



FINGERPRINTS

## Biometrics company

Growing product portfolio with solutions for more markets.

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## Best year

Revenue increased by 129% to SEK 6,638 M and operating margin rose to 39%.

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## Distinct value

Security, convenience and efficiency.

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Annual Report  
2016

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Biometrics: security, convenience and efficiency.

WITH A HUMAN TOUCH

## BIOMETRICS

### Bi'os (Life) and Me'tron (Measurement)

Biometrics identifies people through their unique physiological characteristics or behaviors, such as a fingerprint, face, iris, voice, hand or vein pattern.

Fingerprints is a biometrics company whose solutions are based on the advantages of biometrics: security, convenience and efficiency. In many ways, biometrics is the perfect way of identifying and authenticating a person. Biometric sensors can be constructed to have improved security, but are still fast and easy to use – and the biometrics always accompany the user; they are never forgotten or left at home.

# FINGERPRINTS – INNOVATIVE BIOMETRICS COMPANY

Fingerprint Cards AB, Fingerprints, with its Swedish roots, is the leading global biometrics company, whose mission is to spearhead the development of biometric interaction that facilitates the convenience and integrity of the individual. Its value is proven daily by users in millions of devices, through billions of touches, who are their own key – quite simply, with a human touch.

Fingerprints develops biometric systems comprising sensors, algorithms, software and packaging technologies. The success is based on product development at the cutting edge of technology, which results in world-leading products in terms of security, convenience and performance. The current product range consists largely of fingerprint sensors and customers are primarily manufacturers of smartphones and tablets, where the company is market leading. As the use of biometric solutions increases, Fingerprints is working to broaden its offering by using different biometric techniques, or modalities, and to identify other market segments where the solutions can be used, such as smart cards, PCs, automotive and online devices (IoT).

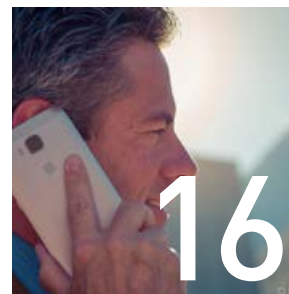
The Fingerprints share is listed on Nasdaq Stockholm (FING B). The company has shown strong growth and sales totaled SEK 6,638 M in 2016, with an operating margin of 39 percent. Most of the more than 400 employees work in Sweden, but the company has offices worldwide, from Shanghai to Silicon Valley.

## FINGERPRINTS AROUND THE WORLD



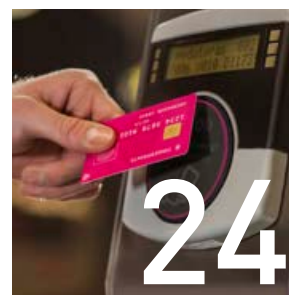
## MESSAGE FROM THE CEO A MULTIFACETED COMPANY

We intend to maintain our position in the mobile segment and simultaneously develop into a biometric company with more technology platforms.



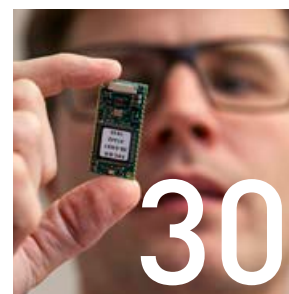
## BIOMETRICS – A PART OF EVERYDAY LIFE

Biometrics as a reliable and convenient authentication solution is to date only just beginning to become significant as a broader application.



## UNIQUE PRODUCT PORTFOLIO

Fingerprints is expanding its product portfolio by adding biometric system solutions that are suitable for more product segments.



## INCREASED INNOVATIVENESS

Fingerprints continues to invest in proprietary development and acquisitions to establish itself as a biometrics company.

THE YEAR IN BRIEF

# Profitable growth

SEK 6,638 M

revenues,  
+129%

55–60%

Estimated market share of fingerprint sensors in smart-phones (Android)

10

Fingerprints' products are used more than ten billion times daily

SEK 2,613 M

operating profit,  
+187%

48%

gross margin,  
(43%)

No.1

Sweden's most innovative company

**Technology  
Fast 500™  
EMEA winner**

SEK 1,130 M

cash flow from operating activities, (910)

SEK 6.40

earnings per share,  
+153%

136

smartphone models equipped with Fingerprints' touch sensors

20

various sensor models in a growing product portfolio

### FIRST QUARTER OF 2016

- 26 smartphones featuring Fingerprints' touch sensors announced by, among others, the following manufacturers: 360/QiKu, Coolpad, Gionee, Hisense, Huawei, Lenovo, LG, Meizu, Oppo, Sony, Vivo, Xiaomi.
- Zwipe and Fingerprints enter into strategic partnership

- Touch fingerprint sensor under glass is launched.
- FPC increases fingerprint sensor security.
- FPC provides fingerprint sensor technology to the automotive industry.
- The number of shares is increased by 1,300,000 Class B shares due to the exercise of warrants.
- Fingerprints joins Global Compact.

### SECOND QUARTER OF 2016

- 42 smartphones featuring Fingerprints' touch sensor announced by, among others, the following manufacturers: 360/QiKu, Coolpad, Gionee, HTC, Huawei, ivvi, Lenovo, LG, Meizu, Nubia, OnePlus, Oppo, Sharp, Sony, Vivo, Xiaomi, ZUK, ZTE.
- Improved algorithm for smartphones introduced.

- Annual General Meeting with changes in the Board of Directors.
- Share split implemented and decision to buy back shares announced.
- Complete biometric module launched.
- Touch sensor for the low price segment launched.
- Christian Fredrikson is appointed as new CEO.

### THIRD QUARTER OF 2016

- 36 smartphones featuring Fingerprints' touch sensors launched, announced by, among others, Coolpad, Huawei, Lenovo, Xiaomi, LG.

- Christian Fredrikson took office as President and CEO on August 1.
- Buyback of own shares completed.

### FOURTH QUARTER OF 2016

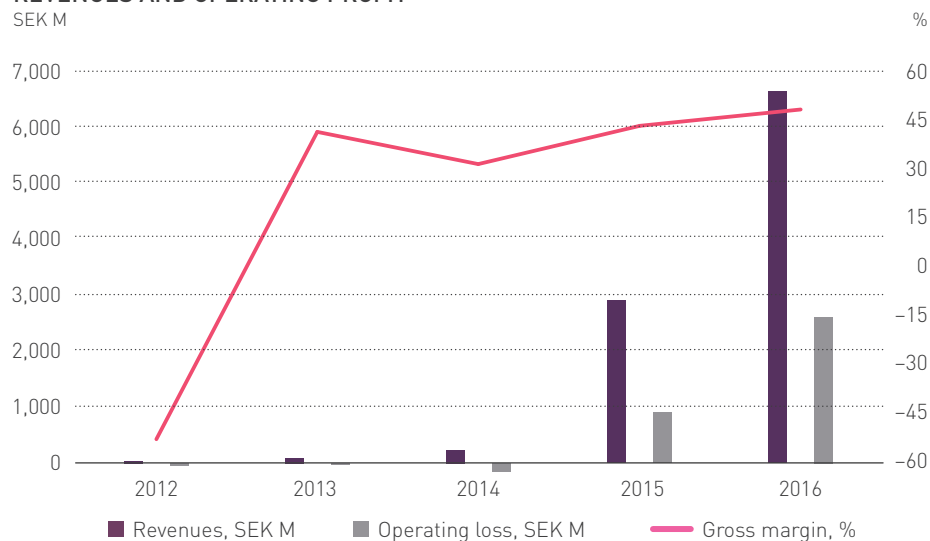
- 32 smartphones featuring the company's touch sensors launched in, among other products, Google's new Pixel phones, SK Telecom's Luna S smartphone, Huawei's mate 9 equipped with Fingerprints' touch sensor under glass.
- Fingerprints' touch sensor is launched in Samsung's new Notebook 9 high end product series.
- Fingerprints launched the ultrathin touch sensor for smart cards.

- Former CEO, Johan Carlström, resigns from employment as business developer in the company.
- Launch of Kona I smart cards, featuring Fingerprints' touch sensor.
- Nasdaq Stockholm's Disciplinary Committee orders the company to pay a fine corresponding to two annual fees for inadequate information disclosure
- The company presented its view of the market and strategy at the Capital Markets Day.
- Revenue guidance for 2017 is presented.
- Revenue guidance for 2016 is downgraded.

### NOTABLE EVENTS AFTER YEAR-END

- Lars Söderfjell leaves the company's Board of Directors.
- Fingerprints acquires iris recognition company Delta ID Inc.
- Fingerprints' CFO, Johan Wilsby, to leave the company in July 2017.
- Fingerprints is expecting a weaker first quarter and that the short-term challenges will persist in the second quarter. Consequently, the company has decided to refrain from making forecasts for the full year 2017. Proposed dividend announced in the year-end report is withdrawn.

### REVENUES AND OPERATING PROFIT



### FIVE-YEAR SUMMARY

	2016	2015	2014	2013	2012
Revenues, SEK M	6,638.3	2,900.5	233.6	95.4	10.3
Gross profit, SEK M	3,165.3	1,255.3	71.6	39.2	-5.7
Gross margin, %	48	43	31	41	-55
Operating profit, SEK M	2,613.1	910.3	-145.2	-34	-38.7
Operating margin, %	39	31	-62	-36	-375
EBITDA, SEK M	2,661.7	953.7	-83.6	-21.4	-27.9
Profit before tax	2,613.5	910.0	-143.6	-32.9	-38.1
<b>Net profit for the year</b>	<b>2,034.7</b>	<b>798.3</b>	<b>-144.0</b>	<b>-32.9</b>	<b>-38.1</b>
Earnings per share, SEK	6.40	2.53	-0.49	-0.12	-0.17
Equity/asset ratio, %	64	60	71	87	87
Number of employees	438	254	175	80	21

## MESSAGE FROM THE CEO

# A multifaceted company

We can look back upon a year of strong growth and profitability. Few companies have the privilege of experiencing such development.

Our growth obviously has a price, and it is a result of the hard work of dedicated employees. The growth has been both challenging and educational. We have progressed from offering the market only a couple of sensors to slightly more than 20 versions. We have faced a number of challenges, such as finding time for all the customizations and being able to deliver, which requires creating flexibility in our supplier partners' production capacity, based on the product mix and its varying volumes.

### MARKET MATURING AT A FAST PACE

The market maturity of a new technology is placing growing demands on the suppliers in the form of accelerating competition. One important factor is that some smartphone manufacturers use two or more suppliers, known as dual sourcing, which is a common practice in the industry to secure delivery, while exposing suppliers to competition. Fingerprints is no exception; however, as a result of constant innovation, I am convinced that we at Fingerprints has the capacity to maintain our strong position.

In a rapidly changing environment, planning ahead is another challenge, something that applies particularly in this incredibly dynamic, consumer-driven smartphone market. The expected, strongly seasonal volume growth in the fourth quarter failed to materialize. At the same time, we were impacted by the order situation of stockpiling throughout the supply chain and that some of our customers experienced a shortage of components, which affected their volumes of smartphones.

### GROWING MARKET

We continue to see healthy potential in the mobile segment, since the penetration rate for biometrics is continuing to increase. Work on this strategic change is ongoing. We are developing our business to be a multifaceted company. We intend to maintain our strong lead in the mobile segment and simultaneously develop into a biometrics company with several technology platforms for an increasing number of market segments. Next in line is realizing the implementation into PCs, smart cards, the automotive market and a growing quantity of online devices.

### INCREASING SECURITY REQUIREMENTS

Due to cloud services and an increasing number of online devices via the WiFi networks of households, companies and organizations, the focus is being paced on the security aspect. Securing all entrances to the WiFi network is essential. The comparison can be made with your home; not just the front door should be locked and the alarm activated, but also all the windows and other entrances must have the same security. Against this background, our mission is obvious – to create solutions that result in a user-friendly and reliable authentication feature for the authorized user.

### ENTRY INTO THE PC MARKET

A clear sign that customers are using our solutions in more products, is Samsung's new Notebook 9, high-end production series, comprising of portable computers featuring Windows 10, which are now equipped with our FPC1025 touch sensor and associated software that supports Windows Hello, Microsoft's biometric security systems.

### A YEAR OF EFFICIENCY AND INVESTMENTS

2017 will be a year for investment in research and development. The aim is to develop more solutions that can be applied to more products in more industries and with a broader geographic spread. We also believe that 2017 will mark the start of the smart card business. We will also focus on increasing the efficiency of our processes and our organization. For that reason, we are enabling our organization to focus on a number of parallel markets. Executive Management is being reinforced with three new Vice Presidents for the Business Lines. We will continue to invest in employees and improve our efficiency, to succeed in driving innovation in all areas.

### ADDITIONAL BIOMETRIC MODALITIES

In line with the aim of building a biometrics company, 2017 started with a strategic acquisition of the biometrics company Delta ID – an acquisition that in my view is a key step in our business development. Delta ID's world-leading technology for iris recognition complements our current biometric technology platform for fingerprint sensors, strengthens our offering and is an important step in the building of a biometrics company. We will not only be able to offer another system solution,



We intend to maintain our strong position in the mobile market and simultaneously develop into a biometrics company with several technology platforms for additional market areas.

but we will eventually also be able to offer a multimodal solution that further enhances security. The acquisition is subject to approval by the US Competition Authority, whose decision is expected during spring 2017.

#### **BUSINESS WITH SUSTAINABLE RESULTS**

Our business development is conducted within an ethical framework. A self-evident step for Fingerprints was joining the UN Global Compact in 2016, aligning with its principles concerning human rights, labor issues, environment and anticorruption. Our framework for sustainability encompasses all ten principles of the Global Compact. We naturally intend to operate our business in a responsible way. It is therefore gratifying that the greatest difference we can make for our customers and primarily the end users is to provide our solutions, to enable security and thus integrity in an increasingly exposed digital environment.

#### **LEADING THE MARKET FOR BIOMETRIC SYSTEMS**

We aim to become the leader in biometric technology and solutions. We are currently at the beginning of the biometric era, driven by a growing volume of online devices. Our prerequisites are good; we're experts in biometrics and we are continuously advancing. Nevertheless the feature that is the greatest enabler is all our members of staff, who are Smart, Brave, Open and United. I would like to direct my gratitude to all of you – our members of staff – for your commitment and hard work.

Gothenburg, March 2017

Christian Fredrikson  
President and CEO



BUSINESS CONCEPT, OBJECTIVES AND STRATEGIES

# Leader in biometric technology and solutions

By utilizing the unique properties of biometrics, Fingerprints' solutions create an easier and more secure life. The value contribution is based on sensitivity to the needs of the market, employees with expertise, financial capital and good relations.

## VISION

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

## MISSION

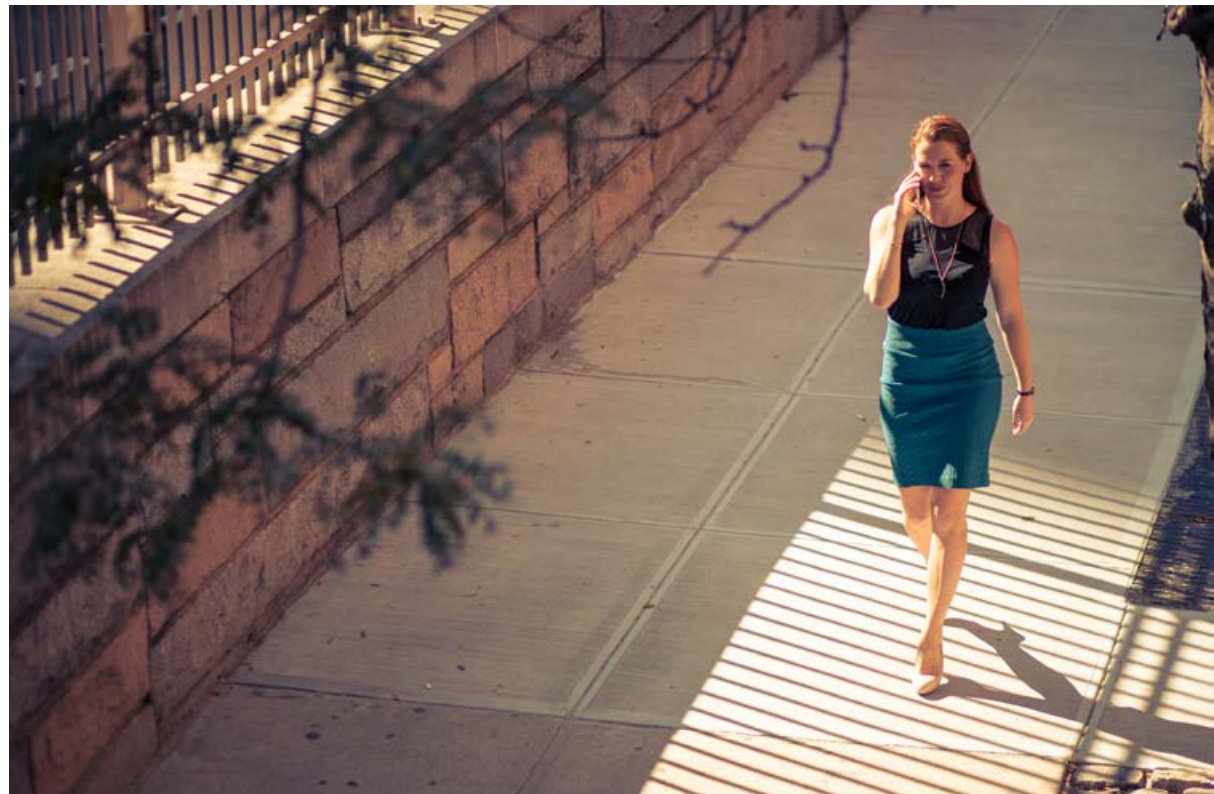
To provide safe and convenient identification and authentication with a human touch.

