components, both within and outside mainland China. We are making progress and this work will continue to have a high priority in 2021.

## STRONG POSITION IN A UNIQUE INDUSTRY OF THE FUTURE

Despite short-term challenges, our strong market position provides me with a very bright view of the future. We launched a number of new products during the year, targeted at the mobile industry, as well as PCs, payment cards and various types of access solutions. Read more about these innovations on pages 13-16. The ongoing realignment of our product mix towards new products helped to improve the gross margin towards the end of the year.

We are still only in the infancy of development in a uniquely interesting industry of the future. Fingerprints intends to continue to play a leading role, and we are planning

for significant volume growth in the next few years, particularly in prioritized areas outside the mobile industry. We see an addressable market potential of approximately 4.7 billion units per year by 2026 and thereafter. The payments segment is expected to account for the majority of this potential, with approximately 3 billion units annually, while the potential in mobile phones and PCs is expected to total about 1.6 billion units. The access segment (physical and logical access control) is expected to account for the remaining approximately 100 million units. Fingerprints' ambition is to account for more than 40 percent of the addressable market by 2026. You can read more about our view of the market trend on pages 8-10.

2021 has good potential to be the year when biometrics make serious inroads into payments and computers. In January 2021, we secured orders for several hundred thousand sensors from two top-tier PC manufacturers and, in late December 2020, we announced an order for one hundred thousand sensors from one of the world's three largest card

manufacturers. Last year, a biometric payment card from Thales in which Fingerprints' technology is included was certified by both Mastercard and Visa. This now enables card issuers to implement major commercial launches of contactless biometric cards. BNP Paribas, one of the world's ten largest banks, began its commercial roll-out of this card during autumn 2020, and has announced that it aims to offer all of its customers a biometric payment card during the first half of 2021.

Let me finish by thanking all of the employees for your hard work and dedication during the year. I, and the other members of the Management team, appreciate that you have continuously done your utmost to ensure that our operations have been able to proceed efficiently during the pandemic, and that we continue to add value for our customers, business partners and shareholders.

**Christian Fredrikson**  
President and CEO



## MARKET AND TRENDS

# BIOMETRICS – A GROWING INDUSTRY OF THE FUTURE

Demand for biometric solutions was favorable during 2020 despite reduced global deliveries of smartphones. Meanwhile, biometrics are about to make serious inroads into additional consumer markets.

## INCREASED INTEREST IN BIOMETRICS DURING A CHALLENGING YEAR

The replacement cycle for mobile phones was prolonged in 2020, with many consumers delaying their decisions to upgrade their devices. Despite an upswing in the third quarter, due to an easing of coronavirus restrictions in many countries, global deliveries of mobile phones declined by approximately 8 percent during the year. At the same time, we saw a distinct increase in demand for Fingerprints' capacitive fingerprint sensors. In 2020, slightly more than 60 percent of smartphone models launched by the ten largest manufacturers of Android mobile phones featured a capacitive fingerprint sensor, a year-on-year increase of a few percentage points. The corresponding share for under-display sensors was slightly more than 30 percent, unchanged in relation to 2019. New innovations are an important explanation for the continued popularity of capacitive sensors, not least the thin, side-mounted capacitive sensors that can be integrated in the unit's volume controls or in the power button. The percentage of phone models that

completely lack biometric sensors continued to decline.

While the coronavirus outbreak briefly had a negative impact on market conditions for Fingerprints' products, the behavior changes resulting from the pandemic have led to increased attention regarding the advantages of biometrics. To the greatest extent possible, consumers want to avoid touching surfaces in public environments, which has led to very swift and significant changes in the consumers' payment methods. The already strong trend away from cash has been intensified, while the use of contactless card payments is increasing sharply in many countries. In a survey conducted recently by Fingerprints in collaboration with Kantar, one-third of the respondents said that they were worried about being infected when they type in their PIN in a payment terminal. The survey clearly shows that most of the respondents want to increase their use of contactless card payments over the coming three-year period.

Meanwhile, more than half of the respondents expressed concerns regarding security in the event that their card was lost or stolen.





## MARKET POTENTIAL FOR FINGERPRINTS' PRODUCTS

The addressable market potential for the company's biometric products in 2026 and beyond is estimated at **4.7 billion units per year**

MOBILE

~1,4 BILLION  
UNITS/YEAR



PC

~170 MILLION  
UNITS/YEAR



PAYMENTS

~3 BILLION  
UNITS/YEAR



ACCESS

> 100 MILLION  
UNITS/YEAR



Many believe that the limits for contactless card payments are too low. Biometric cards have a significantly higher security level, which makes it possible to remove payment caps. This is probably an important explanation to why three-quarters of the survey participants responded "yes" or "perhaps" to the question of whether they would prefer a biometric payment card. In fact, half of the participants in this study were prepared to switch banks to gain access to a biometric payment card and 43 percent were willing to pay an extra charge for such a card. In 2020, a biometric payment card from Thales in which Fingerprints' technology is included was certified by both Mastercard and Visa. This paves the way for launches on a commercial scale and, during the year, BNP Paribas in France became one of the first banks in the world to offer their customers a contactless biometric card.

The pandemic also led to a marked increase in remote working, which can often involve increased IT security risks. By combining security, flexibility and user-friendliness, biometric solutions can facilitate secure access to devices and data, regardless of where an

employee is located. This has led to significantly increased interest in biometrics from PC manufacturers.

### CONSIDERABLE LONG-TERM MARKET POTENTIAL

Approximately 85 percent of all smartphones sold today have some form of biometric sensor. The technology is highly appreciated and is used to unlock devices, make payments and gain access to apps. Biometrics is also about to make serious inroads into additional consumer markets, not least payments, computers and various types of access solutions.

Over the next five years, Fingerprints expects strong growth in a number of application areas. The company estimates that the total addressable market (TAM) for the company's products could total approximately 4.7 billion units annually in 2026 and beyond.

### MOBILE

For capacitive fingerprint sensors for smartphones, where Fingerprints is the global leader, we anticipate potential TAM of approximately 800 million units per year in

2026. Capacitive sensors are a proven and popular technology in the mobile phone industry, largely because of their reliability, performance and cost efficiency. Since their launch a couple of years ago, optical under-display sensors have expanded their share of the market at the expense of capacitive sensors; in 2020, however, an upswing in demand for capacitive sensors was again noted. Some of Fingerprints' customers once again prefer capacitive sensors as opposed to under-display sensors. Fingerprints is currently the market leader in capacitive fingerprint sensors for smartphones, with a share of more than one-third of the global market. Our aim is to increase our market share over time to about 40 percent.

We also expect continued growth for under-display sensors for smartphones, and estimate that this market will stabilize at an annual level of around 600 million units per year by 2026. We aim to be a major player in this market too, with a share of up to 20 percent.

### PC

In the years immediately ahead, we estimate that computers equipped with fingerprint sensors will become increasingly commonplace. Although 2020 was an unusually strong year for the PC industry, due to a significant increase in the scope of remote studying and work, we expect annual deliveries of PCs to remain at approximately 260 million units. Our assessment is that about two-thirds of these (about 170 million) will have a touch sensor by 2026. Our aim is to lead this market by securing a share of about 40 percent. Computers from Acer, Asus, Google, HP, Huawei, Microsoft, Samsung and Xiaomi have already been launched with Fingerprints' technology.

### PAYMENTS

Fingerprint sensors for payment devices, including smart cards, wearables and USB devices, represent a considerable potential market. According to our estimates, approximately 6 billion payment devices, almost all of them contactless, will be delivered per year by 2026 and thereafter. In this segment, we see potential annual TAM of approximately

3 billion units for biometric sensor modules and software by 2026 and thereafter. Our aim is to lead this market by securing a share of about 50 percent. Fingerprints' position in this emerging mass market is very strong. Our technology is being used in all of the commercial launches and market trials announced to date of contactless biometric payment cards worldwide. Our sensor module and software are also found in the only biometric payment card, delivered by Thales, which has been certified by both Mastercard and Visa.

### ACCESS

By combining security, flexibility and user-friendliness, biometrics can facilitate secure access to devices and data. Biometric solutions for the access area is a fragmented but growing market that includes such products as door locks, cars, remote and gaming console controls, smart household appliances, authentication keys and access cards. Although adoption of biometrics will differ in the various segments, we estimate potential TAM in the access area at 100 million units in 2026 and thereafter. Fingerprints is

the market leader in this segment and aims to defend this position when the market expands.

## STRATEGY, PRIORITIES AND PROGRESS

# PRODUCT DEVELOPMENT AND DIVERSIFICATION

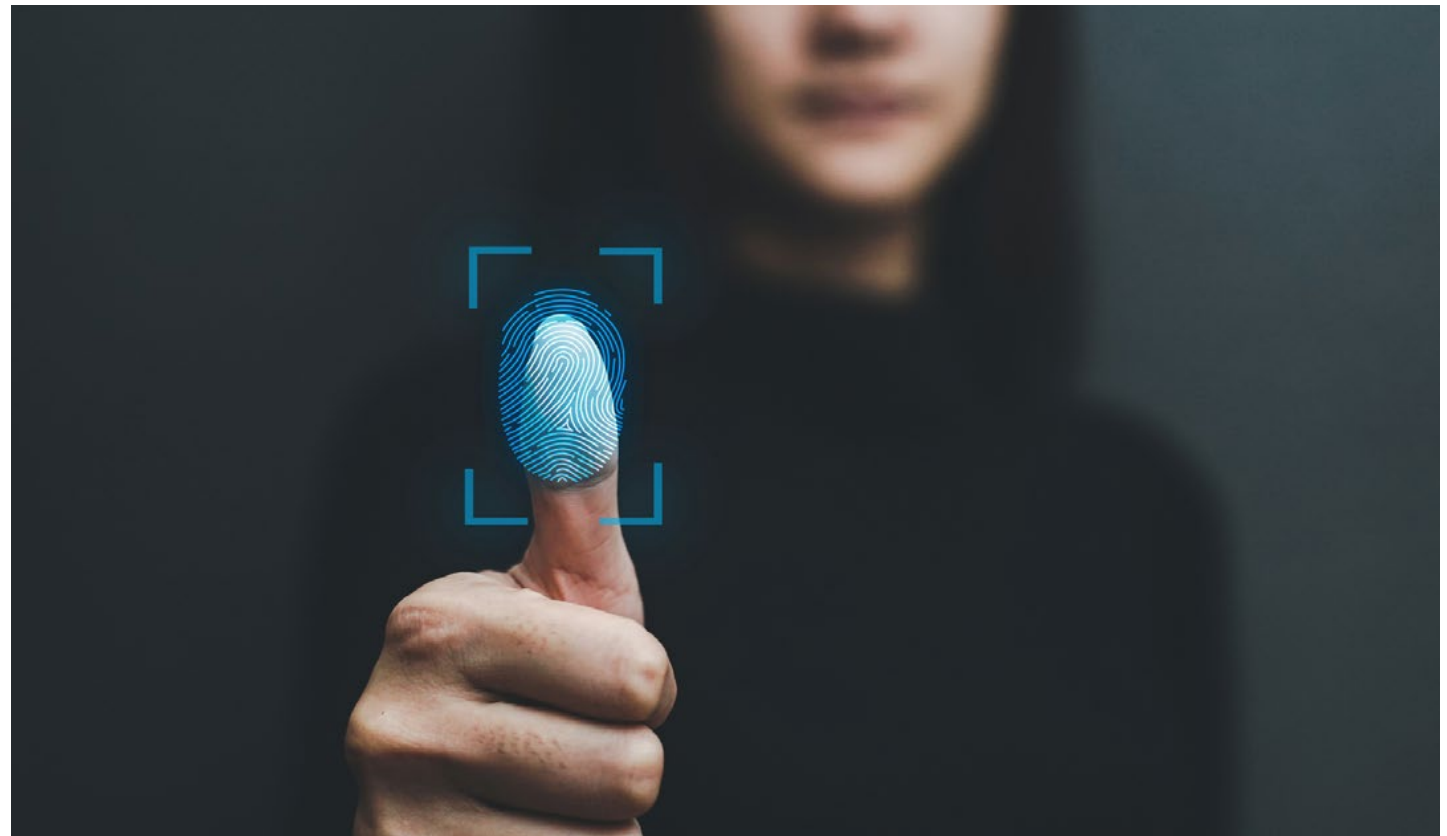
Fingerprints will create profitable growth by assuming a leading position in selected segments, and being recognized as a provider of solutions with a very high level of security.


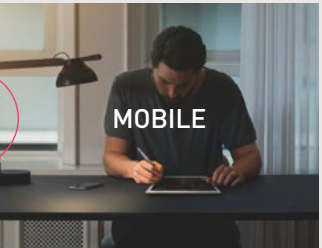



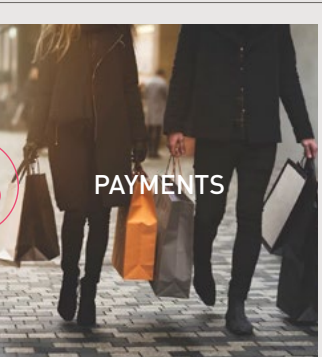

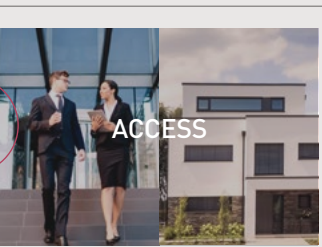
Fingerprints' strategy is based on defending and building on our strong position in the smartphone segment while diversifying the business into prioritized areas outside the mobile industry.

In the mobile industry, the most important strategic priority is to expand the product portfolio to defend and capitalize on the company's strong position.

In payments, biometric smart cards are the application Fingerprints believes has the greatest potential in the years ahead. Fingerprints has a very strong starting point from which to be able to secure undisputed global leadership in this area.

Biometrics are expanding in an array of other areas where secure and user-friendly authentication is critical. Outside of the mobile industry and payments, however, the biometrics market is fragmented and Fingerprints has chosen to prioritize PC and access control systems, where potential is deemed to be greatest in the short-term.



STRATEGIC PRIORITIES		PROGRESS IN 2020
  <p><b>MOBILE</b></p>	<p><b>Defend and capitalize on Fingerprints' strong position</b></p> <ul style="list-style-type: none"> <li>Defend our market share and margins in capacitive fingerprint sensors by offering innovative and cost-effective sensors.</li> <li>Capture a major share of the growing market for under-display sensors.</li> <li>Further develop our iris recognition technology to offer a more secure and cost-effective alternative to advanced facial recognition.</li> </ul>	<ul style="list-style-type: none"> <li>Further increased our market share in capacitive fingerprint sensors.</li> <li>The FPC1540/1541, an ultrathin capacitive sensor designed for side mounting, reaped huge successes in the market.</li> <li>The FPC1542, a thin capacitive sensor with a curved shape, was launched. This product is based on the successful FPC1540 sensor.</li> <li>Work to establish a position in the market for under-display sensors continued.</li> </ul>
  <p><b>PC</b></p>	<p><b>Secure a leading position in this growing market</b></p> <ul style="list-style-type: none"> <li>Fingerprints' ambition is to capture up to 40 percent of the market for for biometric PC solutions.</li> </ul>	<ul style="list-style-type: none"> <li>Launched a new biometric solution intended for the PC segment, with a design win from a leading global Windows PC manufacturer.</li> <li>Chromebooks from Asus, HP and Samsung were launched with Fingerprints' sensors.</li> </ul>
  <p><b>PAYMENTS</b></p>	<p><b>Secure a position as the leading provider of biometric solutions</b></p> <ul style="list-style-type: none"> <li>Collaborate with players throughout the smartcard ecosystem to promote the creation and acceleration of a new global market for biometrics.</li> <li>Secure an undisputed global leadership position within contactless biometric cards, the next mass market for biometrics.</li> </ul>	<ul style="list-style-type: none"> <li>Fingerprints' T-Shape sensor is being used in the world's first contactless biometric payment card, delivered by Thales, which has been certified by both Mastercard and Visa.</li> <li>Participation in all publicly disclosed market trials and commercial launches of contactless biometric payment cards.</li> <li>Fingerprints entered into partnerships with Infineon and STMicroelectronics to develop advanced solutions for biometric payment cards.</li> <li>The latest generation of T-Shape® sensor module for biometric payment cards was launched, with an indicated price of USD 3 at volume production. In November, this module, and the FPC-BEP software platform, passed a quality and security test conducted by the Bank Card Test Center (BCTC) in China.</li> <li>Cooperation established with M-Tech Innovation Ltd, an Indian card manufacturer, to develop a biometric payment card for the Indian market.</li> </ul>
  <p><b>ACCESS</b></p>	<p><b>Grow in prioritized segments of fragmented market</b></p> <ul style="list-style-type: none"> <li>Maintain our leading position in selected areas of application.</li> <li>Initial focus on biometric solutions for access control systems and vehicles.</li> <li>Capture a significant share of the market for iris recognition in Aadhaar devices in India.</li> </ul>	<ul style="list-style-type: none"> <li>A number of new biometric door locks equipped with Fingerprints sensors were launched.</li> <li>Expanded the product portfolio in physical and logical access control.</li> <li>Further developed our biometric software platform (FPC-BEP) for use in the access area.</li> <li>Fingerprints' iris recognition technology was used in an access control system that CMITech implemented in a South Korean hospital.</li> </ul>

## OPERATIONS

# INNOVATIVE SOLUTIONS

Fingerprints offers a broad product portfolio of biometric system solutions that increase both security and user-friendliness in everyday life.

Fingerprints' solutions are suitable for multiple product segments. In addition to smartphones, currently the largest application area for Fingerprints' solutions, the company's products are also found in such applications as PCs, smartcards, door locks, authentication keys, vehicles and the IoT.

The company's products and solutions are protected by extensive patents. We always endeavor to obtain a balanced and growing patent portfolio extending from algorithms and biometric image processing to sensors and hardware packaging technology.

During 2020, we accelerated our product development and launched new solutions within Mobile, PC, Payments and Access. The level of activity also increased in respect of patent applications, which rose 30 percent year-on-year.

## MOBILE

### Capacitive fingerprint sensors

Fingerprints is a pioneer in capacitive fingerprint sensors, and was the first company in the world to integrate a touch sensor into an Android phone in 2014. The market then

expanded rapidly and Fingerprints succeeded in building a dominant position. Over the subsequent years, the competition intensified and the industry developed into a mature mass market. By continuously developing the product portfolio, Fingerprints has succeeded in maintaining a leading position with a market share exceeding one-third in 2020. This strong position is based on renowned high product quality, security and biometric performance.

Capacitive fingerprint sensors for mobile phones accounted for some 90 percent of sales in 2020, and Fingerprints consolidated its leading position during the year by further strengthening its product portfolio. We launched the FPC1542, a new, thin sensor with a curved shape, designed for side mounting, which builds further on Fingerprints' highly successful product, the FPC1540/1541. These products meet the customers' demands for solutions that function well with the most recent smartphone models, such as foldable devices and mobiles with borderless fronts.

We will continue to focus on strengthening our leading position in capacitive sensors

by ensuring that we have a comprehensive, competitive product portfolio for all relevant segments.

### Under-Display

For many years, the capacitive fingerprint sensor dominated the market for biometric solutions for smartphones. Under-display sensors, also referred to as in-display, are an alternative for integrating fingerprint sensors into a smartphone's display. Since the market for under-display sensors is expected to continue to grow, Fingerprints aims to also secure a position in this market. While we have yet to secure any design wins, our ambition of capturing a considerable share of the in-display market stands firm.

### Touchless

Since Apple launched iPhone X featuring facial recognition in 2017, interest in touchless technologies has increased, even though fingerprint recognition still dominates the market for Android devices. Fingerprints' Touchless 2.0 platform combines the user-friendliness of facial recognition with the high

security level of iris recognition. Touchless 2.0 offers a more secure and more cost-effective alternative to advanced facial recognition, not only for smartphones but also for a range of applications in various industries.

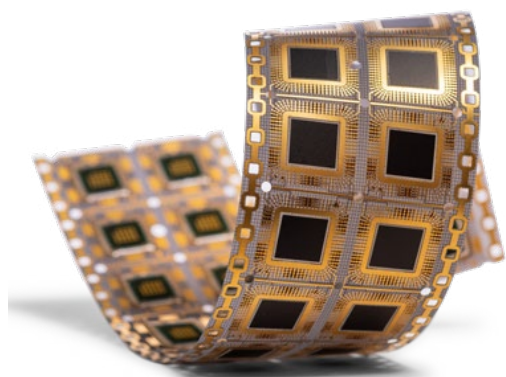
## PC

Fingerprints' technology is already found in PCs from Acer, Asus, Google, HP, Huawei, Microsoft, Samsung and Xiaomi. To meet the rising demand for biometric solutions in the PC segment, Fingerprints launched a new solution in 2020 that is specifically adapted to this application segment. This new product can be used in many different types of PCs and peripherals. Shortly after this launch, we could announce that we had secured a design win from a top-tier global PC manufacturer, with product launch planned for the first quarter of 2021. In addition to this, we secured several design wins from smaller PC manufacturers, which also have launches scheduled for the first quarter of 2021. In January 2021, Fingerprints announced the first major orders for its new PC solution from two top-tier manufacturers of Windows PCs.

## PAYMENTS

Fingerprints has a uniquely strong position in biometrics for payments, perhaps best illustrated by the fact that our technology is used in all commercial launches and market trials publicly announced to date of contactless biometric payment and credit cards worldwide.

During the year, Mastercard and Visa both certified a biometric payment card from Thales, in which Fingerprints' technology is included. This is the first card in the world to



receive this type of certification, which makes it possible for card issuers to conduct larger commercial launches.

Fingerprints is continuously developing its product portfolio in this area, and during 2020 we launched the latest generation T-Shape® sensor for contactless biometric cards. This new product offers even better performance than its predecessor, while it is also world-leading in cost efficiency, with an indicated price of less than USD 3 in volume production. This is a significant step forward, since a reasonable cost level is an important requirement for ensuring that this new mass market for biometrics accelerates. We also announced during the year that we had entered into partnerships with both Infineon and STMicroelectronics, with the aim of developing advanced solutions for biometric cards. We had already announced a partnership with NXP, which means that we have established cooperation with the world's three largest providers of secure elements for the payment card industry.

## ACCESS

Fingerprints' solutions are also used in a wide range of products outside the mobile industry and payment area. Examples of applications include door locks, access control systems, home electronics and vehicles. Solutions comprise both complete modules for fingerprint recognition and Touchless 2.0.

In 2020, we further developed our biometric software platform for payments, the FPC-BEP, which can now also be used in a number of different Access applications, meaning biometric access control. This updated platform builds on our successful mobile and payment software platforms, which, together, are used several billion times every day. During the year, we also launched a number of touch fingerprint sensors specifically adapted for the access segment: FPC1020, FPC1024 and FPC1025. To enable maximum flexibility in product design, the new FPC1025 sensor version is smaller than the other products in the series and is thus optimized for devices in which every millimeter counts.

The automotive industry is another interesting application area with considerable

potential. Since 2018, Fingerprints has an exclusive partnership agreement with Gentex, a leading automotive industry technology vendor, to jointly develop biometric systems capable of authenticating drivers using iris scanning. Once verified, the car can start and relevant parts of the passenger compartment are adapted automatically, such as mirrors, steering wheel settings, seat positions and satnav systems.

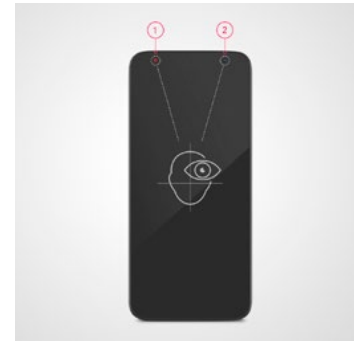
Iris recognition is also suitable for touchless entry and exit control systems in public environments, something that has come into sharper focus since the outbreak of the coronavirus. Fingerprints' iris recognition technology was used during 2020 in an access control system that CMITech implemented in a South Korean hospital.

# PRODUCTS AND SOLUTIONS

Fingerprints offers a broad product portfolio with biometric system solutions that increase both security and user-friendliness in everyday life.

Applications based on Fingerprint's fingerprint sensors and iris recognition are found in many products that we recognize and use daily.

A number of examples of applications based on Fingerprints' innovative solutions are shown here.



*Touchless 2.0* from Fingerprints combines iris and facial recognition for security and user-friendliness.



Biometric key rings can, for example, enable the user to securely store travelcards, loyalty cards and access cards.



Fingerprint sensors in computers are now becoming increasingly commonplace, and Fingerprints launched its new PC solution during the year.



Biometrics increase the security of smart watches and other *wearables*.

In 2020, we saw the first commercial launches of biometric payment cards.



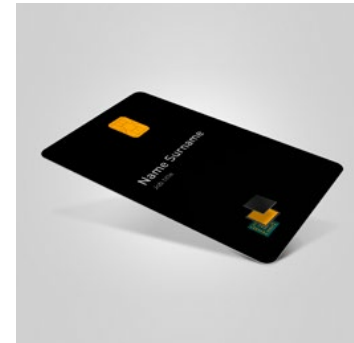
Fingerprints' side-mounted sensors function extremely well in the latest smartphone models.



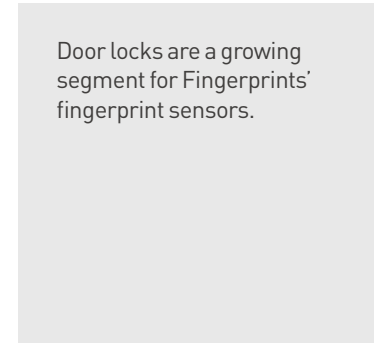
Fingerprints is developing an optical under-display solution, as an alternative to capacitive fingerprint sensors for smartphones.



Biometric access cards enable authentication without a password, which protect the identity of the individual and protect companies of unauthorized access.



Door locks are a growing segment for Fingerprints' fingerprint sensors.



Payment terminals equipped with iris recognition from Fingerprints enable Aadhaar payments in India.



Entry systems, for example in hospital environments, are an interesting application area for iris recognition.



Biometrics provide secure access to data, such as USB memory.



With the help of iris recognition, the driver environment can be adapted automatically, including such features as mirrors, steering wheel position and seat position.



More applications based on Fingerprints' fingerprint sensors and iris recognition are constantly evolving.



## OPERATIONS

# PRODUCT DEVELOPMENT CRUCIAL

## CONTINUOUS PRODUCT DEVELOPMENT IS CRUCIAL FOR MAINTAINING AND STRENGTHENING COMPETITIVENESS

Product development is essential for Fingerprints' operations and the results of the product development process will ultimately have a considerable impact on the company's performance. At the end of 2020, the research and development (R&D) organization accounted for almost 40 percent of the work-force.

Product development is based on several technologies to create user-friendly solutions. These comprise both touch, which is based on touching a sensor, and touchless, whereby authentication occurs without requiring any touch by the user.

### METRIC SYSTEM DEVELOPMENT IN FOUR DIMENSIONS:

Fingerprints' product development is integrated across four dimensions:

algorithm development, software development, development of biometric sensors and packaging. Development is based on reading and recognition of fingerprints, the iris and the face. The development of various solutions generally occurs in close cooperation with customers or partners.

### Algorithms – reading the unique biometric pattern



Algorithms are the software that optimizes image quality and executes image processing; i.e. the information in the image of, for example, a fingerprint or an iris. Our in-house algorithm competence enables partnerships with customers, and thus addresses their requirements for biometric development.

### Software development for improved end-user experience



Software development focuses on Fingerprints' biometric systems solutions in smartphones or a biometric card, for example. In a mobile phone, the software handles the sensor's communication with the mobile platform for verification in a secure platform combined with user-friendly functionality. In a biometric payment card, we design our software solution to maximize transaction speed, user-friendliness and security.

### Hardware development



Hardware development primarily involves fingerprint sensors and focuses on functionality and design solutions in the creation of the sensor.

For capacitive fingerprint sensors, this translates to chip area and thickness, power consumption and the capability to detect images through different types of material.

### Packaging – the physical integration



Packaging focuses on integrating the sensor with other materials, as well as complete system solutions with processes for plug-and-play functionality. Complete system solutions of this type are primarily developed for applications outside the smartphone and payment segments.

## OPERATIONS

# BUSINESS RELATIONS SPANNING A NUMBER OF LEVELS

Fingerprints' business is based on the development and sale of complex biometric systems comprising a combination of high value-added hardware and software. For a long time, we have been building mutually value-creating relationships with key players across a complex value chain.

## MOBILE

Fingerprints' revenues in 2020 were primarily generated from shipments of capacitive fingerprint sensors to mobile phone manufacturers in China. This business is part of the semiconductor industry and features a value chain with a large number of participants and long lead-times.

## SEMICONDUCTOR MANUFACTURERS

Fingerprints manufactures its hardware using external contractors. The company's largest procurement item in volume terms is our silicon chips, the core of the sensor, which are sourced from semiconductor manufacturers. Sensors are manufactured in the form of silicon wafers in standard formats.

While demand for Fingerprints' products was favorable in 2020, the year was characterized by challenges connected to limitations in our supply chain. The geopolitical situation has increased the domestic demand for silicon chips in China, while the need for chips has generally increased due to the accelerating digitalization in the world, partly as a result of the pandemic. Investments in new capacity

have increased, but it takes time to build new production lines. Accordingly, securing additional suppliers, both in and outside of mainland China, will be a key priority again in 2021.

Apart from sourcing from semiconductor manufacturers, value is also added through channels including OSAT (Outsourced Semiconductor Assembly & Test) suppliers, which encapsulate chips for subsequent assembly.

## DISTRIBUTORS

Distributors are an established part of the electronics industry and the party that Fingerprints delivers its hardware to. Fingerprints' revenues arise from hardware in the form of silicon wafers (sensors in their original format) or packaged sensors being shipped to the distributor. Normally, software development is included in the agreement.

## MODULE SUPPLIERS

The production of smartphones is conducted through the assembly of modules sourced from a range of subcontractors. In the mobile

industry, they are largely produced by module suppliers, with each OEM having selected module provision partners. Module suppliers account for the assembly and packaging of various components into modules that are ready for assembly in a smartphone.

Fingerprints has established close collaborations with about ten module suppliers, which can be viewed as both partners and customers, because they set standards, while also serving as collaborative partners in Fingerprints' product customization process.

## OEM

Smartphone manufacturers (OEMs and ODMs, the latter: original design manufacturers, who manufacture products sold under other parties' brands) make decisions on, and specify constituent components in, their technical specifications. For selected providers, these decisions mean a design win. Customization of hardware and software then commences, and a large batch of sensors is then shipped for production and functional testing. Assuming these tests are successful, mass production commences.

Smartphone producers maintain a high tempo in the development and launch of new models. The commercial lifespan of a smartphone model is some 12–18 months, with the main volumes shipped in the first 12 months.

## PAYMENTS

The value chain in the smartcards market (all cards with chips, mainly payment cards) differs from the smartphone value chain in many respects. But there are also fundamental similarities, because both sectors feature mass production by a limited cluster of global manufacturers that are part of complex value chains with multiple players. The dominant card manufacturers are based in Europe.

## SUBCONTRACTORS

Subcontractors in various segments deliver products and solutions to card manufacturers, such as chips, and in Fingerprints' case, fingerprint sensor modules.

**MANUFACTURERS AND ISSUERS**

Charge/credit cards are issued by banks who have contracts with the card brands. The leading brands are Visa, Mastercard and China UnionPay.