## BUSINESS CONCEPT

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

## CORE VALUES

Smart  
Brave  
Open  
United





# FINGERPRINTS' VALUE CREATION MODEL

## BUSINESS INTELLIGENCE AND MARKET

Requirements of customers and end-users, and trends. Read more about Fingerprints' markets starting on pages 16–23.

### RESOURCES

#### Intellectual capital

438 employees  
of whom 241 in R&D  
Patent portfolio

#### Finance capital

Cash and cash equivalents 1,162 SEK M  
Development costs 367 SEK M  
Sales costs 177 SEK M

#### Social and relational capital

Customers  
Employees  
Shareholders  
Partners  
Suppliers  
Users  
Regulators  
Local communities  
NGOs  
Academy

### CONTROL OF OPERATIONS

Business concept, vision, mission, core values,  
objectives and strategies pages 6–10  
Corporate governance pages 49–53  
Risk management pages 62–64  
Sustainability framework pages 12–15

### RESEARCH & DEVELOPMENT

Read more about development on pages 30–33

### PROCUREMENT & PRODUCTION

Read more about procurement & production on page 34

### SALES & MARKETING

Read more about the business models on pages 36–38

### DELIVERY

Read more about solutions on pages 24–29

### PRODUCTS IN USE

Read more about market performance on pages 16–23

CUSTOMIZATION

### EARNINGS

Biometric systems with increased functionality and integration potential

#### Financial

Stakeholders	2016
Customers, sales	SEK 6,638 M
Suppliers, manufacturing costs	SEK 3,473 M
Employees, salaries	SEK 300 M
Public sector – taxes	SEK 579 M
Shareholders, dividends	SEK 1,053 M

#### Social

##### For end users

Increased integrity and security, 136 smartphone models launched with Fingerprints' solutions

##### For society

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

##### For employees

184 new job opportunities.  
Good employee satisfaction, 80%.  
In addition, jobs are created at Fingerprints' sub-suppliers.

## FINANCIAL OBJECTIVES

The company's long-term financial objectives encompass three focus areas: growth, profitability and capital structure. The market for biometric solutions is growing rapidly and the factors of uncertainty are considerable. The company has therefore decided to formulate the objectives as ambitions over three-year rolling periods. The financial objectives pertain to the years 2017 to 2019.

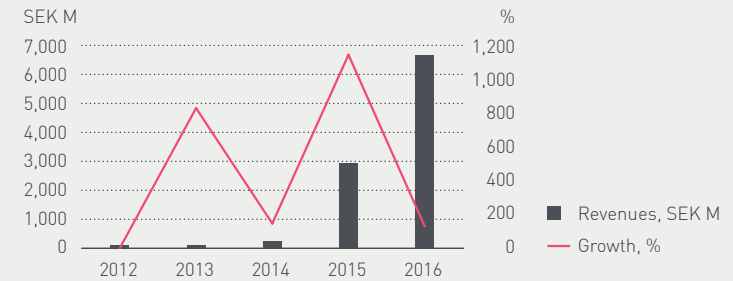
### Growth objectives 2017–2019

# +20%

average annual growth in revenues

### Outcome for 2016: 129%.

The growth is attributable to the technological and market leadership captured by Fingerprints. Demand for the company's products in the mobile phone market increased constantly and followed the general penetration of fingerprint technology.



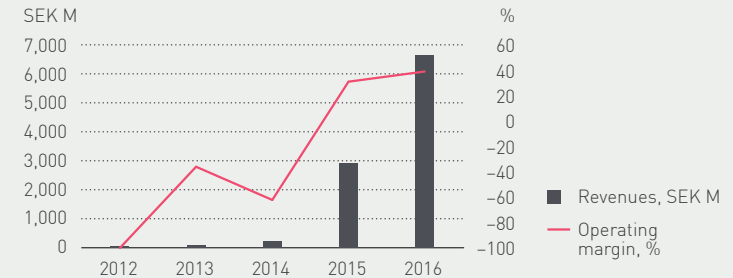
### Profitability targets 2017–2019

# ≥30%

operating margin in average for the period

### Outcome for 2016: 39%

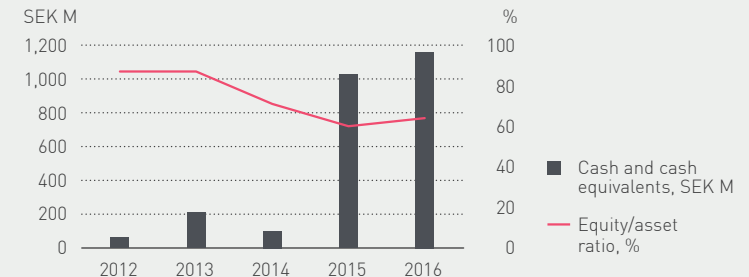
The favorable operating margin derived partly from a lower share of fixed costs. Variable costs are passed on via sales.



### Capital structure

# Financial strength

Capital structure: Fingerprints wants to have a strong balance sheet, with capital for financing acquisitions and other major investments. Surplus capital is to be returned the shareholders through the buyback of own shares and/or dividends.



# Strategy for continued profitable growth

Fingerprints aims to grow organically and through complementary acquisitions. Growth will be generated in a number of dimensions in order to broaden the business. This is done by adding solutions based on additional technology platforms for several market segments.

## GROWTH STRATEGY

### New customer segments using customized existing system solutions.

Fingerprints predicts great potential to capitalize on the company's economies of scale by selling its fingerprint sensors in other customer segments. The market for smart cards and the PC market are next in line. Fingerprints also sees potential in: the Internet of Things, i.e. online devices, the automotive industry, the access and time reporting industry, as well as the healthcare sector.

### With existing system solutions for existing customer segments.

Fingerprints sees potential to expand its volume and customer base as fingerprint technology continues to penetrate the market.



**New solutions for new customer segments.** Solutions based on a number of different biometric methods adapted for secure connection via cloud services. The company continuously evaluates complementary acquisitions that would add value to its product development and/or market presence.

**New solutions, technologies and features for existing customers.** Increasing development with the potential to create new features in the customers' offerings through continued technology advances.

## ACQUISITION STRATEGY

Feasible acquisitions are companies that possess complementary technologies and companies characterized by a high degree of innovation; i.e. expertise that complements Fingerprints' core competencies. The assessment also includes an evaluation of compatibility with the corporate culture.

## FOCUS AREAS IN THE VALUE CHAIN

A prerequisite for a structured operation that generates growth and achieves objectives is to focus on all links in the value chain and the resources required, not least human resources.

### *High value-adding biometric systems*

Fingerprints aims to be a high-value-adding supplier of biometric systems in the form of hardware and software. Systems are to be broadened with additional biometric methods on top of capacitive fingerprint sensors.

Fingerprints' offering is vertically integrated, meaning it represents a complete integration of hardware and software, sensors with market-leading system performance and algorithms, and software for system integration and greater advantages for end-users. This results in increased value for end users in terms of both security and convenience.

*Read more about Fingerprints' solutions on pages 24–29.*

### *Development of more technologies*

Fingerprints aims for solutions that increase security and improve the end-user's experience. The company is focusing on development of current capacitive fingerprint sensor technology, but is also dedicating resources to identify and develop other biometric technology platforms. Software is of vital importance to the expansion of biometrics, both in respect of additional applications and to secure Internet communication via the biometrically equipped device, defined as cloud-based biometrics.

System customizations, such as implementation in a smartphone, take place in close collaboration with customers

and other system providers. *Read more about Fingerprints' development activities on pages 30–33.*

### *Patents*

Fingerprints safeguards its intellectual property rights by continuously registering new patents. The company monitors the market to evaluate new opportunities for capitalizing on patents and identifying and taking actions to counter any infringements of the company's existing patents. The patent portfolio may also be strengthened through patents acquired from a third party.

### *Active industry collaborations*

Fingerprints cooperates with other players in the ecosystem of fingerprint technology. The company is represented on the board of the collaboration alliance FIDO (Fast IDentity Online). Fingerprints also partners with Google and the Chinese company Alipay to customize its fingerprint technology and its function in payment systems.

### *Production with business partners*

Fingerprints sources all production from external partners. The company applies dual sourcing, where all volume products are to be manufactured in two different plants. All manufacturing is conducted according to forecasts based on information from customers. *Read more about production and sourcing on page 34.*

### *Market-oriented organization*

Fingerprints' organization consists of three business lines, to safeguard the focus on markets for "Mobile" (smartphones and tablets), "Smart cards" and "PC and Embedded" (PCs and embedded systems as well as the automotive industry). These are supported by five cross-functional units: Research & Development, Operations & Quality, Strategy & Corporate Development, Marketing & Communication and Finance & Administration.

During 2017, Fingerprints will broaden its customer base by adding more OEMs (Original Equipment Manufacturers; companies that manufacture the final product) and module houses covering all price levels in the smartphone segment. Marketing and sales will be intensified with a focus on smart cards, PCs and embedded systems for the automotive industry and the Internet of Things, among other areas.

Sales are conducted directly or via distributors to the supply chain. Geographically, market cultivation is under way in Europe, US and Asia; China, Taiwan, South Korea, Singapore and Japan, but also in such emerging markets as India and Indonesia. *Read more about Fingerprints' business models on pages 36–38.*

### *Financing with own funds*

The company uses its own profits for its ongoing financing needs. Major one-off investments, such as acquisitions, may be supplemented with primarily loans and secondarily new share issues.

### *Employees – foundation of the business*

Fingerprints' business requires an organization commanding a high level of skills in all of its specializations. New recruitment focuses on qualified engineers with cutting-edge skills, but with different levels of experience. A favorable demographic mix ensures Fingerprints' future provision of skills and talents. The company strives to be an organization characterized by continuous learning combined with diversity. Employees are encouraged to accept new challenges as they work and to take substantial personal responsibility for the company's development. Fingerprints applies both employment and contracting of consultants. Consultants are retained for assignments that are limited in duration and/or in cases where consultants are the primary source for the skills the company is looking for. *Read more about Fingerprints' organization on pages 40–43.*

A young man and woman are smiling and looking at a smartphone together. The man is on the left, wearing a red and blue plaid shirt. The woman is on the right, wearing a purple tank top. They are both looking at the phone held by the man. The background is a solid blue color.

## SECURE AND CONVENIENT USE

Fingerprints' convenient solutions help secure authentication where the user can get access to Internet and cloud services. Security will be the core in Fingerprints' offerings.

SUSTAINABILITY WORK

# Increased sustainability efforts

Fingerprints became a proud member of the UN Global Compact in 2016. By supporting the Global Compact Fingerprints demonstrates its ambition to actively contribute to a sustainable society, both locally and globally. Fingerprints' solutions contribute to sustainability by enabling a more secure and comfortable life for users by, for example, countering fraud and ID theft.

**FRAMEWORK FOR SUSTAINABILITY**

Fingerprints has created a sustainability framework to ensure a strategic and systematic approach to the sustainability efforts. The framework, combined with the company's vision and mission, the Code of Conduct and the core values, form the foundation for all operations.

The company aims to conduct its operations in a sustainable manner, based on the sustainability framework. The sustainability objectives formulated during the year are based on an analysis of where the company has its greatest impact, and which factors that are significant for continued success.

The framework is divided into four areas, which have been developed by taking into account international guidelines and conventions, and have been adapted according to relevance to Fingerprints' business. The framework, which has been formulated in a dialog with the Board of Directors and external stakeholders, was communicated to all members of staff through workshops 2016. All of the company's policies are linked to the framework.

**SUSTAINABILITY OBJECTIVES FOR 2017**

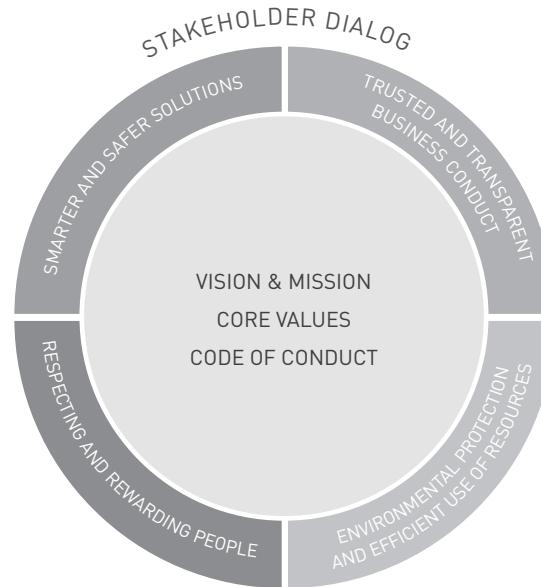
During 2016, Fingerprints formulated objectives in the sustainability area based on an analysis of where the company has its greatest impact, while considering factors that are significant for Fingerprints' operations and the company's continued success. Fingerprints has analyzed how the company can contribute to achieving the UN's global goals (SDGs, Sustainable Development Goals) and what is relevant in terms of the company's position viewed from an industry comparison. Dialog concerning target areas has occurred with external stakeholders.

**SMARTER AND SAFER SOLUTIONS**

Guidelines for ensuring development of solutions at the cutting edge of biometric identification through determined competency provision and with the focus on the end user.

**RESPECTING AND REWARDING PEOPLE**

Description of how the company will be an attractive workplace, with a safe working environment, while creating favorable social conditions in the company's supply chain.



**TRUSTED AND TRANSPARENT BUSINESS CONDUCT**

Legal requirements and guidelines for business ethics including anti-corruption, protection of assets and a whistleblower process.

**ENVIRONMENTAL PROTECTION AND EFFICIENT USE OF RESOURCES**

The company's environmental policy and environmental requirements for suppliers.

FINGERPRINTS' SUSTAINABILITY OBJECTIVES FOR 2017	STATUS 2016
<b>TRUSTED AND TRANSPARENT BUSINESS CONDUCT</b>	
<p><b>Acknowledgement of and compliance with the Code of Conduct</b></p> <ul style="list-style-type: none"> <li>• Annual acknowledgement of the Code of Conduct by all members of staff<sup>1</sup>.</li> <li>• Annual in-depth training programs in, for example, anticorruption for selected target groups.</li> <li>• Internal audits of the Code of Conduct implemented in selected areas in accordance with an established schedule.</li> </ul>	<ul style="list-style-type: none"> <li>• All members of staff (with a few exceptions) trained in the Code of Conduct.</li> <li>• Implementation of individual in-depth courses.</li> </ul>
<p><b>Acknowledgement of and compliance with the Code of Conduct among suppliers</b></p> <ul style="list-style-type: none"> <li>• 100% of suppliers of direct material<sup>2</sup> must have accepted the Code of Conduct for suppliers.</li> <li>• Audits of compliance will be conducted on one third of the company's suppliers of direct material in 2017.</li> </ul>	<ul style="list-style-type: none"> <li>• All suppliers of direct material have read the Code of Conduct with the requirement of confirming adherence to it during the first quarter of 2017.</li> <li>• Since 2016, new suppliers are assessed based on the Code of Conduct and acceptance of it is part of the contractual process.</li> </ul>
<b>ENVIRONMENTAL PROTECTION AND EFFICIENT USE OF RESOURCES</b>	
<p><b>Reduce carbon emissions</b></p> <ul style="list-style-type: none"> <li>• Continuously reduce directly generated carbon emissions.</li> <li>• Achieve Level C in CDP.</li> </ul>	<ul style="list-style-type: none"> <li>• Implemented data collection in respect to the company's emissions.</li> <li>• Investments have been made in a videoconferencing system, which will reduce the need of travel between the company's various sites.</li> <li>• Achieved Level C (Awareness) in CDP.</li> </ul>
<p><b>Materials used in production</b></p> <ul style="list-style-type: none"> <li>• At least 95% of produced sensors should be functioning<sup>3</sup>.</li> </ul>	<ul style="list-style-type: none"> <li>• An average of 97.4% were functioning during 2016.</li> </ul>
<b>RESPECTING AND REWARDING PEOPLE</b>	
<p><b>Strengthen Fingerprints' position as an attractive employer.</b></p> <ul style="list-style-type: none"> <li>• Maintain or improve the ratings in the employee-satisfaction survey for the Engagement index (total employee satisfaction).</li> <li>• Maintain or improve the ratings for the net promotor score (recommending one's workplace to friends and acquaintances).</li> </ul>	<ul style="list-style-type: none"> <li>• Engagement index: 80 (benchmark of 77).</li> <li>• Net promotor score: 43 (benchmark of 7).</li> </ul>
<p><b>Equal opportunities</b></p> <ul style="list-style-type: none"> <li>• Reach a level whereby women account for 25% of all employees<sup>4</sup> in the company at all levels by 2020.</li> </ul>	<ul style="list-style-type: none"> <li>• Women account for 20% of all employees.</li> <li>• 13% in management positions.</li> <li>• No women in the Executive Management Team.</li> </ul>
<p><b>Occupational health and safety</b></p> <ul style="list-style-type: none"> <li>• No serious occupational injuries.</li> <li>• Not more than 1% of the employees<sup>4</sup> on occupational long-term sick leave<sup>5</sup>.</li> <li>• Perceived stress levels at the same, or an improved, level in relation to the benchmark<sup>6</sup>, baseline 2016.</li> </ul>	<ul style="list-style-type: none"> <li>• No serious occupational injuries.</li> <li>• 1% occupational long-term sick leave.</li> <li>• No perceived stress: 61 (benchmark 53), according to employee-satisfaction survey.</li> <li>• Perceived stress: 15 (benchmark 24), according to employee-satisfaction survey.</li> </ul>
<p><b>Conflict minerals</b></p> <ul style="list-style-type: none"> <li>• All products must be free from conflict minerals.</li> </ul>	<ul style="list-style-type: none"> <li>• An improved process for monitoring the origin of minerals has been introduced.</li> </ul>
<b>SMARTER AND SAFER SOLUTIONS</b>	
<p><b>Customer satisfaction</b></p> <ul style="list-style-type: none"> <li>• A customer satisfaction survey will be performed in 2017, and methods for identifying the needs of customers and end users will be developed.</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthened physical presence where the customers are located.</li> </ul>

1) Members of staff are defined as all employees and consultants who have a consulting assignment for Fingerprints that fills 50 percent or more of their total working hours.  
2) Direct material is defined as materials incorporated into the product Fingerprints delivers to its customers.  
3) Recycling refers to Wafers.