**STANDARDIZATION AND CERTIFICATION**

Payments and cards are a sector characterized by regulation and a high degree of

standardization. Certification and standardization of charge/credit cards featuring fingerprint sensors occur under the auspices of the certification body EMVCo. The international association Eurosmart is another important player, which is developing smart security standards.

In 2020, a biometric payment card from Thales in which Fingerprints' technology is

included was certified by both Mastercard and Visa. This now enables card issuers to implement major commercial launches of contactless biometric cards.

**ACCESS**

Since the market for biometrics in entry systems and various types of access solutions is fragmented, the supply chain can appear

somewhat different depending on application and industry. Marketing and sales usually occur via module providers and subcontractors, who in turn deliver products that are included in, for example, smart door locks, computers or vehicles. Fingerprints' partners include Gentex, a US supplier of driver assist systems for vehicles.



**FINGERPRINTS**

Fingerprints develops and sells complex biometric systems in a complex value chain where long-term relationships are decisive.

**MODULE SUPPLIERS**

Module suppliers assemble and package components and sensors into finished modules that are then ready to be fitted in a smartphone.

**DISTRIBUTORS**

Distributors are an established part of the electronics industry and the party that Fingerprints delivers its sensors to.

**OEM**

OEMs, Original Equipment Manufacturers, make decisions on, and specify constituent components in, their technical specifications. Subsequently, customization occurs and larger quantities of the sensors are delivered.

**END USERS**

## PEOPLE AND SUSTAINABILITY

## SUSTAINABILITY AT FINGERPRINTS

“Fingerprints’ operations contribute to sustainable development and have a positive impact on society, not least because our product portfolio adds value for customers, users and society at large, with secure identification and authentication in an increasingly vulnerable digital environment. Our sustainability targets are aligned with the UN Sustainable Development Goals.”

Christian Fredrikson, President and CEO

**SUSTAINABILITY AT FINGERPRINTS**

Fingerprints is working to strengthen and draw attention to the benefits our products create from a sustainability perspective and to reduce the negative impact Fingerprints has through its operations, products and supply chain.

Fingerprints wholeheartedly supports the UN’s Global Sustainable Development Goals (SDGs). Fingerprints’ role in developing Aadhaar is a good example of how the company’s products can contribute to sustainable development. Aadhaar is operated on behalf of the Indian Government with the aim of creating official identities and thus ensuring access to local and national social insurance systems in a simple and secure manner for citizens. Fingerprints’ Aadhaar-certified product ActiveRIS® is part of this project, which is an example of an application segment supporting UN SDG 1 (No Poverty), by

delivering a technology that supports people’s rights to an official identity.

Another example of how Fingerprints’ operations contribute to the SDGs is our offering of biometric solutions for smartcards and mobile phones, which enable more secure payments. This supports SDG 16 (Peace, Justice and Strong Institutions) by reducing the risk of fraud and enabling more secure authentication and payments.

We believe that companies working collectively on sustainability challenges is the best way to achieve long-term results. We have long been cooperating with central payment system players in order to help ensure the security and functionality of both mobile payments and card payments. Fingerprints has been a member of Eurosmart since 2017, which is a sector organization for businesses active in smart security, such as digital identities, data security, cyber security, Internet of

Things (IoT), payment solutions and border controls. Another example is EMVCo, a global technological body that facilitates worldwide interoperability and acceptance of secure payments by handling and developing what are known as EMV® specifications and related test processes. As consumers authenticate ever larger numbers of payments via their mobile phones, it is becoming increasingly important to establish standards that ensure security, reliability and user-friendliness. Fingerprints’ FPC1540/1541 sensor is the first fingerprint sensor for mobile phones that satisfies requirements according to EMVCo (EMV® Consumer Device Cardholder Verification Methods Security Requirements).

**BUSINESS-INTEGRATED SUSTAINABILITY FRAMEWORK**

Sustainability work in Fingerprints is carried out close to the business operations within the company’s sustainability framework, which comprises a vision, core values and all of the company’s policies, including its Code of Conduct and sustainability targets. The sustainability framework comprises four areas, which cover our entire business and are also set out in our Code of Conduct:

- Trusted, Transparent Business Conduct
- Environmental Protection and Efficient use of Resources
- Respecting and Rewarding People
- Smarter and Safer Solutions

Fingerprints has defined a number of core sustainability targets that are connected to these four focus areas (see pages 31–32). These targets were reviewed in 2020 and

some of them were updated, with a particular focus on improving reports and follow-ups in the environmental area (see below). The continuous implementation of the targets represents the core of the company's sustainability work and is part of Fingerprints company-wide balanced scorecard, which helps sustainability aspects secure equal status with the company's other objectives. The targets have been broken down by feature and business area to determine how they can contribute to sustainability goals. These enhance both commitment and participation. The visibility and integrity of sustainability targets also facilitate Fingerprints' managers following up on work.

To integrate sustainability into our internal processes, we have gained inspiration from the Global Reporting Initiative (GRI). Our management system is certified in accordance with ISO 14001 and ISO 9001. A working method has been produced to manage our overall policies and our Code of Conduct, with the aim of managing all policy areas equally. Fingerprints' work on responsible sourcing is a very important policy area. All direct suppliers must sign our Code of Conduct for Suppliers.

### Vision

A secure and seamless universe, where you are the key to everything

### Business concept

Fingerprints develops and sells biometric solutions to companies globally that develop products and services interfacing with people.

### Focus areas in sustainability

Trusted, Transparent Business Conduct



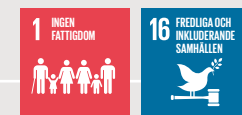
Environmental Protection and Efficient Use of Resources



Respecting and Rewarding People



Smarter and Safer Solutions



Measurable sustainability targets, see pages 31–32

Based on *policies* including the Code of Conduct

Based on *core values* Smart Brave Open United

## REDUCE FINGERPRINTS' CLIMATE FOOTPRINT

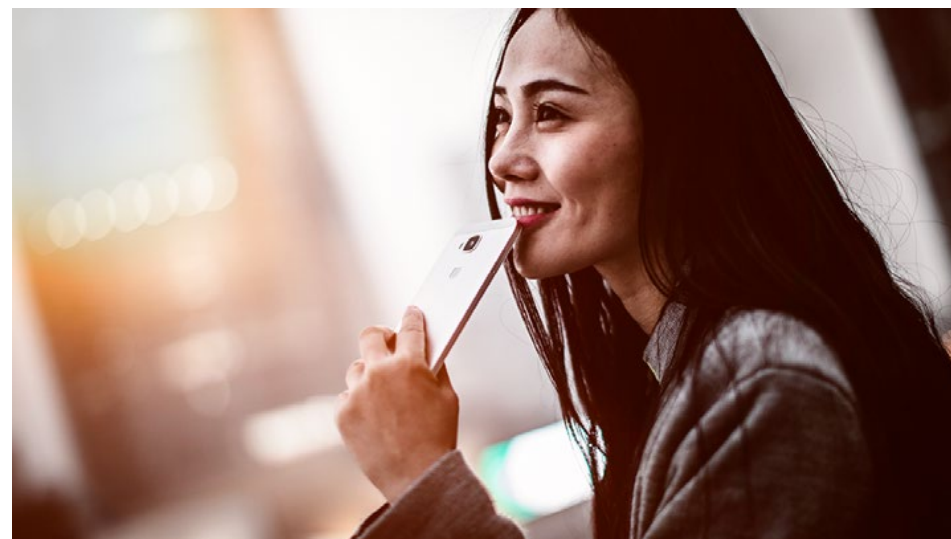
The efficient use of resources and protecting the environment are an important feature of Fingerprints' sustainability framework, and we are determined to steadily improve our performance and our reporting in this area. In 2020, Fingerprints improved its climate-change rating to a "B" in CDP's annual survey. CDP operates a global environmental reporting system and helps companies, cities, states and regions to measure their risks and opportunities connected to climate change, water supply and deforestation. Fingerprints' results in the CDP survey were clearly above average in 2020, at both the European and the global level.

Fingerprints' climate-related sustainability targets and its reporting in sustainability reports and to CDP have historically focused on aspects of the operations that we can directly influence, such as consumption of energy in our offices (scope 2) and business travel (scope 3). During 2020, we started work on quantifying climate impact along our supply chain (scope 3), in order to enable our stakeholders to better understand the company's total climate impact and our initiatives to reduce it.

## ENVIRONMENTAL IMPACT OF FINGERPRINTS' SUPPLY CHAIN

Fingerprints' most important suppliers, in terms of purchasing value, are producers of semiconductors. Although the semiconductor industry accounts for a relatively small part of the world's overall CO<sub>2</sub> emissions, the producers have been working determinedly for a long time to reduce their climate impact. A key part of this work has been voluntary reductions in PFC gas emissions. As early as 1999, each regional member organization in the World Semiconductor Council (WSC) undertook to reduce their emissions of PFC gas by 10 percent by the end of 2010. This goal was comfortably surpassed, with the reduction over this ten-year period amounting to 32 percent, according to WSC. In 2011, a new target was adopted for the coming ten-year period, through 2020, expressed in terms of NER, Normalized Emission Rate, of carbon equivalents per square centimeter of manufactured wafer. The target was set at 0.22 Kg CO<sub>2</sub>e/cm<sup>2</sup>, corresponding to a 30-percent reduction compared with the base year of 2010. The WSC also published a document with best practices for new semiconductor plants (updated in 2017). According to WSC, a reduction of 19.6 percent was achieved in 2019, in relation to the base year 2010.

In 2020, Fingerprints started work on implementing a system for calculating CO<sub>2</sub>



emissions within all relevant scope 3 categories at the supplier level. The aim is to be able to put this system on stream in 2021. This is an important step toward better understanding of Fingerprints' total climate impact, and to be able to engage in a dialogue with suppliers and trade organizations about the potential to reduce emissions over time.

The size of the sensors developed and sold by Fingerprints is being reduced steadily. The fact is that today we can fit four times as many sensors per silicon wafer than we could five years ago. As a result of this increased

efficiency, combined with emissions reductions in the production process, we estimate that CO<sub>2</sub> emissions per sold sensor in 2020 were less than one-fourth of the corresponding figure in 2015.

## RESPONSIBLE MINERAL PROCUREMENT

The global semiconductor industry has undertaken, through the WSC, to use responsibly procured minerals in its semiconductor products. In 2018, the WSC updated its policy concerning the responsible procurement of minerals and simultaneously recommended

that its local members use the OECD's Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. The semiconductor industry has been involved in the development of compliance tools in this area, such as the OECD's roadmap, which have subsequently been adopted by other major industrial sectors. Fingerprints evaluates its suppliers through the Responsible Minerals Initiative (CMRT).

### SMARTER AND SAFER SOLUTIONS

Fingerprints aims to supply its customers with products that fulfill or exceed their expectations. To be able to continue to develop new pioneering products and services, it is important to attract and retain talented coworkers, and to make sure that our employees continuously develop while at work.

We are determined to deliver high-quality products and services that are safe, reliable and satisfy statutory requirements. We always have the experiences, comfort and integrity of the end users in mind when we develop biometric solutions, and we work to avoid potential negative environmental or health effects during the use of our products.

We annually arrange a comprehensive customer satisfaction survey, and continuously develop our methods for collecting data on the needs of customers and end users.

### ETHICAL AND TRANSPARENT BUSINESS METHODS

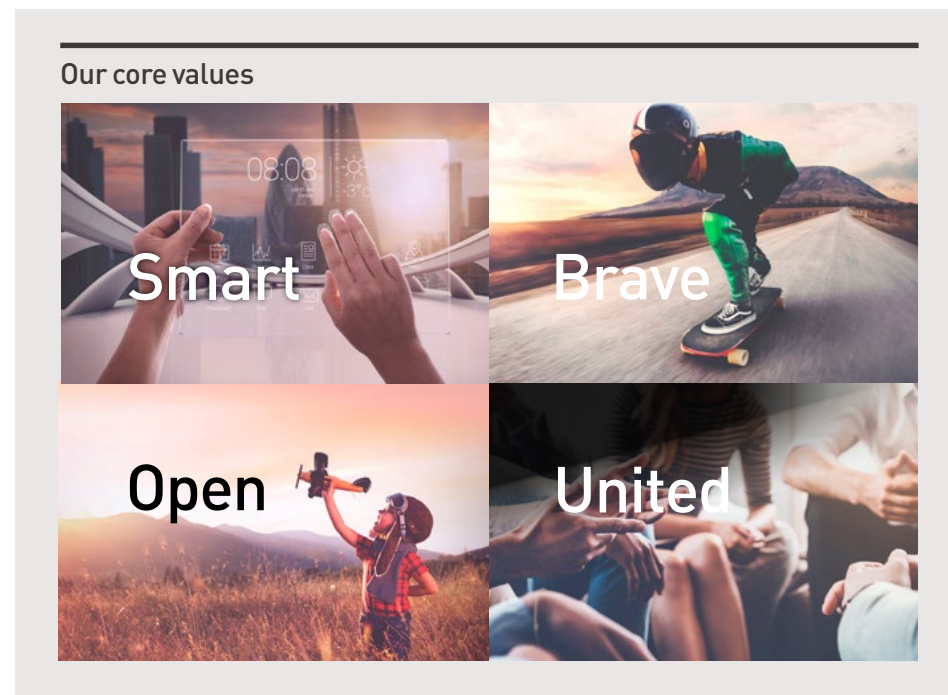
It is of the utmost importance to Fingerprints' success that the company's operations are conducted in an ethical and legal manner. Our Code of Conduct summarizes the areas that are of particular importance to building the confidence of customers and other stakeholders:

- Correct reporting and documentation
- Protect the company's assets
- Responsible communication
- Protection of sensitive information
- Comply with competition laws
- Secure responsible trade
- Zero tolerance of bribes and corruption

All employees must confirm that they have read and understood the Code of Conduct. All new employees are also exposed to the material in conjunction with introductory training, and a refresher course is implemented for all employees every second year.

### RESPECT AND REWARD OUR PEOPLE

As employees of Fingerprints, we are expected to respect each other, make sure that everyone is given the opportunity to perform optimally and that everyone is acknowledged and awarded for their efforts and performance. All of our employees are to have the same opportunities based on competencies,



experience and performance regardless of gender, race, religion, age, functional impairment, sexual preference, nationality, political opinion, social background or ethnic origin. We offer our employees a secure and inclusive workplace. Health and safety are prioritized in all aspects of our operations, at our offices and during our business trips. We shall ensure that we do not violate human rights

and that we respect international labor rights. Our employees are expected to show the same respect and protect the rights of the people who work for suppliers, customers and others with whom we do business or collaborate.

Read more about our coworkers on pages 26–30.

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## STAKEHOLDER AND MATERIALITY ANALYSIS

Fingerprints' materiality analysis is the foundation for the sustainability targets that are presented on pages 31–32. These targets are also linked to the UN SDGs.

The Global Reporting Initiative (GRI) and stipulations of the Swedish Annual Accounts Act on non-financial information (Ch. 6 Sect. 10) have been combined as the starting point of the methodology for producing Fingerprints' materiality analysis, which is integrated into the company's overall risk management process. All business lines and functions were involved in the production of the materiality analysis.

Fingerprints has defined the following groups as stakeholders;

- End users
- Module suppliers and distributors
- Coworkers
- Private investors
- Financial analysts
- Suppliers
- Business partners within ecosystems
- Non-Governmental Organizations (NGOs)
- The media
- Competitors
- Users
- Political decision-makers

As a result of the materiality analysis, the following are adjudged as the most material sustainability areas for Fingerprints. These areas are reflected in the focus areas adopted in Fingerprints' sustainability framework; see page 21.

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### Social aspects

- Attract and retain competence and talent
- Secure access to the right competence and attract, develop and retain talented individuals
- Diversity
- Occupational health & safety
- Conflict minerals
- Accessing citizens' rights and social insurance systems through official identities
- Biometric integrity

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### Environmental aspects

- CO<sub>2</sub> emissions
- Environmental impact of providers
- Recycling
- Utilization of materials

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### Financial aspects

- Corruption
- Reduced risk of fraud
- Product quality
- Entry barriers for biometrics.



## Solutions that contribute to sustainable development

Fingerprints' biometric solutions contribute to sustainable development. Our offering enables secure identification and authentication in a formerly high-risk environment.

### Resources

#### Intellectual capital

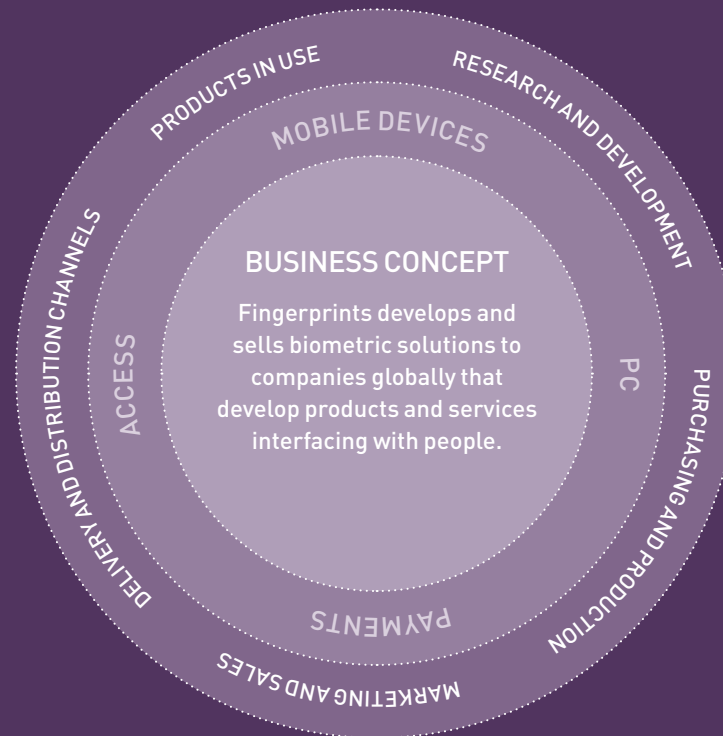
276 Employees, of whom 112 in R&D.  
Patent portfolio

#### Financial capital

Cash and cash equivalents	377 MSEK
Development costs	94 MSEK
Selling costs	130 MSEK

#### Social and relationship capital

- Customers
- Coworkers
- Shareholder
- Partners
- Suppliers
- Users
- Public authorities
- Local community
- NGOs
- The academy



### Performance

#### Financial

Customers, sales	1,256 MSEK
Suppliers, manufacturing costs	980 MSEK
Employees, personnel costs	256 MSEK
Public sector, income tax	+40 MSEK
Shareholders, dividend and buyback	190 MSEK

#### Social

FOR END USERS  
Increased integrity and reliability.

#### For society

Elevated security for people and property, and prevention of fraud and ID theft.

#### For coworkers

Job opportunities in Fingerprints and at the company's subcontractors.

# THERE IS NO ONE LIKE YOU

At Fingerprints, people work passionately for innovative technical solutions and to create products that increase security and user-friendliness.

## PEOPLE AND SUSTAINABILITY

## THERE IS NO ONE LIKE YOU

The people who work at Fingerprints are from different parts of the world and have varying backgrounds and competencies. With a passion for innovative technical solutions, we create products for secure and smooth identification and authentication.

**COOPERATION ON A REMOTE BASIS**

2020 was unlike any previous year that we have experienced. Large parts of the workforce had to work from home from early in the year and new demands were placed on technical aids, the ability to cooperate and on innovation. Fingerprints was already well equipped for reliable digital communication and our IT Department continued to secure access to user-friendly tools for efficient remote working. Through attentive management and high coworker commitment, we also succeeded in creating a good environment for working remotely. We miss seeing each other physically, but do not let that stop us; instead, we make sure that new routes are created for cooperation with the help of technology.

Communication and interaction were important watchwords during the year. We held regular virtual meetings where the entire workforce gathered in order to share information and to give the organization the opportunity to ask questions. Our global meetings have created a sense of closeness and transparency, as well as an important

feeling of being part of a team. Our managers have taken considerable responsibility for holding regular check-in meetings with their teams and individual meetings to follow up wellbeing and work in progress.

We were able to keep our offices open throughout 2020. Actions were taken continuously and we made adaptations to ensure a secure work environment for coworkers who felt a need to be in the office to perform their work.

Together, we made sure that we could continue to live by our values – Smart, Brave, Open and United – even when circumstances around us change.

**A LEARNING ORGANIZATION**

In a world where skills requirements are changing continuously, life-long learning is essential. We need to actively learn new things not just once a year but every day.

At Fingerprints, we are all leaders and we encourage all employees to take their own initiatives for developing and learning new skills. All employees are expected to assume ownership of their own development

with close support and coaching from their managers.

We set clear targets, ask for regular feedback from colleagues, focus on best practice and regularly measure the results of what we do. This means that active learning is continuously present in the organization and a natural feature of our daily work.

We support an environment and a culture in which our employees learn from each other and contact their colleagues for advice, support and to share knowledge. With our core values – Open, Smart, Brave and United – as the point of departure, we encourage our coworkers to learn at work by daring to test new things, accepting new challenges, reserving time for reflection and sharing their experiences of successes and setbacks. To meet the operation's needs of also gaining access to external knowledge and ideas, we introduced the virtual platforms Coursera and LinkedIn Learning in March 2020. This enabled the coworkers to easily participate online in a large range of professional courses in a variety of different areas.

**RESEARCH AND DEVELOPMENT**

Fingerprints conducts world-class Research and Development (R&D). Our coworkers have considerable skills and advanced educational qualifications, and they are united in deep knowledge of and a genuine interest in technology and innovation. The R&D organization is concentrated in Gothenburg and Copenhagen. About 100 engineers work here in such areas as algorithm development, ASIC design, software development, materials science, optical design and new technologies. Together with engineers in our business lines in Asia and the United States, our overall engineering expertise accounts for about 70 percent of all coworkers. The R&D organization in Scandinavia cooperates closely with our sales organization and our customer-centric engineers out in our markets. Since it was not possible to travel in 2020, we instead engaged in regular virtual dialogues with colleagues and customers. We regard having engineering competencies outside Scandinavia as a major advantage and, as a feature of additional R&D growth, we started to build a team with ASIC expertise in Taiwan at the end of 2020.

**PEOPLE WHO ENJOY THEIR WORK AND HAVE A HIGH SENSE OF WELLBEING**

At Fingerprints, we attach considerable importance to monitoring wellbeing among our coworkers and we work actively to create the best possible conditions for wellbeing and involvement. In addition to regular coworker dialogues between the manager and coworker, we arrange weekly pulse meetings involving the entire workforce, with the focus on work environment. The coworkers are asked to give continuous feedback on how they regard the current status in the categories of Leadership, Job Satisfaction, Meaningfulness, Autonomy, Work Situation, Participation, Personal Development, Team Spirit and Loyalty. The data that is collected and analyzed every week enables the company to notice trends and act quickly.

Pulse measurements are managed via an app in mobile phones and PCs and the results are visible to all coworkers. The tool also includes a feature for giving each other positive feedback, which is part of efforts to continue to build an open and engaging culture. The results and active measures

are discussed and presented in the various teams. At company level, we have made it a good habit to review results each month and take the temperature at our global staff meetings. We also take the temperature using the company-wide balanced scorecard.

The illustration on the right shows the average temperature for each category, together with a benchmark index for other technology companies. Viewed as a whole, Fingerprints' temperature outperformed the benchmark in all categories in 2020.



**WHAT IS YOUR ROLE AT FINGERPRINTS AND WHAT DO YOU ENJOY MOST ABOUT WORKING HERE?****Roger Carrico**

I joined Fingerprints to drive our smart card strategy with global leaders in the banking card industry, and today I am heading the Payment segment.

I truly like the pioneer mindset of the company and its people's determination to succeed. Our people are from many different countries, and I think the multi-national environment at Fingerprints is a real strength.

**Hanna Kumlin**

As an R&D Project Manager, I am driving product development projects from the early phases of evaluating and defining the project scope, to planning and executing product development involving people with various technical backgrounds.

What I enjoy the most at work is the open culture and the close cooperation with all my skilled colleagues.

**Digvijay Singh Kanwar**

I am the Country Head for India and I lead a team that manages Business Development, Sales and Technical Support initiatives for the APAC region.

I really enjoy working with our highly skilled cross-cultural team at Fingerprints, solving real-world problems using cutting-edge technology.

**Iris Yang**

I'm in charge of North China Sales, which is a fantastic and challenging job! We act as the bridge between customers and internal teams.

I agree with the company's core values. The people here at Fingerprints are open and positive, and our team is always full of passion and energy. What I enjoy most is that the company provides me with an environment where I can always explore my potential.

276

COWORKERS

240

EMPLOYEES  
(OF A TOTAL OF 276)

36

CONSULTANTS  
(OF A TOTAL OF 276)

40

AVERAGE AGE

170 / 70

MEN / WOMEN  
(EMPLOYEES)

The Group Management comprises eight men, five of whom are aged 30–50 years old and the remainder are over 50 years old.

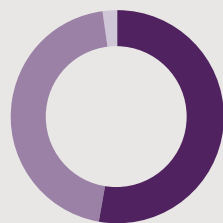
## EMPLOYEES BROKEN DOWN BY AGE, GENDER AND REGION

Geographical breakdown, women



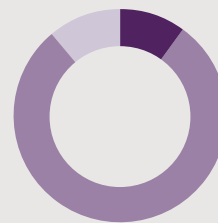
■ Europe, 47%  
■ Asia, 53%

Geographical breakdown, men



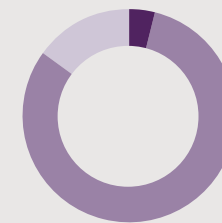
■ Europe, 53%  
■ Asia, 45%  
■ North and South America, 2%

Age breakdown, women



■ women under 30 years, 10%  
■ women 30–50 years, 79%  
■ women over 50 years, 11%







Age breakdown, men



■ men under 30 years, 4%  
■ men 30–50 years, 81%  
■ men over 50 years, 15%

PEOPLE AND SUSTAINABILITY

# SUSTAINABILITY GOALS

SUSTAINABILITY GOAL	DESCRIPTION OF GOAL FOR 2020	ACHIEVEMENTS 2020 WITH COMMENTS	DESCRIPTION OF GOAL FOR 2025
 <p><b>TRUSTED AND TRANSPARENT BUSINESS CONDUCT</b></p>			
<p><b>Acceptance and compliance with the Code of Conduct (Corporate Responsibility)</b></p> 	A. Code of Conduct to be confirmed by all co-workers.	A. All employees have confirmed the Code of Conduct. The Code of Conduct is part of the onboarding for new employees and consultants.	A. Written confirmation of the Code of Conduct by all co-workers.
	B. In addition to the introductory training for new employees, refresher training is to be conducted for all employees every other year.	B1. During the autumn of 2019, training was conducted in the organization regarding safety and compliance, where the Code of Conduct is an integral part.	B. All employees shall participate in refresher training every other year.
  <p><b>ENVIRONMENTAL PROTECTION AND EFFICIENT USE OF RESOURCES</b></p>			
<p><b>Reduce CO<sub>2</sub> emissions</b></p> 	A. Continuously reduce directly generated carbon emissions <sup>1</sup> .	A. Scope 2: 6 ton aggregate reduction or minus 21 percent in CO <sub>2</sub> equivalents achieved. • Greenhouse gas emissions – Unit: ton CO <sub>2</sub> -eq 2020: 23; 2019: 29 • Energy – Unit: MWh 2020: 921; 2019: 1,408 B. Reached level B according to Carbon Disclosure Project.	A. Reduce CO <sub>2</sub> emissions pursuant to scope 2 according to market based method with 2020 as the base year (including all offices). 50 percent reduction to be reached 2025. Guarantee of origin to be used when possible.  B1. Continuously work to reduce CO <sub>2</sub> emissions from business travels with 2019 as the base year (scope 3). 20 percent reduction to be reached 2025. B2. Continuously work to reduce CO <sub>2</sub> emissions from transportation of goods by air (scope 3). B3. Implement systems for reporting CO <sub>2</sub> emissions in the supply chain (wafer and sensor production) and dialogue with suppliers to map possibilities to reduce emissions over time. Systems to calculate CO <sub>2</sub> emissions within all relevant scope 3 categories in the supply chain in place during 2021.
<p><b>Utilization of resources in production</b></p> 	A: At least 95 percent of sensors produced are to be usable (utilization degree) <sup>2</sup> .	97,2 percent utilization degree has been reached in average in 2020. Fingerprints continuously measures how much of the silicon wafer for fingerprint sensors can be utilized.	Continuously work on improving utilization of materials. The utilization degree should be at least 98 percent of produced sensors.

 Goal achieved     Goal proceeding as planned/partly achieved     Goal not achieved

**Explanatory notes**

<sup>1</sup> CO<sub>2</sub> emissions in Scope 2 cover offices in Sweden and Denmark. The GHG Gas Protocol Corporate Accounting and Reporting Standard, market based approach was used to measure Scope 2.









<sup>2</sup> Utilization of materials in production refers to wafers.

<sup>3</sup> Employees are defined as all individuals with a direct and valid contract with Fingerprints. Coworkers are defined as all employees and consultants with consultant assignments occupying at least 50 percent of their total working hours

<sup>4</sup> Benchmark data produced by Netsurvey.

<sup>5</sup> Equal opportunities information cover all employees.

<sup>4</sup> Information on sickness absence is for Sweden only.

SUSTAINABILITY GOAL	DESCRIPTION OF GOAL FOR 2020	ACHIEVEMENTS 2020 WITH COMMENTS	DESCRIPTION OF GOAL FOR 2025
  <b>RESPECTING AND REWARDING PEOPLE</b>			
<b>Advance positioning as an attractive employer</b> 	A. Overall temperature and eNPS (Net Promotor Score) should show a positive trend compared to 2019. Overall temperature and eNPS should be better than benchmark.	A. The well-being and engagement of coworkers is measured weekly. Overall temperature as well as NPS showed a better result than 2019. The overall temperature was better than external benchmark while eNPS was in line with external benchmark. Temperature 2020: 8.0 (benchmark 7.4). Temperature 2019: 7.7 (benchmark 7.3). eNPS 2020: 7 (benchmark 9). eNPS 2019: -10 (benchmark 5).	Overall temperature and NPS shall show a positive trend compared to 2020 and be better than benchmark. eNPS measures the likelihood that a coworker would recommend Fingerprints as an employer to a friend.
<b>Equal opportunities</b> 	Reach 25 percent women of all employees at all levels in 2020 <sup>5</sup> .	Approximately 29 percent of the company's coworkers are women. 21 percent of managers are women. We have been working actively with the recruitment process, both with announcement, selection and the use of testing, to attract more women and to remove any obstacles for equality. We follow up on how our female coworkers experience the working situation through weekly measurements, as part of keeping our female coworkers. During the year we have also sponsored the organization Pepp (blipepp.nu) to attract more women to study science and technology.	We are committed to having a diverse workforce with equal opportunities for all. Our target is to reach 35 percent women in our organization (employees) by 2025. We work actively with our recruitment processes and Employer Brand to attract, retain and develop a diverse workforce. Our Policy for Equality, Diversity and Inclusion is included in our onboarding for all new employees and is to be confirmed by all employees annually.
<b>Health and safety</b> 	A No serious work-related accidents.	A No serious accidents occurred.	Identify and implement initiatives to strengthen the working environment. - No serious work-related accidents. - Not more than 1 percent of coworkers affected by work-related long term sickness absence.
	B Not more than 1 percent of coworkers affected by work-related long term sickness absence <sup>6</sup> .	B Less than 1 percent of coworkers affected by work-related long term sickness absence.	
	C Perceived stress levels at a maintained or improved level compared to benchmark, with 2016 baseline index of 15 in perceived stress levels.	C. Methodology for measuring stress level 2020 changed. The temperature in the category "work situation" was 7.8, which was better than the sector average.	
  <b>SMARTER AND SAFER SOLUTIONS</b>			
<b>Customer satisfaction</b> 	Drive active improvement work in key corporate functions with the objective of increasing the CSI (customer satisfaction index). CSI should be above benchmark (4.12) for corresponding peer companies and sector.	A customer satisfaction survey was conducted during the year. CSI increased to 4.50 (4.38). The NPS also increased compared with 2019.	Drive active improvement work in key corporate functions with the objective of increasing the CSI (customer satisfaction index). CSI should be above benchmark (4.12) for corresponding peer companies and sector.