4) Employee is defined as everyone with a direct and existing employment contract with Fingerprints.  
5) Data on sick leave only covers employees in Sweden.  
6) Benchmark data is produced by Netsurvey.



## SOLUTIONS FOR INCREASED SECURITY

Fingerprints' solutions can be applied in a multitude of areas where users need to identify themselves. The individual is always accompanied by his/her biometrical characteristics and identification can occur at any time, without the need of pin codes or other ID documents.

The company pursues determined sustainability efforts when developing its products and by conducting its operations in a sustainable manner from a business ethics, social, environmental and economic perspective.



### INTEGRATION INTO OPERATIONS

The cross-functional sustainability forum, in which the company's CEO, CFO, HR manager, Operations and Environment manager, Communications manager and the General Counsel are members, devotes special attention to sustainability. The primary mission of the forum is to agree on goals and control and follow up action plans.

Responsibility for the different areas is allocated to various roles in the line organization and is a part of everyday duties, where the sustainability forum is accounted for monitoring and coordination.

To further strengthen the focus in this area in 2017, a Head of Sustainability has been appointed.

### CLEAR CODE OF CONDUCT

Fingerprints' suppliers of direct material are subject to the EICC's Code of Conduct. The internal Code of Conduct is addressed to all employees and consultants who work for Fingerprints.

The Code of Conduct is based on the company's sustainability framework, and it clarifies what rules and regulations that should be applied, including describing how employees and consultants are expected to behave and work. Not complying to the code of conduct is considered serious and could lead to disciplinary actions.

The code of conduct describe areas related to:

- The business ethics program, which includes combating bribery and corruption and protecting the company's assets and information.
- Quality efforts and focus on the end user in product development.
- Efforts to reduce the company's direct and indirect environmental impact.
- Work environment and safety issues concerning Fingerprints employees and efforts to follow up these issues with the company's suppliers.

### JOINING THE GLOBAL COMPACT

In April 2016, Fingerprints joined the UN Global Compact, aligning with principles concerning human rights, labor issues, environment and anti-corruption. Fingerprints' framework for sustainability encompasses all ten principles of the Global Compact.

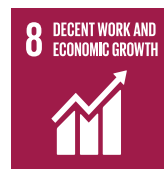
### LINK TO GLOBAL OBJECTIVES

As part of the company's sustainability forum, work has been initiated to link the sustainability efforts to link the UN's Sustainability Development Goals. The stakeholder dialog will continue during 2017 to further determine how the company

and its products can contribute to solutions to the global challenges. This will both guide and give input to Fingerprints' future sustainability initiatives and UN's global goals. The following five SDGs have been identified as areas where the company can contribute and have a clear impact.



- Fingerprints' products enable more secure transactions. This helps to fight crime, such as fraud and theft, which could in turn finance illegal activities.
- The company works against corruption, avoid anti-competitive actions and facilitate correct business by applying Code of Conduct and target-group-oriented training.
- The company is working actively to avoid that conflict mineral are used in their products, by following processes and corresponding policies.



- The company actively promotes health and safety for Fingerprints' employees, consultants and contracted suppliers.
- By applying the EICC's Code of Conduct for suppliers, Fingerprints works to avoid child labor and forced labor in the supply chain for the electronics industry.



- Fingerprints' ambition is to reduce the direct negative impact of its offices and travel.
- The company's ambition is to reduce the environmental impact connected to the supply chain, such as transportation.
- Fingerprints calculates and reports emissions to the CDP.



- Fingerprints strives for an equal and inclusive workplace, where an ambitious target is set to have 25 percent women of the company's staffing at all levels.
- By having English as corporate language, opportunities are opened to recruit employees with different mother tongues.



- The company also focus on reducing waste from production.
- Fingerprints also have environmental requirements on its suppliers, including requirements to comply with ISO 14001 certificate.
- Fingerprints works consciously to avoid potentially hazardous substances in products and production.

MARKET

# Biometrics – an increasing part of everyday life

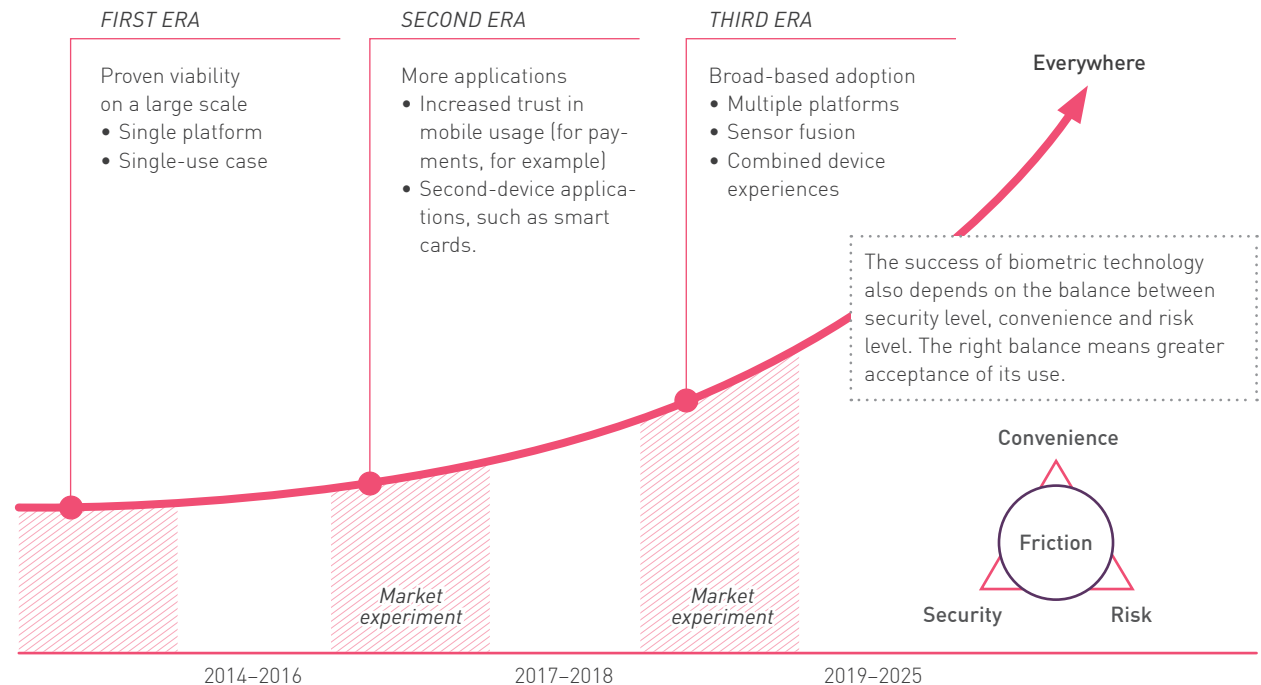
Fingerprints operates in markets with distinct growth potential. In terms of volume, smartphones and tablets continue to grow. The company also focuses on new markets such as smart cards, PCs, online devices and the automotive industry.

Fingerprints regards biometrics as a reliable and convenient authentication solution that is currently just beginning to become significant as a broader application. Growth can be divided into three eras:

**The first era** is where biometrics is established in a platform, the mass-market product smartphones. Functionality has initially comprised unlocking and other security features in the phone.

**The second era** is characterized by increased confidence in biometric technology and more applications are added, such as secure payments. Application of biometrics in additional devices such as smart cards.

**The third era** is when biometrics is a natural part of everyday life. Here biometrics is used on a broad scale in multiple applications, in several devices with more applications and with a number of interacting biometric systems for satisfying more stringent security requirements.





## BIOMETRICS – SOON TAKEN FOR GRANTED

The application of biometrics has already been proven on a large scale in smartphones. Trust in the functionality creates a platform for applications in more devices, such as smart cards, in the PC, in the car and as a natural part of our everyday lives.

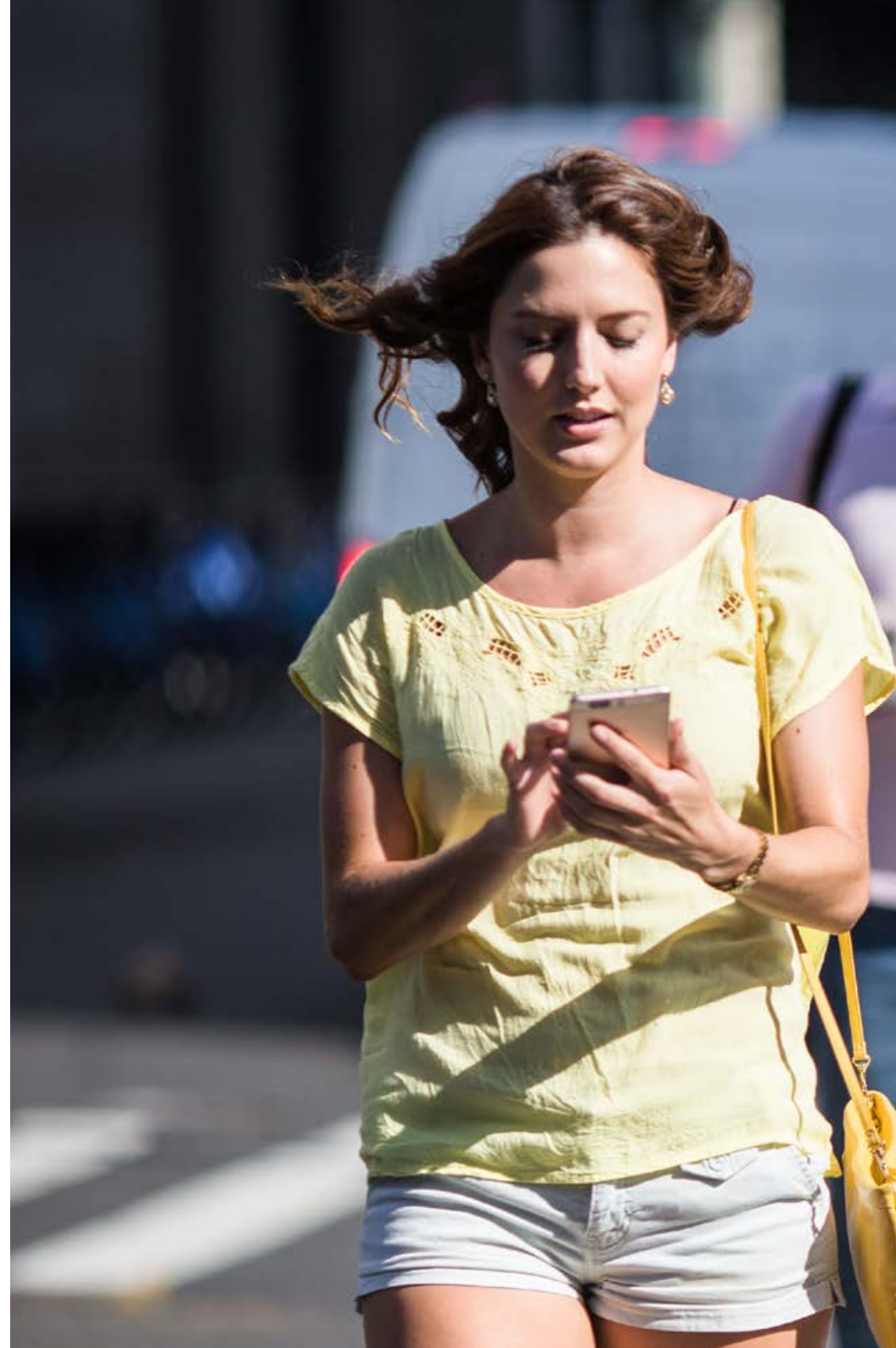
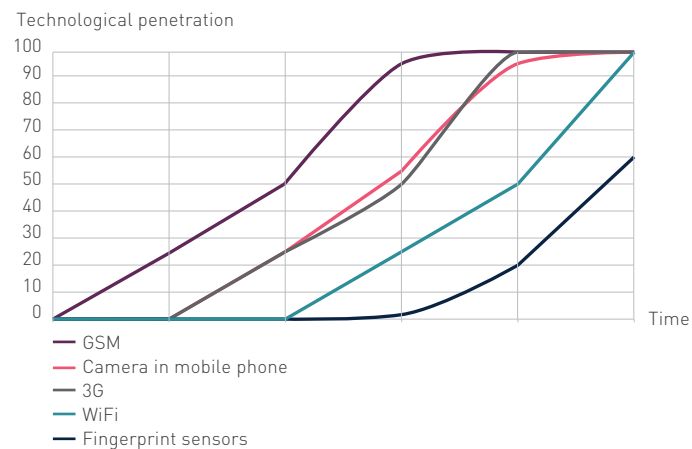
The ecosystem for wireless payments is being established rapidly. This trend is primarily driven by demand for secure and convenient authentication.

# Trends that impact everyone

Biometrics can be considered as a disruptive technology that enables new business models and areas of use. Its emergence is being affected by both distinct immediate drivers and broader trends.

## REPEATED TECHNOLOGICAL LAUNCHES

The technological penetration of fingerprint sensors in a smartphone is expected to follow the same pattern as other earlier technologies with a rapid impact over the course of a few years.





## TRENDS

### Adaptation to biometrics

Users are increasingly becoming accustomed to the use of biometrics and the number of users will grow sharply.

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### Security and convenience

The need for strong authentication is increasing in pace with digitalization. At the same time, recognized that increased security should not be a threshold for smooth use, as convenience is equally important.

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### The cloud

Storage of data and access to services via the cloud is impacting the business models in many operations and increasing the security demands, as more end-users are utilizing cloud based services.

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### Online payments

Transactions over the Internet are continuing to increase and are spreading to new users. Security becomes a prerequisite to increase the willingness of using online payment features.

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### Digitalization and internet – more online devices

As online devices requiring logins increase, so does the need for a multitude of pin codes and passwords.

# FINGERPRINTS IN SAFE CUSTODY

Data from the scanning of a fingerprint ends up, via the sensor, in a separate processor memory called TEE – Trusted Execution Environment – which guarantees that code and data that have been loaded are protected in terms of confidentiality and privacy. This is a secure area of a smartphone's main processor, where data cannot be accessed by the operating system or the software underlying apps. A user's fingerprint is thereby protected from being disseminated.

A fingerprint does not leave the device and cannot be disseminated from, for example, a smartphone. The collaboration alliance FIDO (Fast IDentity Online) is cooperating with the Global Platform organization to standardize the protection.

Authentication is divided into three steps:

1. Reading/registration of a fingerprint where a three-dimensional image is generated. This three-dimensional image is used to create a template containing unique properties, from which it is not possible to recreate an image of a fingerprint.
2. The template is stored on the TEE unit for comparison during verification.
3. A matching feature compares a fingerprint image with the template in connection with a new reading/fingerprint verification.

## BIOMETRICS – MORE TECHNOLOGIES

Fingerprints bases its current biometric technology on reading the fingerprint by using capacitive sensors. The company believes that other biometric technologies, modalities, will be introduced in future. The fingerprint can also be scanned using other methods whereby optical sensors are being further developed and ultrasound will be introduced. Eye recognition, which is considered to offer great security, is another opportunity. By combining several modalities such as fingerprint sensor and eye recognition, double authentication systems, multi-modalities, are created with further enhanced security.

## EYE RECOGNITION NEW FOR CONSUMERS

Eye-recognition is based on the unique patterns of the eye, either the iris, the blood vessel pattern in the retina or the vein pattern in the sclera.

Eye-recognition biometrics is beginning to be introduced in smartphones. Initially, it is the vein recognition of the sclera that is applied. This method uses the smartphone's existing camera. The level of reliability is unclear, however. Iris recognition is considered to have a higher reliability. It has initially been used by governmental institutions and is now being introduced in smartphones.

The application of eye recognition is expected to increase in smartphones over the coming two to five years. The method is also believed to have the potential to be part of combined biometric solutions together with a fingerprint sensor for improved convenience and higher security.

## BIOMETRICS CREATES NEW BUSINESS MODELS

Smooth authentication and payment features enhance both security and convenience and are becoming a prerequisite, not only a differentiating feature, for the business models of platform and e-commerce operators.

To pursue the advancement of biometrics, Google, Microsoft and Amazon, among others, are developing their own ready-to-use concepts, including hardware, in which their services can be demonstrated.

### INTERACTION BETWEEN THREE PLAYERS

The biometrics market for such products as smartphones and smart cards is based on interaction between three players:

- **Manufacturers of smartphones and smart cards**
- **Platform/operating system players** – Google (Android) and Microsoft (Windows) and
- **Standardization bodies**, both state-operated and industry associations, as well as private players, are cooperating to create joint standards – such as ISO, Fido, Global platform, EMVCo and AADHAAR.

### INCREASED PENETRATION RATE FOR SMARTPHONES

Fingerprints' addressable smartphone market, excluding Apple, consists of smartphones and tablets, based on Android and Windows operating systems. This market is estimated to grow, in terms of the number of devices, in pace with the increase of the penetration rate for fingerprint sensors, from slightly more than 600 million devices in 2016 to 1.5 billion devices in 2020. Total growth in produced smartphones is expected to rise from 1.27 billion in 2016 to approximately 1.6 billion in 2020, with a diminishing growth rate during this period. At the end of 2016, the penetration rate in Fingerprints addressable market was nearly 50% and it is estimated to amount to nearly 95% by 2020. All newly produced Apple iPhones and iPads will have fingerprint sensors as the standard by the end of 2016.

By comparison, the addressable tablet market has significantly lower volumes, 10 million devices in 2016, but is estimated to grow to approximately 100 million by 2020.

Although the market value is difficult to estimate, Fingerprints assesses that the average sales price (ASP) per sensor will continue to decline. This is a result of the general pricing pattern for solutions featuring new technologies, which show declining pricing over time as the supply and competition increase. The assessment is that the ASP will decline by about 15–20% in 2017.

### INCREASING PENETRATION RATE FOR PCs

The PC market is also driven by secure authentication, in particular for logins and payments. The addressable market amounted to 40 million devices in 2016. Here too the penetration rate is expected to increase and to exceed the addressable market of slightly more than 200 million PCs by 2020.

### SMART CARDS A COMING MASS MARKET

Fingerprints' definition of the smart card market is all plastic cards equipped with a chip. In 2015, the volume of newly produced cards totaled approximately four billion, of which charge cards accounted for three billion. Half of the newly produced cards feature a dual interface. The other volume largely consists of access cards, to open doors and logging in etc. The total volume of charge/credit cards in circulation in 2015 was slightly more than 10 billion.

#### Four main players

**Card manufacturing** is dominated by three major manufacturers that account for 70% – Gemalto from the Netherlands, Oberthur Technologies (Safran/Morphy) from France, and Giesecke & Devrient from Germany,

Charge cards are issued by **the banks** which have agreements with **credit companies** as transaction mediators. Visa, Mastercard and China UnionPay account for 97% of the market.

A fourth player is **the chip suppliers** to the cards. This market is also dominated by a few players: NXP, Infineon and ST, which jointly account for 90% of the market.

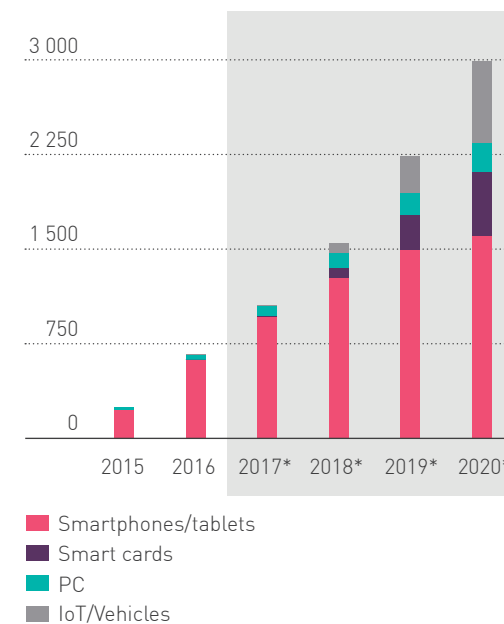
#### Standardization of charge/credit cards

Standardization and certification of charge/credit cards featuring fingerprint sensors are mainly driven by the certification body EMVCo. Standardization is a prerequisite for enabling the market for smart cards with a payment function and biometric verification to gain momentum.

### Access cards closer in time

According to Fingerprints, the market for access cards will emerge closer in time, since these are not subject to the same standardized security requirements. In the near future, Fingerprints therefore intends to address this market. The market is being driven by a need to use biometrics to replace the pin code feature and/or only the signal from a card, in order to enhance security and ensure that it is the right person who gets access.

**MARKET**  
MILLION UNITS



Sources: Strategy Analytics, IHS, Fingerprints' assessment  
\* Estimated volume per Dec 31, 2016, based on the above sources. Fingerprints may update the estimates.

**ONLINE DEVICES**

The market for Fingerprints' embedded system solutions for online devices, also called IoT – Internet of Things – encompasses a growing range of applications. It consists of everything from smart watches to smart homes and other devices should be able to communicate via the Internet.

Vehicles partly belong to this category but can also have local applications for customizing driver comfort and for entertainment. Accordingly, it is anticipated that vehicles will have several different biometric sensors for various purposes. The introduction of biometrics into vehicles is expected to start in the upper price segment, which in 2016 represented approximately 5 million of a total of 80 million vehicles.

Although it is difficult to predict the market volume for on-line devices, the company estimates that this is a coming mass market that could eventually reach levels of 3-4 billion units.

**STRONG MARKET POSITION WITH INCREASED COMPETITION**

During 2016, Fingerprints was the market leader for fingerprint sensors in smartphones (Android), with a market share of 55-60%, followed by Goodix and Synaptics, which jointly accounted for some 35%. Fingerprints assesses that the company will continue to be the market leader with a market share exceeding 50%.

Fingerprints foresees increasing competition in fingerprint biometrics. Customers are increasingly applying dual sourcing, the use of at least two suppliers to safeguard production. In the company's opinion, competition will remain intense and a number of minor competitors will be eliminated. A comparison can be made with the market for smartphone cameras, where three main manufacturers remain after the new technology has been fully established.

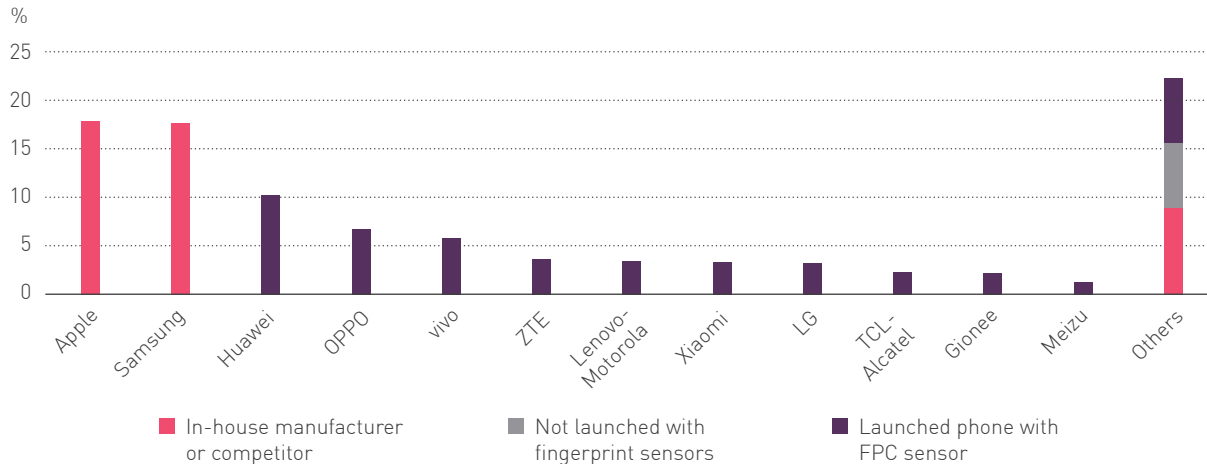
Fingerprints faces competition primarily from the following companies that mass produce proprietary products:

**Goodix**, which was listed on the Shanghai stock exchange in 2016, a Chinese manufacturer of touchscreen and fingerprint solutions, with some 800 employees. This company's sales in 2016 amounted to nearly RMB 2 billion.

**Synaptics**, listed on the NASDAQ stock exchange, an American manufacturer of touchscreen and fingerprint solutions for PCs and smartphones/tablets. Samsung's main supplier with approximately 1,100 employees. This company's sales in 2016 amounted to USD 1,667 M.

In addition to these companies, a number of sensor producers are attempting to penetrate the market, although with volumes that are much lower than those of Fingerprints, Goodix and Synaptics.

**Market share, smartphone manufacturers at the end of 2016**



The bars show the respective smartphone manufacturers' share of the total smartphone market





# 55-60%

During 2016, Fingerprints was the market leader for fingerprint sensors in smartphones (Android), with a market share of 55-60%.

## FINGERPRINTS' SOLUTIONS

# Unique product portfolio

Fingerprints offers a strong product portfolio with biometric systems that, in addition to smartphones, are also suitable for product segments such as smart cards, PCs, online devices and turnkey modules. The portfolio comprises in excess of 20 different products.



Fingerprints offers a biometric system solution based on fingerprint verification, surrounded by considerable patent protection.

## DISTINCT SALES ARGUMENTS

Fingerprints' strong market position is based on a broad product portfolio of complete system solutions with high quality and cutting-edge innovation, in addition to the company's product-adaptation and delivery capacity. The sales arguments for hardware performance are excellent image quality, low power consumption, robustness (handles more than 10 million fingerprints) and flexible product design. The sales arguments for software performance are secure algorithms and software-related integration possibilities that provide differentiation opportunities with unique functions for end users.

The company's robust patent portfolio combined with its domicile in Sweden also contribute to high confidence and global sales opportunities for OEM players (Original Equipment Manufacturers; companies that manufacture the final product).

## FLEXIBLE PRODUCT DESIGN

The fingerprint sensors can be delivered in a large range of sizes, with different surfaces for simple and industrial application in the end product. The multitude of designs generates flexibility, thus facilitating placement in the actual sensor in the product design. The formulations are based on positioning

and surface type. For products such as smartphones, the sensors can be positioned on the front, back and side, with color-adapted surfaces or adapted for placement under glass or ceramic surfaces.

## CUSTOMER-UNIQUE ADAPTATIONS

Prior to delivering most of the fingerprint sensors to customers, both the software and the hardware are customized. Fingerprints has a dedicated department which assists the end customer, for example, smartphone manufacturers, in adapting the design. This value-adding stage enables the end customer to produce differentiating features.

## DEVELOPMENT, PRODUCTION AND TESTING TOOLS

Customers are offered development tools for software development and production. To facilitate the evaluation of and potential for proprietary production of prototypes/pilot series, a software development and pilot kit featuring Fingerprints' components, DevKit, can be used.



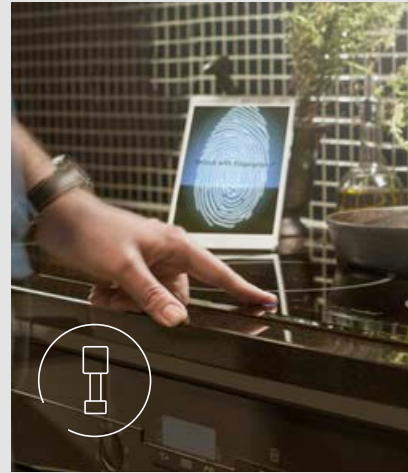
## SOLUTIONS FOR ALL PRICE SEGMENTS

The product portfolio of smartphones/tablets segment is versatile and wide with solutions for all price levels, from budget to premium. Solutions for the low price segment are highly standardized, in contrast to premium segments where the solutions are usually supplied with higher customization and unique system solutions.



## SMART CARD SOLUTIONS

Fingerprints offers the FPC1300 series of touch sensors specifically designed for integration into smart cards that have high demands concerning thickness and power consumption. The solutions work for both contact contact-less cards.



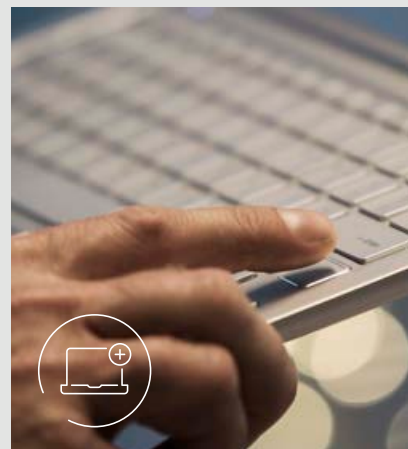
## ONLINE DEVICES

Applications include access control systems, industrial and medical technology as well as everyday technology in the home.



## VEHICLES

Solutions for vehicles, based on the FPC-BM (plug and play module) can be applied in several places, such as a door key or dashboard. The features are multiple - access, personal settings, such as driver's position, infotainment or users of the driver's log, leasing, connection to insurance coverage, etc.



## PC

Fingerprints' fingerprint sensors are also available for PCs. Proprietary software ensures encrypted communication from the fingerprint sensor to the computer's CPU core. Initially, it was developed for PCs with Intel-based processor families that use Microsoft's operating system Windows 10, but solutions for additional configurations are emerging here.

### THE IDEAL IDENTIFICATION METHOD

In many ways, biometrics is the perfect way of identifying and authenticating a person. Biometric sensors can be made very secure but are still fast and easy to use – and the biometrics always accompany the user; they are never forgotten or left at home. There are several biometric methods, or modalities, including facial recognition and recognition of the iris, voice, vein pattern and fingerprints.

The fingerprint has a number of advantages and has thus taken the lead in driving the consumers' use and acceptance of biometrics, such as in mobile devices, including smartphones. Fingerprint identification depends on the unique pattern of ridges and valleys on the surface of the fingertip, a pattern that normally remains unchanged

throughout a person's life. The fingerprint pattern can be read using different technologies, such as optical, capacitive or ultrasound.

### CONTINUED DEVELOPMENT OF CAPACITIVE TECHNOLOGY

The active capacitive technology applied by Fingerprints has proven to be the most reliable and cost-effective one for mass-market applications. Thanks to their small size, low power consumption and a high degree of integration flexibility, active capacitive sensors are also easily applied in other products, whether they are PCs, smart cards or online devices, all of which are volume products.

The capacitive technology is continuously being developed.

**Generation 1:** The first generation of touch sensors replaced Fingerprints' swipe sensor, by providing greater convenience and reliability, and were made to be color-coated to enable simple design integration into smartphones.

**Generation 2:** The touch sensors have improved performance and can be placed under glass for additional simplicity in design integration. The positioning of the sensor further from the finger results in a weaker signal that is more difficult to detect, which is compensated by algorithms and software. The second generation was launched in 2016.

**Generation 3:** Fingerprints is now developing the third-generation touch sensors for placement under thicker glass.

## BIOMETRIC MODALITIES



Facial



Iris



Voice



Palm vein



Finger vein



Fingerprint

## TECHNOLOGIES



Capacitive



Ultrasonic



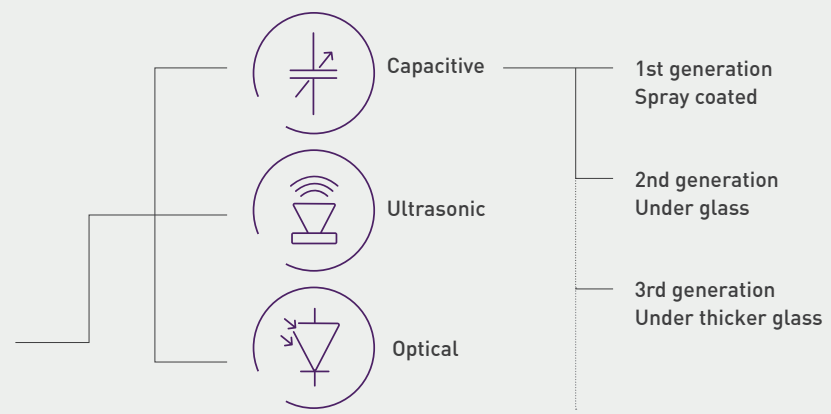
Optical

## TOUCH SENSORS

1st generation  
Spray coated

2nd generation  
Under glass

3rd generation  
Under thicker glass



# SOFTWARE THAT INCREASES CONVENIENCE

On top of secure fingerprint reading, Fingerprints has added several software-directed functions that improve the end-user experience, which also allows smartphone manufacturers to stand out from the competition.



**FPC SenseTouch™** – Senses the pressure from your finger. Another feature is added to the sensor when it detects how hard your pressure is. An easy way to start activities and you can access apps in a new way.



**FPC OneTouch®** – Low power consumption. One touch is enough to unlock your device.



**FPC QuickTouch™** – It only takes 0.15 seconds to verify your fingerprint and start such activities as unlocking the device, activating apps or confirming a payment.



**FPC SafeTouch®** – This feature increase security in payment situations, through protection against tampering.



**FPC MoveTouch®** – This biometric sensor is not only used for identification. The function also enables navigation, scrolling and fingertip swiping.



**FPC 360Touch™** – A sensor that is able to match the fingerprint from all angles, with equal accuracy, precision and performance.



**FPC TouchNroll™** – Quick and easy start. With a minimum of touches you can use the touch sensor to unlock your device and identify yourself.



**FPC EvoTouch™** – Every touch enables the self-learning algorithm to learn more about you. It adapts to changes in your fingers, the length of your nails or changing temperature.



## NEW PRODUCTS 2016

### SMART CARDS

Ultrathin touch sensors enable the integration of fingerprint sensors in cases where the sensor's thinness is crucial, such as in smart cards.



### PC

Samsung's new line of PCs, Notebook 9, is equipped with the FPC1025 touch sensor and associated software that supports Windows Hello, Microsoft's biometric security system.



### ENTRY SEGMENT

The FPC1028 has been developed, without sacrificing performance, to facilitate integration of touch sensors in the low price segment for smartphones to enable secure and simple user verification. The lower manufacturing cost is possible thanks to a smaller sensor surface area and a system solution for integrating the touch sensor in a fingerprint area sensor module.



### FPC SAFETOUCH

FPC SafeTouch® – verification of living fingers, prevents registration of false fingerprints. Identifies "spoofs," i.e. attempted identification theft.