# RISKS AND RISK MANAGEMENT

Like all business activities, Fingerprints' operations are associated with risk. Risks include Fingerprints' dealing with situations erroneously and events or decisions outside the company's control that could result in disruptions to operations, damage or losses with a material impact on the company. Fingerprints' risk management is critical to the company's

success. To anticipate risks and minimize their effects, Fingerprints has processes in place to continuously identify and manage risks that can affect its operations. As part of this process, the company evaluates the probability and consequences of operational risks, market risks, financial risks, as well as legal and other risks.

NAME OF RISK	HOW FINGERPRINTS IS IMPACTED	RISK CONTROL AND RISK MANAGEMENT
<b>OPERATIONAL RISKS</b>		
Delivery capacity of contracted suppliers	Financial damage as a result of delivery disruption.	Maintaining a diversified supplier base of hardware and input materials.
Reduced technological leadership	Loss of competence.	Continuous product development and understanding of customer demands, increased R&D collaboration with customers.
Leaks and infringements regarding business secrets	Financial consequences and loss of reputation in connection with leaks of development information.	Implement IT Policy through training and integration in management system. Develop procedures for platforms, systems and cloud when managing high risk data.
Internal scalability	Growing pains when the company's infrastructure and work methods are not involved to the same extent as the financial development.	Investments made in Management system, processes development is ongoing. Investment in HR system, implementation is ongoing.
<b>MARKET RISKS</b>		
Geopolitical instability	Loss of business opportunities for local/regional political reasons.	Differentiate Fingerprints biometric solutions vis-à-vis low cost products with low biometric integrity.
Supplier costs	Reduced margins due to increase in supplier costs.	Ensure market-aligned pricing by using several suppliers. Continuous reviews of suppliers' pricing and market analysis.
Economic fluctuations	Reduced demand that impacts the company's profits, inventories and the valuation of intangible assets.	Reduce cyclicity through diversifying to new markets and continuously analyze the whole value chain to foresee demand fluctuations. Broaden the product portfolio and customer base.
Currency risk	Negative financial impacts from currency fluctuations.	Fingerprints has elected not to hedge its net exposure in USD, since hedging may itself be viewed as currency speculation.
Loss of customers and price pressure due to increased competition	Sales revenues and market shares decline due to price pressure and customer requirements for a number of suppliers.	Aim to be a full solution provider. Increased focus on customer satisfaction, service, quality and quick response time. Maintain direct customer contacts. Cultivate new customers in new markets. Develop strategic partnerships.
<b>FINANCE RISKS</b>		
Credit risk	The counterparty does not fulfil his/her payment obligations.	Compliance with credit policy and established process for credit assessment and setting limits. Use of credit insurance.
Financing	Financing of capital requirements is made more difficult or more expensive.	Communicate proactively with the capital market and create conditions for implementing the necessary capital acquisition measures if required.
<b>LEGAL RISKS</b>		
Competitor IP	Patents held by others impede the applications of Fingerprints' technology.	Patent strategy and active patent monitoring. Close cooperation between patent manager and development department.
Value of Patent IP	Loss of revenue and earnings due to patent infringements.	Maintain well-protected patents and work actively to leverage proprietary IP.
Products defects and product liability	Financial consequences and impact on customer satisfaction.	Ensure the right product design and that all of Fingerprints' hardware products are tested prior to delivery. Work actively on resolving faults and product returns within the quality organization.

NAME OF RISK	HOW FINGERPRINTS IS IMPACTED	RISK CONTROL AND RISK MANAGEMENT
<b>OTHER RISKS</b>		
Corruption	Financial consequences and loss of reputation.	Further implement Fingerprints' Code of Conduct in Management system. All coworkers shall complete Code of Conduct E-learning where anti-corruption is included. Assess anti-corruption policy and update where needed. Conduct more in-depth training activities for target audience. Take steps to develop internal audit practices.
Conflict minerals	Impact of rumors and financial consequences.	Annual inspection of our suppliers. Assess suppliers through Responsible Minerals Initiative CMRT.
Limitations on planned business development	Entrance barriers, laws and regulatory barriers for new segments.	Structured stakeholder analysis to understand stakeholder requirements and expectations. Work with existing partners to reduce industry barriers for biometrics in general as well as for Fingerprints. Actively seek new partnerships to reduce entrance barriers.
Biometrics and integrity	Impact on demand if public confidence in biometric solutions diminishes.	Application of TEE (Trusted Execution Environment) to ensure that data be accessed through operating systems and apps. Communicate transparently about the secure usage of our solutions and be transparent about risks and Fingerprints risk mitigating activities.
Discrimination and limited diversity	If we do not succeed in creating an inclusive work environment characterized by diversity, we risk losing innovative power, productivity, creativity and customer satisfaction. We risk not being an attractive employer for current and future employees if we cannot reflect the breadth of society.	Having employees with different experiences and backgrounds gives us greater competitiveness, increased knowledge and a broader perspective. Working actively for an inclusive and sustainable work environment must permeate the company's strategy.
Talent attraction and retention	If we do not succeed in attracting, recruiting and retaining the right skills for the future, we risk not succeeding in delivering on our goals.	Work actively with our employer brand and recruitment process to attract future employees. Work actively with regular employee surveys to follow up the staff's work situation and health. Focus on leadership and commitment within the organization.
Environmental Impact	Negative environmental impact from Fingerprints production, suppliers, own operations and products usage. Loss of customers, brands and markets.	Work actively on environmental goals within CO <sub>2</sub> emissions and on the environmental performance of suppliers.
Reduced risk of fraud	FPC's biometric solutions can reduce risk of fraud when used to facilitate financial payments.	Actively working with developing procedures to measure fraud reduction from smartcards with biometric solutions.
Access to citizen and residential rights	FPC Delta ID is Aadhaar certified and can contribute to access to citizen rights in that project. FPC's biometric solutions provide a safer option for identification that can be used broadly for access to citizen or residential rights such as social security.	Work on issuing Aadhaar-certified products to the market.

# Auditor's opinion regarding the Statutory Sustainability Report

To the General Meeting of the shareholders in Fingerprint Cards AB (publ), corporate identity number 556154-2381

## Engagement and responsibility

It is the board of directors who is responsible for the sustainability report for the year 2020 on the pages 20-32 and that it is prepared in accordance with the Annual Accounts Act.

## The scope of the examination

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

## Opinion

A statutory sustainability report has been prepared.

Gothenburg, April 23, 2021

MOORE KLN AB

Ulf Lindesson

Authorized Public Accountant

# THE SHARE

Fingerprints' class B shares have been listed on Nasdaq Stockholm since 2000. Initially, Fingerprints was listed on the Stockholm "Nya Marknaden" list in 1998.

The share's ISIN code is SE0008374250 (Industrial Goods & Services sector). The company is traded under the ticker FING B. Fingerprint Cards is a CSD company, which means the company's share register is maintained by Euroclear Sweden AB.

As of 31 December 2020, the share capital of Fingerprint Cards AB amounted to SEK 12,975,667, divided between 6,000,000 class A shares and 307,967,675 class B shares, each with a quotient value of SEK 0.04. Class A shares carry ten votes and class B shares carry one vote, the total number of votes amounts to 367,967,675.

All shares carry equal participation in capital, but different voting rights, and are freely transferable. The class A shares corresponds to 16.3 percent of the votes and 1.9 percent of the capital of Fingerprints.

At year-end, the ten largest shareholders had total holdings corresponding to 37.1 percent of the votes. Foreign institutional shareholders had holdings corresponding to 14.9 percent of the share capital. For more information on ownership see pages 37-38 of this Annual Report.

## SHARE PRICE TREND

During 2020, the closing price of the class B share decreased by 8 percent to SEK 17.41 kronor (18.88). During the same period, the OMXSPI index increased by 13 percent. In 2020, Fingerprints' class B share set a high of SEK 22.60 and a low of SEK 9.50. At year-end 2020, Fingerprints' market capitalization was approximately SEK 5,466 M (5,927).

## FINGERPRINTS' SHARE TURNOVER

In 2020, 1,544 (3,128) million class B shares were traded. An average of 6.1 (12.5) million class B shares were traded per day.

## SHAREHOLDERS

At the end of 2020, there were 55,950 (61,888) shareholders, which is a ten percent decrease compared to the same time of the previous year. Institutional shareholders held 18.8 (18.9) percent of the share capital, Swedish individuals 46.9 (48.7) percent, other shareholders 22.2 (22.8) percent and anonymous shareholders held 8.1 (9.6) percent.

## OPTIONS PROGRAMS

Fingerprints had no outstanding options programs at the end of the year.

## DIVIDEND POLICY

The Board of Directors' top priority is to ensure that Fingerprints maintains a financial position that is strong enough to support both organic growth and selective acquisitions. Fingerprints also wishes to maintain a strong balance sheet.

Transfers of capital to shareholders should be adapted to Fingerprints' earnings trend and cash flow, while at the same time considering the company's growth potential and financial position.

## DIVIDEND

The Board of Directors' proposes that no dividend be paid for the financial year 2020.

## SHARE REPURCHASES

On 27 May 2020 it was announced that the Board of Directors, authorized by the AGM on 26 May 2020, had decided on repurchase of Fingerprints' shares. During 2020, shares at a total value of SEK 190.4 M were repurchased at an average price of SEK 15.33 per share. Repurchased shares are held in own custody and they have no value as assets or as equity. The share capital is unchanged at SEK 12,975,667.

## INFORMATION DISCLOSURE

Fingerprints is not presenting a forecast for 2021.

## FINANCIAL ANALYSTS

In 2020, Fingerprints was covered by the following analysts:

- Redeye, Viktor Westman
- UBS, François-Xavier Bouvignies

**10 largest shareholders at 31 December 2020**

	Class A shares	Class B shares	Capital	Votes
Johan Carlström, incl companies	6,000,000	15,000,000	6.7%	21.1%
GO ETF Solutions LLP		21,457,603	6.8%	6.0%
Avanza Pension		8,455,630	2.7%	2.4%
ETF Managers Group LLC		7,747,115	2.5%	2.2%
BlackRock		5,623,852	1.8%	1.6%
Svenska Handelsbanken AB for PB		4,655,500	1.5%	1.3%
Swedbank Insurance		2,361,908	0.8%	0.7%
Erik Svenonius		2,135,000	0.7%	0.6%
Handelsbanken Funds		2,075,046	0.7%	0.6%
Nordnet Pension Funds		2,052,206	0.7%	0.6%
Other		236,403,815	75.3%	62.9%
<b>Total</b>	<b>6,000,000</b>	<b>307,967,675</b>	<b>100.0%</b>	<b>100.0%</b>
of which Fingerprints holdings of own shares		12,423,665	4.0%	0.0%

**Share classes at 31 December 2020**

	Votes	No of shares	No of votes	Participation interest	Voting share
Class A	10	6,000,000	60,000,000	1.9%	16.3%
Class B	1	307,967,675	307,967,675	98.1%	83.7%
<b>Total</b>		<b>313,967,675</b>	<b>367,967,675</b>	<b>100.0%</b>	<b>100.0%</b>

**Allocation of holdings**

	No of shares	Capital	Votes	No of known shareholders	Proportion of known shareholders
1–1,000	10,510,773	3.3%	2.9%	41,314	73.8%
1,001–5,000	23,093,696	7.4%	6.3%	9,444	16.9%
5,001–10,000	16,549,811	5.3%	4.5%	2,194	3.9%
10,001–20,000	19,849,865	6.3%	5.4%	1,358	2.4%
20,001–	218,611,386	69.6%	74.1%	1,640	2.9%
Anonymous ownership	25,352,144	8.1%	6.9%		
<b>Total</b>	<b>313,967,675</b>	<b>100.0%</b>	<b>100.0%</b>	<b>55,950</b>	<b>100.0%</b>

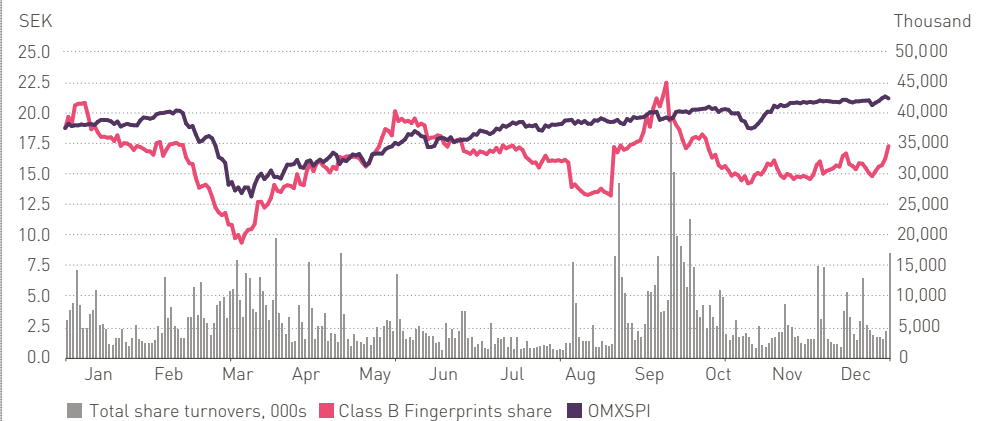
**Shareholder type**

	No of shares	Capital	Votes
Swedish private individuals	147,389,055	46.9%	40.1%
Other	69,726,552	22.2%	33.6%
Swedish institutional owners	12,282,075	3.9%	3.3%
Foreign institutional owners	46,794,184	14.9%	12.7%
Own holdings	12,423,665	4.0%	3.4%
Anonymous ownership	25,352,144	8.1%	6.9%
<b>Total</b>	<b>313,967,675</b>	<b>100.0%</b>	<b>100.0%</b>

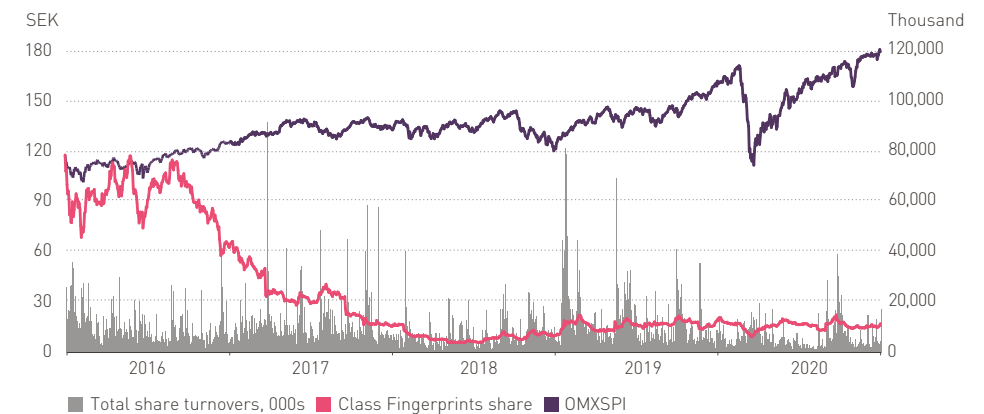
## Share capital development

Year	Event	Quotient value, SEK	Change in no of shares	Total no of shares	Increase in share-capital	Total share-capital
1997	Split 500:1	0.2	249,500	250,000	0	50,000
1997	Bonus issue	0.2	250,000	500,000	50,000	100,000
1997	New issue	0.2	2,000,000	2,500,000	400,000	500,000
1997	New issue exercise of warrants	0.2	370,000	2,870,000	74,000	574,000
1998	New issue	0.2	2,000,000	4,870,000	400,000	974,000
2000	New issue	0.2	540,000	5,410,000	108,000	1,082,000
2000	New issue	0.2	938,258	6,348,258	187,651	1,269,651
2005	New issue	0.2	3,000,000	9,348,258	600,000	1,869,651
2006	New issue	0.2	2,804,475	12,152,733	560,895	2,430,546
2009	New issue	0.2	7,682,060	19,834,793	1,536,412	3,966,958
2009	New issue	0.2	19,834,793	39,669,586	3,966,959	7,933,916
2011	New issue	0.2	3,940,000	43,609,586	788,000	8,721,917
2012	New issue	0.2	4,198,549	47,808,135	839,710	9,561,927
2013	New issue exercise of warrants	0.2	95,485	47,903,620	19,097	9,581,024
2013	New issue	0.2	1,400,000	49,303,620	280,000	9,861,024
2013	New issue	0.2	1,600,000	50,903,620	320,000	10,180,724
2013	New issue exercise of warrants	0.2	335,407	51,239,027	67,081	10,247,805
2013	New issue exercise of warrants	0.2	263,500	51,502,527	52,700	10,300,505
2013	New issue exercise of warrants	0.2	158,608	51,661,135	31,722	10,332,227
2013	New issue	0.2	2,500,000	54,161,135	500,000	10,832,227
2014	New issue	0.2	2,500,000	56,661,135	500,000	11,332,227
2014	New issue exercise of warrants	0.2	1,760,000	58,421,135	352,000	11,684,227
2015	New issue exercise of warrants	0.2	4,818,000	63,239,135	963,600	12,647,827
2016	New issue exercise of warrants	0.2	1,300,000	64,539,135	260,000	12,907,827
2016	Proforma Split 5:1	0.04	0	322,695,675	0	12,907,827
2016	Repurchase of treasury shares	0.04	-10,424,000	312,271,675	0	12,907,827
2016	New issue exercise of warrants	0.04	826,000	313,097,675	33,040	12,940,867
2016	New issue exercise of warrants registered on 3 January, 2017	0.04	870,000	313,967,675	34,800	12,975,667
2017	Cancellation of repurchased shares	0.04	0	313,967,675	-416,960	12,558,707
2017	Bonus issue	0.04	0	313,967,675	416,960	12,975,667

## SHARE PRICE DEVELOPMENT 2020



## SHARE PRICE DEVELOPMENT 2016-2020





Fingerprints' Board of Directors 2020

## MESSAGE FROM THE CHAIRMAN

# STRATEGIC PRIORITIES BUILD ON FINGERPRINTS' LEADING POSITION

Dear Shareholder,

Nearly three eventful years have passed since I took office as Chairman of Fingerprint Cards. At that time, in 2018, the company found itself in a very precarious situation. The Board of Directors' mission was clear: support Group Management in reversing the trend and in equipping Fingerprints for the future. That year, a comprehensive restructuring program was implemented to rapidly reduce the cost base and secure the company's survival. In parallel, we continued to make focused investments in technology and product development, in part to defend and build on Fingerprints' leading position in the mobile industry and in part to position the company for future growth in new areas. These strategic priorities have dominated the Board's agenda in recent years. Although we have not yet achieved all of our goals, the company is now in a much more stable

situation, with a very strong position not only in the mobile industry, but also in a number of new emerging growth areas.

Fingerprints was a pioneer in the development of biometric solutions for mobile phones, and has also assumed a groundbreaking role in new fields, such as payments. As I stated in my first message as Chairman in the 2018 Annual Report, Fingerprints is a special company with a unique culture, which ever since its foundation has had a rock-solid belief in the market potential and in its ability to play a leading role in developing new markets for biometrics.

I am proud of the Group Management and of the coworkers at Fingerprints. The business and product development initiatives they pursued during the year have given us a fantastic platform in an expanding industry. Our new ultrathin sensors for smartphones have been very successful and have led to something of

a renaissance for the capacitive technology in the mobile industry. Another example is our new biometric PC solution, which a number of top-tier global PC manufacturers have already started to roll out. And yet another is the second generation T-Shape sensor module (T2) for biometric cards, which delivers even better performance than its predecessor, while also being a world leader in terms of cost efficiency.

Less than ten years ago, biometrics was still a niche technology that most of us had rarely come across. But today, at least if you have a smartphone, you probably continuously use your fingerprint or facial recognition for verifying your identity. This broad consumer acceptance has paved the way for the use of biometrics in more areas and, what is more, the coronavirus pandemic actually seems to be hastening the spread of this technology to new markets. This applies not least to the

payments segment, where consumers are demanding more secure contactless payment alternatives. In France, we can now see the first large-scale launches of biometric payment cards, and more will probably follow in the year ahead or thereafter.

During 2020, Fingerprints bought back shares for SEK 190 M, to adapt and improve the company's capital structure by reducing capital, thereby creating additional shareholder value. We had a positive cash flow from operating activities and our liquidity is good, with net cash of SEK 354 M at December 31, 2020. We will continue to pursue world-class innovation, and I look forward to another year of fruitful cooperation with the Board of Directors, Group Management and the coworkers of Fingerprint Cards!

**Johan Carlström**  
Chairman of the Board



# CORPORATE GOVERNANCE REPORT

Fingerprint Cards AB (publ) (Fingerprints) is a Swedish public limited company listed on Nasdaq Stockholm and with registered office in Gothenburg in the County of Västra Götaland.

The corporate governance of Fingerprints is based on legislation and other regulations: the Swedish Companies Act, the Articles of Association, Nasdaq Stockholm’s Rulebook for Issuers, the Swedish Code of Corporate Governance (www.corporategovernance-board.se), (the “Code”), other applicable laws and ordinances, and internal regulations.

Fingerprints endeavors to create long-term value for shareholders and other stakeholders. This involves ensuring an effective organizational structure, systems for internal control and risk management, as well as transparent internal and external reporting.

This Corporate Governance Report has been prepared in accordance with the Swedish Annual Accounts Act and the Code of Corporate Governance. Its primary purpose is to describe corporate governance within Fingerprints. For this purpose, the Report will only be used to a lesser extent to report information that ensues from applicable regulation.

Fingerprint Cards’ auditors have read this report and a statement from the auditor has been appended to it.

## SEGREGATION OF DUTIES

The shareholders exercise their influence at the General Meeting, which is the company’s chief decision-making body. Responsibility for the company’s organization and administration of the company’s affairs rests with the Board of Directors and the CEO in accordance with applicable laws and regulations, and the Board of Directors’ internal control instruments.

## SHAREHOLDERS

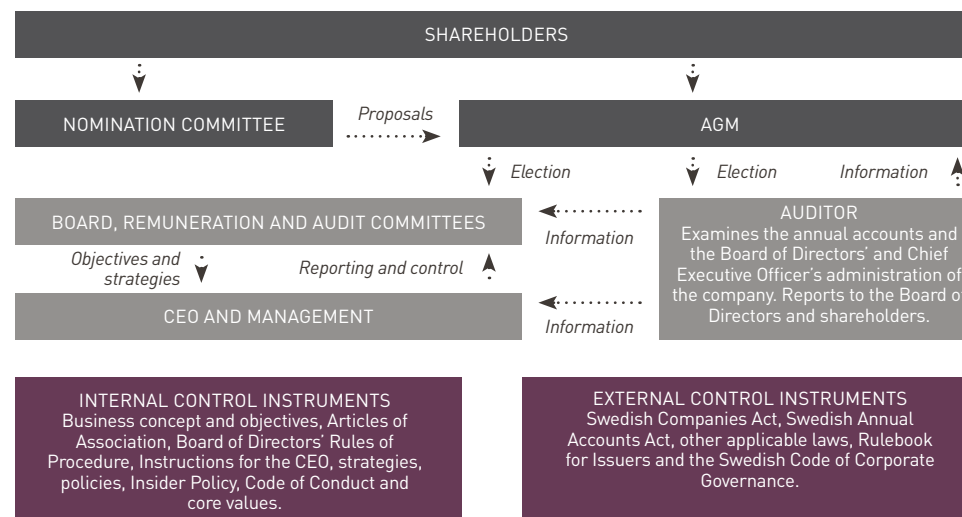
Fingerprints is a securities depository-registered company, and the company’s share register is maintained by Euroclear Sweden AB.

At year-end 2020, the company had 55,950 (61,888) known shareholders, which was a decrease of ten percent compared with the same date in the previous year.

At year-end the registered share capital was SEK 12,975,667, divided between 6,000,000 class A shares and 307,967,675 class B shares. Class A shares each carry ten votes and class B shares each carry one vote. Class A and B shares carry the

same participating interest in the company and equal entitlements to dividends. On 27 May, 2020, it was announced that the Board had decided to repurchase shares, in line with the authorization from the AGM

on 26 May 2020. During 2020, shares were repurchased at an amount of SEK 190.4 M at an average price of SEK 15.33 per share. Repurchased shares are in own custody and has no value in assets or in equity.



At year-end, the ten largest shareholders held 37.1 percent of the votes in the Company. For more information on ownership, see pages 36-38 of this Annual Report.

### ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) approves the Income Statement and Balance Sheet for the previous financial year for the Parent Company and the Group. The AGM also resolves on dividend and discharging the Directors and CEO from liability, elects the Board of Directors and the Chairman of the Board, and approves their fees, elects the auditor, and resolves on audit fees, and also deals with other statutory matters. Resolutions are taken on the Nomination Committee and guidelines for remunerating senior executives, and other proposals from the Board of Directors and shareholders.

Notice of shareholders' meetings shall be made through an announcement in the Swedish Official Gazette and on the company's website. Notification that the invitation has been issued is announced in Swedish daily newspaper Svenska Dagbladet. Notice of AGMs are issued at the earliest six and the latest four weeks prior to the Meeting. Meeting invitations are to contain information on the procedure for the notification of attendance and the closing date for notification, entitlement to participate in and vote

at the Meeting, a numbered agenda with business for consideration, information on appropriation of profits and an outline of other proposals.

Notice of an Extraordinary General Meeting (EGM), where an amendment to the Articles of Association is to be considered, are to be issued at the earliest six, and at the latest four, weeks prior to the Meeting. Notifications of other EGMs are to be issued at the earliest six, and the latest three, weeks prior to the Meeting.

All shareholders recorded in the share register on the record date, and who have notified attendance on time, are entitled to participate in shareholders' meetings, and vote in accordance with the shares registered. Shareholders can attend via a proxy that has as been issued with power of attorney. However, the shares must still be registered with information regarding the proxy, and presentation of the power of attorney. In order to exercise voting rights at shareholders' meetings, shareholders with nominee-registered holdings must temporarily re-register their shares in their own name, pursuant to the stipulations of the invitation to the Meeting.

Shareholders who wish to have a matter considered at the AGM shall provide a written proposal to [investrel@fingerprintcards.com](mailto:investrel@fingerprintcards.com) or to [Bolagssekreteraren](mailto:Bolagssekreteraren), Fingerprint Cards

AB, Birger Jarlsgatan 14 (5 tr.), SE-114 34 Stockholm, no later than seven weeks before the AGM, to guarantee that the matter can be included in the invitation to the AGM.

Most resolutions at shareholders' meeting are passed by a simple majority. In certain cases, the Swedish Companies Act stipulates that resolutions must be supported by a qualified majority, for example resolutions on amending the Articles of Association, which require shareholders with at least two-thirds of both the votes cast and the votes represented at the Meeting to support the resolution. Resolutions regarding incentive programs require an even greater majority, with in certain cases, qualified majorities of up to 90 percent of the shares and votes represented at the Meeting.

### AGM 2020

The AGM for the 2019 fiscal year was held in Stockholm on 26 May 2020. The notice to the AGM was published on 27 April 2020.

68 shareholders, accounting for 26.2 percent of the votes and 13.5 percent of the number of shares, were represented at the AGM.

### THE AGM PASSED RESOLUTIONS ON:

- Adopting the accounts for 2019 fiscal year.
- Approving the appropriation of profits

with the earnings carried forward.

- Discharging the Board of Directors and CEO from liability for 2019 fiscal year.
- That the number of Directors shall be seven, with no deputies.
- Election of Directors, Chairman of the Board and auditor.
- Approval of Directors' fees and fees to auditors.
- Nomination Committee instructions.
- Remuneration guidelines for senior executives.
- Authorization of the Board of Directors to repurchase and transfer treasury shares.

Additionally, the AGM resolved to authorize the Board of Directors to, up until the next AGM, on one or more occasions, waiving shareholders' preferential rights, take decisions regarding new issues of Class B shares, warrants and/or convertibles that carry entitlement to Class B shares reflecting at most ten percent of the total number of outstanding shares in the Company as of the day of the notice of the AGM 2020.

More information on the AGM 2020 is available at Fingerprint Cards' website: [www.fingerprints.com](http://www.fingerprints.com).

### ANNUAL GENERAL MEETING 2021

The AGM will be held on Wednesday, 26 May 2021. Due to the extraordinary situation as a

result of covid-19, to avoid spread of the virus and in line with recommendations from the authorities, the AGM will be held without physical presence but instead with post voting.

**NOMINATION COMMITTEE**

The AGM 2020 resolved that the Company is to have a Nomination Committee comprising four (4) members.

During the year, the Chairman of the Board is to convene a meeting of the three (3) largest shareholders of the Company in terms of voting power and ask them to each appoint one representative who, in addition to the Chairman of the Board, will constitute members of the Nomination Committee. Should one of the three largest shareholders choose to waive their right to appoint a representative of the Nomination Committee, the shareholder who is next in line in terms of size is to be given an opportunity to appoint a member of the Nomination Committee. The Nomination Committee may also decide, if this is regarded as appropriate, to appoint an additional representative of a group of major shareholders as a co-opted member of the Nomination Committee.

The Chairman of the Board is to convene the first meeting of the Nomination Committee. The member representing the largest shareholder in terms of voting power is to

be appointed Chairman of the Nomination Committee, unless the members agree otherwise. The term of office of those appointed to the Nomination Committee extends until such time as a new Nomination Committee is appointed. The composition of the Nomination Committee is to be disclosed no later than six months before the AGM.

The Nomination Committee is to be constituted based on the largest shareholders in terms of voting power registered for the holder or known in some other manner as per the last banking day in August. If one or several of the shareholders who have appointed members of the Nomination Committee no longer belong to the three largest shareholders, their representative/s is/are to step down, whereupon the/those shareholder/s who has/have been added to three largest shareholders will be entitled to appoint a new representative. However, marginal changes that have occurred in the number of voting rights need not be taken into account, assuming that no special circumstances prevail.

If a member steps down from the Nomination Committee before its work has been completed, the Nomination Committee is to urge the shareholder who appointed such a member to appoint a new representative to the Nomination Committee without undue delay. Should this shareholder refrain from appointing a new representative, the right

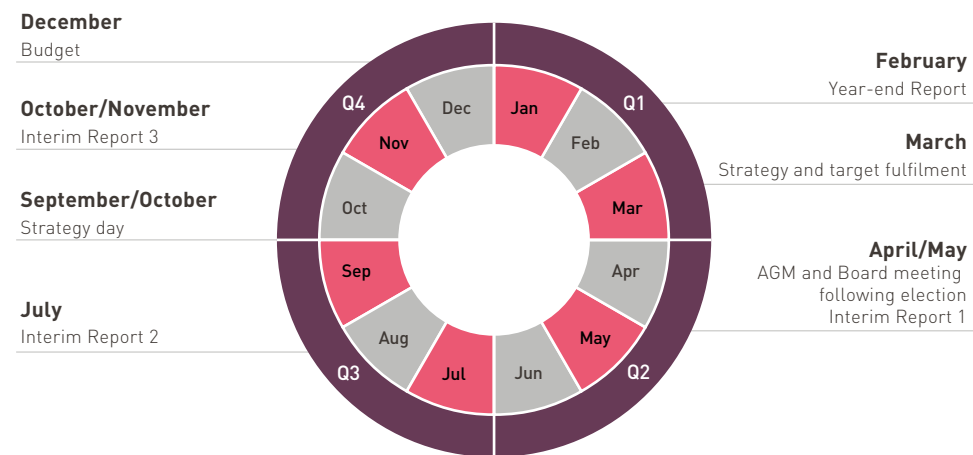
to appoint a new member of the Nomination Committee will accrue to the next largest shareholder in terms of voting power who is not represented on the Nomination Committee. Any changes to the composition of the Nomination Committee must be disclosed as soon as they occur.

The Nomination Committee is to draft proposals on the following issues for resolution by the 2021 AGM:

- proposal concerning Chairman of the Meeting

- proposal concerning members of the Board
- proposal concerning Chairman of the Board
- proposal concerning auditor
- proposal concerning remuneration of Board members
- proposal concerning remuneration of the auditor
- proposal concerning guidelines for appointing the Nomination Committee

**Board of Directors' work**



At all meetings – CEO's status report, investment decisions

Fingerprints' Nomination Committee had the following members for the AGM 2021:

- Johan Carlström (Chairman of the Board), member of the Nomination Committee
- Dimitrij Titov (appointed by Velociraptor LTD), chairman of the Nomination Committee
- Helen Fasth Gillstedt (appointed by Handelsbanken Fonder), member of the Nomination Committee
- Erik Svenonius (shareholder), member of the Nomination Committee

The Chairman of the Nomination Committee is a member of the Board of Directors, which means that the Company is deviating from the Swedish Code of Corporate Governance.

Shareholders may submit proposals to the Nomination Committee. Proposals are to be sent by email to: [investrel@fingerprints.com](mailto:investrel@fingerprints.com)

### WORK OF THE NOMINATION COMMITTEE FOR THE AGM 2021

For the AGM 2021, the Nomination Committee held three meetings, maintained regular intervening contact on various Nomination Committee matters and held meetings with candidates for Directorships. A Board evaluation was conducted through the Directors responding to a number of questions. The responses were compiled and presented by the Chairman of the Board, and discussed

within the Board of Directors. Subsequently, in order to make an accurate assessment on matters regarding the composition of the Board of Directors, the Nomination Committee read and reviewed the Board evaluation and the work of the Board of Directors, as well as the Chairman of the Board's report on the company's operations, objectives and strategies, jointly with the Chairman of the Board. The Nomination Committee also analyzed the competence and experience of the Directors, and their gender division, and compared them with identified needs. The Nomination Committee's opinion is that the Directors possess considerable breadth and extensive experience of activities including business operations, technology, the financial markets, telecom and IT, and of the semiconductor industry. The Board of Directors currently consists of six men and one woman. The Nomination Committee strives to achieve an even gender balance on the Board of Directors. The Nomination Committee applies point 4.1 of the Code as its Diversity Policy, and continuously strives to satisfy the Code's standards for diversity, breadth and gender balance on the Board of Directors. The Nomination Committee also had several contacts with the Audit Committee regarding the Audit Committee's recommendations on the election of an auditor.

### BOARD OF DIRECTORS AND CEO

Pursuant to the Articles of Association, Fingerprints' Board of Directors is to consist of four to ten Directors with a maximum of five deputies elected by the AGM for the period until the end of the following AGM. The Board of Directors and the Chairman of the Board are appointed at each AGM for the period until the following AGM, and accordingly, their term of office is one year.

Apart from the AGM, changes to the Board of Directors can be executed through an EGM resolution or by a Director choosing to resign his or her appointment in advance.

The AGM 2020 resolved to re-elect Sofia Bertling, Johan Carlström, Ted Elvhage, Alexander Kotsinas, Tomas Mikaelsson, Dimitrij Titov and Juan Vallejo as Directors. Johan Carlström was elected as Chairman of the Board.

In the Nomination Committee's opinion, seven Directors of the Board are independent of the Company and management. Six Directors are independent of major shareholders. Accordingly, the Board of Directors satisfies the independence requirements stipulated by the Code.

The Board of Directors is responsible for Fingerprints' organization and administration, in the interests of both the company and its shareholders. The Board must regularly evaluate Fingerprints' financial situation and

ensure that Fingerprints is organized so that its accounting, management of funds and the company's other accounting circumstances are controlled satisfactorily. The Board appoints the CEO and decides on issues regarding strategic direction of operations and the company's overall organization.

Each year, the Board adopts written Rules of Procedure that formalize the work of the Board and its internal segregation of duties, decision-making within the Board, the Board's meeting schedule and the duties of the Chairman. In addition, the Board has issued documents including written instructions regarding the segregation of duties between the Board and the CEO.

The Board also approves policies and instructions for operating activities. Operating activities are managed by the CEO. The CEO regularly provides the Board with information on events that are significant to the company's progress, results, financial position, liquidity or other information of such significance that the Board should be informed of. The Directors are presented on pages 49-50.

### WORK OF THE BOARD OF DIRECTORS IN 2020

Pursuant to the current Articles of Association, the Board of Directors must meet on at least four scheduled occasions and one

statutory meeting per year. Additional meetings can be held as required.

In 2020, there were 19 Board meetings. Scheduled agenda items at Board meetings during the year are Group Management's reporting of business conditions, operations, organizational resources, results of operations, financial position and liquidity. Special Board meetings with a focus on strategy are held in the spring and autumn. During the autumn, and before Christmas, Board meetings consider the budget and business plan for the following year.

Board meetings are held quarterly to reach decisions on publications of interim, half-year and annual financial statements. Meetings to decide on convening notice, annual accounts, corporate governance documentation and other matters for business are held prior to AGMs. Senior executives of Fingerprints participate in Board meetings as required.

### REMUNERATION COMMITTEE

The Remuneration Committee evaluates and consults on matters regarding remuneration and employment terms, and makes proposals and guidelines for remuneration of the CEO and senior executives for approval by the AGM. The Remuneration Committee must ensure that remuneration is commensurate with prevailing market conditions for corresponding executives in other companies, and

accordingly, that the company's offering to its employees is competitive. The CEO's remuneration is approved by the Board.

Remuneration of other senior executives is decided by the CEO after consulting with the Remuneration Committee. In 2020, the Remuneration Committee's members were the Directors Juan Vallejo (Chairman), Sofia Bertling, and Ted Elvhage. During the fiscal year 2020, the Remuneration Committee met on three occasions.

### AUDIT COMMITTEE

The Audit Committee's duty is to support the Board on ensuring high quality and efficiency within internal controls, financial reporting and external audits. This includes reviewing interim reports and annual financial statements prior to publication, and considering all critical accounting issues and judgments regarding assessments of risk. The Audit Committee meets the external auditor at least once per year and reviews and monitors the auditors' impartiality and independence, and identifies particularly whether the auditor is supporting the company on other services than auditing, and also provides support on proposals for AGM resolution and election of auditors.

In 2020, the Audit Committee's members were the Directors Alexander Kotsinas (Chairman), Johan Carlström and Dimitrij

Titov. During the fiscal year 2020, the Audit Committee met on four occasions.

### AUDITOR

The Articles of Association stipulate that Fingerprints must have one or two auditors with or without deputies, or one or two registered public accounting firms. The AGM 2020 re-elected MOORE KLN AB as auditor until the AGM 2021. MOORE KLN AB appointed Ulf Lindesson as Auditor in Charge. The duty of the auditor is to examine the company's annual accounts and accounting records, and the Board of Directors' and CEO's administration on behalf of the shareholders. The auditor also conducts a summary review of one quarterly financial statement and issues opinions regarding the Board of Directors' reporting in connection with such events as new share issues and decisions on warrant programs. Each year, the Board of Directors meets the auditor for a report on whether the company's organizational resources are structured so that bookkeeping, the management of funds and other circumstances can be controlled satisfactorily. The auditor has continuous contact with the Audit Committee and participates in at least one of the Audit Committee's meetings during the financial year. The auditor attended the 2020 AGM on May 26.

### INTERNAL CONTROLS AND RISK MANAGEMENT

The Swedish Annual Accounts Act stipulates that the Board of Directors shall submit a review of the material elements of the company's systems for internal control and risk management over financial reporting yearly.

The Board of Directors is responsible for the company's internal controls, whose overall purpose is to ensure protection of the company's assets, and thus its owners' investments. The Board of Directors has adopted attestation instructions, a finance policy and other policy documents comprising instructions and procedures for operations that must be monitored regularly and reported. The attestation instructions include instructions regarding company signatories as well as roles and authorizations regarding decision making and the approval of agreements, investments, expenses and other expenditure. The Finance Policy sets mandates for investments, management of liquidity, currency hedging and credit issuance on sales. Sales are subject to credit insurance as far as possible, when this is viable and where credit insurance is granted only if there are good grounds to expect the borrower to fulfill its commitments.

**CONTROL ENVIRONMENT**

The fundamental control environment for financial reporting consists of guidelines and policy documents, including the Board of Directors' Rules of Procedure and instructions for the CEO, and the segregation of duties and authorization regarding the organization of operations. Primarily, it is the CEO's responsibility to establish in daily operations the control environment instructed by the Board of Directors. The CEO reports regularly to the Board according to established procedures. The auditor also submits reports from audits conducted.

**RISK ASSESSMENT**

Risk assessment is an ongoing process encompassing the identification and management of risks that can impact operations and financial reporting. The primary risk within the auspices of financial reporting consists of material misstatement in accounting. Risk management is a part of operational processes and various methodologies are applied to ensure that risks are managed pursuant to regulation, instructions and procedures with the aim of making accurate disclosures.

**CONTROL ACTIVITIES**

Control activities are designed to manage the risks that the Board and company

management consider material to internal controls of financial reporting.

Control activities designed to prevent, discover and rectify misstatement and deviations are evaluated. The segregation of duties and organization constitutes the structure for controls. Follow-ups are conducted within each area of responsibility, and across all operations. Approvals and the segregation of authorization constitute the structure of control activities, as do clear rules for decisions regarding investments, sales, procurement and contracts. Control activities also proceed from the business concept, strategies and objectives, and mission-critical activities. A high level of IT security is a prerequisite for good

internal controls over financial reporting. Fingerprints' IT strategy emphasizes security and functionality, with security being more important because without security, functionality is compromised.

External financial reporting with the ensuing controls is conducted on a quarterly basis, and internal financial reporting on a monthly basis. Financial controls are based on business plans that are broken down to yearly budgets. Budgets are reviewed throughout the year and constitute forecasts and supporting data for monitoring against results achieved. Reporting involves analyses and comments on progress in relation to established objectives. Development projects are managed through ongoing project

**The Board – function, attendance and remuneration**

Name	Function	Elected	Resigned	Committee	Independent i relation to			Board remuneration 2020/21 (Tkr)	Committee remuneration 2020/21 (Tkr)
					The Company	Larger shareholders	Attendance meetings 2020		
Johan Carlström	Chairman of the Board	2018-05-29		Audit Committee	Yes	No	19/19	625	60
Urban Fagerstedt	Board member	2009-06-04	2020-05-26		Yes	Yes	8/8	-	-
Tomas Mikaelson	Board member	2016-05-04			Yes	Yes	19/19	270	-
Alexander Kotsinas	Board member	2017-04-20		Audit Committee	Yes	Yes	17/19	270	115
Dimitrij Titov	Board member	2017-04-20		Audit Committee	Yes	Yes	19/19	270	60
Ted Elvhage	Board member	2018-05-29		Remuneration Committee	Yes	Yes	18/19	270	35
Juan Vallejo	Board member	2018-05-29		Remuneration Committee	Yes	Yes	19/19	270	65
Sofia Bertling	Board member	2019-05-22		Remuneration Committee	Yes	Yes	18/19	270	35

monitoring with reporting of subprojects. Efforts made and expenditures incurred are related to plans and budgets, and expected remaining project expenditure until project completion are also reported.

Operational control is supplemented by monitoring of the quality and performance of suppliers, customers and internal processes.

Monitoring of liquidity and cash flow is conducted on an ongoing basis with updates of forecasts and the resulting liquidity planning. The continuous analysis of financial reports at various levels is central for ensuring that financial reporting does not contain material misstatement. Control activities and the division of various functions are embedded throughout the financial reporting process.

### REMUNERATION OF THE BOARD OF DIRECTORS

The AGM 2020 resolved on a total fixed Directors' fee of SEK 2,245,000, of which SEK 625,000 to the Chairman of the Board and SEK 270,000 per Director to the other Directors.

Fees for committee work of SEK 370,000 would be payable, to be allocated as follows: Audit Committee: SEK 115,000 to the Chairman and SEK 60,000 to the other members. Remuneration Committee: SEK 65,000

to the Chairman and SEK 35,000 to the other members.

Directors receiving a salary from Fingerprints are not eligible for Directors' fees. Directors that join the Board in the year receive fees in relation to the remaining period until the following AGM

### REMUNERATION GUIDELINES FOR SENIOR EXECUTIVES

The AGM 2020 approved the proposal that a Remuneration Committee, which is appointed from among Board members, is to prepare guidelines in respect of pay and other employment terms for the CEO and senior executives and present the Board with proposals in respect of these issues. The guidelines are presented in the Administrative report, page 56.

### ARTICLES OF ASSOCIATION

The Articles of Association stipulate the company's operations, the number of Directors and auditors, procedure for convening shareholders' meetings, matters for consideration at the AGM and where meetings are held, as well as share classes, preferential rights and pre-emption rights regarding the company's class A shares. The company's Articles of Association are available at Fingerprints' website: [www.fingerprints.com](http://www.fingerprints.com)

### INFORMATION AND COMMUNICATION

Fingerprints' policies and guidelines are especially important for accurate accounting, reporting and corporate communication. Information shall increase knowledge of Fingerprints, increase confidence in Fingerprints, its management and employees, and promote business activities. A Corporate Communication Policy is in place for communication with internal and external parties, containing guidelines for the company's corporate communication. The purpose is to ensure compliance with the communication obligation in an accurate and comprehensive manner.

### MONITORING

Compliance with the Rules of Procedure, instructions, policies and procedures are monitored by the Board of Directors and Group Management. Board meetings consider the current business conditions and the company's financial position. The Board of Directors reviews financial statements, and decides on publication of financial reports. The Board of Directors appraises its own work, and the CEO's work, yearly. At least one interim or half-year report, and all annual financial reports with the associated financial statements, are audited. The CEO provides monthly reports to the Board of Directors, involving all parts of operational

functions. Management meets frequently and monitors business development, financial performance and position, and significant events. The Board of Directors meets the auditor during the year to review the audit of internal controls and other assignments. Forecasting and budgeting work is conducted continuously with a rolling, forward-looking forecast based on updated information on sales, procurement, operating expenses and product development and technology development.

### Board of Directors

Gothenburg, 21 April, 2021

# Auditor's statement on the Corporate Governance Report

To the General Meeting of shareholders in Fingerprint Cards AB (publ),  
corporate identity number 556154-2381

## Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2020 on pages 41-47 and that it has been prepared in accordance with the Annual Accounts Act.

## The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 *The auditor's examination of the corporate governance report*. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

## Opinion

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Gothenburg, April 23, 2021  
MOORE KLN AB

Ulf Lindesson  
Authorized Public Accountant



# BOARD OF DIRECTORS



## JOHAN CARLSTRÖM

Chairman of the Board since 2018.  
Board member since 2018.  
Born 1963.

### Employment and other Board assignments:

Private investing activities in own companies.  
Owner Velociraptor Ltd.

**Education:** Economics program at Uppsala University and Stockholm University.

**Background:** CEO of Fingerprint Cards AB, 2009–2015. Member of the Board, Fingerprint Cards AB, 2013–2014. Salesperson, business developer and entrepreneur for 20 years in the Telecom & IT business.

**Shareholding in Fingerprints:** 6,000,000 Class A shares via the company Velociraptor Ltd. and 15,000,000 Class B shares\*.

Independent in relation to the company and its executive management but dependent in relation to the company's major shareholders.



## SOFIA BERTLING

Board member since 2019.  
Born 1970.

### Other positions and Board assignments:

Chairman of the Board and CEO of ReachIT Consulting AB. Board member of Magis Salutem AB.

**Education:** Master of Science in Material Science, and Doctor of Science (Technology), KTH Royal Institute of Technology.

**Background:** Experience from global operations in manufacturing and medical technology. General Manager SPECTRA Medical Education and member of Group Management (2018-20), CEO, HERMES Medical Solutions AB, Inc, i.e. Hermes companies in the US, Canada, China and Sweden, including UK subsidiaries (2015-17), COO HERMES Medical Solutions (2008-15), Quality Manager HERMES Medical Solutions (2006-08), Project Manager HERMES Medical Solutions (2005-06), Research Engineer Swerea KIMAB (1994-99).

**Shareholding in Fingerprints:** 40,000 Class B shares\*.

Independent in relation to the company and its executive management and the company's major shareholders.



## TED ELVHAGE

Board member since 2018.  
Born 1968.

### Employment and other Board assignments:

Private investing activities in own companies.  
Co-owner and Chairman of the Board of Keiretsu Forum Nordics AB. Owner and Board member of Stockholms Affärsänglar Management AB, E14 Invest AB, Gradientech AB and Wonder Technology Solutions AB.

**Education:** BSc Biochemistry & Business and Administration, Millersville University of Pennsylvania.

**Background:** Sales and management positions in manufacturing, IT, software and consulting, e.g. former Sales Manager in subsidiary of Indutrade, and later also Sales Manager in Sweden at HP Software, as well as advisor and investor in innovative growth companies via his own company.

**Shareholding in Fingerprints:** 902,270 Class B shares\*.

Independent in relation to the company and its executive management and the company's major shareholders.



## ALEXANDER KOTSINAS

Board member since 2017.  
Born 1967.

**Other positions and Board assignments:** CFO, BioGaia AB. Board member of Delta Projects AB.

**Education:** Master of Science, Engineering Physics, KTH Royal Institute of Technology, Stockholm. Bachelor of Science Economics, Stockholm School of Economics.

**Background:** Finance Director Lowell Sverige AB 2017-2019, Partner Nexttobe 2011-2017, Vice President and CFO Q-Med AB 2008-2011, CFO Life Europe AB 2007, CFO mobile operator Tre (Hi3G Access AB) 2003-2006, Vice President Investor AB (publ) 2000-2003 and various positions in Ericsson 1994-2000.

**Shareholding in Fingerprints:** 8,500 Class B shares\*.

Independent in relation to the company and its executive management and the company's major shareholders.

\* As at April 21, 2021



### TOMAS MIKAELSSON

Board member since 2016.  
Born 1956.

**Other positions and Board assignments:** Board member and CEO of ZetiQ AB, Board member of Sourcingprovider Sweden AB and Board member of Scientific Freedom AB.

**Education:** Degree in Business Administration from IHM Business School in Stockholm.

**Background:** Expertise in marketing and sales. Longstanding experience and extensive knowledge of the Telecom and communications industry, where he has held senior executive positions in companies such as Omnipoint (TMobile) and Affinity Internet. Also has extensive marketing and sales experience from Europe.

**Shareholding in Fingerprints:** 36,000 Class B shares\*.

Independent in relation to the company and its executive management and the company's major shareholders.

\* As at April 21, 2021



### DIMITRIJ TITOV

Board member since 2017.  
Born 1962.

**Employment:** Lawyer and Partner, Advokatfirman Titov & Partners.

**Education:** Master of Laws (LL.M.), Stockholm University.

**Other Board assignments:** Chairman of the Board of Real Holding i Sverige AB (publ), the Italian Chamber of Commerce in Sweden, Italienska Handelskammarens Service AB, Din Studio Sverige AB and Phantome de Genolier AB. Board member of Vrtcl Gaming Group Sweden AB and Järnlodet Förvaltning AB.

**Background:** 33 years of experience as a business lawyer. Attorney at law since 1993. Partner at Advokatfirman Fylgia 1995-2018, with main focus on M&A, corporate law and international contract law for industrial companies. Current Chairman of the Nomination Committee of Fingerprint Cards AB (publ).

**Shareholding in Fingerprints:** 20,052 Class B shares\*.

Independent in relation to the company and its executive management and the company's major shareholders.



### JUAN VALLEJO

Board member since 2018.  
Born 1957.

**Employment and other Board assignments:** Chairman of the Board of ITS Energy Group AB. Board member of Qmatic Group AB, Mercuri International Group AB, TagMaster AB and Elajo Invest AB (publ).

**Education:** Master of Science in Engineering, KTH Royal Institute of Technology, Stockholm.

**Background:** CEO at Imtech Nordic 2011-2014, CEO at Niscayah Group 2006-2010, Securitas Executive Management 1992-2006.

**Shareholding in Fingerprints:** 460,000 Class B shares\*.

Independent in relation to the company and its executive management and the company's major shareholders.

# GROUP MANAGEMENT



## CHRISTIAN FREDRIKSON

President and CEO since 2016.  
Born 1964.

**Education:** Master of Science (MSc) in Engineering, Turku University.

**Previous assignments:** CEO F-Secure 2012-2016, Christian has also had a long career within Nokia Networks and Nokia Siemens Networks (1994-2012), where he held several leading positions, including Head of Asia Region (2008-2010) and Global Head of Sales, Mobile Infrastructure (2010-2012). Board member of Stena AB 2017-2020.

**Other assignments:** Board member of Remedy Entertainment Ltd and SSH Communication Security Corporation. Member of the foundation for Åbo Akademi.

**Shareholding in Fingerprints:** 701,750 Class B shares\*.



## PER SUNDQVIST

CFO since 2018.  
Born 1966.

**Education:** Bachelor of Science in Business Management, University of Umeå.

**Previous assignments:** CFO Driconeq 2014-2018, Interim CFO Solera Beverage Group 2012, Interim CFO Cybercom 2011, CFO HL Display 2008-2011, CFO Aura Light International AB 2002-2008, CFO Q-Med AB 2001-2002, CFO/CIO Stoneridge AB 2000-2001, Finance Director GE Healthcare 1997-2000, Controller Volvo AB 1994-1997.

**Shareholding in Fingerprints:** 17,000 Class B shares\*.



## CHARLES BURGEAT

Senior VP Corporate Strategy and Portfolio Management since 2019.  
Born 1973.

**Education:** Master of Science (MSc) in Engineering, University of Paris, Ecole Nationale Supérieure des Télécommunications.

**Previous assignments:** Vice President Sales Mobile Fingerprints; Vice President Sales Business Unit Modems, Ericsson; Sales Director, ST-Ericsson, Sales Manager, STMicroelectronics.

**Shareholding in Fingerprints:** 0\*.



## PONTUS JÄGEMALM

CTO since 2019. Previously Senior VP Research & Development, 2009-2018.  
Born 1971.

**Education:** Master of Science and PhD in Engineering Physics, Chalmers University of Technology Gothenburg.

**Previous assignments:** Extensive international experience, including Technical Lead and Head of System Design at Displaytech Inc, USA.

**Shareholding in Fingerprints:** 800,125 Class B shares\*.

\* As at April 21, 2021



#### TED HANSSON

Senior VP Business Line Mobile since 2017.  
Born 1976.

**Education:** Master of Science Electrical Engineering, Blekinge Institute of Technology.

**Previous assignments:** Country Manager Fingerprint Cards China 2013-2016, Marketing Director/China Country Manager Nanoradio AB China 2010-2013, Customer Engineering Director ST-Ericsson Korea 2007-2010, Software Manager Ericsson Mobile Platforms Taiwan 2006-2007, Software Consultant Ericsson Mobile Platforms China 2003-2006.

**Shareholding in Fingerprints:** 20,000 Class B shares\*.



#### FREDRIK RAMBERG

Senior VP Research & Development since 2019.  
Born 1983.

**Education:** Master of Science Engineering Physics, Chalmers University of Technology Gothenburg.

**Previous assignments:** Senior Manager Customer Engineering System & HW development 2018, Manager ASIC System integration and verification 2016-2018, ASIC Analog Design Engineer 2014-2016 in Fingerprints. Electrical Engineer Laser SAAB 2012-2013, Product Engineer TSMC Taiwan 2010-2012, Electrical Engineering Consultant Ericsson Mobile Platforms 2008-2009.

**Shareholding in Fingerprints:** 20,000 Class B shares\*.



#### THOMAS REX

Senior VP Special Projects since 2020.  
Born 1963.

**Education:** Master of Science Electrical Engineering, Lund Institute of Technology.

**Previous assignments:** Senior VP Business Line Smartcards, Automotive & Embedded 2018-2020, Senior VP Business Line Smartcards 2017-2018 and VP Sales 2011-2016, all positions held previously at Fingerprints. VP Sales Asia, Ericsson Mobile Platforms, VP Sales Nanoradio.

**Other assignments:** Chairman of the Board of Acconeer AB

**Shareholding in Fingerprints:** 1,000,000 Class B shares\*.



#### MICHEL ROIG

Senior VP Business Line Payments & Access since 2020.  
Born 1976.

**Education:** Master of Science Electrical Engineering, Lund Institute of Technology.

**Previous assignments:** VP Sales & Customer Support Business Line Smartcards, Automotive & Embedded at Fingerprints. VP & General Manager UK & Nordics Aava Mibile Oy, VP Head of Sales & Marketing

Terranet, several positions in the mobile and electronics industry, including at Flextronics and Ericsson.

**Shareholding in Fingerprints:** 6,000 Class B shares\*.

\* As at April 21, 2021

## CFO COMMENTS

## STRONG DEMAND TREND

We continued to launch new, innovative products during 2020, and the demand trend was strong. This was reflected in significantly more stable prices for our capacitive sensors for smartphones. An improved product mix, with a higher share of new sensors, helped to strengthen the gross margin somewhat during the latter part of the year. This was achieved despite a rise in our purchase prices due to the prevailing global shortage of semiconductors.

Our sales were limited throughout 2020 by insufficient access to production capacity at semiconductor manufacturers. Reducing the risks in our supply chain, while also positioning the company for growth, by establishing cooperation with more semiconductor fabs is a very important priority in 2021.

Our efforts to enhance efficiency continued unabated during the year, which among other benefits resulted in a 10-percent reduction in operating expenses (excluding the non-cash write-downs that affected the result in 2020). The optimization of our supply chain is another important feature of this work. We have continued to trim our inventories, which were reduced by 46 percent year-on-year. Working capital in relation to sales also continued to improve, which had a positive effect on our cash flow.

In recent years, we have focused on strengthening our supply chain and operations organizations, primarily in Asia, which

accounts for the vast majority of our current sales. We are now taking another important step in this process by establishing a sales and distribution center in Singapore. The aim is to increase the efficiency of global inventory and distribution management and thereby create additional global benefits of scale in our distribution operations.

At the same time, we also adapt and optimize the company's legal structure. Two regional offices have been created: one in Shanghai, China, and one in Zug, Switzerland. The Shanghai office will be the center for the Mobile business line, while the office in Zug will be the base for our Payments and Access business line. The reasons for the above moves are that most large-scale mobile manufacturers are based in Asia, while the world's three largest manufacturers of payment cards are located in central Europe. However, the Parent Company, which is listed on Nasdaq Stockholm, will continue

to be headquartered in Sweden, together with the key functions that are already based there. I am convinced that our new corporate structure will benefit our operations through increased organizational flexibility, scalability, speed and cost-effectiveness.

**Per Sundqvist, CFO**



” Our efforts to increase efficiency that continued during 2020 yielded lower operating expenses, among other benefits.

# STATUTORY ADMINISTRATION REPORT

The Board of Directors and the Chief Executive Officer (CEO) of Fingerprint Cards AB hereby present the Annual Accounts for the 2020 fiscal year.

## FINGERPRINTS' OPERATIONS

Fingerprint Cards AB (publ) is a high-technology company that develops, manufactures and markets biometric technology, which by analyzing and matching people's unique biometric characteristics, verifies personal identities. This enables secure and convenient processing for the user, obviating the need for passwords or PINs. Fingerprints' technology and complete biometric systems deliver benefits including unique image quality, robustness and low power consumption. With these benefits, and in combination with low manufacturing costs, the technology can be implemented in volume products including smartphones, tablets and smart cards, such as payment cards, which are subject to extreme demands in these respects. Fingerprints' technology is already tested across a number of application areas.

## GROUP AND PARENT COMPANY

The annual accounts cover the fiscal year January 1– December 31, 2020. Fingerprint Cards AB (Publ) (Corporate ID No. 556154-2381) is the Parent Company of a Group including ten subsidiaries. All staff in Sweden are employees of the Parent

Company. Operations consist of marketing and customer support. The Parent Company has its registered office in the Municipality of Gothenburg in the county of Västra Götaland. The company's shares are listed on Nasdaq Stockholm since 2000.

## SIGNIFICANT EVENTS DURING THE YEAR

A large number of products launched in 2020 by the world's largest and best known smartphone brands included Fingerprints' fingerprint recognition technology. During the year, Fingerprints continued to invest in the development of new products and launched a number of new solutions targeted at the mobile industry, PCs, payment cards and various types of access solutions.

The FPC1542 is a new, thin capacitive sensor with a curved shape, designed for side mounting, which builds further on Fingerprints' highly successful product, the FPC1540/1541. The sensors in the FPC1540 series function extremely well in the most recent smartphone models, such as in smartphones that are borderless or foldable.

To meet the rising demand for biometric solutions in the PC segment, Fingerprints launched a new solution in 2020 that is specifically adapted to this application area. This new product can be used in many different types of PCs and related equipment. At the end of the year, Fingerprints secured a design win from a top-tier global PC manufacturer,

with product launch planned for the first quarter of 2021.

In late 2020, Fingerprints received a volume order for one hundred thousand T-Shape sensor modules from one of the world's three largest card manufacturers. Fingerprints' technology is included in a biometric payment card from Thales, which is the first in the world to be certified by both Visa and Mastercard. A number of commercial launches of biometric payment cards have already occurred, which all use Fingerprints' technology. The second generation of the T-Shape® sensor module for biometric payment cards was launched in 2020. This new version offers better performance than its predecessor, while also being more cost effective, which means that it enables large-scale commercial launches of contactless biometric payment cards. It was also announced during the year that Fingerprints has entered into partnerships with Infineon and STMicroelectronics to develop advanced solutions for biometric payment cards.

To meet the demand in the growing market for biometric access control, Fingerprints also expanded its product portfolio intended for physical and logical access control during the year. A number of touch sensors specifically adapted for the Access segment were launched in the market: the FPC1020, FPC1024 and FPC1025. To enable maximum flexibility in product design, the FPC1025

sensor version is smaller than the other models in the series and is optimized for devices in which every millimeter counts. During 2020, we launched a further developed version of the company's biometric software platform for payments, the FPC-BEP, which can now also be used in a variety of access applications. This updated platform builds on Fingerprints' successful mobile and payment software platforms which, together, are used several billion times a day.