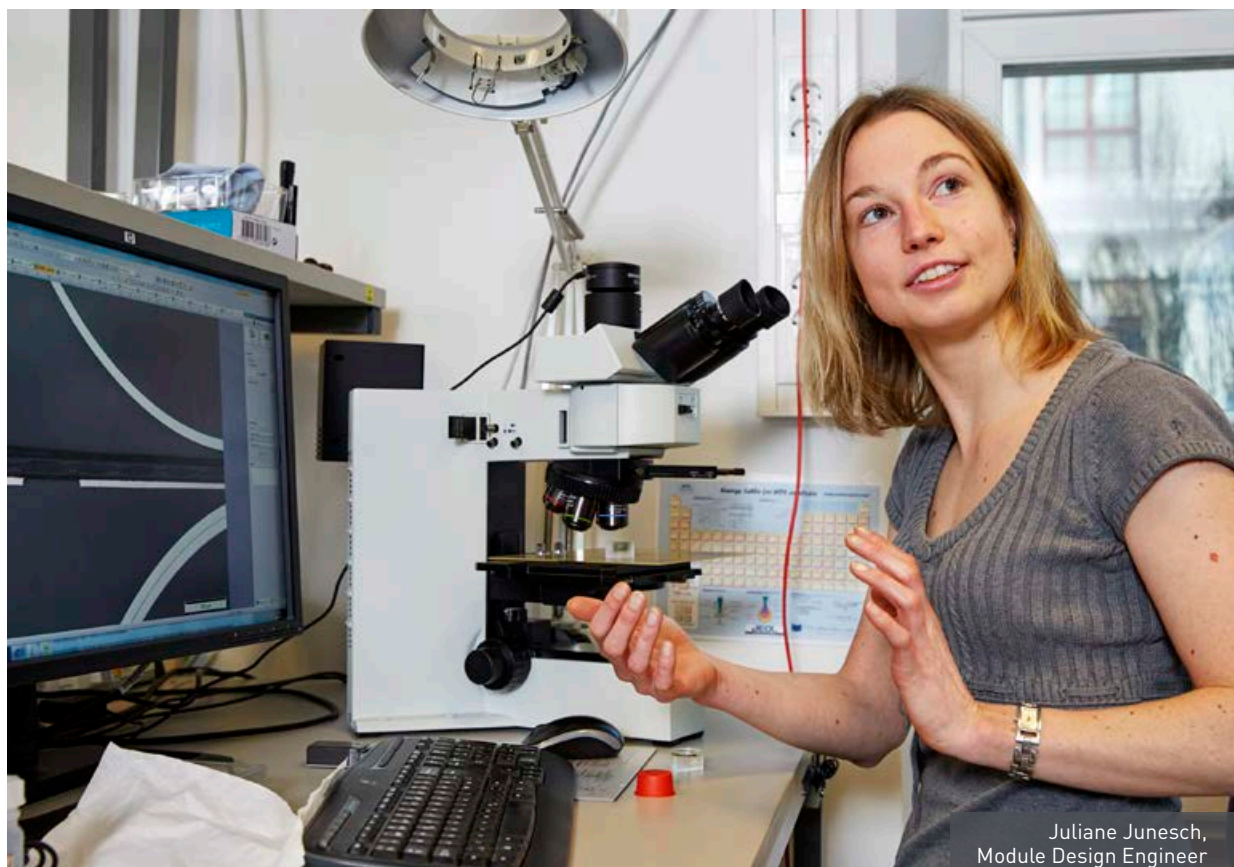
## HUAWEI MATE 9 PRO

The first smartphone launched with Fingerprints' sensor under glass. The touch sensor in Huawei Mate Pro 9 is placed on the front and used as the home button, covered by glass. As an alternative, the sensor can be hidden completely in the mobile's display glass, outside the active screen, which allows fingerprint scanning without a separate button.

## RESEARCH AND DEVELOPMENT

# Improved innovation capacity

Fingerprints conduct its own research and development to create intuitive, convenient solutions that ensure security based on advanced technology. The development is focused on both existing technology and new biometric platforms.



Juliane Junesch,  
Module Design Engineer

Fingerprints continues to invest in product development in order to establish a position as a more complete biometric company. The company is investing in both staff and acquisitions. It is strategically important to continuously enhance the company's innovativeness to continue the development of technology, platforms, performance and system solutions.

Development activities include the development of technology platforms in addition to the capacitive technology. The intensifying competition is a driving force that will stimulate the company to maintain and strengthen its technological lead.

## FOCUS ON THE END USER

Development activities focus on making security simple and convenient. Fingerprints' development also enable differentiation for our customers, so that they can offer unique properties and functions to their end users. The focus is on the end-user experience, from user-friendly ergonomics to functions that are simple and versatile.

## CUSTOMER-SPECIFIC SOLUTIONS

Fingerprints' sales are based on customer-unique solutions, and the R&D organization works close to the company's customer projects. In addition, Fingerprints has strengthened its local presence in Asia, with its own customer projects staff who account for the contact in respect of the customization of biometric system solutions. This staff has a local background, speak the local language and have the same cultural roots as the customers. This type of collaboration is set up for the vast majority of Fingerprints' customers. Ongoing contact with customers strengthens the customer relationship and provides unique insights into customer needs and requirements.



### AN ORGANIZATION WITH HIGH COMPETENCE

R&D experienced significant growth in 2015–2016 from 140 to 241 employees by the end of 2016. A larger workforce increases the company's ability to focus on multiple application areas simultaneously, in parallel to managing customer-specific development projects. The company also devotes dedicated resources to research in order to guarantee long-term development.

R&D primarily takes place in four locations: Gothenburg, Malmö, Copenhagen and Linköping. The foundation for Fingerprints' success is a strong corporate culture characterized by innovation, entrepreneurship and customizing. When the workforce grows and the need for shared processes and control increases, it is important to preserve the strength of the corporate culture.

The workforce is highly skilled, with the majority having engineering degrees and a significant share having PhDs. The company's expertise is also based on the fact that many employees have vast telecommunications and industrialization experience. Recruitment of new staff continues to focus on cutting-edge expertise.

The R&D organization has very low staff turnover thanks to a positive team environment, challenging job duties in state-of-the-art biometric technology development, international work and dedicated colleagues. During the year, further reinforcement will be made in key areas of expertise in parallel with developing working processes, to increase efficiency.

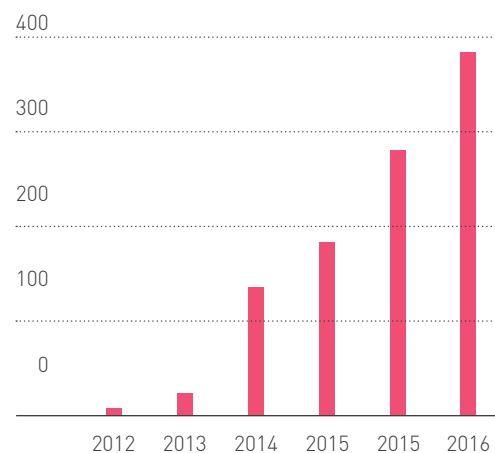
### WORKING CLOSELY ON PATENTS

Fingerprints' proactive patent protection process is an integrated part of product development. Development here is monitored continuously in order to quickly identify newly

developed system solutions and protect them from competition. The purpose of patents is to protect the entire system solution, including the algorithm and other essential parts of the system.

### DEVELOPMENT COST

SEK M



*Fingerprints has made significant investments in development, which are mainly recognized as development costs and are charged in their entirety against net profit for the year. The remaining part is amortized over their varying economic lifespans.*



# TEAM ALGO

## EVERYONE IS KEEPING THEIR EYES ON THE BALL

Fingerprints Algorithm team belongs to one of the four focus areas within the R&D organization. The team develops the algorithms and software that optimize image quality, perform image processing and recognize fingerprints.

The team is led by Niels Mørch, and its members are primarily located in Copenhagen, but also in Gothenburg. At the end of 2016, the team consisted of 40 highly skilled employees and consultants, about 60 percent of them with PhDs, from countries all over the world.

*Niels, what is your view of Fingerprints' core values?*

They are easy to relate to, since they are a very good reflection of our culture and beliefs.

*How would you describe the corporate culture?*

Our corporate culture is definitely one of our greatest strengths. Our working environment is very collaborative, with everyone taking responsibility for achieving our common goals. Everyone understands the benefits of sharing information. To use a soccer metaphor, everyone is keeping their eyes on the ball, not the player. That's how you win the game.

*How do you view your role as team leader?*

Leading the organization isn't the job of one person, but rather a management team. My role is to be a facilitator so that everyone can do their work.

*You're still recruiting – what sort of candidates are you looking for?*

We're looking for three things in a candidate: first, they need to have the theoretical knowledge, ideally at PhD level; second, they need the ability to utilize their scientific skills as engineers; and last but not least, they need to have the right attitude, the ability to look at the big picture and a genuine willingness to collaborate.



*Is it hard to find people like that?*

There's a lot of interest in working here – we get applications from all over the world. People are prepared to move here to the Nordic region in order to work for us. They have the skills, and the decisive element in our recruitment is the attitude.

## System development in four dimensions

Fingerprints' development is conducted on an integrated basis in four focus areas: algorithms, software development, hardware development of biometric sensors and packaging.



*Algorithm*  
*reading of the unique biometric pattern*

The algorithm is the software that optimizes image quality and performs the image processing that locates the information in the fingerprint images coming from the chip, in the case of the fingerprint sensor. There is an ongoing trend to increase the information utilization of even smaller chips in different packaging environments, i.e. sensor location and embedded solutions beneath different materials. The proprietary expertise in algorithms facilitates partnerships with customers and thus satisfies their demands for biometric development.



*Software development*  
*improved end-user experience*

Software development focuses on Fingerprints' biometric systems in, for example, smartphones. Development manages the sensor's communication with the mobile platform for verification in a secure platform, and adds further value in end-user functions.



*Development of fingerprint sensors*  
*the hub*

Hardware development of fingerprint sensors focuses on functionality and solutions in the design of the sensor. In the case of fingerprint sensors, this means the chip's surface area and thickness, power consumption, and the ability to read images through various types of materials.



*Packaging*  
*physical integration*

Packaging focuses on the sensor's integration with other materials, as well as complete system solutions involving processors for plug-and-play functionality. Complete system solutions of this type are developed primarily for applications/industry segments other than smartphones and smart cards.

## PROCUREMENT AND PRODUCTION

# Flexible production capacity

All hardware production uses external suppliers. The management of and relationships with manufacturing partners are thus decisive to the company's delivery quality and capabilities.

The Fingerprints Operations team is divided into three units: sourcing/purchasing, which qualifies suppliers; production planning, which creates forecasts and suborders production volumes; and quality assurance, which tests and assures the quality of the production.

All planning is cross-functional, with the sales and operations teams working together.

## THE CHIP MANUFACTURER – A GLOBAL PLAYER

Fingerprints' largest purchase in terms of volume is the silicon chip, which is primarily made using two of the world's four largest foundries, i.e. semiconductor manufacturers. One of them is the Chinese firm SMIC, which is listed on the NYSE and Hong Kong Stock exchanges. In 2016, Fingerprints also began to work with with one of the world's largest semiconductor manufacturers, the Taiwanese firm TSMC, which is listed on the NYSE and Taiwan Stock exchanges.



*An increased product mix and variable volumes require flexible production.*

The sensors are manufactured in wafers, which come in a particular size so that smaller sensors provides significantly more sensors per wafer.

## NOT JUST CHIPS

In addition to purchasing from semiconductor manufacturers, there is also reprocessing by suppliers known by the industry term OSAT (Outsourced Semiconductor Assembly and Test), that encapsulate chips for further assembly.

## DELIVERY RELIABILITY AND FLEXIBILITY

Wafer manufacturing is comparable to a process industry, where a production flow is continuous once it has been started and requires a minimum volume to take advantage of production capacity. The cost is kept at the lowest possible unit price thanks to the large scale. Therefore semiconductor manufacturers prefer customers who can fill their capacity. This means not only existing capacity, but the motivation to invest in new capacity.

Thanks to high volumes and good advance planning, the company has formed very good relationships with semiconductor manufacturers. The possibility to manufacture a broader product mix at varying volume levels has increased.

Additional production capacity is preceded by the qualification of the production unit according to the JEDEC industry-standard, where durability tests are performed on components in order to approve production quality. This step is important in order to maintain consistency and

high-quality hardware, with a high yield, i.e. a low degree of scrapping.

In order to ensure delivery reliability at higher volumes, several hardware variants apply Fingerprint's dual sourcing for each chip series, i.e. two different plants are used.

## CODE OF CONDUCT

Procurement and production are covered by the Code of Conduct, in other words the business ethics program, in order to combat bribery and corruption as well as protecting the company's assets. The Code of Conduct is also intended to reduce the company's direct and indirect environmental impact, as well as regulating working environment and safety issues for Fingerprints' staff and efforts to follow up these issues with the company's suppliers.

Since 2016, the Code of Conduct is included when contracts are signed. Existing suppliers have been informed about the Code and Fingerprints' expectations about compliance. As a result, Fingerprints has also begun updating requirements and processes for approval of new suppliers. The code is based on the EICC (Electronic Industry Citizenship Coalition) Code of Conduct.

Fingerprints' conflict minerals policy also prohibits suppliers that purchase minerals in the "Conflict minerals" category from purchasing minerals that were mined in conflict areas.

# PACKAGING TEAM



## OPENNESS

Fingerprints' Packaging Team belongs to one of the four focus areas within the R&D organization. To put it simply, the team develops packaging solutions for the sensor up to application in an end product, in order to guarantee its functionality and durability. The team does its own development work, which is then implemented with partners such as OSAT (Outsourced Semiconductor Assembly and Test, suppliers that encapsulate chips) and module suppliers.

The packaging team is led by Mats Slottner in Gothenburg. In addition to Gothenburg, team members are located in Malmö, Seoul, Manila, Taipei and Shanghai. The team had nearly 30 members at the end of 2016, evenly divided between men and women of multiple nationalities.

*Mats, what type of people are you looking for?*

When we hire people, we don't just look at their theoretical qualifications such as a Master of Science or the equivalent as a minimum requirement. Attitude is equally important – willingness to take responsibility and being self-propelled. Since we work in a team, good communication skills are equally important.

*How would you describe Fingerprints' corporate culture?*

We have a flat and permissive organization, whose primary characteristic is daring to try new ideas. That is how we learn and evolve: pick up the problem, discuss it and find a solution together.

*How do you view your own role as team leader?*

I see myself as a mentor. I'm available for everyone to whom I've delegated both responsibility and authority.

*What is your view of Fingerprints' core values?*

They have a strong correlation to who we are as an organization, above all we are open – everyone can speak with anyone.

## BUSINESS MODEL

# Business relationships at several levels

Fingerprints' business is based on sales of complex biometric systems that combine sophisticated hardware and software. The company forms business relationships with several parties in its supply chain.

The strength of Fingerprints' business also lies in its close relationship with the end customer (the OEM company), from sales and customer-specific customizations to continued software updates.

## SCALABLE BUSINESS MODEL

Fingerprint sensors can be marketed to a number of market segments, of which the smartphone market represents the largest in the short and medium terms. The market is growing and more customer categories are being formed as biometrics

are used in more types of devices. The company considers the smart card market to be the next high-volume market in the short-term perspective.

## DEDICATED SALES FORCE AND REGIONAL CUSTOMER SUPPORT

Marketing and sales are both handled on a proprietary basis, as well as via distributors and resellers. In addition to direct contact with customers, major global trade fairs are an important channel.

Fingerprints has subsidiaries in Sweden, Denmark, Shanghai, Seoul, Taipei and San José. Fingerprints' local presence contributes to strengthening its customer relationships and helps the company clarify and satisfy customer requirements.

Several functions are involved in sales and ongoing customer relationships. The sales force works closely with the Customer Project department, and the number of sales staff increased substantially in 2016, with several dedicated KAMs (Key Account Managers) out in Fingerprints' main markets.



“ *The market is growing as biometrics are applied in more types of devices.* ”



## BUSINESS MODEL FOR SMARTPHONES/TABLETS

### Two-way marketing

Several parties are targets in the smartphone market. Some marketing and sales targets are:

- Smartphone/tablet manufacturers (OEMs and ODMs; the latter, Original Design Manufacturers, manufacture products sold under other brands) that decide on and specify the units that will be incorporated into their technical specifications, decisions that result in a design win. The OEMs also state which modifications must be made to adapt to Fingerprints' biometrics systems.
- Module suppliers, who are able to strengthen their businesses with Fingerprints' strategic system solutions.

Given that Fingerprints has qualified a biometric system solution for smartphone/tablet manufacturers (OEMs), it is natural for the customer relationship to continue as the manufacturers develop new products. This established partnership with the OEMs' module suppliers and distributors strengthens Fingerprints' continued partnerships and relationships.

### The module supplier is an important partner for two parties

Like many other advanced products, smartphones/tablets are produced by assembling modules from several sub suppliers. In the mobile industry this is largely performed by module suppliers, and every OEM has its preferred module partner. The module supplier is responsible for the assembly and packaging of module components.

Among its many end customer contacts, Fingerprints works closely with a dozen module suppliers, notable among which are CrucialTec and O-film.