## EARNINGS TREND

The Group's revenues for 2020 declined 14 percent to SEK 1,256 M (1,459). The decrease in revenue was primarily due to insufficient access to production capacity among the major semiconductor manufacturers during the year. Demand for the company's products was favorable.

Gross profit for the year amounted to SEK 275 M (331) and the gross margin to 22 percent (23).

The operating result for the year was a loss of SEK 366 M (-14). Currency effects are recognized in the operating result under the Other external income and expenses item. The operating result was impacted by non-cash-impacting impairment losses of SEK 341 M (see below under "Investments, depreciation/amortization and impairment losses").

The result before tax for the year was a loss of SEK 381 M (-17), while positive tax revenues of SEK 40 M (4) were recognized. In total, the Group's full-year result declined to a loss of SEK 341 M (-14). The Group's earnings per share for 2020 were a negative SEK 1.10 (-0.04).

### FINANCIAL POSITION

Shareholders' equity amounted to SEK 1,183 M (1,799), and the equity/assets ratio was 75 percent (80). Fixed assets declined to SEK 838 M (1,195).

The share of fixed assets in relation to total assets was unchanged (53 percent).

Inventories declined to SEK 136 M (253) and outstanding accounts receivable declined to SEK 196 M (197).

Accounts payable at year-end amounted to SEK 201 M (235) and other current liabilities to SEK 148 M (135). Apart from lease liabilities for commercial premises of SEK 23 M, Fingerprints has no interest-bearing liabilities. Cash and cash equivalents amounted to SEK 377 M (564) at year-end. During 2020, own shares were bought back for SEK 190 M.

### INVESTMENTS, DEPRECIATION/ AMORTIZATION AND IMPAIRMENT LOSSES

During 2020, total net investments amounted to SEK 119 M (183). Of this total, SEK 118 M (182) was invested in capitalized development

and intangible fixed assets, while SEK 1 M was invested in property, plant and equipment (1).

Total depreciation/amortization declined to SEK -84 M (-143) in 2020. Of this total, amortization of intangible fixed assets accounted for SEK -55 M (-109) and depreciation of property, plant and equipment for SEK -29 M (-34). In addition, impairment losses on intangible assets amounted to SEK 341 M (-), of which SEK 268 M was due to impairment of goodwill related to the acquisition of Delta ID, which was finalized during 2017. The remaining SEK 73 M pertains to impairment losses on R&D projects and patents in the under-display segment. The company has an unchanged positive view of the potential of iris recognition, but has reached the conclusion that future cash flows may be delayed somewhat, in part due to effects related to the coronavirus pandemic. The main reason for the impairment loss in under-display is that the selling price (ASP) in this area has declined significantly. In other respects, the company has an unchanged positive view of the potential in under-display.

In total, the carrying amount of intangible fixed assets declined in 2020 to SEK 759 M (1,128), while property, plant and equipment declined to SEK 7 M (16).

### CASH FLOW

Cash flow from changes in working capital components was impacted by SEK 1 M (39) by a reduction of capital tied-up in current

receivables, and by SEK 97 M (88) by a reduction in inventories.

Cash flow provided by operating activities amounted to SEK 158 M (160).

Cash flow from investing activities was a negative SEK 119 M (neg: 115).

Cash flow from financing activities was a negative SEK 209 M (neg: 20).

The overall net change in cash and cash equivalents for full-year 2020 was a negative SEK 187 M (25). Net cash assets amounted to SEK 354 M at year-end 2020, compared with SEK 534 M at the end of 2019. Interest-bearing liabilities in 2020 consist of lease liabilities of SEK 23 M for office premises, reported according to IFRS 16 as of 2019.

### FINANCE POLICY

Fingerprints' Finance Policy regulates and clarifies responsibilities, and states guidelines in specific areas within financing, credit insurance, investment and currency management with the aim of supporting operations, managing financial risks and controlling their impact on financial position, results of operations and cash flow. The most important net currency flow is in USD, whereupon a significant portion of Fingerprints' finance activities were in formulating a strategy for selling USD and buying SEK. The increased net surplus from sales, which is denominated in USD, and the increased operating expenses that are predominantly denominated in SEK generate

a continuous need to convert USD to SEK. Materials procurement, manufacture and sales are essentially denominated in USD only. Fluctuations in other exchange rates have an insignificant impact on earnings. Currency hedging with derivatives and hedging instruments is not permitted pursuant to the Finance Policy. See Note 25, for more information on financial risks.

### ORGANIZATION AND COWORKERS

There were 240 (225) employees as of December 31, 2020, comprising 170 (163) men and 70 (62) women. Accordingly, including employees and consultants, the company employed a total of 276 (261) people on December 31, 2020.

### RESEARCH AND DEVELOPMENT OPERATIONS

Through continuous initiatives to enhance biometric technology, Fingerprints has attained leadership in fingerprint-recognition technology. At the end of 2020, the research and development organization accounted for approximately 40 percent of the workforce. Together with engineers in our business lines and in Customer Engineering in Asia, Fingerprints' overall engineering expertise accounted for approximately 70 percent of all of the coworkers.

Expenditure for technology development is partly recognized as a cost in the

Consolidated Statement of Comprehensive Income (Parent Company Income Statement) under the development costs heading, and partly through capitalization in the Consolidated Statement of Financial Position (Parent Company Balance Sheet), and capitalized development expenditure, under intangible fixed assets.

Capitalization is effected after an assessment of factors such as each project's commercial, financial and technical potential, its future value for the Group, disposal over rights to the product/solution, the potential for completing development and the presence of a market for the product. The rate of amortization is determined on the basis of the technical and commercial lifespan of the product/solution related to the extant market. Accordingly, the amortization term varies between products and projects.

In 2020, the Group's expenditure for technology development and patents amounted to SEK 202 M (199), of which SEK 107 M (88) was capitalized in the Consolidated Statement of Financial Position and the remaining SEK 95 M (111) was expensed in the Consolidated Statement of Comprehensive Income.

## SUSTAINABILITY REPORT

In accordance with Chapter 6, Section 11 of the Swedish Annual Accounts Act, Fingerprints has decided to prepare a

statutory Sustainability Report as a separate document from the Annual Report.

Fingerprints' Sustainability Report, which also constitutes Fingerprints' statutory Sustainability Report, has been prepared pursuant to GRI Standards, Core option, and satisfies the Swedish Annual Accounts Act's requirements for sustainability reporting. The report is presented on pages 20–34. The scope of the Sustainability Report is stated in the GRI index on pages 91–94.

## OWNERSHIP STRUCTURE

In 2020, the number of shareholders declined to 55,950 on December 31 from 61,888 at the beginning of the year. At the end of 2020, Velociraptor LTD held all 6,000,000 Class A shares.

## EXPECTATIONS REGARDING FUTURE PERFORMANCE

Fingerprints is not issuing a forecast for 2021. The company has organized itself to secure sufficient focus on new growth areas and so that the organization is adapted in order to successfully compete in an expansive global biometrics market. Fingerprints has a very positive view of the trend in the market for biometric solutions in the next few years. 2021 has good potential to be the year when biometrics make serious inroads in at least two new mass markets in which Fingerprints has a strong position: payments and computers.

## SEASONAL VARIATION

As penetration of fingerprint sensors in the smartphone segment has increased, the company's market is increasingly tracing the same patterns and seasonality as the rest of the mobile phone sector, albeit with a time lag. There is a tendency for the fourth quarter to generate a very high share of yearly mobile phone volumes, and the second quarter is usually the weakest.

For component suppliers to mobile phone manufacturers, such as Fingerprints, volumes in the third quarter tend to be the year's highest. During 2020, however, Fingerprints' fourth-quarter revenues were 26 percent higher than in the third quarter.

## REMUNERATION OF THE BOARD OF DIRECTORS

The 2020 AGM resolved on total fixed Directors' fees of SEK 2,245,000, of which SEK 625,000 to the Chairman of the Board and SEK 270,000 per Member to the other Members of the Board. In addition, fees for committee work will be payable in an amount of SEK 370,000, to be distributed as follows: Audit Committee: SEK 115,000 to the Chairman and SEK 60,000 to other members. Remuneration Committee SEK 65,000 to the Chairman and SEK 35,000 to other members.

## EXECUTIVE REMUNERATION GUIDELINES

The 2020 AGM decided in accordance with the proposal that the Remuneration Committee

Owner	Shares and capital, %		Votes at year-end, %	
	2020	2019	2020	2019
Velociraptor LTD	1.9	1.9	16.3	16.3

Share class	Number of shares		Number of votes	
	2020	2019	2020	2019
A	6,000,000	6,000,000	60,000,000	60,000,000
B	307,967,675	307,967,675	307,967,675	307,967,675
<b>Total</b>	<b>313,967,675</b>	<b>313,967,675</b>	<b>367,967,675</b>	<b>367,967,675</b>

Shareholdings of at least one-tenth of the voting rights for all shares at December 31, 2020:

Velociraptor LTD	16.3 %
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skall prepare guidelines for compensation and employment terms for the CEO and other senior executives and put forward proposal to the Board for decision. The guidelines are valid for four years.

### REMUNERATION COMMITTEE

The Remuneration Committee evaluates and considers matters regarding remuneration and employment terms and prepares proposals for guidelines for compensation to the CEO and Executive Management.

The Board of Directors shall evaluate a proposal for new guidelines at least every fourth year and submit it to the AGM. The guidelines shall be in force until new guidelines are adopted by the general meeting.

The Remuneration Committee should ensure that remuneration is commensurate with prevailing market conditions for corresponding executives in other companies, and accordingly, that the company's offering to its employees is competitive.

The CEO's compensation is approved by the Board of Directors.

Compensation to other senior executives is decided by the CEO after consulting with the Remuneration Committee.

The members of the Remuneration Committee are independent of the company and its executive management. The CEO and other members of the Executive Management do not participate in the Board of Directors'

processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

### PROMOTION OF THE COMPANY'S BUSINESS STRATEGY, LONG-TERM INTERESTS AND SUSTAINABILITY

Fingerprint Cards aims to attract, engage, develop and retain the right people to drive our business result in line with the company's business strategy. In order to support this, the design and implementation of our remuneration structure shall be performance based; affordable; sustainable; market driven and clear.

Compensation shall reflect the scope and complexity of each role, as well as the actual performance of the individual. Fingerprint Cards does not tolerate any form of discrimination and we perform annual reviews to make sure we do not have any salary misalignments based on any discriminating factors such as gender, transgender identity or expression, ethnicity, religion or other belief, disability, sexual orientation and age. Variable remuneration covered by these guidelines shall aim at promoting Fingerprint Card's business strategy and long-term interests, including its sustainability.

For more information concerning the company's business strategy, see pages 11–12 of the Annual Report.

Remuneration under employments subject to other rules than Swedish may be duly adjusted to comply with mandatory rules or established local practice, taking into account, the overall purpose of these guidelines.

### REMUNERATION PRINCIPLES

#### *Performance-based*

There shall be a strong link between performance (individual - and business result) and compensation. Base salary will depend on the employee's performance against objectives, development progress and living our company values.

#### *Competitive and sustainable*

We must create value to secure our present and future capability to pay competitive compensation and we must earn the means for our compensation. It is important to have a balance between our company earnings and our compensation levels.

#### *Market driven*

Our salaries shall reflect the scope and complexity of the work. It is our objective to compare our base salaries with relevant market data for the applicable country. Each country forms its own market. The remuneration principles are also applicable to the rest of the employees at Fingerprint Cards.

In the preparation of the Board of Directors' proposal for these remuneration guidelines,

salary and employment terms for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the remuneration committee's and the board of directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

### TOTAL REMUNERATION

The total remuneration to Executives consists primarily of monthly base salary, short-term incentives, pension, and insurances. If decided in the Annual General Meeting, the total remuneration may also include – irrespective of these guidelines – long term incentives.

#### *Short Term Incentives (STI)*

Short Term Incentives shall be linked to predetermined and measurable criteria. The STI include company measures such as Revenue, Operating Profit and Cash Balance. For Executives, 80-90 percent of the STI is based on company measures, and 10-20 percent is based on individual performance, with predetermined targets on an annual basis. The criteria shall be designed so as to contribute to Fingerprint Card's business strategy and long-term interests, including its sustainability.

The satisfaction of criteria for awarding STI shall be measured over a period of one or

several years. The variable cash remuneration may amount to not more than 100 percent of the total fixed base salary during the measurement period.

For financial objectives, the evaluation shall be based on financial information made public by the company.

#### *Pension*

Pension plans are based on defined contribution models, where a premium is paid amounting to not more than 30 percent of the executive's fixed annual base salary.

#### *Insurance*

Executives are provided insurance coverage in accordance with local market practice. Such benefits shall be customary and be of limited amount.

### TERMINATION OF EMPLOYMENT

Upon termination of an employment, the notice period may not exceed six months.

During the notice period, the executive will continue to receive full base salary and other employment benefits.

Upon termination by the company, severance payment could be paid and may not exceed twelve months' base salary. When termination is made by the executive, the notice period may not exceed six months, without any right to severance pay.

Additionally, remuneration may be paid for non-compete undertakings. Such remuneration, if applicable, shall amount to a maximum of sixty percent of the monthly base salary at the time of termination of employment, unless otherwise provided by mandatory collective agreement provisions.

### THE BOARD OF DIRECTORS' RIGHT TO DEVIATE FROM THE PRINCIPLE OF REMUNERATION

In certain cases the Board of Directors may decide to deviate from these guidelines, in part or in total, if there are special reasons to do so in an individual case and a deviation is necessary to fulfill the company's long term interest, including in relation to sustainability, or to safeguard the company's financial position.

As set out above, the remuneration committee's tasks include preparing the board of directors' resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

### EVENTS AFTER THE BALANCE-SHEET DATE

On March 1, 2021, the Company communicated a revenue forecast. For the first quarter of 2021, Fingerprints expected Group revenue to be in the range of SEK 310-350 million, based on the exchange rate SEK/USD 8.20.

The Group's sales and direct purchases are primarily made in USD. On April 20, 2021, the Company communicated a revenue forecast for the second quarter 2021, where Group revenue is expected to be in the range of SEK 330-370 million, based on the exchange rate SEK/USD 8.40.

Two regional offices have been created: one in Shanghai, China and the other in Zug, Switzerland. The Shanghai office is our center for the Mobile business line, while the office in Zug is our Payments & Access business line center. A sales and distribution hub in Singapore has also been established. This distribution center will own the company's inventory as well as invoice customers and pay suppliers.

### DESCRIPTION OF THE WORK OF THE BOARD OF DIRECTORS DURING THE YEAR

Scheduled agenda items in Board meetings during the year are the Group Management's reporting of business conditions, operations, organizational resources, results of operations, financial position and liquidity. The Board meetings in the autumn and before Christmas consider the budget and business plan for the coming year.

The Board met on 19 occasions in 2020. A more detailed description of corporate governance in 2020, including regulations, general meetings, the Nomination Committee, the

composition and work of the Board and internal governance processes and internal control, is presented in the separate Corporate Governance Report.

### 2020 ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Wednesday May 26, 2021.

### PROPOSAL FOR APPROPRIATION OF THE COMPANY'S PROFITS

The following funds are at the disposal of the AGM (SEK):

Share premium reserve	79,059,431
Accumulated profit	1,290,937,861
Net result for the year	-1,025,807,474
<b>Total</b>	<b>344,189,818</b>

The Board of Directors proposes that the net result for the year and unrestricted reserves, as well as the accumulated profit, be appropriated as follows:

To be carried forward: SEK 344,189,818.

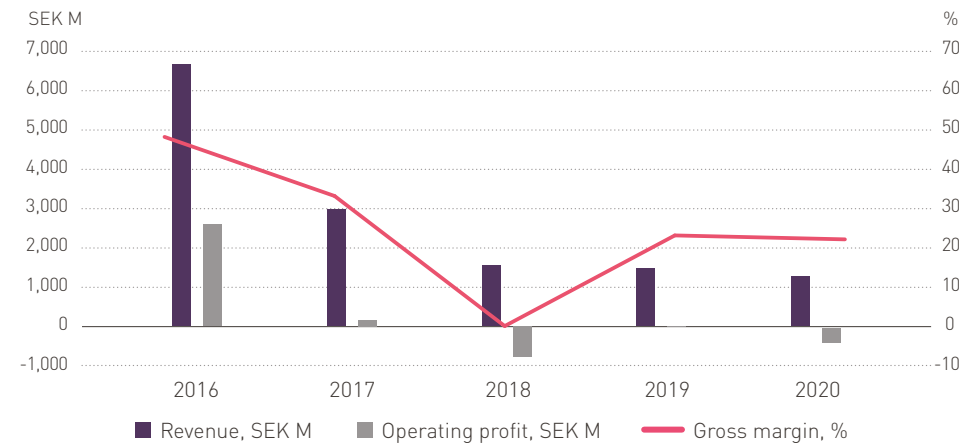
Regarding the company's results of operations and financial position in other respects, the reader is referred to the following financial statements, with the associated notes.

# STATEMENT OF COMPREHENSIVE INCOME

## GROUP

SEK M	Note	2020	2019
Revenues	2, 3	1,255.7	1,458.6
Cost of goods sold	5, 10	-980.5	-1,127.5
<b>Gross profit</b>		<b>275.2</b>	<b>331.1</b>
Selling expenses		-130.4	-147.0
Administrative expenses		-84.4	-87.0
Development costs	11	-94.5	-110.7
Other operating income	6	13.2	6.7
Other operating expenses	7	-344.9	-7.5
<b>Operating profit/loss</b>	3, 8, 10, 26, 27	<b>-365.8</b>	<b>-14.4</b>
Financial income	12	0.1	0.6
Financial expenses	12	-15.5	-3.6
<b>Profit/loss before tax</b>		<b>-381.2</b>	<b>-17.4</b>
Tax	14	40.4	3.8
<b>Net profit/loss for the year</b>		<b>-340.8</b>	<b>-13.6</b>
Earnings per share	15		
before dilution (SEK)		-1.10	-0.04
after dilution (SEK)		-1.10	-0.04
<b>Other comprehensive income</b>			
<b>Net profit/loss for the year</b>		<b>-340.8</b>	<b>-13.6</b>
Translation differences for the year on translation of foreign operations		-84.8	37.0
<b>Other comprehensive income</b>		<b>-84.8</b>	<b>37.0</b>
<b>Comprehensive income for the year</b>		<b>-425.6</b>	<b>23.4</b>
Attributable to:			
Equity holders of the Parent Company		-425.6	23.4
		<b>-425.6</b>	<b>23.4</b>

## REVENUE, OPERATING RESULT AND GROSS MARGIN

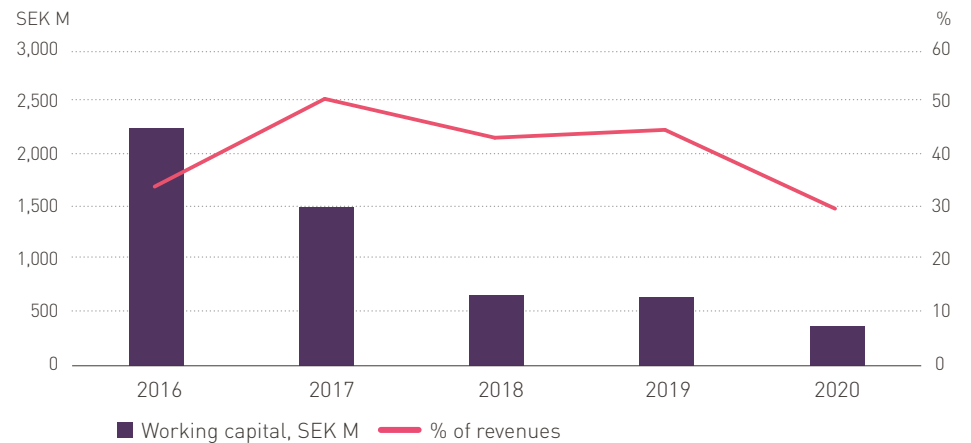


# STATEMENT OF FINANCIAL POSITION

## GROUP

SEK M	Note	31 Dec 2020	31 Dec 2019
<b>Assets</b>			
Intangible assets	16	759.3	1,127.8
Property, plant and equipment	17	7.0	15.8
Right-of-use assets	26	24.8	32.9
Financial assets	14	46.8	18.3
<b>Total non-current assets</b>		<b>837.9</b>	<b>1,194.8</b>
<b>Current assets</b>			
Inventories	18	136.3	253.4
Accounts receivable	19, 25	196.2	197.3
Other receivables		15.4	15.4
Prepaid expenses and deferred income	20	12.2	12.3
Cash and cash equivalents	19, 21	377.0	563.9
<b>Total current assets</b>		<b>737.2</b>	<b>1,042.3</b>
<b>Total assets</b>		<b>1,575.1</b>	<b>2,237.1</b>
<b>Shareholder's equity</b>			
Share capital	15	13.0	13.0
Other paid-up capital		854.3	854.3
Translation reserve		12.7	97.5
Retained earnings including net profit for the year		302.9	834.1
<b>Total Shareholder's equity</b>		<b>1,182.9</b>	<b>1,798.9</b>
<b>Non-current liabilities</b>			
Deferred tax liability	14	20.6	38.6
Long-term lease liabilities	22, 26	9.8	11.8
<b>Total non-current liabilities</b>		<b>30.4</b>	<b>50.4</b>
<b>Current liabilities</b>			
Short-term portion of long-term lease liabilities	22, 26	12.8	17.9
Accounts payable	22	200.7	235.2
Current tax liability		2.0	0.8
Other current liabilities	23	14.9	9.8
Accrued expenses and deferred income	24	131.3	124.1
<b>Total current liabilities</b>		<b>361.8</b>	<b>387.8</b>
<b>Total shareholder's equity and liabilities</b>		<b>1,575.1</b>	<b>2,237.1</b>

## WORKING CAPITAL



# STATEMENT OF CHANGES IN EQUITY

## GROUP

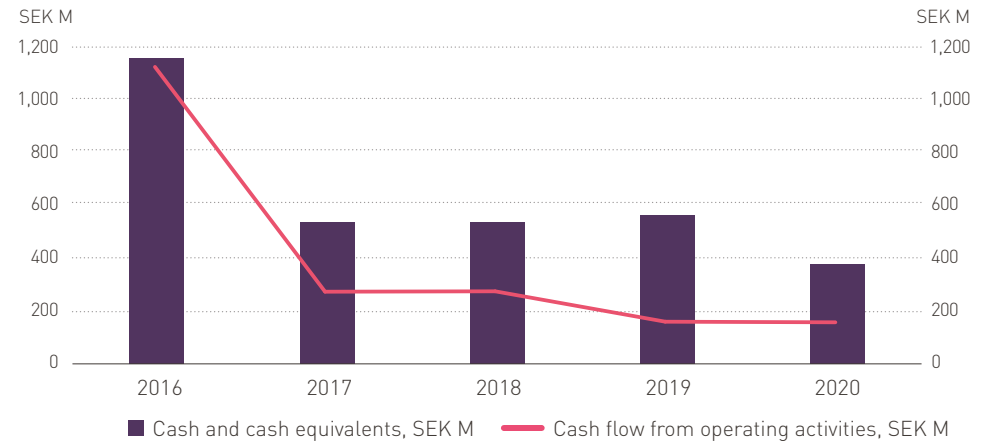
Mkr	Share capital	Other paid-up capital	Translation reserve	Retained earnings including profit for the year	Total shareholders' capital
<b>Opening shareholders' equity 1 January 2019</b>	12.9	854.4	60.5	847.7	1,775.5
Net profit for the year				-13.6	-13.6
Other comprehensive income for the year			37.0		37.0
Adjustments previous years	0.1	-0.1			0.0
<b>Closing shareholders' equity 31 December 2019</b>	13.0	854.3	97.5	834.1	1,798.9
<b>Opening shareholders' equity 1 January 2020</b>	13.0	854.3	97.5	834.1	1,798.9
Net profit for the year				-340.8	-340.8
Other comprehensive income for the year			-84.8		-84.8
Repurchase own shares				-190.4	-190.4
<b>Closing shareholders' equity 31 December 2020</b>	13.0	854.3	12.7	302.9	1,182.9

# STATEMENT OF CASH FLOWS

## GROUP

SEK M	Note	2020	2019
<b>Operating activities</b>			
Profit/loss before tax		-381.2	-17.4
Adjustment for non-cash items	29	451.8	147.9
Income tax paid		0.2	3.3
<b>Cash flow from operating activities before changes in working capital</b>		<b>70.8</b>	<b>133.8</b>
<b>Cash flow from changes in working capital</b>			
Increase (-)/Decrease (+) in inventories		97.1	88.4
Increase (-)/Decrease (+) in operating receivables		1.1	38.9
Increase (+)/Decrease (-) in operating liabilities		-10.9	-100.7
<b>Cash flow from operating activities</b>	3	<b>158.1</b>	<b>160.4</b>
<b>Investing activities</b>			
Purchase and internal development of intangible assets	16	-117.6	-94.1
Acquisition of subsidiaries	4	0.0	-20.7
Sales of property, plant and equipment	17	0.0	0.1
Purchase of property, plant and equipment	17	-1.5	-0.7
<b>Cash flow from investing activities</b>	3	<b>-119.1</b>	<b>-115.4</b>
<b>Financing activities</b>			
Repurchase own shares		-190.4	0.0
Repayment of lease liabilities		-18.8	-19.7
<b>Cash flow from financing activities</b>	3	<b>-209.2</b>	<b>-19.7</b>
Cash flow for the year		-170.2	25.3
Cash and cash equivalents at beginning of the year		563.9	540.5
Effect of translation differences on cash and cash equivalents		-16.7	-1.9
<b>Cash and cash equivalents at end of year</b>	29	<b>377.0</b>	<b>563.9</b>

## CASH AND CASH EQUIVALENTS AND CASH FLOW



# INCOME STATEMENT

## PARENT COMPANY

SEK M	Note	2020	2019
Revenues	2	1,251.7	1,454.3
Cost of goods sold	5, 10	-952.3	-1,087.9
<b>Gross profit</b>		<b>299.4</b>	<b>366.4</b>
Selling expenses		-129.8	-147.0
Administrative expenses		-93.4	-97.0
Development costs	11	-94.0	-121.0
Other operating income	6	12.0	5.3
Other operating expenses	7	-77.3	-7.5
<b>Operating profit</b>	3, 8, 10, 26, 27	<b>-83.1</b>	<b>-0.8</b>
Financial income	12	26.3	47.2
Interest expenses etc	12	-997.4	-3.2
<b>Profit after financial items</b>		<b>-1,054.2</b>	<b>43.2</b>
Appropriations	13	0.0	8.0
<b>Profit before tax</b>		<b>-1,054.2</b>	<b>51.2</b>
Income tax	14	28.5	-11.7
<b>Net profit for the year</b>		<b>-1,025.7</b>	<b>39.5</b>

# BALANCE SHEET

## PARENT COMPANY

SEK M	Note	31 Dec 2020	31 Dec 2019
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	16	139.5	122.0
Property, plant and equipment	17	4.4	11.2
Shares and participations in subsidiaries	28	6.3	438.0
Non-current receivables from group companies	27	56.4	559.0
Deferred tax assets	14	46.8	18.2
<b>Total non-current assets</b>		<b>253.4</b>	<b>1,148.5</b>
<b>Current assets</b>			
Inventories	18	136.3	253.4
Receivables from group companies	27	1.8	39.3
Accounts receivable	19, 25	195.2	196.9
Tax receivables		2.9	3.1
Other receivables		6.8	7.8
Accrued expenses and deferred income	20	12.4	12.6
Cash and bank balances	19, 21	337.5	518.1
<b>Total current assets</b>		<b>692.9</b>	<b>1,031.2</b>
<b>Total assets</b>		<b>946.3</b>	<b>2,179.7</b>

SEK M	Note	31 Dec 2020	31 Dec 2019
<b>Shareholders' equity</b>			
<b>Restricted equity</b>			
Share capital		13.0	13.0
Statutory reserve		41.4	41.4
Fund for development expenditure		182.7	112.4
<b>Non-restricted equity</b>			
Share premium reserve		79.1	79.1
Accumulated profit or loss		1,290.9	1,512.2
Profit for the year		-1,025.7	39.5
<b>Total shareholders' equity</b>		<b>581.4</b>	<b>1,797.6</b>
<b>Long-term liabilities</b>			
Long-term loans	22	-	-
<b>Total non-current liabilities</b>		<b>-</b>	<b>-</b>
<b>Current liabilities</b>			
Accounts payable	22	199.7	234.1
Liabilities to group companies	27	38.0	27.5
Current tax liabilities	14	0.2	-
Other current liabilities	23	10.2	7.3
Accrued expenses and deferred income	24	116.8	113.2
<b>Total current liabilities</b>		<b>364.9</b>	<b>382.1</b>
<b>Total equity and liabilities</b>		<b>946.3</b>	<b>2,179.7</b>



# STATEMENT OF CHANGES IN EQUITY

## PARENT COMPANY

Mkr	Restricted equity			Non-restricted equity			Total shareholders' equity
	Share capital	Statutory reserve	Fund for development expenditure	Share premium reserve	Accumulated profit or loss	Net profit for the year	
<b>Opening shareholders' equity, 1 January 2019</b>	13.0	41.4	84.1	79.1	1,538.9	1.6	1,758.1
Net profit for the year						39.5	39.5
Changes in fund for work performed by the company for its own use and capitalized			28.3		-28.3		0.0
Appropriation of profit					1.6	-1.6	0.0
Cancellation of shares							0.0
<b>Closing shareholders' equity, 31 December 2019</b>	13.0	41.4	112.4	79.1	1,512.2	39.5	1,797.6
<b>Opening shareholders' equity, 1 January 2020</b>	13.0	41.4	112.4	79.1	1,512.2	39.5	1,797.6
Net profit for the year						-1,025.7	-1,025.7
Changes in fund for work performed by the company for its own use and capitalized			70.3		-70.4		-0.1
Repurchase own shares					-190.4		-190.4
Appropriation of profit					39.5	-39.5	0.0
<b>Closing shareholders' equity, 31 December 2020</b>	13.0	41.4	182.7	79.1	1,290.9	-1,025.7	581.4

# CASH FLOW STATEMENT

## PARENT COMPANY

SEK M	Note	2020	2019
<b>Operating activities</b>			
Profit before tax		-1,054.2	51.2
Adjustment for non-cash items	29	1,122.0	54.9
<b>Cash flow from operating activities before changes in working capital</b>		<b>67.8</b>	<b>106.1</b>
Income tax paid		3.1	6.6
<b>Cash flow from changes in working capital</b>			
Increase (-)/Decrease (+) in inventories		97.1	94.1
Increase (-)/Decrease (+) in operating receivables		2.7	20.9
Increase (+)/Decrease (-) in operating liabilities		-28.5	-88.5
<b>Cash flow from operating activities</b>		<b>142.2</b>	<b>139.2</b>
<b>Investing activities</b>			
Purchase and internal development of intangible assets	16	-117.6	-94.2
Purchase of property, plant and equipment	17	-1.1	-0.6
Acquisitions of subsidiaries		0.0	-20.7
Sales of property, plant and equipment	17	0.0	0.1
<b>Cash flow from investing activities</b>		<b>-118.6</b>	<b>-115.4</b>
<b>Financing activities</b>			
Repurchase own shares	22	-190.4	-
<b>Cash flow from financing activities</b>		<b>-190.4</b>	<b>0.0</b>
Cash flow for the year		-166.8	23.8
Cash and cash equivalents at beginning of year		518.1	496.2
Effect of translation differences on cash and cash equivalents		-13.8	-1.9
<b>Cash and cash equivalents at end of year</b>	29	<b>337.5</b>	<b>518.1</b>

# NOTES

## NOTE 1 CRITICAL ACCOUNTING POLICIES

All amounts in millions of Swedish kronor (SEK M) unless otherwise stated.