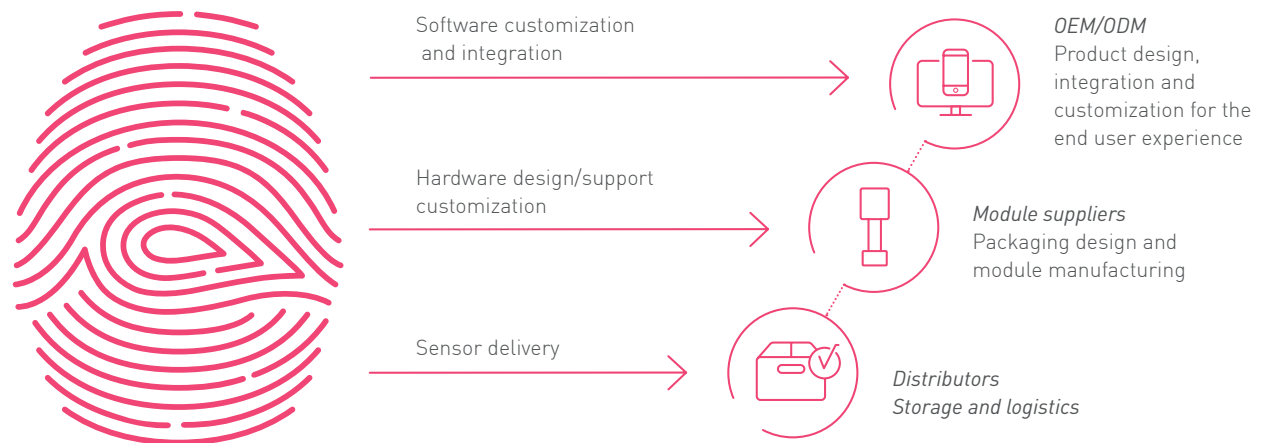
The module suppliers may be viewed as both partners and customers, since they set specifications while also being a partner in Fingerprints' product customization.

### The distributor – an important link in the delivery chain

Distributors are an established link in the electronics industry and they are the party to whom Fingerprints delivers hardware and are then invoiced.

### Revenue model – the distributor is the middleman that pays Fingerprints

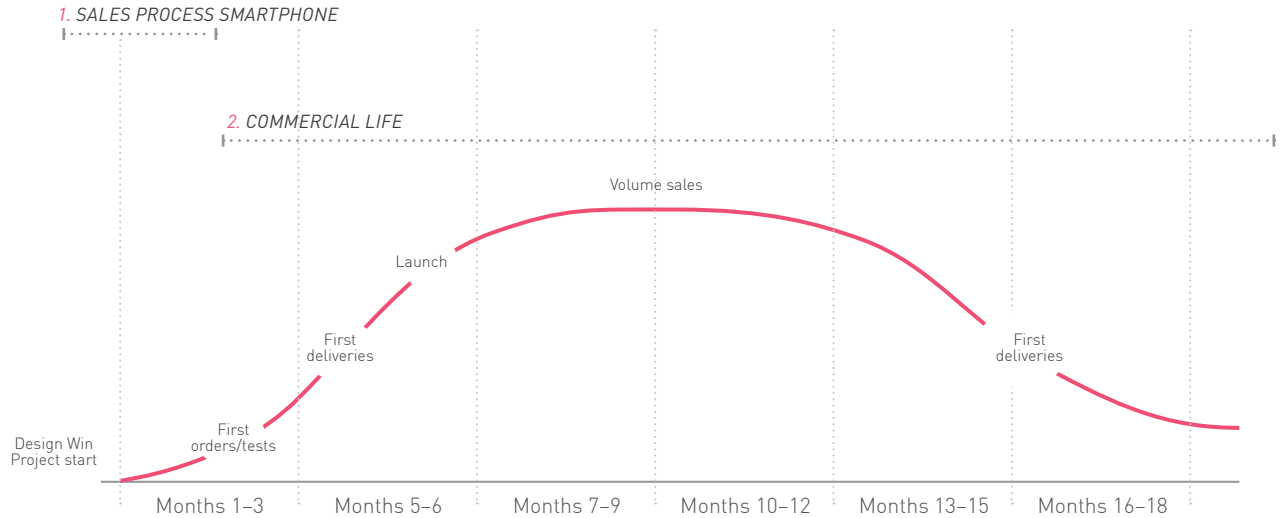
Fingerprints receives revenues when its hardware – in the form of wafers (sensors in continuous format) or packaged sensors – is delivered to the distributor or module supplier. Software development is normally part of the contract. Software development/customization may also be charged to an OEM separately, as part of the software license. Fingerprints only reports one type of revenue in its financial statements.



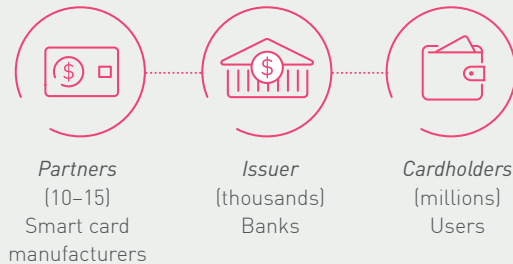
*Sales process for smartphones*

1. **The process of selling** to a smartphone manufacturer begins with an evaluation of Fingerprints' solution, which will lead to a design win at the next stage. The next step is hardware and software customization, which results in delivery of a large array of sensors for production and functionality testing, to be followed by mass production.

2. **The commercial life** of a smartphone model is 12-18 months with most of the volume sold in the first 12 months. The commercial life of tablets is somewhat longer, about three years. At the same time, manufacturers of smartphones/tablets maintain a fast pace of development and launching of new models.



Smart card module  
Algorithm  
Software



**BUSINESS MODELS FOR SMART CARDS**

Marketing within smart cards is directed towards several parties.

- Smart card manufacturers such as Oberthur Technologies
  - Transaction brokers such as MasterCard, Visa and China UnionPay, who cooperate with the banks that issue cards
- Agreements are made directly with the smart card manufacturer, which integrates Fingerprints smart card solutions.

The business model for smart cards is more direct, since Fingerprints accounts for distribution of packaged and software customized sensors.





DOE

COFFEE  
INSIDE

DOE

DOE

DOE

## A SCALABLE BUSINESS MODEL

Fingerprint sensors can be marketed to a number of market segments, of which the smartphone market represents the largest in the short and medium terms. The market is growing and more customer categories are being formed as biometrics are used in more types of devices. The company considers the smart card market to be the next high-volume market in the short term.

## ORGANIZATION AND PERSONNEL

# An organization with high competence

Fingerprints is an advanced value-added company whose success depends on its employees' competence, ambition, attitude and willingness to work as a team.

### AN ENTREPRENEURIAL CULTURE

Fingerprints' culture is characterized by entrepreneurship and innovation, motivated and solution-oriented employees and an open environment.

### STRONG SUPPORT FOR CORE VALUES

The company's four core values were developed during workshops, together with the employees. The core values are based on our corporate culture, giving them strong support:

#### *Smart*

With our highly skilled and competent people, we deliver smart and user-friendly products and solutions to the global market. We encourage smart working by promoting a good work-life balance.

#### *Brave*

We are encouraged to take initiatives and bravely take on challenges. Our people make a difference every day, with individual contributions as the key to our success. We demonstrate integrity in our decisions, and stand up for our values.

#### *Open*

We communicate openly with compassion and integrity. We are open to new ideas, markets and products and continuously refine our ways of working. We build trust by communicating openly and transparently with stakeholders.

#### *United*

We work together towards common goals. We build trust to create long-lasting relationships. We care for each other and treat each other with respect. We help each other and share our knowledge for continuous development. We have fun together!

The values guide corporate decisions and permeate the entire organization. They are taken into account when recruiting, included in training programs and in the introduction program for new members of staff, as well as in target and development discussions.



Fingerprints has a matrix organization with three Business Lines, supported by five operational units – Research & Development, Operations & Quality, Strategy & Corporate Development, Marketing & Communication and Finance & Administration.



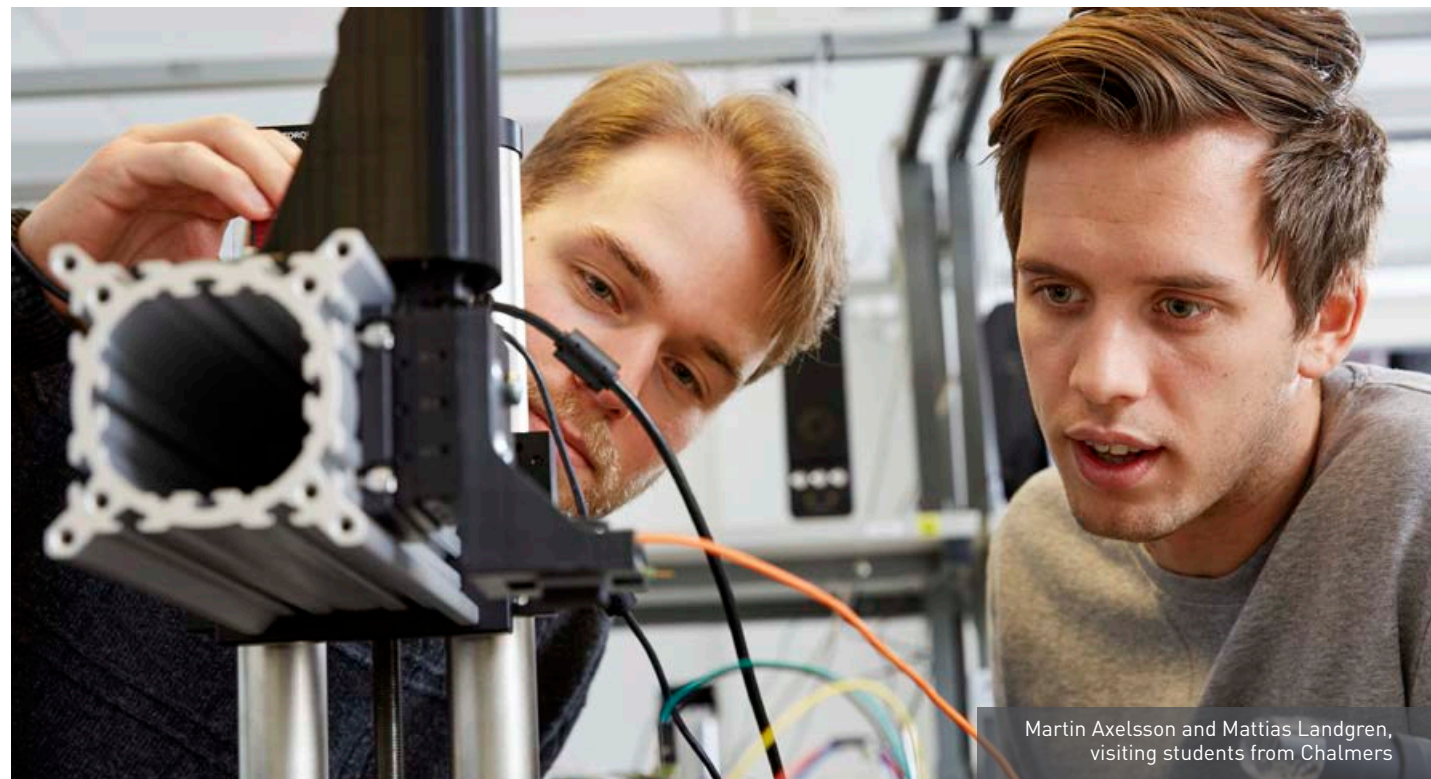
*Fingerprints has a matrix organization with three Business Lines supported by five cross-functional units.*



Erik Svensson, Senior Engineer, Packaging Development



Hanna Nilsson, Engineer, Technical Programs, and Bahar Motlagh, Senior Engineer, Packaging Development



Martin Axelsson and Mattias Landgren, visiting students from Chalmers

### GREAT OPPORTUNITIES FOR EMPLOYEES

Fingerprints continues to be a growing company that strives to be an attractive employer and looks for the right employees using a global recruitment base.

The company can offer a workplace where employees have the opportunity to develop and offer technologies that will make people's lives easier. Fingerprints has a non-hierarchical corporate culture that offers diversity and the chance to make a difference.

### A HIGHLY SPECIALIZED ORGANIZATION

The company has specialists in biometrics, electronics, materials science, programming, production technology, marketing and sales. The educational level is high, with a high percentage of engineers. A large percentage of the employees working in development hold PhDs in engineering. In addition to technical knowledge, the company's employees have considerable experience from industries such as telecommunications, banking, card industry, point-of-sale systems and transaction market.



CEO Christian Fredrikson greet new employees at the induction training

### GEOGRAPHIC DISTRIBUTION

Fingerprints' diverse organization is close to the market with a wide international distribution of employees and partners in Sweden, Denmark, Japan, the Netherlands, South Korea, China, Taiwan, India and the US.

### MORE EMPLOYEES CLOSER TO CUSTOMERS

Fingerprints' success also depends on being close to its customers, linguistically and culturally. The number of employees working on customer projects and customizing biometric systems to end customers' specifications was thus increased in Asia and the US in 2016.

Fingerprints has established subsidiaries in Shanghai in China, Seoul in South Korea, Taipei in Taiwan and San José in California in the US. In addition to focusing on customer projects, the local companies also have sales and marketing departments.

### INDUCTION PROGRAM IN GOTHENBURG

All new employees participate in an induction program held at the headquarters in Gothenburg, regardless of the employee's place of residence. The program consists of one universal part and one part that is customized depending on function. This induction has been greatly appreciated by employees and enables a faster phase-in, as well as building up a network that allows employees to participate fully in each function and promote cooperation.

### CONTINUOUS DEVELOPMENT OF COMPETENCE

Every employee works with his or her manager to evaluate the past year and develop a competence development plan for the year to come. The development of competence, for individuals and customer project teams, is intimately connected with product development. Through many years of R&D work, Fingerprints and its employees have acquired specialized knowledge in the company's defined core areas – biometrics, electronics and production processes. This high level of

specialist expertise creates a natural environment for a learning organization.

In addition, the company develops the competence of its workforce through participation in international conferences and meetings, as well as supplementary external training programs.

### ENSURING A SUPPLY OF LEADERS

Fingerprints primarily ensures its supply of leaders internally, and continually offers individual leadership programs for new managers, designed to develop mature and confident leaders. An external leadership coach offers support during the eight-month program. The program also includes group meetings across organizational boundaries to exchange experiences and build networks.

### HIGHLY RECOMMENDED WORKPLACE

An initial employee satisfaction survey was conducted in 2016 using Netsurvey's survey methodology. The results were the basis for establishing employee-related targets.

The result of the employee satisfaction Engagement Index was 77, compared to the benchmark of 72 (for all of the Nordic countries using Netsurvey). The result for employees' willingness to recommend their workplace to friends and acquaintances, or ENPS (Employee Net Promoter Score), was 43, compared with the benchmark of 7. This is a score where Fingerprints clearly stands out.

The result is used as a reference point in the company's objective to at least maintain or preferably to increase employee satisfaction in the next survey in 2017.

### CLOSER TO ACADEMIA

Fingerprints has initiated cooperation with academic institutions in many areas: several master theses are conducted at Fingerprints every year and the company also participates in different career days at technical universities.



## A GROWING ORGANIZATION

Fingerprints continued to strengthen its workforce during 2016 in respect to both employment and insourcing of consultants during various periods. At year-end, the company had 306 (150) employees. At the end of 2016, the company also had 132 consultants (104). In total, the company had 438 (254) members of staff at the end of the year.

## SIGNIFICANTLY STRENGTHENED R&D

The largest increase in headcount was in R&D, in order to stay at the cutting edge while managing multiple development projects and product launches. The number of employees active in R&D increased during the year, amounting to 241 (140) at year-end. Fingerprints currently conducts development in four locations: Gothenburg, Linköping, Malmö and Copenhagen.

	2016	2015
Employees	306	150
Number of women	62	33
Consultants	132	104
<b>Total number of employees</b>	<b>438</b>	<b>254</b>
Average age of employee	41 years	41 years
Staff turnover, %	3,1	0,03
Sickness absence, %	1,0 <sup>1)</sup>	0,8

1) Data cover only employees in Sweden.

At year-end, there were 53 managers in the company. During the year, the total share of women in the company was 20%. The company's objective is for women to make up 25 percent of all employees, on every level, by 2020.

## CUSTOMER LOYALTY IN PARTNERSHIPS

Fingerprints has a subsidiary in Shanghai China, which is the company's single largest regional market. The subsidiary is a growing organization with all of the company's expertise represented locally: engineers for development and customization, sales people and customer support, as well as administrative support. The Shanghai team is led by Ted Hansson. At the end of 2016 there were 60 people in the team, and it is expected to grow in 2017.

### *Ted, what type of people are you looking for?*

There are an incredible number of highly qualified people here in Shanghai. The challenge is finding the people who fit in with our corporate culture. You should be business-driven, have empathy and enjoy discussions. Above all you need to be a real team player.

### *Are you succeeding?*

Definitely – we have a great team and excellent collaboration. One sign that everyone is happy is that no one has chosen to leave so far, and this is an industry that otherwise has an almost 20% annual staff turnover rate.

### *How would you describe Fingerprints' corporate culture?*

We're a subsidiary in China with substantially local staffing. Of course the culture is influenced by the country. The work ethic and customer loyalty are incredibly high. We know that we can make a difference, and we always have to give 110% for our customers.

At the same time, we have a Swedish influence. The office is furnished with Swedish furniture. We cooperate and help each other, and we have Friday fika (coffee break) with Swedish coffee.

### *What's your style as a team leader?*

Both clear, and encouraging more creative thinking.

### *What is your view of Fingerprints' core values?*

I was involved in their development, and I had a Shanghai perspective at that time. The company's core values are clearly relevant and alive here.

# Why Fingerprints is attractive to investors

Fingerprints has experienced rapid growth since it was founded, and it has seen strong revenue growth while maintaining profitability. The prospects are considered good for the company's continued growth.

## **A GROWING MARKET**

Fingerprints has a strong position in a volume market with an increasing share of smartphones equipped with fingerprint sensors. These sensors can be used in a number of other market segments, such as PCs, smart cards, automotive industry and other online devices. In addition, the use of biometrics is increasing on a broad scale in society and other modalities.

## **MARKET-LEADING**

Fingerprints is the market-leading company in biometrics. The company's innovative capacity is considerable and it has an extensive product portfolio with strong patent protection.