### Basis of presentation

The consolidated accounts comprise Fingerprint Cards AB (Publ) (the Parent Company) and its subsidiaries (the Group). The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS/IAS) issued by the International Accounting Standards Board (IASB) as endorsed by the EU. The Swedish Financial Reporting Board's recommendation RFR 1 (Supplementary Accounting Rules for Groups) has also been applied.

The Parent Company applies recommendation RFR2 (Accounting for Legal Entities) issued by the Swedish Financial Reporting Board, whereby the Parent Company applies the same accounting policies as the Group; i.e. IFRS to the extent possible under Swedish law.

The annual accounts and consolidated accounts were approved for publication by the Board and the President on 21 April 2020. The Consolidated Statement of Comprehensive Income and Statement of Financial Position and the Parent Company Income Statement and Balance Sheet will be adopted by the Annual General Meeting (AGM) on 26 May 2021.

The accounting policies are stated in the introduction of each note. The focus is on reviewing the accounting decisions the Group has made within the auspices of the applicable IFRS principle and avoiding repeating body text, unless considered of particular importance to understanding note content. Those accounting policies without a specific note are stated in note 1.

### Consolidation principles

#### Subsidiaries

The consolidated accounts comprise Fingerprint Cards AB (publ) (the Parent Company) and its subsidiaries (the Group). Subsidiaries are companies that are under the controlling influence of the Parent Company. A controlling influence is secured when the Parent Company has control over the investment, is exposed or entitled to a variable return from its holding in the company and can exercise control over the investment to influence the return.

All subsidiaries are wholly owned through direct or indirect ownership, and accordingly, are considered to lie under the group's control.

#### Transactions eliminated on consolidation

Intra-group receivables and liabilities, income or expenses and unrealized gains or losses arising from intra-group transactions between Group companies are eliminated in their entirety when the consolidated accounts are prepared.

#### Translation to Swedish kronor on consolidation of companies in with different functional currencies

Subsidiaries prepare their financial statements in each entity's functional currency. Each Group company's functional currency is determined on the basis of the primary economic environment where the company conducts operations. The parent company's functional currency is Swedish kronor, which is also the presentation currency of the parent company and group. This means that the financial statements are presented in Swedish kronor. All amounts are in millions of Swedish kronor unless otherwise stated.

When preparing the Group's account closes, revenues and expenses in the Income Statement are translated at average rates of exchange for each year. Balance Sheet items are translated to Swedish kronor at closing day rates. Translation differences that are a result of this translation are recognized via other comprehensive income in the translation reserve in shareholders' equity. Such translation differences are recognized in profit or loss on the sale of the foreign operation.

#### Receivables and liabilities in foreign currency

Transactions in foreign currency are translated to the functional currency at the rate of exchange ruling on the transaction date. Monetary assets and liabilities in foreign currencies are translated to the functional currency at closing day rates. Non-monetary assets and liabilities recognized at their respective historical cost are translated at rates of exchange ruling on the transaction date. Non-monetary assets and liabilities measured at fair value are translated to the functional currency at the rate of exchange ruling on the date of fair value measurement.

Exchange rate differences are recognized in net profit for the year. Exchange rate differences on operating receivables and operating liabilities are recognized in operating profit and exchange rate differences on financial receivables and financial liabilities are recognized in net financial income/expense.

### Critical estimates and judgements

With its Audit Committee, management has discussed the progress, selection and disclosure of the group's critical accounting policies and estimates, as well as the application of these principles and estimates.

Pursuant to IAS 1, the company should disclose the assumptions and other important sources of uncertainty in estimates, which if actual outcomes differ, can have a material impact on the financial statements. In cases where this occurs, estimates and judgements have been moved to the relevant note. A summary of the segments management considers to contain material estimates and judgements follow:

- Deferred tax (note 14)
- Capitalization of development costs (note 16)
- Impairment testing of goodwill and other intangible assets (note 16)
- Inventory valuation (note 18)

### New accounting policies

#### New accounting policies for 2020

##### IFRS 16 Leases

IFRS 16 Leases has replaced IAS 17 and IFRIC 4 and is applied as of 2019. The standard requires that assets and liabilities attributable to contracts that fulfill the definition of a lease be recognized in the balance sheet as a right-of-use asset and a financial liability. In its role as lessee, Fingerprints conducted a detailed review and analysis of the Group's leases, which mainly pertain to the premises where the Group's operations are conducted. An incremental borrowing rate has been established per country and the right-of-use term has been established per contract, taking into account extension clauses where it has been considered reasonably certain that these will be utilized.

Fingerprints has chosen to apply the exemptions permitted for low-value leases and for leases with terms of less than 12 months.

## NOTE 1 CRITICAL ACCOUNTING POLICIES, CONT.

### New accounting policies 2020 and later

None of the other IFRS or IFRIC interpretations that have not yet taken effect are expected to have any material impact on the Group.

### Parent Company accounting policies

The Parent Company's annual accounts have been prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. According to RFR 2, the Parent Company should apply all IFRSs and statements endorsed by the EU in its annual accounts as far as possible within the auspices of the Swedish Annual Accounts Act, the Swedish Pension Obligations Vesting Act and with respect to the relationship between accounting and taxation. The recommendation stipulates the exemptions from, and supplements to, IFRS that are to be applied.

### Differences between the group's and parent company's accounting policies

The main differences between the Group's and Parent Company's accounting policies are stated below. The accounting policies stated below for the Parent Company have been applied consistently to all periods presented in the Parent Company's financial statements.

### New accounting policies

Those amendments applying for the financial year beginning 1 January 2020 did not have any material effect on the financial statements.

### Subsidiaries

Shares and participations in subsidiaries are reported at cost in the Parent Company after deducting for impairment. On business combinations, the Parent Company includes expenditure relating to the acquisition in costs pursuant to RFR 2.

### Leased assets

The standards on accounting for leasing agreements in accordance with IFRS 16 are not applied in the Parent Company. This means that leasing fees are reported as an expense on a straight-line basis over the leasing period and that right-of-use assets and leasing liabilities are not included in the Parent Company's balance sheet.

### Intangible assets generated by the company

When development costs for intangible assets generated by the company are capitalized, the corresponding amount is transferred from retained earnings to the fund for development expenditure in restricted equity. This reserve is dissolved against retained earn-

ings as the development expenditure is amortized. If the useful life of an intangible asset generated by the company cannot be measured reliably, this period is set at five years.

### Untaxed reserves

The Parent Company recognizes the difference between depreciation and amortization according to plan and depreciation and amortization conducted for tax purposes as accumulated excess depreciation and amortization, which is included in untaxed reserves.

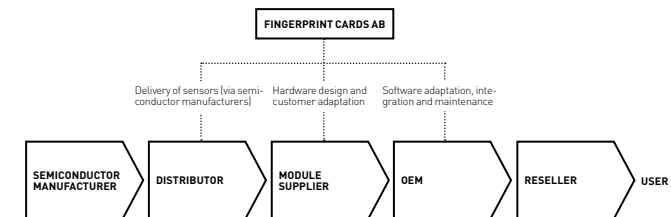
### Classification and presentation formats

Earnings for the Group are recognized in the Statement of Comprehensive Income, and for the Parent Company, in the Income Statement. In addition, the Parent Company uses the terms Balance Sheet and "Cash Flow Statement" for the statements the Group refers to as the Statement of Financial Position and Statement of Cash Flows respectively. The Parent Company Balance Sheet has been presented according to the format stipulated in the Swedish Annual Accounts Act, while the Statement of Comprehensive Income, the Statement of Changes in Equity and the Cash Flow Statement are based on IAS 1 Presentation of Financial Statements, and IAS 7 Statement of Cash Flows.

## NOTE 2 REVENUES

### Accounting policy

Fingerprint Cards' fundamental business model consists of the sale of wafers to distributors. This fundamental business generates the total net sales of the company. On this basis, the revenue-generating operation is straightforward; distributors order wafers, Fingerprint Cards receives the order and delivers the goods. Sensors consists of hardware, with software included as an integrated component. The transaction price is calculated to the recognized revenue adjusted for discounts that are reported to the most likely amount. The revenue is reported when the purchaser gains control over the product and is determined by the terms of delivery.



Revenues SEK M	Group		Parent Company	
	2020	2019	2020	2019
Sale of goods	1,255.7	1,458.6	1,251.7	1,454.3

## NOTE 3 OPERATING SEGMENTS

### Accounting policy

Each operating segment is defined as a business activity that can give rise to revenue or expenses and its operating profit is regularly monitored by the group's chief operating decision maker, and for which independent financial information is available. In Fingerprints' case, the chief operating decision maker is defined as Group Management, which decides how resources are to be allocated between the different segments, and which also regularly evaluates earnings.

Because Group Management monitors the results of operations and decides on the allocation of resources based on the products manufactured and sold by the Group, these comprise the Group's operating segments. Accordingly, the Group's internal reporting is structured to enable Group Management to review performance and results. The Group's segments have been identified based on the internal reporting structure. Fingerprints reports one operating segment, which is Fingerprint sensors, primarily for mobile phones.

### Comprehensive income statement

SEK M	Sensors		Total	
	2020	2019	2020	2019
Revenues from external customers	1,255.7	1,458.6	1,255.7	1,458.6
Operating profit	-365.8	-14.4	-365.8	-14.4
Profit before tax	-381.2	-17.4	-381.2	-17.4

### Assets/liabilities and cash flow by segment

SEK M	Sensors		Total	
	2020	2019	2020	2019
Assets	1,575.1	2,237.1	1,575.1	2,237.1
Liabilities	-361.8	-387.8	-361.8	-387.8
Cash flow from operating activities	158.1	160.4	158.1	160.4
Cash flow from investing activities	-119.1	-115.4	-119.1	-115.4
Cash flow from financing activities	-209.2	-19.7	-209.2	-19.7

### Geographical regions

SEK M	Revenue from external customers		Non-current assets*	
	2020	2019	2020	2019
Sweden	3.3	0.3	156.9	156.5
Asia	1,226.7	1,438.0	13.7	10.1
EMEA	11.9	11.4	0.8	3.6
South and North America	13.8	8.9	619.9	1,006.4
<b>Total</b>	<b>1,255.7</b>	<b>1,458.6</b>	<b>791.1</b>	<b>1,176.6</b>

\* Non-current assets excluding financial instruments

Revenue from external customers has been assigned to geographical regions according to where the customer is domiciled.

## NOTE 4 BUSINESS COMBINATIONS

### Accounting policy

The acquisition method has been applied, which means that an acquisition of a subsidiary is treated as a transaction through which the Group indirectly acquires the subsidiary's assets and takes over its liabilities and contingent liabilities. In 2020 no acquisitions were made. On 7 June 2017, Fingerprint Cards acquired all share in Delta ID Inc. The final payment amounting to SEK 20.7 M was made in 2019.

### Group

Mkr	2020	2019
Remaining portion of purchase consideration Delta ID Inc.	-	20.7
<b>Cash flow from acquisition of Group companies/operations</b>	<b>-</b>	<b>20.7</b>

## NOTE 5 COST OF GOODS SOLD

### Constituent items in cost of goods sold

SEK M	Group		Parent Company	
	2020	2019	2020	2019
Materials	-865.2	-997.1	-865.2	-997.1
Amortization of capitalized development	-23.5	-65.1	-23.5	-65.1
Amortization of other intangible assets	-28.1	-39.6	-	-
Procurement and production overheads	-63.7	-25.7	-63.6	-25.7
<b>Cost of goods sold</b>	<b>-980.5</b>	<b>-1,127.5</b>	<b>-952.3</b>	<b>-1,087.9</b>

## NOTE 6 OTHER OPERATING INCOME

SEK M	Group		Parent Company	
	2020	2019	2020	2019
Exchange rate gains on operating receivables and liabilities	8.1	-	8.2	-
Gains on sale of property, plant and equipment	-	-	-	-
Grants received	1.4	1.4	-	-
Leased offices	3.7	5.3	3.8	5.3
	<b>13.2</b>	<b>6.7</b>	<b>12.0</b>	<b>5.3</b>

## NOTE 7 OTHER OPERATING EXPENSES

SEK M	Group		Parent Company	
	2020	2019	2020	2019
Loss on sale of property, plant and equipment	-0.6	-	-0.6	-
Exchange rate losses on operating receivables and liabilities	-	-1.8	-	-1.8
Write-down of capitalized development	-340.6	-	-72.9	-
Expenses leased offices	-3.8	-5.7	-3.8	-5.7
	<b>-345.0</b>	<b>-7.5</b>	<b>-77.3</b>	<b>-7.5</b>

## NOTE 8 EMPLOYEES, PERSONNEL COSTS AND REMUNERATION OF SENIOR EXECUTIVES

### Accounting policy

#### Pension benefits to employees

The Group has defined-contribution pension plans. Defined-contribution pension plans are classified as plans whereby the company's obligation is limited to the contributions it has undertaken to pay. In such cases, the amount of the employee's pension depends on the contribution the company pays to the plan, or to an insurance company and the return on capital generated by the contributions. Consequently, the employee bears the actuarial risk and investment risk. The company's obligation regarding contributions to defined-contribution plans is recognized as an expense in profit or loss in line with contributions being vested by the employee rendering services for the company over a period of time.

#### Severance pay

An expense for severance pay when employees leave the company is recognized only if the company is demonstrably obligated, with-

**NOTE 8 EMPLOYEES, PERSONNEL COSTS AND REMUNERATION OF SENIOR EXECUTIVES, CONT.**

out a realistic possibility of withdrawing, by a formal detailed plan to terminate employment before the normal point in time.

**Short-term remuneration**

Short-term remuneration to employees is computed without discounting and is recognized as an expense when the related services are received. A provision is recognized for the expected cost of the profit-sharing and bonus payments when the Group becomes subject to a legal or constructive obligation to make such payments as a result of the services rendered by employees and the obligation can be measured reliably.

**Remuneration guidelines for senior executives**

The AGM 2020 approved the proposal that the Remuneration Committee internal to the Board of Directors should consult on guidelines regarding salary and other employment terms for the Chief Executive Officer and other senior executives, and submit proposals to the Board of Directors for decision on such matters. The Board of Directors takes decisions on salary and other benefits for the Chief Executive Officer. The Chief Executive Officer takes decisions on salary and other benefits to other senior executives pursuant to the Board of Directors' guidelines. Other senior executives mean individuals that are members of Group Management together with the Chief Executive Officer. Fundamental compensation levels should be on market terms. Compensation should consist of fixed basic salary, variable salary computed in accordance with established objectives set in advance, and other benefits, pensions and financial instruments in the form of performance-related shares.

The division between basic salary and variable compensation should be in proportion to the executive's duties and authorization. For the Chief Executive Officer and other senior executives, variable compensation is a maximum of 100 percent of basic annual salary, apart from sign-on bonus. Pension terms should be defined contribution pension solutions.

The notice period from the company's side should not exceed six months. During the notice period of a maximum of six months, full salary and employment benefits are due. Upon termination by the company, severance pay may be payable up to an amount corresponding to a maximum of 12 months' salary. The notice period for the Chief Executive Officer is six months on termination by the employee or the company.

Decisions on share and share price related incentive programs are taken by the AGM.

Expenses for employee benefits	Group		Parent Company	
	2020	2019	2020	2019
Salaries and benefits, etc.	195.0	199.2	72,7	77.4
Pension costs, defined contribution plans	24,5	24,1	20,0	16,1
Other social security contributions	37,2	32,9	22,9	26,7
	<b>256.7</b>	<b>256.2</b>	<b>115,6</b>	<b>120.2</b>

Gender balance in management	Group		Parent Company	
	31 Dec 2020 Share of women	31 Dec 2019 Share of women	31 Dec 2020 Share of women	31 Dec 2019 Share of women
Board of Directors	13%	13%	13%	13%
Other senior executives	0%	0%	0%	0%

**Average number of employees**

Group	Group						Parent Company					
	2020			2019			2020			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
Sweden	67	29	96	64	25	89	67	29	96	64	25	89
Denmark	22	4	26	22	4	26	-	-	-	-	-	-
Japan	0	0	0	2	0	2	-	-	-	-	-	-
China	55	30	85	45	22	67	-	-	-	-	-	-
South Korea	5	0	5	5	0	5	-	-	-	-	-	-
Taiwan	12	3	15	10	1	11	-	-	-	-	-	-
US	4	1	5	8	1	9	-	-	-	-	-	-
<b>Total group</b>	<b>165</b>	<b>67</b>	<b>232</b>	<b>156</b>	<b>53</b>	<b>209</b>	<b>67</b>	<b>29</b>	<b>96</b>	<b>64</b>	<b>25</b>	<b>89</b>

There were 240 (225) employees as of 31 December 2020, of which 170 (163) men and 70 (62) women.

The Board shall be entitled to depart from these guidelines if there are special reasons for this in an individual case. The Company and the Chief Executive Officer have entered into an agreement concerning a separate bonus payment amounting to KSEK 3,000 for 2020, which is a deviation from the company's guidelines concerning variable remuneration. The deviation was considered justified for special reasons to satisfy the company's long-term interests, including sustainability, by ensuring that the company's Chief Executive Officer received competitive total remuneration and is warranted because the CEO's management of 2020, a challenging year, satisfied the Board of Directors' expectations.

**NOTE 8 EMPLOYEES, PERSONNEL COSTS AND REMUNERATION OF SENIOR EXECUTIVES, CONT.****Salaries and other benefits allocated between senior executives and other employees, and social security contributions**

SEK M	Group						Parent Company					
	2020			2019			2020			2019		
	Senior executives	Other employees	Total	Senior executives	Other employees	Total	Senior executives	Other employees	Total	Senior executives	Other employees	Total
Salaries and other benefits	21.1	173,9	195.0	19.4	179.8	199.2	19.2	53.5	72.7	16.3	61.1	77.4
Of which Chief Executive Officer	7.8	–	7.8	6.9	–	6.9	7.8	–	7.8	6.9	–	6.9
Of which Sweden	19.2	53,5	72,7	16.3	61.1	77.4	19.2	53.5	72.7	16.3	61.1	77.4
Of which foreign countries	1.9	120,4	122,3	3.1	118.6	121.7	–	–	–	–	–	–
<b>Total salaries and benefits</b>	<b>21.1</b>	<b>173.9</b>	<b>195.0</b>	<b>19.4</b>	<b>179.8</b>	<b>199.2</b>	<b>19.2</b>	<b>53.5</b>	<b>72.7</b>	<b>16.3</b>	<b>61.1</b>	<b>77.4</b>
Of which bonus	4.0	13.9	17.9	4.8	13.2	18.0	4.0	2.3	6.3	4.2	1.7	5.9
<b>Social security contributions total</b>	<b>10,1</b>	<b>51,6</b>	<b>61,7</b>	<b>10,9</b>	<b>46,1</b>	<b>57,0</b>	<b>9,9</b>	<b>33,0</b>	<b>42,9</b>	<b>9,7</b>	<b>33,1</b>	<b>42,8</b>
Of which pension costs												
Chief Executive Officer	2.4		2.4	2.1	–	2.1	2.4	0.0	2.4	2.1	–	2.1
Of which pension costs, others	2.0	20,1	22,1	2.7	19.3	22.0	1.8	15.8	17.6	2.4	11.6	14.0

Salaries and other benefits to senior executives	2020					2019				
	Group and Parent Company	Basic salary, Directors' fee	Bonus, variable compensation	Benefits	Pension	Total	Basic salary, Directors' fee	Bonus, variable compensation	Pension	Total
<b>Chairman of the Board</b>										
Johan Carlström		0.7	–	–	–	0.7	0.7	–	–	0.7
<b>Directors</b>										
Alexander Kotsinas		0.4	–	–	–	0.4	0.4	–	–	0.4
Dimitrij Titov		0.3	–	–	–	0.3	0.3	–	–	0.4
Juan Vallejo		0.3	–	–	–	0.3	0.3	–	–	0.3
Sofia Bertling, from 2019-06		0.3	–	–	–	0.3	0.2	–	–	0.3
Ted Elvhage		0.3	–	–	–	0.3	0.3	–	–	0.2
Tomas Mikaelsson		0.3	–	–	–	0.3	0.3	–	–	0.3
Urban Fagerstedt, to 2020-05		0.2	–	–	–	0.2	0.3	–	–	0.3
<b>Chief Executive Officer</b>										
Christian Fredrikson		4.0	3.0	0.8	2.4	10.2	4.9	2.0	2.1	9.0
<b>Other senior executives (6 people)</b>		8.9	1.0		2.0	11.9	9.7	2.8	2.7	15.2
<b>Total from Group and Parent Company</b>		<b>15.7</b>	<b>4.0</b>	<b>0.8</b>	<b>4.4</b>	<b>24.9</b>	<b>17.4</b>	<b>4.8</b>	<b>4.8</b>	<b>27.0</b>

## NOTE 9 FEES AND REIMBURSEMENT OF AUDITORS

SEK M	Group		Parent Company	
	2020	2019	2020	2019
Audit fee, MOORE KLN AB	2.6	2.0	2.6	2.0
Audit fee, KPMG	0.0	0.3	0.0	0.3
Audit fee, other	0.1	0.1	0.0	-
Other services	0.4	0.3	0.1	0.3
<b>Total fees</b>	<b>3.1</b>	<b>2.7</b>	<b>2.7</b>	<b>2.6</b>

## NOTE 10 OPERATING EXPENSES BY COST CLASS

SEK M	Group		Parent Company	
	2020	2019	2020	2019
Cost of materials	-889.8	-997.0	-889.8	-997.0
Personnel costs	-256.3	-256.2	-114.8	-120.2
Depreciation, amortization and impairment	-425.1	-143.0	-107.3	-81.0
Other operating expenses	-50.3	-76.5	-222.8	-256.9
<b>Operating expenses</b>	<b>-1,621.5</b>	<b>-1,473.0</b>	<b>-1,334.7</b>	<b>-1,455.1</b>

## NOTE 11 DEVELOPMENT EXPENDITURE

The Group's expenses for technology development and patents in 2020 amounted to SEK 201.6 M (199.3) of which SEK 107.1 M (88.5) or 53% (44%) has been capitalized in the Consolidated Statement of Financial Position and the remaining SEK 94.5 M (110.8) has been expensed. The corresponding expenses for technology development and patents 2020 for the Parent Company amounted to SEK 201.1 M (209.5), of which SEK 107.1 M (88.5) or 53% (42%) has been capitalized in the Parent Company's Balance Sheet, and the remaining SEK 94.0 M (121.0) has been expensed in the Parent Company's Income Statement.

## NOTE 12 FINANCIAL INCOME/EXPENSE

SEK M	Group		Parent Company	
	2020	2019	2020	2019
Dividend from group companies	-	-	1.8	-
Exchange rate gains financial receivables and liabilities	-	-	-	20.8
Interest income attributable to group companies	-	-	24.5	25.9
Other interest income	0.1	0.6	0.0	0.5
<b>Financial income</b>	<b>0.1</b>	<b>0.6</b>	<b>26.3</b>	<b>47.2</b>
Loss from write-down of shares in subsidiaries	-	-	-914.4	-
Exchange rate losses financial receivables and liabilities	-13.9	-10.3	-82.2	-2.6
Other interest expenses	-1.0	-10.4	-0.3	-0.6
Other financial expenses	-0.6	17.1	-0.5	-
<b>Financial expenses</b>	<b>-15.5</b>	<b>-3.6</b>	<b>-997.4</b>	<b>-3.2</b>

## NOTE 13 APPROPRIATIONS

SEK M	Parent Company	
	2020	2019
<b>Appropriations</b>		
Change in depreciation and amortization above plan	0.0	8.0
<b>Appropriations</b>	<b>0.0</b>	<b>8.0</b>
<b>Untaxed reserves</b>	<b>0.0</b>	<b>0.0</b>

## NOTE 14 TAXES

### Accounting policy

The group's tax for the period consists of current tax and deferred tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be paid to or by the tax authorities based on the tax rates and the tax legislation that is enacted or substantively enacted on the reporting date. Current tax is tax pertaining to taxable profit for the period. Deferred tax is recognized on all temporary differences that arise between the taxable value and carrying amount of assets and liabilities, and on deductible loss carry-forwards.

Current and deferred tax is recognized in profit or loss with the exception of transactions recognized in other comprehensive income and shareholders' equity. Tax attributable to items recognized in other comprehensive income is also recognized in other comprehensive income and tax accruing on transactions recognized in shareholders' equity is recognized in shareholders' equity. Deferred tax assets are recognized in the Balance Sheet to the extent it is likely that they can be utilized to offset future taxable surpluses. When calculating the Group's deferred tax assets and tax liability, the tax rate applicable in the country concerned is applied.

### Estimates and judgements

Management especially considers the likelihood of whether deferred tax assets can be offset against services in future taxation. Deductible deficits are not recognized because they relate to a subsidiary with limited operations, and accordingly, there is uncertainty as to whether the deficit can be offset against future surpluses.

SEK M	Group		Parent Company	
	2020	2019	2020	2019
Current tax expense	-3.0	-2.8	-	-
Deferred tax expense	43.4	6.6	28.5	-11.7
<b>Total reported tax expense</b>	<b>40.4</b>	<b>3.8</b>	<b>28.5</b>	<b>-11.7</b>



**NOTE 14 TAXES, CONT.****Reconciliation of effective tax**

SEK M	Group				Parent Company			
	2020	%	2019	%	2020	%	2019	%
Profit before tax	-381.2		-17.4		-1,054.2		51.2	
Theoretical tax at applicable tax rate for Parent Company	81.6	-21.4	3.7	-21.4	225.6	-21.4	-10.9	-21.4
Non-deductible expenses	-37.7	9.9	-0.4	2.3	-191.2	18.1	-0.4	-0.8
Non-deductible revenues	0.0	0.0	0.0	0.0	0.4	0.0	0.0	-
Differences in tax rates for foreign subsidiaries	2.9	-0.8	4.9	-28.2	-	-	-	-
Restatement of deferred tax	-6.3	1.7	-4.8	27.6	-6.3	0.6	-0.3	-0.6
Tax attributable to previous year	0.0	0.0	0.4	-2.3	0.0	0.0	-	-
<b>Reported effective tax</b>	<b>40.4</b>	<b>-10.6</b>	<b>3.8</b>	<b>-22.1</b>	<b>28.5</b>	<b>-2.7</b>	<b>-11.7</b>	<b>-22.8</b>

**Unreported deferred tax assets**

Deductible loss carry-forwards for which deferred tax assets have not been recognized in the Statement of Financial Position:

SEK M	Group		Parent Company	
	2020	2019	2020	2019
Deductible deficits	12.4	12.4	-	-

Deferred tax assets and tax liabilities are divided as follows:

Deferred tax assets SEK M	Group		Parent Company	
	2020	2019	2020	2019
Deferred tax assets to be settled after more than 12 months	46.8	18.3	46.7	18.2
<b>Total deferred tax assets</b>	<b>46.8</b>	<b>18.3</b>	<b>46.7</b>	<b>18.2</b>

Deferred tax liabilities SEK M	Group		Parent Company	
	2020	2019	2020	2019
Deferred tax liabilities to be settled after more 12 months	20.6	38.6	-	-
<b>Total deferred tax liabilities</b>	<b>20.6</b>	<b>38.6</b>	<b>-</b>	<b>-</b>

Changes in deferred tax assets and tax liabilities are stated below:

**Group**

Deferred tax assets, SEK M	Current assets	Total
As of 1 January, 2019	27.8	27.8
Reported in Income Statement	-9.5	-9.5
<b>As of 31 December, 2019</b>	<b>18.3</b>	<b>18.3</b>
Reported in Income Statement	28.5	28.5
<b>As of 31 December, 2020</b>	<b>46.8</b>	<b>46.8</b>

**Group**

Deferred tax liabilities, SEK M	Other	Total
As of 1 January, 2019	51.9	51.9
Reported in Income Statement	-13.3	-13.3
<b>As of 31 December, 2019</b>	<b>38.6</b>	<b>38.6</b>
Revaluation deferred tax	-3.1	-3.1
Reported in Income Statement	-14.9	-14.9
<b>As of 31 December, 2020</b>	<b>20.6</b>	<b>20.6</b>

**NOTE 15 SHAREHOLDERS' EQUITY AND NUMBER OF SHARES****Accounting policy**

Earnings per share before dilution are measured as consolidated net profit for the year attributable to equity holders of the Parent Company divided by the average number of outstanding shares per financial year.

Repurchased shares in own custody are not included as outstanding. Weighted average number of shares with regard to when the repurchase took place.

SEK	Before dilution		After dilution	
	2020	2019	2020	2019
Earnings per sharee	-1.10	-0.04	-1.10	-0.04

**Net profit for the year attributable to ordinary shareholders of the parent company before dilution**

SEK M	2020	2019
Net profit for the year attributable to equity holders of the Parent Company	-340.8	-13.6

**Weighted average of number of outstanding shares before and after dilution**

Number of shares	2020	2019
Class A shares at beginning of the year	6,000,000	6,000,000
<b>Total number of class A shares</b>	<b>6,000,000</b>	<b>6,000,000</b>
Class B shares at beginning of the year	307,967,675	307,967,675
Number of repurchased shares	-12,423,665	0
<b>Total number of class B shares</b>	<b>295,544,010</b>	<b>307,967,675</b>
<b>Total number of outstanding shares</b>	<b>301,544,010</b>	<b>313,967,675</b>
Weighted average number of ordinary shares in the year before dilution	308,828,873	313,967,675
Weighted average number of ordinary shares in the year after dilution	308,828,873	313,967,675
<b>Quotient value, SEK per share</b>	<b>0.04</b>	<b>0.04</b>

As of 31 December 2020, registered share capital amounted to 313,967,675 ordinary shares (313 967 675), of which 12,423,665 (-) shares were in own custody. Holders of common shares are entitled to receive dividends, and entitles the holder to vote at the shareholders' meetings, with one vote per share.

## NOTE 16 INTANGIBLE ASSETS

### Accounting policy

Intangible assets are recognized at original cost after deducting for accumulated amortization and potential impairment.

### Research and development

Development expenditure, aimed at achieving new or improved products or processes, is recognized as an asset in the Statement of Financial Position, if the product or process is technically and commercially viable, and the company has sufficient resources to complete the development process and subsequently use or sell the intangible asset. The carrying amount includes directly attributable expenses, such as materials and services used and consumed in connection with processing and registering legal rights. Other development expenditure is recognized in profit or loss as an expense when it arises.

Research expenses aimed at obtaining new scientific or technical knowledge are recognized as an expense when they arise. Since all research originates from products and market demand, no research arises.

### Patents

Acquired patents are capitalized as intangible assets.