## **SCALABLE BUSINESS MODEL**

Fingerprints' business model can be applied to additional market segments. The company has proven its scalability by demonstrating profitable growth and has established relationships with two of the globally leading semiconductor manufacturers. Production capacity is flexible, with access to more production units.

# The share

Fingerprints' Class B shares have been listed on Nasdaq OMX Stockholm since 2000 and were moved from the Midcap to the Large Cap list in 2016. Fingerprints was initially introduced on the "New Markets" list of the Stockholm Stock Exchange in 1998. The ISIN code of the share is 0000422107 (the IT, Electronic Equipment & Instruments sector). The company is a CSD-registered company, which entails that the company's share register is maintained by Euroclear Sweden AB.

Share capital in Fingerprints at December 31, 2016 amounted to SEK 12,975,667 (of which 34,800 SEK intends redemptions registered on January 3, 2017 accounted for SEK 34,800) distributed among 6,000,000 Class A shares and 307,967,675 Class B shares, each with a quotient value of SEK 0.04 (including 870,000 shares that were registered on January 3, 2017). Class A shares carry ten voting rights each, while Class B shares carry one vote, and the total number of voting rights is 367,967,675. All shares provide equal participation in equity but carry different voting rights and are freely transferrable. Class A shares represent 16.3% of the voting rights and 1.9% of the capital in Fingerprints.

At year-end, the ten largest owners had total holdings corresponding to 35.3% of the voting rights. Foreign shareholders accounted for 14.3% of the share capital. For additional shareholder information, see pages 45–47 of the Annual Report.

## EXERCISE OF WARRANTS

Redemption of stock options from the T05 program increased Fingerprint Cards' share capital by SEK 260,000. The number of shares increased by 1.3 million B shares. At a subscription price of SEK 51.43 this corresponded to a gross contribution of SEK 66,871,768. Warrants from the T06 program increased Fingerprint Cards' share capital by SEK 33,040. The number of Class B shares increased 826,000. An exercise price of SEK 18.02 represented a gross contribution of SEK 14,884,520.

Additional exercises of warrants from the T06 program at the end of the year corresponded to an increase of SEK 34,800 in the share capital. These exercises were registered on January 3, 2017.

## SHARE PRICE PERFORMANCE

During 2016, the price of the Fingerprints Class B share declined by 47% to close at SEK 62.8 (118.2). During the same period, the OMX Industrial Goods & Services index increased by 26%. The highest closing price for Fingerprints' Class B share during the year was SEK 117.5 and the lowest was SEK 58.0. At the end of 2016, Fingerprints' market capitalization was about SEK 19,733 M [36,665].

## HIGH SHARE TURNOVER

During the year, 2,454 million (692 million) Class B shares were traded. On average, 9.7 million (2.8) Class B shares were traded per day.

## INCREASED NUMBER OF SHAREHOLDERS

The number of shareholders was 63 467 [36,542] at the end of 2016, up 74% year-on-year. In terms of percentage shareholdings, legal entities accounted for 15.3% [29.9], Swedish private shareholders for 56.3% [39.2], other shareholders for 14.3% [30.9] and anonymous shareholders for 14.1%.

## WARRANTS PROGRAM

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

## DIVIDEND POLICY

The Board of Directors' primary priority is to ensure that Fingerprints has a financial position that is sufficient to support both organic growth and selective acquisitions. Fingerprints also wants to maintain a strong balance sheet.

The payment of capital to the shareholders must be aligned with the earnings trend and cash flow, while taking into account the company's growth opportunities and financial position.

## DIVIDEND

The Board of Directors proposes that no dividend be paid for the 2016 fiscal year.

## SHARE BUYBACK

The Board of Directors will propose to the AGM that the Board is empowered on one or several occasions during the period up to the following AGM (2017) to make decisions on the buyback of the company's shares, although subject to the limit that the number of new shares will not exceed 10% of all of the shares in the company. The shares are to be acquired on Nasdaq Stockholm. In addition, the Board will propose that during the period up to the following AGM it be empowered on one or several occasions to make decisions on the transfer of the company's Class B treasury shares. The shares are to be transferred via Nasdaq Stockholm. The purpose of the authorizations is to enable the Board to

adapt the company's capital structure and thus be able to contribute to increased shareholder value. The Board of Directors' complete motions concerning the share split and the authorizations will be presented in connection with the official notice of the AGM.

## INFORMATION DISCLOSURE

Fingerprints will not provide any guidance for 2017.

## ANALYSTS

Fingerprints is monitored by the following analysts: Arctic Securities, Oscar Semb Fredricsson Carnegie Investment Bank, Håvard Nilsson Handelsbanken Markets, Daniel Djurberg Pareto Securities AS, Fredrik Steinslien and Espen Klette Redeye, Joel Westerström, SEB, Victor Höglund and Johanna Ahlqvist UBS, Francois Bouvignies.

## SHAREHOLDING BY CATEGORY, 10 LARGEST Dec 31, 2016

	Class A shares	Class B shares	Holdings	Votes
Avanza Pension Försäkringsaktiebolaget		30,716,637	9.78%	8.35%
Clearstream Banking S.A.		13,255,600	4.22%	3.60%
Nordnet Pensionsförsäkring AB		6,399,312	2.04%	1.74%
Sunfloro AB	6,000,000		1.91%	16.31%
Magnus Unger		4,195,000	1.34%	1.14%
Oppenheimer Glob Opportunity Fund		4,000,000	1.27%	1.09%
Danica Pension		3,177,731	1.01%	0.86%
Thomas Rex		2,981,000	0.95%	0.81%
Swedbank Försäkring		2,784,046	0.89%	0.76%
Cblnd-Saxo Bank A/s		2,411,975	0.77%	0.66%
Other		238,046,374	75.82%	64.69%
<b>Total</b>	<b>6,000,000</b>	<b>307,967,675</b>	<b>100%</b>	<b>100%</b>

## COMPOSITION OF SHARE CAPITAL AT DEC 31, 2016

Class of share	Votes	Number of shares	No. of votes	No. of votes	Share of votes, %
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</b>	<b>100</b>

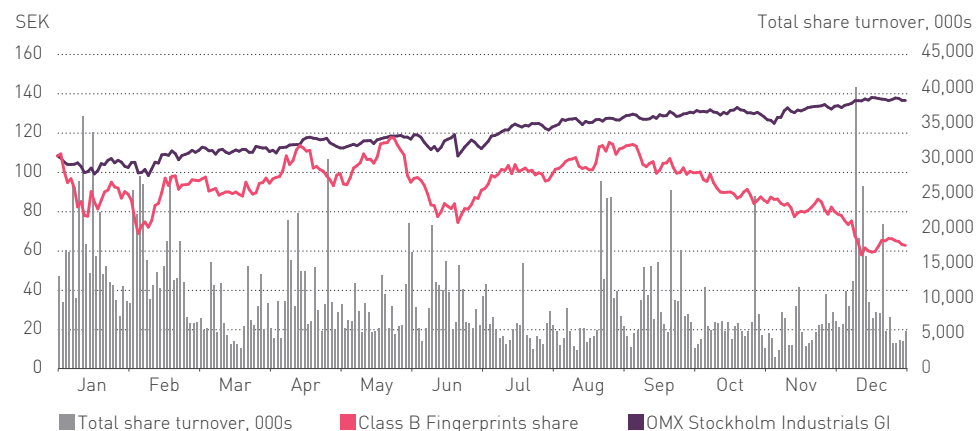
## OWNER DISTRIBUTION BY HOLDING

Owner distribution by holding	Number of known shareholders	Number of shares	Holdings	Votes
1 – 5000	49,259	12,313,709	3.92%	3.34%
1,001 – 5,000	9,700	23,278,502	7.41%	6.33%
5,001 – 10,000	2,014	14,874,360	4.74%	4.04%
10,001 – 20,000	1,107	15,924,806	5.07%	4.33%
20,001 –	1,387	203,270,572	64.74%	69.92%
Anonymous shareholders	n/a	44,305,726	14.11%	12.04%
<b>Total</b>	<b>63,467</b>	<b>313,967,675</b>	<b>100.00%</b>	<b>100.00%</b>

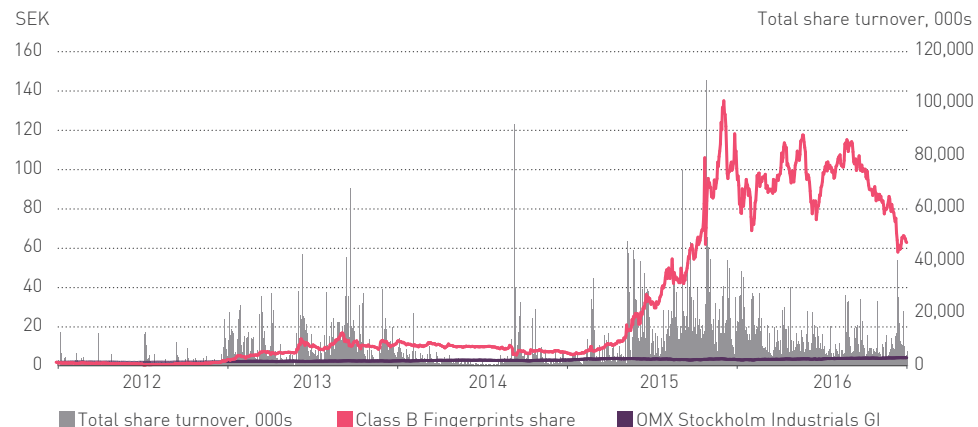
## TYPE OF OWNERSHIP

Dec 31, 2016	Number of shares	Holdings	Votes
<b>Swedish private individuals</b>	<b>176,643,367</b>	<b>56.26%</b>	<b>48.01%</b>
<b>Other shareholders</b>	<b>43,414,895</b>	<b>13.83%</b>	<b>26.47%</b>
– Other foreign shareholders	26,045,220	8.30%	7.07%
– Other Swedish shareholders	17,369,675	5.53%	19.40%
<b>Swedish institutional shareholders</b>	<b>30,763,956</b>	<b>9.80%</b>	<b>8.36%</b>
– Fund companies	19,767,286	6.30%	5.37%
– Pension & Insurance	10,208,906	3.25%	2.77%
– Foundations	404,294	0.13%	0.11%
– Investment & asset management	290,332	0.09%	0.08%
– State, municipalities & county councils	93,138	0.03%	0.03%
<b>Foreign institutional shareholders</b>	<b>18,839,731</b>	<b>6.00%</b>	<b>5.12%</b>
<b>Anonymous shareholders</b>	<b>44,305,726</b>	<b>14.11%</b>	<b>12.04%</b>
<b>Total</b>	<b>313,967,675</b>	<b>100.00%</b>	<b>100.00%</b>

## SHARE PRICE DEVELOPMENT 2016



## SHARE PRICE DEVELOPMENT 2012–2016





## SHARE CAPITAL TREND, 2016

Year	Event	Quotient value, SEK	Change in no. of shares	Total no. of shares	Increase in share capital	Total share capital
1997	Split 500-for-1	0.2	249,500	250,000	0	50,000
1997	Rights issue	0.2	250,000	500,000	50,000	100,000
1997	New share 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 share issue	0.2	2,000,000	4,870,000	400,000	974,000
2000	New share issue	0.2	540,000	5,410,000	108,000	1,082,000
2000	New share issue	0.2	938,258	6,348,258	187,651	1,269,651
2005	New share issue	0.2	3,000,000	9,348,258	600,000	1,869,651
2006	New share issue	0.2	2,804,475	12,152,733	560,895	2,430,546
2009	New share issue	0.2	7,682,060	19,834,793	1,536,412	3,966,958
2009	New share issue	0.2	19,834,793	39,669,586	3,966,959	7,933,916
2011	New share issue	0.2	3,940,000	43,609,586	788,000	8,721,917
2012	New share 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 share issue	0.2	1,400,000	49,303,620	280,000	9,861,024
2013	New share 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 share issue	0.2	2,500,000	54,161,135	500,000	10,832,227
2014	New share 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	Pro forma Split 5-for-1	0.04	0	322,695,675	0	12,907,827
2016	Repurchase of own shares	0.04	-10,424,000	312,271,675	0	12,907,827
2016	New share issue, exercise of warrants	0.04	826,000	313,097,675	33,040	12,940,867
2016	New share issue, exercise of warrants, registered on Jan 3, 2017	0.04	870,000	313,967,675	34,800	12,975,667

## MESSAGE FROM THE CHAIRMAN

# Continuing to develop Fingerprints' business

In a short time, Fingerprints has advanced from being a development company into a leading global operator that is traded on the Stockholm Stock Exchange's large cap list. This is of course extremely rewarding for all of those who have worked so hard to achieve success but it has also been accompanied by many challenges.

The fact that the company has succeeded in retaining its strong innovativeness and entrepreneurial spirit in its latest phase of development, and also attracted competent new employees, has been and will be crucial to the successes of the years ahead.

The composition and size of the Board of Directors reflect the need for broader expertise during the advancement from a development and single-market company into an industrial player serving a number of markets. The Board's mission is both to support management in the strategic development of Fingerprints' business and to ensure that the company shoulders its responsibility as a large

company with many stakeholders. The sustainability perspective in the continued development forms an integral part of the Board's agenda. It is then also a given to take into account the expectations and requirements that our stakeholders place on us in this area. I also see that Fingerprints can contribute to a safer and more secure world for the end user with our biometrics. Deepening and maintaining confidence in the company as a transparent and responsible listed company thus becomes the core task for the Board, not least considering the radical change the company has undergone over the past two years.

The company's future direction is also reflected in the recruitment of Christian Fredrikson as President and CEO. Christian has extensive experience from a number of markets that we aim to expand into, while also being deeply rooted in digitization and in the mobile world. After having worked together for more than six months, the Board has great confidence in Christian and I am convinced that the Fingerprints organization agrees. It has been satisfying to see how quickly he has adapted to his new assignment, and also how confidently and firmly he acts.

Fingerprints continues to experience growth and favorable development, combined with many uncertainties, which requires significantly more

work from the Board compared with a company active in a mature industry. The Board held 20 meetings in 2016. We experienced extremely strong growth in the smartphone segment in 2015 and it remained strong in 2016. Since a market under such growth naturally attracts more players, the focus of the Board has been on adapting the company's strategy towards broadening the business into three well-defined product application areas. Positioning the company as a fully fledged biometrics company with offerings in a number of different biometric technologies has been equally important.

An important step in this process was the strategic acquisition of Delta ID in early 2017, which matches the objective of building a biometric company. This has been an important addition to the product portfolio and will eventually form a part of biometric system solutions based on a number of biometric technologies.

Taking part in Fingerprints' strong development is both exciting and challenging, and I feel incredibly proud over what the company has achieved and at the same time I am quietly confident about the future. Few people are graced with the opportunity to participate as Chairman during such a strong expansion. All of which is the result of Swedish innovation implemented by

an organization filled with skilled people. I am really looking forward to Fingerprints' continued journey. The Board will continue to work intensely, in close cooperation with the company's Executive Management, we all take the task of contributing to the company's positive development very seriously and with considerable enthusiasm.

Jan Wäreby  
Chairman of the Board



“Taking part in Fingerprints' strong development is both exciting and challenging, and I feel incredibly proud over what the company has achieved to date.”

# Corporate governance report

Fingerprint Cards AB (publ) is a Swedish limited liability company, with its registered office in Västra Götaland, Gothenburg, and with its shares listed on Nasdaq Stockholm.

Corporate governance in Fingerprint Cards is based on legislation and other regulations: the Swedish Companies Act, the Articles of Association, the rules and regulations for issuers as published by Nasdaq Stockholm (the Exchange), the Swedish Code of Corporate Governance ([www.bolagsstyrning.se](http://www.bolagsstyrning.se)) ("the Code") and other applicable laws and regulations, as well as internal regulations.

Fingerprints Cards endeavors to generate long-term value for shareholders and other stakeholders. This entails ensuring efficient organizational structures, systems of 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 Fingerprint Cards. For this reason, the report will therefore address information pursuant to applicable rules and regulations to a lesser extent.

Fingerprint Cards' auditors have examined the report and an auditor's opinion is attached to it.

## DIVISION OF RESPONSIBILITY

Shareholders exercise their influence over Fingerprint Cards at General Meetings of Shareholders, the company's highest decision-making body. Responsibility for the company's organization and the management of the company's affairs rests with the Board of Directors and the CEO, in accordance applicable laws and regulations and the Board of Directors' internal control instruments.

## SHAREHOLDERS

Fingerprint Cards is a CSD-registered company, which entails that the company's share register is maintained by Euroclear Sweden AB.

The company had 63,467 shareholders at year-end 2016, up 74% year-on-year. Registered share capital amounted to SEK 12,975,667 (including the 34,800 shares that were registered as share capital on January 3, 2017), distributed among 6,000,000 Class A shares and 307,967,675 Class B shares. Class A shares carry ten votes per share and Class B shares one vote each. Class A and Class B shares provide entitlement to the same equity share in the company and to an equally large dividend. At year-end, the ten largest owners had total holdings corresponding to 35.4% of the voting rights. Foreign shareholders outside Sweden accounted for 26.9% of the share capital. For additional shareholder information, see pages 45–47 of the Annual Report.

## ANNUAL GENERAL MEETING

The AGM adopts the income statement and balance sheet for the Parent Company and the Group for the preceding fiscal year, passes resolutions regarding dividends and the discharge of Board members and the CEO from personal liability, elects Members and the Chairman of the Board and approves their fees, elects auditors and approves their fees, deals with other statutory matters and passes resolutions on the Nomination Committee and guidelines for remuneration of senior executives and on other proposals submitted by the Board of Directors and shareholders.

According to the Articles of Association, general meetings of shareholders may also be held in Stockholm, but to date only extraordinary shareholders meetings have been held in Stockholm.