### Goodwill

Goodwill is recognized as an intangible asset with indefinite useful life. Over and above indication, non-amortizable assets such as goodwill are subject to annual impairment tests by measuring the asset's recoverable amount. If the estimated recoverable amount is less than the carrying amount, the asset is impaired to its recoverable amount.

### Amortization and impairment

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, unless such useful lives are indefinite. Useful lives are determined on the basis of expected commercial potential, earnings and the patent's remaining term of validity and technical significance. Useful lives are reviewed at least yearly. Intangible assets with definite useful lives are amortized from the date when they are available for use. Amortizable assets are tested for impairment, if at the reporting date, there is an indication that a non-current asset is impaired.

Intangible assets with an indefinite useful life or that are not ready for use are tested for impairment every year and as soon as there is an indication of impairment. The recoverable amount of goodwill is measured through a value in use measurement according to the discounted cash flow method.

If it is not possible to associate materially independent cash flows with an individual asset, and the asset's fair value less selling expenses cannot be used, for impairment testing, the assets are grouped at the lowest level from which it is possible to identify significant independent cash flows, known as a cash-generating unit. An impairment loss is recognized when an asset's carrying amount exceeds its recoverable amount. An impairment loss is recognized as an expense in profit or loss.

Estimated useful lives are:

Products	1.5–4 years
Platforms	1.5–10 years
Customer relations	10 years
Patents	4–5 years

Useful lives are reviewed yearly.

### Estimates and judgements

#### Capitalized development expenditure

Significant estimates by management are necessary to determine whether expenses during the development phase should be capitalized as intangible assets, and which useful life these assets should have. These estimates focus on determining how long earnings potential exists for the products, and in turn, these estimates are based on the progress of markets, competitors and technology.

#### Impairment of goodwill and other intangible assets

To identify whether there is impairment of a non-current asset with definite useful life at the reporting date, management judges each asset's commercial potential. No indication has been identified for patents, and accordingly, no impairment test has been conducted for patents. The remaining portion of other intangible assets have been tested jointly with goodwill below.

For impairment tests, the recoverable amount of the cash-generating unit Delta ID Inc. has been measured based on its value in use. Value in use is measured as the present value of expected future cash flows in accordance with management's forecast.

The critical assumptions in this forecast are sales and operating margins, as well as the discount rate. Sales have been estimated in the short term based on estimated customer needs, from third-party research and global market progress for iris recognition for the medium term, and based on assumptions of a normalized growth rate for the long term. Initially, the operating margin has been estimated on the basis of current margins, and then based on sector experience.

A nine-year cash flow forecast has been applied, the term of the period justified by the expectation that it will take many years before operations enter a mature developmental phase. After the end of the forecast period, a growth rate of 2% has been adopted.

The discount rate has been estimated based on the operation's estimated weighted average cost of capital (WACC). The WACC after tax has been estimated at 14.5%.

Impairment goodwill	2020	2019
Recoverable amount SEK M	599	1,017
Carrying amount SEK M (of which goodwill SEK 843 M)	599	965
Interest rate, % (WACC), before tax	15.9	14.1
Interest rate, % (WACC), after tax	14.5	11.8

**NOTE 16 INTANGIBLE ASSETS, CONT.**

SEK M	Group								Parent Company					
	Goodwill		Capitalized development expenditure		Patents & other acquired intangible assets		Intangible assets		Capitalized development expenditure		Patents & other acquired intangible assets		Intangible assets	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31	2020-12-31	2019-12-31	2020-12-31	2019-12-31	2020-12-31	2019-12-31	2020-12-31	2019-12-31	2020-12-31	2019-12-31
<b>Accumulated cost</b>														
Opening balance	842.7	811.4	558.3	470.3	309.4	293.0	1,710.4	1,574.7	552.6	464.6	46.2	40.0	598.8	504.6
Internally developed assets	-	-	107.2	88.0	-	-	107.2	88.0	107.2	88.0	-	-	107.2	88.0
Purchases	-	-	-	-	10.4	6.6	10.4	6.6	-	-	10.4	6.2	10.4	6.2
Translation difference	-103.1	31.3	-	-	-32.1	9.8	-135.2	41.1	-	-	-	-	-	-
Closing balance	739.6	842.7	665.5	558.3	287.6	309.4	1,692.8	1,710.4	659.8	552.6	56.6	46.2	716.4	598.8
<b>Accumulated amortization</b>														
Opening balance	0.0	-	-285.8	-220.7	-129.1	-83.6	-414.9	-304.3	-280.1	-215.0	-29.1	-25.0	-309.2	-240.0
Amortization for the year	-	-	-23.5	-65.1	-31.8	-43.8	-55.3	-108.9	-23.5	-65.1	-3.6	-4.1	-27.1	-69.2
Translation difference	-	-	-	-	15.4	-1.7	15.4	-1.7	-	-	-	-	-	-
Closing balance	0.0	-	-309.3	-285.8	-145.6	-129.1	-454.9	-414.9	-303.6	-280.1	-32.7	-29.1	-336.3	-309.2
<b>Accumulated impairment</b>														
Opening balance	0.0	-	-167.7	-167.7	-	-	-167.7	-167.7	-167.7	-167.7	-	-	-167.7	-167.7
Write-downs for the year	-267.7	-	-63.3	0.0	-9.6	-	-340.6	0.0	-63.3	-	-9.6	-	-72.9	0.0
Translation difference	29.7	-	-	-	0.0	-2.9	29.7	0.0	-	-	-	-	-	-
Closing balance	-238.0	-	-231.0	-167.7	-9.6	-	-478.6	-167.7	-231.0	-167.7	-9.6	-	-240.6	-167.7
<b>Carrying amount</b>														
At beginning of year	842.7	811.4	104.8	81.9	180.3	209.4	1,127.8	1,102.7	104.8	81.9	17.1	15.0	122.0	96.9
<b>At end of year</b>	<b>501.6</b>	<b>842.7</b>	<b>125.3</b>	<b>104.8</b>	<b>132.4</b>	<b>180.3</b>	<b>759.3</b>	<b>1,127.8</b>	<b>125.3</b>	<b>104.8</b>	<b>14.2</b>	<b>17.1</b>	<b>139.5</b>	<b>122.0</b>
<b>Amortization is included in the following lines in the Statement of Comprehensive income</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Cost of goods sold	-	-	-23.5	-65.1	-28.1	-39.7	-51.6	-104.8	-23.5	-65.1	-	-	-23.5	-65.1
Development costs	-	-	-	-	-3.7	-4.1	-3.7	-4.1	-	-	-3.6	-4.1	-3.6	-4.1

## NOTE 17 PROPERTY, PLANT AND EQUIPMENT

### Accounting policy

Property, plant and equipment are recognized in the Group at cost less accumulated depreciation and any impairment. Cost includes the purchase price and any expenses that are directly attributable to the asset to put it in place and in the condition to be utilized for the purpose for which it was acquired.

Assets leased through finance leases are recognized as non-current assets in the Statement of Financial Position and recognized initially at the lower of the item's fair value and the present value of minimum lease payments on entering the arrangement.

### Depreciation and impairment

Depreciation is on a straight-line basis over the estimated useful life of the asset. Leased assets are depreciated over their estimated useful life, or if it is shorter, the contracted lease term. Depreciation is recognized in each function the assets belong to.

Impairment testing of depreciable assets is conducted if there is an indication of impairment of the non-current asset at the reporting date. If there is an indication of impairment, the asset's recoverable amount is measured. The recoverable amount is the greater of the asset's net selling price and its value in use, which is based on management's estimate of future cash flows. If it is not possible to associate significant independent cash flows with an individual asset, and the asset's fair value less selling expenses cannot be used, the assets are grouped for impairment testing at the lowest level from which it is possible to identify significant independent cash flows, known as a cash-generating unit. An impairment loss is recognized when an asset's carrying amount exceeds its recoverable amount. An impairment loss is recognized as an expense in profit or loss.

### Estimated useful lives:

Machinery and other technical plant 5 years  
Equipment, tools, fixtures and fittings 3–5 years

### Estimates and judgements

#### Impairment of property, plant and equipment

Estimated future cash flows, which are based on internal business plans and forecasts, are used to determine value in use. Even if management considers an estimated future cash flows are reasonable, other assumptions regarding cash flows can have a material impact on measurements. No indication that property, plant and equipment is impaired has been identified, and accordingly, no impairment tests have been conducted.

	Group		Parent Company	
	Machinery and equipment		Machinery and equipment	
	Dec 31 2020	Dec 31 2019	Dec 31 2020	Dec 31 2019
<b>Accumulated cost, SEK M</b>				
Opening balance	70.0	73.1	56.0	59.4
Acquisitions	0.0	0.8	0.0	0.0
Sales/retirements	-19.1	-4.5	-19.1	-4.1
Purchases	1.4	0.6	1.1	0.6
Closing balance	52.3	70.0	38.0	56.0
<b>Accumulated depreciation</b>				
Opening balance	-54.2	-42.9	-44.8	-36.0
Acquisitions	0.0	-	0.0	-
Reversed depreciation on sales and retirements	18.5	3.3	18.5	2.9
Depreciation for the year	-9.6	-14.6	-7.3	-11.7
Closing balance	-45.3	-54.2	-33.6	-44.8
<b>Carrying amounts</b>				
At beginning of year	15.8	30.2	11.2	23.4
<b>At end of year</b>	<b>7.0</b>	<b>15.8</b>	<b>4.4</b>	<b>11.2</b>

	Group		Parent Company	
	2020	2019	2020	2019
<b>Depreciation is included in the following lines in the Statement of Comprehensive income</b>				
Cost of goods sold	-2.3	-2.8	-2.3	-2.8
Administrative expenses	-6.4	-11.8	-4.1	-8.9
Selling expenses	0.0	0	0.0	0.0
Development expenses	-0.9	0	-0.9	0.0
<b>Total</b>	<b>-9.6</b>	<b>-14.6</b>	<b>-7.3</b>	<b>-11.7</b>

## NOTE 18 INVENTORIES

### Accounting policy

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is measured by applying the first-in, first-out method (FIFO) and includes expenses arising in conjunction with the purchase of inventory items and transportation to their current location and condition. Net realizable value is defined as sales price less expenses for completion and selling expenses.

### Estimates and judgements

Individual judgements regarding potential to sell products are necessary to determine net sales value. An impairment loss has been recorded due to net realizable value.

SEK M	Group		Parent Company	
	Dec 31 2020	Dec 31 2019	Dec 31 2020	Dec 31 2019
Raw material inventory	118.6	215.2	118.6	215.2
Products in process	0.0	2.4	0.0	2.4
Finished goods	17.8	35.8	17.8	35.8
<b>Total</b>	<b>136.3</b>	<b>253.4</b>	<b>136.3</b>	<b>253.4</b>

Impairment of inventories amounts to SEK 20 M (143.2) in 2020.

## NOTE 19 FINANCIAL ASSETS

### Accounting policy

A financial asset is recognized in the Statement of Financial Position when the group becomes party to the terms of the instrument's agreement. A receivable is recognized when the company has delivered and there is a contracted obligation for the counterparty to pay, even if no invoice has been sent. Accounts receivable are recognized in the Statement of Financial Position when an invoice has been sent and the company has an unconditional right of payment.

The Financial assets are in the category of amortized cost. Loan receivables and accounts receivable are non-derivative financial assets that have determined or determinable payments and that are not listed on an active marketplace. These assets are measured at amortized cost. Amortized cost is determined on the basis of the effective interest calculated at acquisition. Cash and cash equivalents and accounts receivable are recognized at the amount expected to be received, i.e. after impairment of expected bad debt.

Conversion to SEK is at the closing rate on the reporting date. Book value less impairment is an approximate fair value of accounts receivable.

Impairment losses (mainly the reserve for bad debt) are taken if management considers that there is sufficient objective evidence indicating that an asset's carrying amount will not be recoverable. Impaired accounts receivable are recognized at the present value of expected future cash flows. However, receivables with short maturities are not discounted. Impairment of saleable financial assets is recognized in net profit for the year in net financial income/expense.

Exchange rate fluctuations on operating receivables and liabilities are recognized in operating profit, while exchange rate fluctuations on financial receivables and liabilities are recognized in net financial income/expense.

Financial assets are derecognized from the Balance Sheet when the contracted rights to cash flows cease, or are transferred, and when essentially, the risks and rewards associated with ownership of the financial assets have been transferred.

**NOTE 19 FINANCIAL ASSETS, CONT.****Fair value and book value of financial assets by balance sheet item and category**

SEK M	Group				Parent Company			
	31 Dec 2020		31 Dec 2019		31 Dec 2020		31 Dec 2019	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>FINANCIAL ASSETS</b>								
<b>Current financial assets</b>								
Financial assets at amortized cost								
Accounts receivable	196.2	196.2	197.3	197.3	195.2	195.2	196.9	196.9
Cash and cash equivalents	377.0	377.0	563.9	563.9	337.5	337.5	518.1	518.1
<b>Financial assets, total</b>	<b>573.2</b>	<b>573.2</b>	<b>761.2</b>	<b>761.2</b>	<b>532.8</b>	<b>532.8</b>	<b>715.1</b>	<b>715.1</b>
<b>By category</b>								
Financial assets at amortized cost	573.2	573.2	761.2	761.2	532.8	532.8	715.1	715.1
Loan receivables and accounts receivable	-	-	-	-	-	-	-	-
<b>Financial assets, total</b>	<b>573.2</b>	<b>573.2</b>	<b>761.2</b>	<b>761.2</b>	<b>532.8</b>	<b>532.8</b>	<b>715.1</b>	<b>715.1</b>

SEK M	Group		Parent Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Total accounts receivable	196.6	197.7	195.6	197.4
Reserve for doubtful debt	0.4	0.4	0.4	0.4
Carrying amount	196.2	197.3	195.2	196.9

The expense for bad debt and doubtful debt for the Group amounted to SEK 0.0 M (0.0).

**NOTE 20 PREPAID EXPENSES AND ACCRUED INCOME**

SEK M	Group		Parent Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Premises	1.8	1.0	3.0	2.9
Insurance expenses	2.9	2.8	2.8	2.4
License costs	4.4	3.6	4.4	3.6
Other operating expenses	3.0	4.9	2.3	3.7
<b>Total</b>	<b>12.2</b>	<b>12.3</b>	<b>12.4</b>	<b>12.6</b>

**NOTE 21 CASH AND CASH EQUIVALENTS****Accounting policy**

Cash and cash equivalents consist of cash funds and immediately available balances with banks and corresponding institutions, as well as short-term liquid investments that are exposed to only insignificant risk of value fluctuation.

SEK M	Group		Parent Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Cash and bank balances	377.0	563.9	337.5	518.1
<b>Total recognized in the Statement of Financial Position/ Balance sheet</b>	<b>377.0</b>	<b>563.9</b>	<b>337.5</b>	<b>518.1</b>

## NOTE 22 FINANCIAL LIABILITIES

### Accounting policy

A financial liability is recognized in the Statement of Financial Position when the Group becomes a party to the terms of the instrument's contract. Liabilities are recognized when the counterparty has delivered and there is a contractual obligation for the company to make a payment without an invoice having yet been received. Accounts payable are recognized when the invoice has arrived.

As of 31 December 2020, there were no liabilities measured at fair value. Financial liabilities, such as Accounts payable are measured at amortized cost.

Exchange rate fluctuations on operating liabilities are recognized in operating profit while exchange rate fluctuations on financial liabilities are recognized in financial net.

A financial liability is derecognized from the Statement of Financial Position when the contractual obligations are fulfilled or otherwise extinguished.

### Book value of financial liabilities by balance sheet items and category

SEK M	Group				Parent Company			
	31 Dec 2020		31 Dec 2019		31 Dec 2020		31 Dec 2019	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>Non-current financial liabilities</b>								
Long-term leasing liabilities	9.8	9.8	11.8	11.8	–	–	–	–
<b>Current financial liabilities</b>								
Short-term portion of leasing liabilities	12.8	12.8	17.9	17.9	–	–	–	–
Accounts payable	200.7	200.7	235.2	235.2	199.7	199.7	234.1	234.1
<b>Financial liabilities, total</b>	<b>223.3</b>	<b>223.3</b>	<b>264.9</b>	<b>264.9</b>	<b>199.7</b>	<b>199.7</b>	<b>234.1</b>	<b>234.1</b>
<b>By category</b>								
Financial liabilities at amortized cost	223.3	223.3	264.9	264.9	199.7	199.7	234.1	234.1
<b>Financial liabilities, total</b>	<b>223.3</b>	<b>223.3</b>	<b>264.9</b>	<b>264.9</b>	<b>199.7</b>	<b>199.7</b>	<b>234.1</b>	<b>234.1</b>

Maturity analyses, financial liabilities, SEK M	Group				Parent Company			
	0-3 months	3 months-1 year	1-2 years	2-3 years	0-3 months	3 months-1 year	1-2 years	2-3 years
Accounts payable	200.7	0.0	0.0	0.0	199.7	0.0	0.0	0.0
Leasing liabilities	3.2	9.6	8.3	3.5	0.0	0.0	0.0	0.0
<b>Total</b>	<b>204.0</b>	<b>9.6</b>	<b>8.3</b>	<b>3.5</b>	<b>199.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**NOTE 23 OTHER CURRENT LIABILITIES**

SEK M	Group		Parent Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Employee withholding tax	6.4	3.0	2.5	2.0
Remaining portion of purchase consideration for acquisition of subsidiary	0.0	0.0	–	–
Other	8.6	6.8	7.7	5.3
<b>Total</b>	<b>14.9</b>	<b>9.8</b>	<b>10.2</b>	<b>7.3</b>

**NOTE 24 ACCRUED EXPENSES AND DEFERRED INCOME**

SEK M	Group		Parent Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Salaries	29.4	29.5	15.9	19.8
Social security contributions	4.5	5.9	4.4	5.5
Material and production expenses	1.4	0.9	1.4	0.9
Directors' fees and company expenses	0.1	1.7	0.1	1.7
Commissions	84.3	69.9	84.3	69.9
Audit	1.0	1.3	0.9	0.8
Restructuring expenses	8.7	13.0	8.7	13.0
Other overheads	1.9	1.9	1.1	1.6
<b>Total</b>	<b>131.3</b>	<b>124.1</b>	<b>116.8</b>	<b>113.2</b>

**NOTE 25 FINANCIAL RISKS AND RISK MANAGEMENT****Group and Parent Company**

The Group's activities expose it to a variety of financial risks.

Financial risks mean fluctuations in the company's earnings and cash flow due to variations in exchange rates, interest rates and risks relating to refinancing and credit issuance. The Group's financial policy for managing financial risks has been prepared by the Board and comprises a framework of guidelines and rules in the form of risk mandates and limits for financing activities. Financial transactions and risks are managed by the Parent Company's Finance function. The objectives are to:

- Manage and control financial risks
- Minimize the negative earnings impact of market changes in currencies and interest rates.
- Plan and ensure adequate liquidity for operating activities.
- Optimize the use of capital and cash flows.

**Financing risk**

Financing risk is the risk of access to financing capital, and the price of financing capital varying, with the risk of unfavorable terms.

**Liquidity risk**

Liquidity risk is the risk that the Group encounters problems meeting its obligations associated with financial liabilities. The Group has rolling liquidity planning, which is updated monthly. The Group's forecasts cover a minimum of six months of rolling liquidity planning over the medium term. Liquidity planning is used to manage liquidity risk and the cost of financing the Group.

The aim is that the Group should be able to meet its financial commitments and have the necessary contingency well in advance. It should be possible to offset upturns and downturns without incurring significant unforeseen costs. Available liquidity in the Group at year end amounted to SEK 377.0 M (563.9). In accordance with the Finance Policy, there should always be sufficient cash and cash equivalents and confirmed credit lines to cover short-term liquidity requirements.

The company's financial liabilities consist of supplier credits, totaling SEK 200.7 M (235.2) at year-end, with a short maturity of within one to two months. At the acquisition of Delta, loans were raised at an amount of SEK 508.1 M (USD 60 M), which was repayed at the end of 2019.

**Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will vary due to changes in market prices. IFRS divides market risks into three types; currency risk, interest rate risk and other price risk. The market risks that primarily impact the Group are currency risk and commodity price risk, while the interest rate risk has less of an impact since the company has no deposits.

The Group's aim is to manage and control market risks within specific parameters and simultaneously optimize the results of risk-taking within specific parameters. These parameters are established with the aim of ensuring that market risks have only a marginal impact on the Group's earnings and financial position in the short term (6–12 months). However, protracted changes in exchange rates and interest rates will impact consolidated earnings in the longer term.



**NOTE 25 FINANCIAL RISKS AND RISK MANAGEMENT, CONT.****Raw materials price risk**

The raw materials cost of products may be affected by price variations, mainly silicon. Silicon is the largest constituent part of products. Historically, the price of silicon has not fluctuated significantly, and supply is good. If the supply of silicon on the global market were to reduce, there would be a risk of price increases. Accordingly, the company's purchasing from external suppliers could increase in per unit prices. There is no guarantee that in turn, Fingerprints is able to pass on increased costs to its customers. The inability to pass on increased costs to the company's customers may have negative consequences for the company's operations, results of operations and financial position.

**Currency risk**

The risk that the fair value and cash flows of financial instruments will fluctuate when the value of foreign currencies changes. The Group is exposed to various types of currency risk. The main exposure is derived from the Group's sales and purchases in foreign currencies. These currency risks comprise the risk of fluctuations in the value of financial instruments, accounts receivables and accounts payable and the currency risk inherent in expected and contractual payment flows. Such risks constitute transaction exposure.

According to the Finance Policy, exchange risks should not be hedged. USD-denominated net surpluses are exchanged to SEK on a continuous basis. Net profit for the year includes exchange rate differences of SEK 8.1 M (-1.8) in operating profit and SEK -13.9 M (-2,6) in the financial net.

**Transaction exposure**

The Group's transaction exposure for sales and materials on the reporting date is in USD:

SEK M	Net flows
2020	
USD-exposure expressed in SEK and total	692,1
2019	
USD-exposure expressed in SEK and total	715,9

The transaction exposure has not been hedged.

**Sensitivity analysis**

A 10% appreciation of the Swedish krona against other currencies as of 31 December 2020, would imply shareholders' equity and net profit for the period changing by SEK 69 M (71). The sensitivity analysis is based on all other factors remaining unchanged.

**Credit risk**

The company has a credit insurance for all receivables and therefore don't do any reservations for bad debts.

**Age analysis, accounts receivable**

SEK M	Group		Parent Company	
	2020 Carrying amount	2019 Carrying amount	2020 Carrying amount	2019 Carrying amount
Non-overdue accounts receivable	160.4	166.1	159.4	165.7
Overdue accounts receivable 0 – 30 days	35.2	31.2	35.2	31.2
Overdue accounts receivable 30 – 90 days	0.4	0.0	0.4	0.0
Overdue accounts receivable > 90 days	0.6	0.4	0.6	0.4
Reserve for doubtful debt	-0.4	-0.4	-0.4	-0.4
<b>Total</b>	<b>196.2</b>	<b>197.3</b>	<b>195.2</b>	<b>196.9</b>

	Group						Parent Company					
	2020			2019			2020			2019		
Sales per year	Number of customers	% of total number of customers	% of value	Number of customers	% of total number of customers	% of value	Number of customers	% of total number of customers	% of value	Number of customers	% of total number of customers	% of value
< SEK 1 M	68	69	0.3	89	82	0.5	67	69	0.2	89	84	0.7
SEK 1 – 10 M	21	21	1.7	10	9	1.9	20	21	1.8	8	8	2.2
> SEK 10 M	10	10	98.0	10	9	97.6	10	10	98.0	9	8	97.1
<b>Total</b>	<b>99</b>	<b>100</b>	<b>100</b>	<b>109</b>	<b>100</b>	<b>100</b>	<b>97</b>	<b>100</b>	<b>100</b>	<b>106</b>	<b>100</b>	<b>100</b>

## NOTE 26 LEASES

### Accounting policy

Information regarding existing accounting policies and classifications are presented in Note 1 Critical Accounting Policies. Statement regarding leasing liabilities are presented in Statement of financial position.

### Right-of-use assets

	Group		Parent Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
<b>Lease arrangements where the company is the lessee</b>				
<b>SEK M</b>				
Irrevocable lease payments amount to:				
Within one year	22.3	22.3	14.5	14.4
Between one year and five years	20.9	20.9	11.5	20.7
<b>Total</b>	<b>43.2</b>	<b>43.2</b>	<b>26.0</b>	<b>35.1</b>

	Group		Parent Company	
	2020	2019	2020	2019
<b>Lease payment made for operating leases in the year,</b>				
<b>SEK M</b>				
Minimum lease payments	19.1	25.0	8.7	15.1
<b>Total lease expenses</b>	<b>19.1</b>	<b>25.0</b>	<b>8.7</b>	<b>15.1</b>

### The transition effect on the balance sheet, SEK M

Operational leasing 31 Dec 2018	69.0
Discount effect	-1.7
Leasing recognized as restructuring 2018	-20.9
Short-term leasing and leasing of low value	-3.7
<b>Leasing liabilities accoring to IFRS 16 at 1 January 2019</b>	<b>42.7</b>
Pre-paid leasing 2019-01-01	4.8
<b>Right-of-use assets according to IFRS 16 at 1 January 2019</b>	<b>47.5</b>

	Group		Parent Company	
	2020	2019	2020	2019
<b>Lease agreements, in balance sheet, SEK M</b>				
Right-of-use assets 1 January 2020	32.9	47.5	0.0	0.0
Added right-of-use assets	1.3	3.2	0.0	0.0
Depreciation	0.0	-17.8	0.0	0.0
<b>Right-of-use assets 31 Dec 2020</b>	<b>24.8</b>	<b>32.9</b>	<b>0.0</b>	<b>0.0</b>

	Group		Parent Company	
	2020	2019	2020	2019
<b>Lease agreements, in income statement, SEK M</b>				
Depreciation use-of rights assets	-11.9	-19.7	0.0	0.0
Interest costs leasing liabilities	-0.1	-0.2	0.0	0.0
Expenses for short-term leases and leases of low value	-3.7	-5.3	0.0	0.0
<b>Total leasing expenses</b>	<b>-15.7</b>	<b>-25.2</b>	<b>0.0</b>	<b>0.0</b>

## NOTE 27 TRANSACTIONS WITH RELATED PARTIES

	Group		Parent Company	
	2020	2019	2020	2019
<b>Purchases of goods and services, SEK M</b>				
Purchases of group-wide services from subsidiaries	-	-	-188.1	-192.1
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-188.1</b>	<b>-192.1</b>

	Group		Parent Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
<b>Receivables and liabilities at the end of the period, SEK M</b>				
Long-term loans to subsidiaries	-	-	56.4	538.3
Receivables from subsidiaries	-	-	1.8	23.4
Liabilities to subsidiaries	-	-	-38.0	-27.5

Transactions with related parties are priced on an arm's length basis.

Transactions with key individuals in management positions are limited to individual, clearly delineated, small-scale consulting assignments, which require specific competence.

## NOTE 28 SHARES AND PARTICIPATIONS IN SUBSIDIARIES

SEK M	Parent Company	
	31 Dec 2020	31 Dec 2019
<b>Accumulated cost</b>		
Opening balance	466.8	446.1
The year's investments	482.6	20.7
Closing balance, book value	949.4	466.8
<b>Accumulated impairment</b>		
Opening balance	-28.8	-28.8
Impairment for the year	-914.3	-
Closing balance	-943.1	-28.8
<b>Carrying amounts</b>		
At beginning of year	438.0	417.3
At end of year	6.3	438.0

The year's investments refer to capital contribution to India Aquisition Inc. The year's write-down of shares in subsidiaries refer to India Aquisition Holding Inc and Delta ID Inc.

**NOTE 28 SHARES AND PARTICIPATIONS IN SUBSIDIARIES, CONT..**

The Parent Company's holdings in subsidiaries	Subsidiary, reg office country	Share-holders equity	Net profit	Participating interest 2020	Participating interest 2019
Anacatum Design AB	Sweden	5.5	0.0	100%	100%
Fingerprint Card Korea Co.,Ltd.	South Korea	5.9	0.7	100%	100%
Fingerprint Cards ApS	Denmark	23.7	3.7	100%	100%
Fingerprint Cards (Shanghai) Co., Ltd	China	12.3	2.0	100%	100%
Fingerprint Cards Inc	US	7.5	1.4	100%	100%
Fingerprint Cards Taiwan Ltd	Taiwan	1.0	0.6	100%	100%
Fingerprint Security System Databärare AB	Sweden	2.2	0.0	100%	100%
India Acquisition Holding Inc	US	0.0	-960,4	100%	100%
Delta ID Inc*	US	6.5	-865,6	100%	100%
Fingerprint Cards Japan K.K.	Japan	2.0	0.2	100%	100%

\* Indirect holding through subsidiary

**Specification of Parent Company's direct holdings of participations in subsidiaries**

Subsidiary / Corporate identity number	Participations, number	Proportion, %	31 Dec 2020	31 Dec 2019
Anacatum Design AB, 556779-5371	24,466,668	100	1.0	1.0
Fingerprint Card Korea Co.,Ltd.	20,000	100	0.8	0.7
Fingerprint Cards ApS	800	100	0.1	0.1
Fingerprint Cards (Shanghai) Co., Ltd	-	100	2.4	2.4
Fingerprint Cards Inc	100	100	0.1	0.1
Fingerprint Cards Taiwan Ltd	-	100	0.1	0.1
Fingerprint Security System Databärare AB, 556239-5938	1,000	100	0.7	0.7
India Acquisition Holding Inc	1,000	100	0.0	431.8
Fingerprint Cards Japan K.K.	100	100	1.1	1.1
<b>Carrying amount, 31 December</b>			<b>6.3</b>	<b>438.0</b>

- Anacatum Design AB in Sweden:  
All the shares of this entity were acquired in 2014. This company conducts limited operations and has no employees.
- Fingerprint Cards Korea Ltd:  
This company was incorporated in 2015. Operations consist of marketing and technical customer support on the Korean market. All staff in South Korea are employees of the Korean company.
- Fingerprint Cards Aps in Denmark:  
This company was incorporated in 2013. Operations consist of technology development on assignment from the Swedish operation. All staff in Denmark are employees of Fingerprint Cards Aps.
- Fingerprint Cards (Shanghai) Co., Ltd in China:  
This company was incorporated in 2016. Operations consist of marketing and customer support on the Chinese market. All staff in China are employees of the Chinese company.

- Fingerprint Inc. in the US:  
This company was incorporated in 2014. Operations consist of marketing and technical customer support on the US market. All staff in the US are employees of the American company.
- Fingerprint Cards Taiwan Ltd. in Taiwan:  
This company was incorporated in 2016. Operations consist of marketing and customer support on the Taiwanese market. All staff in Taiwan are employees of the Taiwanese company.
- Fingerprint Security System Databärare AB:  
This company has been a subsidiary since 1998. This company conducts limited operations and has no employees.
- India Acquisition Holding Inc:  
Incorporated to serve as a holding company for Delta ID Inc.
- Fingerprint Cards Japan K.K:  
This company was incorporated at the end of 2017. Operations consist of marketing and customer support on the Japanese market.

**NOTE 29 STATEMENT OF CASH FLOWS****Accounting policies**

The Cash Flow Statement has been prepared in accordance with the indirect method. Foreign group companies' cash flows are translated at average rates of exchange. Acquisitions of subsidiaries are included in cash flow from investing activities, see note 4 for more information on the influence of the acquisition on cash flow.

SEK M	Group		Parent Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
The following components are included in cash and cash equivalents:				
Total in Statement of Financial Position	377.0	563.9	337.5	518.1
<b>Total in Statement of Cash Flow</b>	<b>377.0</b>	<b>563.9</b>	<b>337.5</b>	<b>518.1</b>

**Adjustments for non-cash items**

SEK M	Group		Parent Company	
	2020	2019	2020	2019
Depreciation according to plan and write-downs	347.0	2.6	948.7	81.0
Impairment of inventories	20.0	143.2	20.0	0.0
Depreciation above plan	0.0	-	0.0	-8.0
Currency revaluation	84.8	2.1	113.0	-18.1
<b>Total</b>	<b>451.8</b>	<b>147.9</b>	<b>1,122.0</b>	<b>54.9</b>

### NOTE 30 INFORMATION ON PARENT COMPANY

Fingerprint Cards AB (publ) (the Parent Company), corporate ID no. 556154-2381, is a limited liability company, with its registered office in Gothenburg, Västra Götaland, Sweden. The Parent Company's shares are listed on Nasdaq Stockholm. The address of the head office is Box 2412, SE-403 16 Gothenburg, Sweden and the visiting address is Kungsgatan 20, Gothenburg, Sweden.

The consolidated accounts for 2020 comprise the Parent Company and its subsidiaries, jointly designated "the Group".

### NOTE 31 POST BALANCE SHEET DATE EVENTS

On March 1, 2021, the company communicated a revenue forecast. For the first quarter of 2021, Fingerprints expected Group revenue to be in the range of SEK 310-350 million, based on the exchange rate SEK/USD 8.20. The Group's sales and direct purchases are primarily made in USD. On April 20, 2021, the Company communicated a revenue forecast for the second quarter 2021, where Group revenue is expected to be in the range of SEK 330-370 million, based on the exchange rate SEK/USD 8.40.

Two regional offices have been created: one in Shanghai, China and the other in Zug, Switzerland. The Shanghai office is our center for the Mobile business line, while the office in Zug is our Payments & Access business line center. A sales and distribution hub in Singapore has also been established. This distribution center will own the company's inventory as well as invoice customers and pay suppliers.

### NOTE 32 ASSETS PLEDGED

Parent Company, SEK M	31 Dec 2020	31 Dec 2019
Assets pledged for operating credit; bank balances	216	0

### NOTE 33 PROPOSED APPROPRIATIONS OF PROFIT

#### Proposal for appropriations of the company's profits:

The following funds are at the disposal of the AGM, SEK:

Share premium reserve	79,059,431
Accumulated profit or loss	1,290,937,861
Net profit for the year	-1,025,807,474
<b>Total</b>	<b>344,189,818</b>

The Board of Directors proposes that net profit for the year, non-restricted reserves, as well accumulated profit or loss are appropriated as follows:

Carried forward:	344,189,818
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# ASSURANCE BY THE BOARD

The Board of Directors and Chief Executive Officer hereby give their assurance that the annual accounts have been prepared in accordance with generally accepted accounting policies in Sweden and that the consolidated accounts have been prepared in accordance with the international accounting standards referred to in Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July, 2002, on the application of international account-

ing standards. The annual accounts and consolidated accounts give a true and fair view of the Parent Company's and the Group's financial position and results of operations. The Administration Reports of the Parent Company and the Group give a true and fair view of the progress of the Parent Company's and the Group's operations, financial position and results of operations, and state the significant risks and uncertainties faced by the Parent Company and the

companies included in the Group. As stated above, the annual accounts and consolidated accounts were approved for issuance by the Board of Directors on 21 April, 2021. The Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position and the Parent Company Income Statement and Parent Company Balance Sheet will be subject to adoption by the Annual General Meeting 26 May, 2021.

Göteborg den 21 april 2021

Johan Carlström  
Chairman of the Board

Sofia Bertling  
Board member

Ted Elvhage  
Board member

Alexander Kotsinas  
Board member

Tomas Mikaelsson  
Board member

Dimitrij Titov  
Board member

Juan Vallejo  
Board member

Christian Fredrikson  
Chief Executive Officer

Our Audit Report was presented on 23 April, 2021  
MOORE KLN AB

Ulf Lindesson  
Authorized Public Accountant

# AUDIT REPORT

To the general meeting of the shareholders of Fingerprint Cards AB (publ.), corp. id 556154-2381

## Report on the annual accounts and consolidated accounts

### Opinions

We have audited the annual accounts and consolidated accounts of Fingerprint Cards AB (publ) for the year 2020. The annual accounts and consolidated accounts of the company are included on pages 54-85 in this document. In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts. We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the statement of comprehensive income and statement of financial position for the group. Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled

companies within the EU. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

### Revenue recognition

See note 2 in the annual account and consolidated accounts for detailed information and description of the matter.

### Description of key audit matter

The group and the parent company's revenue for 2020 amounts to SEK 1 256 million and comes from contracts with customers regarding delivery of goods. The invoices is recognised at the time when a customer take control of a promised asset and the company fulfil a performance obligation.

When recognising revenue the uncertainty of future payments, appendant costs, risks for returning goods and rebates is taken into account.

Agreements related to delivery of goods and the judgemental part and estimates included in the revenue recognition, resulting in risk that revenue could be over- or underestimated.

### Response in the audit

We have read the terms of the contracts with customers to evaluate the revenue recognition.

We have assessed internal controls and performed substantive testing to make sure the revenue is recognised in the right period.

We have also evaluated time of revenue recognition based on when goods is delivered and the terms related to the delivery, partly through random samples and partly based on historical precision.

### Valuation of goodwill and other intangible assets and valuation of mother company's shares in subsidiaries.

See note 1, 4, 11, 16 and 28 in the annual account and consolidated accounts for detailed information and description of the matter.

### Description of key audit matter

The carrying value of goodwill and other intangible assets such as acquired technology, patents and customer relationships as well as capitalised development costs per 31 December 2020 amounts to SEK 759 million at group level, which represents 48% of the group's total assets. A considerable share of the intangible assets is attributable to the acquisition of Delta ID Inc in 2017. The carrying value of capitalised development costs on the parent company balance sheet is SEK 140 million. The impact 2017 year's acquisition of Delta ID Inc is seen indirectly in the carrying value of the shares in subsidiaries, which is SEK 6 million. Goodwill should be subject to an annual impairment test. Other intangible assets should be tested whenever an indication of impairment is identified. The valuation of intangible assets is complex and involves significant levels of judgments regarding future developments. The expected residual value of assets is determined with reference to forecasted discounted cash flows based on estimated discount rates, revenues and long-term growth rates, which are inherently subjective and may be influenced by management. Similar calculation is performed whenever there is an indication that the parent company's shares in a subsidiary may be impaired. During the year writedown has been made on goodwill on group level with SEK 238 million net and in the parent company writedown of the shares in subsidiaries and receivables with SEK 914 million.

### Response in the audit

We have obtained the documentation regarding the Delta ID Inc acquisition and analysed the allocation of the purchase price into the identifiable assets and goodwill. We have also evaluated the judgments made regarding the contingent consideration in connection with the acquisition. We have analysed the group's goodwill impairment test in order to determine whether it has been carried out in accordance with the prescribed IFRS methodology. Furthermore, we have assessed management's cash flow forecasts and the appropriateness of the underlying assumptions, such as the long-term growth rate and discount rates. As part of this analysis, we have considered how the numbers would be impacted as the contingent consideration did not become payable. As part of the audit we have involved valuation specialists to assist us in the impairment test analysis. In our assessment of whether there are indications of asset impairment, we have also considered management's sensitivity analyses and the potential impact of reasonable

changes in assumptions. Management's impairment test did indicate writedown and writedown has been made. We believe that the value of the writedown is reasonable. Shares in subsidiaries has also been indicated writedown and writedown has been made. We have selected samples of capitalised costs for testing and vouched them to supporting documents. Moreover, we have verified that the disclosures in the annual report in all material respects are in accordance with the requirements of the applicable accounting standards..

#### Inventory valuation

See note 1 and 18 in the annual account and consolidated accounts for detailed information and description of the matter.

#### Description of key audit matter

The carrying value of the group's and the parent company's inventory per 31 December 2020 amounts to SEK 136 million, which represents approximately 9% of the group's total assets. The inventory balance consists of raw materials, work in progress and finished goods. The market for these products is constantly evolving and highly competitive. New products are continuously being marketed. The assessment of whether the inventory may be sold for more than the initial cost is complex and involves significant levels of judgment regarding whether the products may be sold as components in current or future constellations. There is a risk that the evaluation of the need for inventory write-off may be over- or underestimated.

#### Response in the audit

We have read and analysed management's assessment regarding the need to provide for inventory obsolescence. We have challenged management's assessment and their assumptions regarding future sales of the products currently in stock. Additionally, we have evaluated the accuracy of historical sales forecasts. We have considered whether the process of identifying a need for an inventory obsolescence provision seems appropriate and we have assessed the operating effectiveness of relevant controls.

#### Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–53 and 89–95. The Board of Directors and the Managing Director are

responsible for this other information. Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information. In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated. If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error. In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so. The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

#### Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable

assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified. We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

### Report on other legal and regulatory requirements

#### Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Fingerprint Cards AB (publ.) for the year 2020 and the proposed appropriations of the company's profit or loss. We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

#### Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those

standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

#### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

#### Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

MOORE KLN AB, Lilla Bommen 4A, 411 04 Göteborg, was appointed auditor of Fingerprint Cards AB (publ.) by the general meeting of the shareholders on the 26th may 2020 and has been the company's auditor since 29th may 2018.

Gothenburg, 23 April, 2021  
MOORE KLN AB

Ulf Lindesson  
Authorized Public Accountant



# TEN-YEAR SUMMARY AND DEFINITIONS

Income Statement	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues, SEK M	1,255.7	1,458.6	1,535.1	2,966.0	6,638.3	2,900.5	233.6	95.4	10.3	68.6
Gross profit, SEK M	275.2	331.1	2.4	988.9	3,165.3	1,255.3	71.6	39.2	-5.7	-37.0
Gross margin, %	21.9	22.7	0.2	33.3	47.7	43.0	31.0	41.0	-55.0	-46.0
Operating profit, SEK M	-365.8	-14.4	-771.6	154.6	2,578.5	910.3	-145.2	-34.0	-38.7	2.7
Operating margin, %	-29.1	-1.0	-50.3	5.2	38.8	31.0	-62.0	-36.0	-375.0	5.0
Profit for the year, SEK M	-340.8	-13.6	-630.7	120.3	2,034.7	798.3	-144.0	-32.9	-38.1	3.4
Profit margin, %	-27.1	-0.9	-41.1	4.1	30.7	28.0	-62.0	-35.0	-375.0	5.0
Depreciation and amortization, SEK M	-64.9	-141.3	-117.8	-79.4	-48.6	-43.4	-32.1	-12.6	-10.8	-4.9
Impairment, SEK M	-340.6	0.0	-148.6	-	-	-	-29.5	-	-	-
EBITDA, SEK M	59.4	128.7	-505.2	234.0	2,627.1	953.7	-83.6	-21.4	-27.9	8.2
Financial position – Balance Sheet	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Intangible assets, SEK M	759.3	1,127.8	1,102.7	1,188.3	71.4	49.7	69.8	54.3	29.1	28.2
Property, plant and equipment, SEK M	7.0	15.8	30.2	46.6	29.2	20.6	18.8	5.4	4.8	4.2
Financial assets, SEK M	46.8	18.3	27.8	-	-	1.0	-	-	-	0.9
Inventories, SEK M	136.3	253.4	347.5	646.1	672.7	153.0	98.8	19.9	11.4	4.3
Accounts receivable, SEK M	196.2	197.3	232.7	437.5	1,132.1	617.9	115.8	31.1	6.2	53.0
Other receivables + prepaid expenses, SEK M	27.5	27.7	37.8	313.1	435.4	36.6	19.5	10.1	3.1	3.2
Cash and cash equivalents + investments in securities, SEK M	377.0	563.9	540.5	920.2	1,162.2	1,031.3	101.9	211.7	60.6	23.0
Shareholders' equity, SEK M	1,182.9	1,798.9	1,775.5	2,330.8	2,226.1	1,146.8	301.1	289.7	101.9	106.3
Deferred tax, SEK M	20.6	38.6	51.9	189.8	136.3	-	-	-	-	1.2
Non-current liabilities, SEK M	9.8	11.8	-	221.9	-	-	0.2	0.4	0.7	-
Current liabilities, SEK M	361.8	387.8	491.8	809.3	1,140.6	763.2	123.3	42.3	12.7	9.3
Working capital, SEK M	375.3	654.5	666.7	1,507.6	2,261.8	1,075.6	212.7	230.5	68.6	74.2
Total assets, SEK M	1,575.1	2,237.1	2,319.2	3,551.8	3,503.0	1,910.1	424.6	332.5	115.3	116.8
Inventory turnover rate, days	71.5	95.9	116.7	120.0	43.0	29.0	132.0	94.0	181.0	74.0
Average credit period days	56.4	53.1	78.6	95.0	47.0	46.0	113.0	99.0	1,035.0	184.0
Return on capital employed, %	-30.7	-0.8	-43.5	6.0	117.0	126.0	-48.0	-12.0	-44.0	3.0
Return on equity, %	-1.2	-1.0	-38.8	5.0	121.0	110.0	-48.0	-12.0	-44.0	3.0
Return on total capital, %	-23.2	-0.6	-33.3	4.0	75.0	78.0	-34.0	-10.0	-38.0	3.0
Equity/assets ratio, %	75.1	80.4	76.6	66.0	63.5	60.0	71.0	87.0	87.0	91.0

## Definitions

Most of these key figures are Alternative Performance Measures according to ESMA's definition. How these key figures are used is described below, as is how they are calculated. The alternative performance measures are used to provide a more comprehensive description of how operational activities are developing, such as gross margin, gross profit, operating margin, EBITDA and revenue increase, while other alternative performance measures focus on the owner perspective, such as return on equity, and cases where certain balance sheet items or cash flow items are placed in relation to the number of shares. In addition, the equity/assets ratio is provided to describe the financial position and long-term financial sustainability.

**Average credit period** Average value of accounts receivable over the period in relation to net sales, multiplied by 360 day.

**Average number of shares** Average number of shares in the period.

**Average number of shares after dilution** Average number of shares plus an increase by the average number of shares that could be issued as a result of current remuneration and personnel programs.

**Capital employed** Total assets minus non-interest bearing liabilities.

**Cash flow from operating activities/share** Cash flow from operating activities after changes in working capital/average number of shares before and after dilution.

**Cost of goods sold** Cost of materials, production expenses and amortization according to plan of capitalized development expenditure.

**Earnings per share after dilution** Earnings per share plus adjustment for the number of shares and the paid exercise price resulting from current remuneration and personnel programs. Earnings per share after dilution can never exceed earnings per share before dilution.

Cash flow	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Cash flow from operating activities, SEK M	158.1	160.4	274.6	376.9	1,130.3	910.4	-174.2	-28.8	14.5	-22.2
Cash flow from investing activities, SEK M	-119.1	-115.4	-162.6	-1,071.0	-78.3	-26.0	-90.6	-38.3	-11.4	-11.7
Cash flow from financing activities, SEK M	-209.2	-19.7	-507.7	481.7	-955.7	47.4	155.0	220.5	34.5	24.9
Cash flow for the year, SEK M	-170.2	25.3	-395.7	-212.4	96.3	931.8	-109.8	151.1	37.6	-7.8
The share	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Earnings per share, SEK	-1.10	-0.04	-2.01	0.38	6.40	2.53	-0.49	-0.12	-0.17	0.02
Earnings per share after dilution, SEK	-1.10	-0.04	-2.01	0.38	6.33	2.48	-0.49	-0.12	-0.17	0.02
Cash and cash equivalents + investments at year-end / share, SEK	1.25	1.80	1.72	2.93	3.70	3.26	0.35	0.83	0.17	0.11
Equity per share, SEK	3.92	5.73	5.66	7.42	7.11	3.63	1.03	1.06	0.47	0.49
Equity per share after dilution, SEK	3.92	5.73	5.66	7.42	7.09	3.57	0.97	1.04	0.47	0.50
Cash flow from operating activities per average number of shares, SEK	0.51	0.51	0.87	1.20	3.56	2.86	-0.61	-0.11	0.14	-0.10
Number of shares at end of the year, 000	301,544	313,967	313,967	313,967	313,967	316,196	292,106	270,806	239,041	218,048
Average number of shares during the year, 000	308,829	313,967	313,967	313,967	317,726	315,349	287,574	254,470	228,841	216,943
Number of shares after dilution, 000	308,829	313,967	313,967	313,967	321,408	321,372	310,306	276,441	230,362	216,943
Dividend per share, SEK	-	-	-	-	-	-	-	-	-	-
Share price at end of the year, SEK	10.13	18.88	10.13	15.81	62.85	118.20	7.00	10.90	2.50	1.90
Market capitalization at end of the year, SEK M	3,054.6	5,927.7	3,180.5	4,963.88	19,732.8	37,374.0	2,033.0	2,938.0	559.0	406.0
Number of employees at year-end	240	225	220	415	306	150	104	48	19	19

**Earnings per share for the period** Profit for the period/number of shares outstanding at period end.

**EBITDA** Earnings before interest, taxes, depreciation and amortization. Operating profit before financial income/expense, taxes, depreciation/amortization and impairment losses.

**Equity/assets ratio** Shareholders' equity divided by total assets.

**Gross margin** Gross profit as a percentage of net sales.

**Gross profit** Revenues less cost of goods sold.

**Inventory turnover rate, days** Average value of inventory over the period in relation to cost of goods sold, multiplied by 360 days.

**Net cash** Cash and cash equivalents less interest-bearing debt.

**Net margin** Profit for the period as a percentage of revenues.

**Number of shares outstanding at period end** Number of shares less bought back shares held in treasury.

**Operating margin** Operating profit as a percentage of revenues.

**Operating profit** Operating profit before financial income/expenses and tax.

**Profit for the year** Profit after financial income/expenses and tax.

**Return on capital employed** Operating profit + financial income as a percentage of capital employed.

**Return on equity** Profit for the period in relation to average shareholders' equity for the period. Average shareholders' equity is defined as shareholders' equity at the start of the period plus shareholders' equity at the end of the period divided by two.

**Revenue increase** The increase in revenues compared to the corresponding period one year previously, and expressed as a percentage.

**Return on total capital** Operating profit + financial income as a percentage of total capital.

**Shareholders' equity per share** Shareholders' equity attributable to equity holders of the Parent Company divided by the number of shares outstanding, before dilution, at the end of the period.

**Shareholders' equity per share after dilution** See "Shareholders' equity per share" plus adjustment for the number of shares and the paid exercise price in current remuneration and personnel programs.

**Working capital** Current assets less current non-interest-bearing provisions and liabilities.

# GRI INDEX AND SUSTAINABILITY INFORMATION

Fingerprints' sustainability report is the yearly reporting of how we create value for the customer, the end-user and the society in general. The sustainability report also describe how we work with ethics as well as our environmental and social impact. The report is found in its entirety on pages 20-34. The sustainability report, prepared in accordance with Global

Reporting Initiatives Standards, Core option, pertains to the fiscal year 2020. The report satisfies the standards on sustainability reporting stipulated by the Swedish Annual Accounts Act and the auditor's statement that a sustainability report has been prepared is found on page 35.

## GRI INDEX – GENERAL DISCLOSURE

ORGANIZATIONAL PROFILE	PAGE	COMMENT	FULFILLMENT
102-1 Name of the organization		Cover/Fingerprint Cards AB.	Achieved
102-2 Activities, brands, products, and services	13-16	Products and solutions/Fingerprints' range does not include any products prohibited on any market.	Achieved
102-3 Location of headquarters		Rear cover	Achieved
102-4 Location of operations		Cover inside/Fingerprints in brief	Achieved
102-5 Ownership and legal form	36-38	Cover inside/Fingerprints in brief The share	Achieved
102-6 Markets served	13-16	Products and solutions	Achieved
102-7 Scale of the organization	54-58	Statutory Administration Report	Achieved
102-8 Information on employees and other workers	30	Human resource/ • All data as of 31 December 2020 • Employees; individuals with a direct employment contract • Coworkers; employees and consultants on assignment with at least of 50% of an FTE position • Fingerprints' operations are not affected by seasonality	Achieved
102-9 Supply chain	18-19	Value chain	Achieved
102-10 Significant changes to the organization and its supply chain	6-7	Message from the CEO	Achieved
102-11 Precautionary Principle or approach	20-32	Sustainability • Fingerprints' Code of Conduct and Environmental Policy apply the Precautionary Principle.. • Fingerprints' sustainability framework has specific environmental goals linked to the Precautionary Principle.	Achieved
102-12 External initiatives	20, 24	Sustainability	Achieved
102-13 Membership of associations	20	Sustainability/Fingerprints is a member of Eurosmart.	Achieved

## GRI INDEX – GENERAL DISCLOSURES

STRATEGY	PAGE	COMMENT	FULFILLMENT
102-14 Statement from senior decision-maker	20	<b>Sustainability</b>	Achieved
<b>ETHICS AND INTEGRITY</b>			
102-16 Values, principles, standards, and norms of behavior	20-32 23	<b>Sustainability/Sustainability Framework, Corporate Responsibility. Personnel/Fingerprints</b> has four core values: Smart, Brave, United and Open..	Achieved
<b>GOVERNANCE</b>			
102-18 Governance structure	41-48 20	<b>Corporate Governance Report</b> <ul style="list-style-type: none"> <li>• Governance of Fingerprints as a company.</li> </ul> <b>Sustainability</b> <ul style="list-style-type: none"> <li>• Governance of sustainability is through the Sustainability Forum.</li> <li>• Corporate responsibility governs all Policies and the Code of Conduct.</li> </ul>	Achieved
<b>STAKEHOLDER ENGAGEMENT</b>			
102-40 List of stakeholder groups	24	<b>Sustainability</b>	Achieved
102-41 Collective bargaining agreements		Fingerprints does not apply collective bargaining agreements but encourages its employees to join trade unions.	Achieved
102-42 Identifying and selecting stakeholders	24	<b>Sustainability</b>	Achieved
102-43 Approach to stakeholder engagement	24	<b>Sustainability</b> <ul style="list-style-type: none"> <li>• Fingerprints' management system is certified according to ISO 9001 and ISO 14001.</li> <li>• Our materiality analysis is included in our management system and is followed up annually.</li> </ul>	Achieved
102-44 Key topics and concerns raised	24 33-34	<b>Sustainability</b> <ul style="list-style-type: none"> <li>• Stakeholder dialogue and risk analysis are the foundation for producing the materiality analysis.</li> </ul> <b>Risks and risk management</b> <ul style="list-style-type: none"> <li>• Material issues that involve risks to operations are dealt with pursuant to Fingerprints' risk management procedures.</li> </ul>	Achieved

**GRI INDEX – GENERAL DISCLOSURE**

REPORTING PRACTICE	PAGE	COMMENT	FULFILLMENT
102-45 Entities included in the consolidated financial statements	31-32	<b>Sustainability section</b> • Procedures for gathering sustainability information are in development. Accordingly, specific sustainability data is for the Scandinavian offices only. See the sustainability section for specific detail.	Achieved
102-46 Defining report content and topic boundaries	20-32	<b>Sustainability section</b> • Procedures for gathering sustainability information are in development. • Report contents and its boundaries are presented jointly with sustainability goals.	Achieved
102-47 List of material topics	24 33-34	<b>Sustainability section</b> • Materiality analysis. <b>Risks and risk management</b> • Other Risks.	Achieved
102-48 Restatements of information		No restatements made since the previous year.	Achieved
102-49 Changes in reporting		No restatements made on the previous year affecting the company's sustainability reporting.	Achieved
102-50 Reporting period		1 January–31 December 2020.	Achieved
102-51 Date of most recent report		Reporting is yearly.	Achieved
102-52 Reporting cycle		Reporting is yearly.	Achieved
102-53 Contact point for questions regarding the report		Stefan Pettersson, Head of Investor Relations. Email: investrel@fingerprints.com	Achieved
102-54 Claims of reporting in accordance with the GRI Standards		GRI Standards, Core-nivå.	Achieved
102-55 GRI contentindex	91-94	See this index.	Achieved
102-56 External assurance		Fingerprints does not apply external examination of the sustainability information in its Annual Report. Certain information has been examined as part of certification according to ISO 14001, ISO 9001 and reporting to the CDP.	Achieved
<b>MANAGEMENT APPROACH</b>			
103-1 Explanation of the material topic and its Boundary	24 33-34	<b>Sustainability section</b> • Stakeholder analysis. • Materiality analysis <b>Risks and risk management</b> • Other Sustainability Risks, see in-depth review of each identified risk.	Achieved
103-2 The management approach and its components	20-32 33-34	Generally, Policies have been produced for material segments under Corporate Responsibility (including a speak-up policy for escalating sensitive issues) and specific targets related to each material segment are under sustainability targets. <b>Sustainability section</b> • Stakeholder analysis. • Materiality analysis. • Corporate Responsibility. • Sustainability Framework. • Sustainability targets <b>Risks and risk management</b> • Other Sustainability Risks, see in-depth review of each identified risk.	Achieved
103-3 Evaluation of the management approach	86-88	Auditor's report.	Achieved

## GRI INDEX – SPECIFIC DISCLOSURES

ECONOMIC	PAGE	COMMENT	FULFILLMENT
<b>Anti-corruption</b>			
205-1 Operations assessed for risks related to corruption.	33-34	<b>Risks and risk management</b> • A risk assessment for corruption is conducted at an overall level.	Partial
205-2 Communication and training about anti-corruption policies and procedures.	31	<b>Sustainability section</b> • All employees have confirmed the Code of Conduct. Code of Conduct is part of onboarding for new employees and consultants. In the autumn of 2019, mandatory training efforts were conducted in the organization regarding safety and compliance, where Code of Conduct was an integral part.	Achieved
205-3 Confirmed incidents of corruption and actions taken.		Fingerprints did not have any corruption incidents in 2020.	Achieved
<b>ENVIRONMENT</b>			
<b>Materials</b>			
Industry-specific targets for measuring spoilage levels in production.	31	<b>Sustainability section</b> Measures spoilage of silicon wafers and employs a target of continuous improvement.	
<b>Emissions</b>			
305-2 Energy indirect (Scope 2) GhG emissions.	31	<b>Sustainability section</b> The sustainability targets state a reduction of CO2 emissions pursuant to scope 2. The methodology is described in the following notes.	Achieved
<b>Supplier environmental assessments</b>			
308-2 Negative environmental impacts in the supply chain and actions taken.	31	<b>Sustainability section</b>	Partial
<b>SOCIAL IMPACT</b>			
<b>Occupational Health and Safety</b>			
403-1 Workers representation in formal joint management-worker health and safety committees.		<b>Sustainability section</b> Health & safety councils and health & safety representatives in place at all Swedish offices.	Partial
403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities.	32	<b>Sustainability section</b> • Under health & safety.	Achieved
<b>Diversity and Equal Opportunity</b>			
405-1 Diversity of governance bodies and employees.	30 49-52	<b>Personnel</b> Fingerprints does not record the minority origin of its staff, and accordingly does not disclose this item, only gender, age group, and region. <b>Board of Directors/Group Management</b>	Partial
<b>Human rights assessment</b>			
412-1 Operations that have been subject to human rights reviews or impact assessments.		Fingerprints judges that the impact of human rights can primarily be on purchasing raw materials for plants if conflict minerals are utilized. Also through biometric integrity being protected in the usage of Fingerprints' products. Impact has not been analyzed by country.	Partial

# SHAREHOLDER INFORMATION

## Fingerprint's IR website

Updated corporate, share and insider information, and an archive of financial reports and press releases, is available at [www.fingerprints.com](http://www.fingerprints.com). For environmental and cost reasons, Fingerprints has decided not to distribute physical Annual Reports to shareholders. Annual and Quarterly Reports, and Press releases, are available from the company's investor website.

## Reporting dates

- Interim Report January–June 2021, 22 July 2021
- Interim Report January–September 2021, 28 October 2021

## Annual General Meeting

The Annual General Meeting (AGM) will be held on Wednesday, 26 May 2021.

Due to the extra-ordinary situation with regards to Covid-19, the AGM will be held without physical presence. To reduce the risk for spreading the virus we follow recommendations from the authorities and the AGM will be held with post voting only.

## Contact information

Fingerprint Cards AB (publ)  
Box 2412  
SE-403 16 Gothenburg  
Visitors:  
Kungsgatan 20  
Gothenburg  
Sweden

Phone: +46 (0)31 60 78 20  
Fax: +46 (0)31 13 73 85  
E-mail: [investrel@fingerprints.com](mailto:investrel@fingerprints.com)  
Website: [fingerprints.com](http://fingerprints.com)

# GLOSSARY

## Algorithm

A systematic procedure for how to conduct a calculation or solve a problem in a given number of steps. In Fingerprints' specific case, the method refers to the comparison of two fingerprints with each other.

## Authentication

Control process for a particular entity; in conjunction with logging on, for example. The word is synonymous with verification.

## Biometric system

A pattern recognition system that identifies or verifies an individual by studying a physiological characteristic of that individual, such as a fingerprint.

## Chip

A piece of silicon that an integrated circuit is embedded in, such as a sensor chip. Normally, a silicon wafer is divided into a number of chips, with each chip being essentially identical.

## Design win

Decision by a customer (OEM or ODM) to start developing one or several commercial products using Fingerprints' technology integrated into one or more of its products.

## Identification

Comparison of compiled biometric data with all stored templates for the purpose of identifying one of these templates (and thus an individual) from many.

## Internet of Things

Internet-connected devices that are linked to the Internet and can thus communicate with/be controlled via the Internet.

## Matching

The process of comparing an image of a fingerprint with a pre-processed template, and assessing whether or not they are similar.

## Modality

Type of biometric feature, such as fingerprint sensors and iris sensors.

## ODM

Original Design Manufacturer, a company that develops and manufactures products sold under the trademarks of other companies.

## OEM

Original Equipment Manufacturers, companies that manufacture the end product that is sold on an open market.

## Smart card

Plastic card with an embedded chip containing information about the card and its owner.

## Smartphone/tablet

A combined mobile phone and handheld computer linked to the Internet via mobile broadband. A smartphone has a complete mobile operating system that is transferable between multiple devices enabling the user to easily install mobile apps, which are small third-party programs that increase the phone's functionality.

## Template

An arrangement of unique data that represents a specific fingerprint.

## Touch sensor

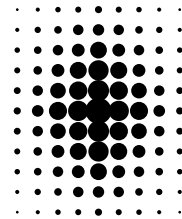
A sensor that scans a fingerprint directly when a fingertip touches the sensor surface; compare to swipe sensor.

## Verification

The comparison of compiled biometric data with a given template for the purpose of verifying that the two match. This enables the authentication of an individual with a high degree of certainty.

## Wafer

A thin circular slice of silicon containing a number of integrated circuits such as sensor chips.



# FINGERPRINTS

POSTAL ADDRESS  
P.O Box 2412  
SE-403 16 Gothenburg, Sweden

VISITING ADDRESS  
Kungsgatan 20  
SE-411 19 Gothenburg, Sweden

PHONE  
+ 46 (0)31 60 78 20