Notice of a general meeting of shareholders shall be made in the form of an announcement in

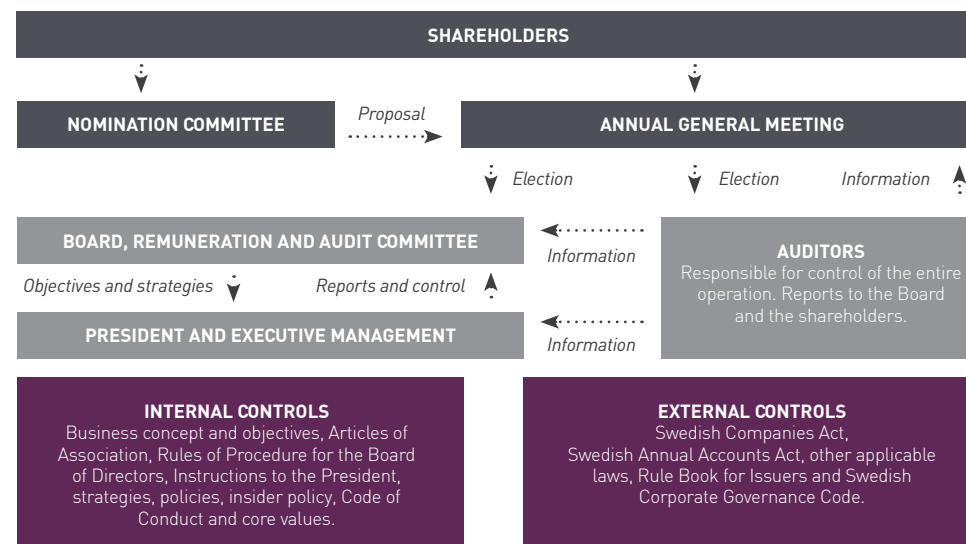
Post-och Inrikes tidningar and on the company's website. The fact that notification has been sent is to be announced in Svenska Dagbladet.

The official notification of the AGM is dispatched no earlier than six and no later than four weeks prior to the Meeting. The notice is to include information regarding the procedure for registering for the AGM and the final date for notification of attendance, the right to participate and vote at the Meeting, a numbered agenda showing the matters to be addressed, information on the appropriation of earnings and the main content of other proposals.

Notice of an Extraordinary General Meeting (EGM) convened to address amendments to the Articles of Association will be issued not earlier than six weeks and not later than four weeks

prior to the Meeting. Notification of any other EGMs must be issued no earlier than six and no later than three weeks ahead of the Meeting.

All shareholders who are listed in the share register on a given record day, which usually falls one week before the date of the meeting, and who have notified the company of their intention to participate in the AGM within the allotted time period, are entitled to participate in the AGM and exercise voting rights equal to the number of shares registered at the meeting. Shareholders may be represented by proxy according to a power-of-attorney. However, the shares must be registered at the meeting, including details of the proxy, as well as the issuance of a power-of-attorney.



To be able to exercise their voting rights at the AGM, shareholders whose shares are trustee-registered must temporarily re-register their shares in their own name in accordance with the terms in the notification of the AGM.

Proposals for matters to be addressed at the Meeting must be submitted to the Board well in advance of the issuance of the official notice of the meeting.

Most resolutions at a general meeting are passed by a simple majority. In certain cases, however, the Swedish Companies Act states that resolutions must be passed by a qualified majority, for example, resolutions regarding amendments of the Articles of Association, which require the support of at least two-thirds of shareholders in terms both of the votes cast and the shares represented at the meeting. Motions involving incentive programs require an even larger majority to be passed, namely 90% of the votes represented at the meeting.

## 2016 AGM

The AGM for the 2016 fiscal year was held in Gothenburg on May 4, 2016. Notification of the Meeting was published on April 4, 2016.

A total of 822 shareholders attended the AGM, representing 37.3% of the number of votes and 26.9% of the number of shares.

## RESOLUTIONS PASSED BY THE MEETING INCLUDED:

- Adoption of the income statement and balance sheet for the 2016 fiscal year.
- Adoption of the appropriation of profit where profit was brought forward to the next fiscal year.
- Discharge of liability for the Board and the CEO for the 2016 fiscal year.
- Amendments of the Articles of Association: number of Board members, limits for share capital and shares.
- That the number of Board members is to be nine.
- Election of members of the Board, Chairman of the Board and the auditor.
- Determination of director fees.
- Election of members of the Nomination Committee.
- Guidelines for senior executives.
- Resolution concerning share split.
- Resolution concerning authorization of the Board of Directors to buy back shares.

In addition, resolutions were passed authorizing the Board during the period up until the next AGM to make decisions regarding the issuance of up to 25,000,000 Class B shares, with preferential rights for the shareholders.

Additional information on the 2016 AGM is available on Fingerprints Cards' website: [www.fingerprints.com](http://www.fingerprints.com)

## 2017 AGM

The 2017 AGM will be held at 3:00 p.m. on April 20, 2017 at Hotel Gothia Towers in Gothenburg. For further information on the 2017 AGM, see page 95, or visit Fingerprints' website [www.fingerprints.com](http://www.fingerprints.com), where the necessary documents ahead of the AGM are also available.

The Board of Directors proposes that no dividend be paid. The Board also proposes that the AGM resolve to reduce the share capital through the cancellation of the bought back shares, as well as a bonus issue. The Board will also propose to the AGM that the Board be empowered on one or several occasions during the period up to the following AGM to make decisions on the buyback of the company's shares, although subject to limit that the number of new shares will not exceed 10% of all of the shares in the com-

pany. The shares are to be acquired on Nasdaq Stockholm. In addition, the Board will propose that during the period up to the following AGM it be empowered on one or several occasions to make decisions on the transfer of the company's Class B treasury shares. The shares are to be transferred via Nasdaq Stockholm. The purpose of the authorizations is to enable the Board to adapt the company's capital structure and thus be able to contribute to increased shareholder value. The Board of Directors' complete motions concerning the dividend, the share cancellations and the authorizations will be available at the time that the official notice of the AGM is distributed.

## NOMINATION COMMITTEE

The 2016 AGM resolved that a new Nomination Committee be appointed prior to the 2017 AGM by having the Chairman of the Board contact the largest shareholder in terms of the votes registered as owned or the largest shareholder in some other known manner as per September 1, 2016 and to urge this shareholder to appoint three members to the Nomination Committee. Thereafter, support for the proposal by the largest shareholder's in terms of voting rights concerning a new Nomination Committee is to be

sought among the shareholders who are the second and the third largest in terms of owner-registered votes or in some other known manner as per September 1, 2016. If these have no objection, the proposal of the largest shareholder in terms of voting rights shall prevail. Should the three largest shareholders in terms of votes be unable to reach agreement on the composition of the Nomination Committee, they shall instead appoint one member each. The Nomination Committee will comprise the members appointed in the aforementioned manner. Should a shareholder who has appointed one of the members of the Nomination Committee cease to belong to the three largest shareholders in the company in terms of voting power, or should a member of the Nomination Committee step down from the Committee prior to the 2017 AGM for some other reason, the members of the Nomination Committee in consultation with the three largest shareholders in terms of voting rights are to be entitled to appoint another representative of the three largest shareholders in terms of voting rights to replace such a member. The names of the members of the Nomination Committee and information on the person appointed Chairman of the Nomination Committee

Name	Function	Elected	Stepped down	Committees (1)	Independent vis-à-vis		Meeting attendance 2016	Director fees 2016 SEK 000s	Committee fees 2016 SEK 000s
					Meeting attendance	Annual fee (SEK)			
Jan Wäreby	Chairman of the Board (As of May 4, 2016)	2015-06-03	—	Remuneration Committee	Yes	Yes	19	850	80
	Member								
Urban Fagerstedt	Chairman of the Board (Up to May 4, 2016)	2009-06-04	—	Remuneration Committee	Yes	No	20	400	40
Katarina Bonde	Member	2015-06-03	—	Audit Committee	Yes	Yes	19	400	150
Carl-Johan von Plomgren	Member	2015-06-03	—	Audit Committee	Yes	Yes	19	400	75
Lars Söderfjell	Member	2015-06-03	2017-01-23	Audit Committee (replaced by Michael Hallén)	Yes	No	19	300	57
Michael Hallén	Member	2016-05-04	—	Audit Committee (replacing Lars Söderfjell)	Yes	Yes	15	400	18
Tomas Mikaelson	Member	2016-05-04	—	—	No	Yes	15	400	—
Peter Carlsson	Member	2016-05-04	—	—	Yes	Yes	15	400	—
Åsa Hedin	Member	2016-05-04	—	Remuneration Committee	Yes	Yes	15	400	40
Alexander Kotsinas	Member	2013-11-26	2016-05-04	—	Yes	Yes	4	—	—

shall be announced no later than six months prior to the 2017 AGM. The Nomination Committee shall appoint from among its members a chairman, who may not be the Chairman of the Board. The Nomination Committee is to draft proposals to be presented to the 2017 AGM regarding election of Chairman of the Meeting, membership of the Board of Directors, Chairman of the Board, auditors and remuneration of Board members, as well as proposals concerning the Nomination Committee ahead of the 2018 AGM.

The Nomination Committee's duties also include evaluating the composition of and the work performed by the Board.

The Nomination Committee of Fingerprint Cards in 2016 consisted of:

- Dimitrij Titov: Chairman of the Nomination Committee, independent in relation to the company.
- Tommy Trollborg: Independent in relation to the company.
- Johan Carlström: Representing the shareholder Sunfloro AB.

Shareholders may submit proposals to the Nomination Committee: The proposals are to be e-mailed to: [investrel@fingerprints.com](mailto:investrel@fingerprints.com)

### NOMINATION COMMITTEE'S WORK AHEAD OF THE 2017 AGM

Prior to the 2017 AGM, the Nomination Committee held four minuted meetings and, between these meetings, had continuous contact concerning various nomination matters, as well as meeting with prospective Board members. An assessment was made of the Board's performance, whereby the Board Members had to answer a number of questions concerning the work of the Board. The responses were then compiled, reported by Chairman of the Board and discussed by the Board of Directors. Subsequently, in order to make correct assessments of the composition of the Board of Directors, the Nomination Committee familiarized itself with and, together with the Chairman of the Board, reviewed the evaluation of the Board and of its work, as well as the report from the Chairman of the Board on the company's operations, objectives and strategies. The Nomination Committee also analyzed the expertise and experience represented by the Board members as well as the gender distribution, in relation to the needs that have been identified. The Nomination Committee's assessment is that the Board members represent a wide range of expertise and possess considerable experience of, inter alia, business operations, technology and the financial market, as well as telecommunications, IT and the semiconductor industry.

The Board currently comprises two women and six men, since Lars Söderfjell stepped down as Board member in January 2017. The Nomination Committee is striving to achieve an even gender distribution on the Board. The Nomination Committee has applied Item 4.1 of the Swedish Corporate Governance Code ("the Code") as its diversity policy and continuously endeavors to fulfill the Code's requirements for versatility, breadth and gender distribution on the Board. The Nomination Committee also had a number of contacts with the Audit Committee concerning the Audit Committee's recommendations about the election of auditors.

### BOARD OF DIRECTORS AND CEO

In accordance with the Articles of Association, Fingerprint Cards' Board of Directors is to consist of ten members, with a maximum of five deputy members, elected by the AGM for the period extending to the next AGM. The Board and the Chairman of the Board are elected by the shareholders at each AGM for the period until the following AGM, meaning for a term of office of one year.

Changes to the Board can be made at the AGM, but also through a resolution of an Extraordinary General Meeting, or by a member choosing to resign prematurely from his/her assignment.

The 2016 AGM resolved to expand the number of Fingerprint Cards Board members from six to nine. Urban Fagerstedt, Jan Wäreby, Katarina Bonde, Lars Söderfjell and Carl-Johan von Plomgren were re-elected as Board Members. Jan Wäreby was elected new Chairman of the Board. Åsa Hedin, Tomas Mikaelson, Peter Carlsson and Michael Hallén were elected new Board members.

The Nomination Committee has concluded that eight members are independent in relation to the company and Executive Management. Seven of the members are independent in relation to major shareholders. Accordingly, the Board complies with the independence requirements imposed in the Swedish Corporate Governance Code.

The Board is responsible for Fingerprint Card's organization and management being in the interest of both the company and the shareholders. The Board continuously assesses Fingerprint Cards' financial situation and ensures

that Fingerprint Cards is organized so that book-keeping, management of funds and the company's financial situation in general are controlled in a satisfactory manner. The Board appoints the CEO and makes decisions concerning matters involving the strategic direction of operations and the company's overall organization.

The Board of Directors establishes written rules of procedure every year that regulate the Board's work agenda and its internal division of duties, decision-making priorities within the Board, the Board's meeting procedures and the Chairman's duties. The Board has also issued, inter alia, written instructions regarding the allocation of responsibilities between the Board and the CEO.

The Board also sets corporate policy and instructions for ongoing operations. These are headed by the CEO. The CEO provides the Board with a regular flow of information about events that are of significance for the Group's development, financial results, position, liquidity or other important matters about which the Board should be kept informed. The Board members are presented separately on pages 54–55 of the Annual Report.

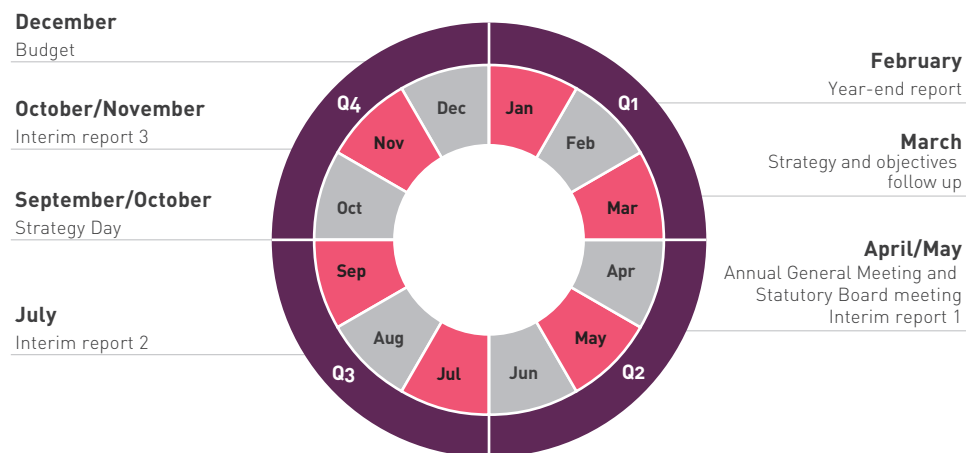
### WORK BY THE BOARD OF DIRECTORS IN 2016

In accordance with the applicable rules of procedure, the Board is to hold at least four scheduled meetings and one statutory meeting per year. Whenever required, unscheduled meetings are held to address special items. A total of 20 Board meetings were held in 2016.

2016 continued to be characterized by powerful sales growth and expansion of the business, thus requiring the Board to engage in consultation and to make decisions, in part concerning the choice and appointment of a new Chief Executive Officer, a share split and share buybacks, as well as work on an Extraordinary General Meeting.

Recurring items on the agenda for Board meetings during the year included debriefings by the Group's Executive Management as regards business conditions, operations, organization, financial results, position and cash and cash equivalents. The budget and business plan for the next year are dealt with by the Board in the autumn and prior to Christmas. In addition to the recurring items, Board meetings were also held due to more extraordinary events.

### The work of the Board of Directors



At all meetings – CEO status report, investment decisions

In conjunction with the end of the quarter, meetings are held to make decisions regarding the publication of quarterly, six-month and year-end reports. Ahead of the AGM, meetings are held to make decisions regarding the notification, annual report, corporate governance documents and other matters for the AGM.

When required, senior Fingerprint Cards executives also attended Board meetings in order to report on specific issues.

#### REMUNERATION COMMITTEE

The Remuneration Committee evaluates and prepares matters regarding remuneration and employment terms for Executive Management, and draws up guidelines for the remuneration of the CEO and senior executives for approval by the AGM. The Remuneration Committee ensures that remuneration matches the prevailing market terms for comparable positions in other companies and that the company's pay offering is thus competitive. The Board sets the President's remuneration.

Remuneration of other senior executives is decided by the CEO following consultation with the Remuneration Committee. The Remuneration Committee comprises the Board Members Jan Wäreby (Chairman of the Board), Urban Fagerstedt and Åsa Hedin.

#### AUDIT COMMITTEE

The task of the Audit Committee is to support the work of the Board by ensuring high-quality and efficient internal control, financial reporting and external auditing. Among other responsibilities, this involves examining interim and year-end reports ahead of publication and dealing with all critical accounting issues and risk assessments. The Audit Committee meets the external auditor at least once annually and examines and monitors the auditors' impartiality and independence while particularly paying attention to whether the auditor assists the company by providing services outside the scope of his/her audit, and also assists in drafting proposals concerning the AGM's resolution on and election of auditors. The Committee makes decisions on the need of an internal audit and, in line with this work, a decision has been made to recruit a role responsible for internal control during 2017. In 2016, the Audit Committee comprised Board Members

Katarina Bonde (Chairman), Carl-Johan von Plomgren and Michael Hallén. (Michael Hallén replaced Lars Söderfjell after he stepped down from the Board of Directors in January 2017.)

#### AUDITOR

According to the Articles of Association, Fingerprint Cards is to have one or two auditors, with or without deputies, or one or two registered firms of accountants. At the 2016 AGM, KPMG AB was elected as the company's audit firm for a term of office of one year. Authorized Public Accountant Johan Kratz is auditor-in-charge. Johan Kratz is also the auditor of other companies including IAC Group Sweden AB, Sector Alarm AB, SP Sveriges Tekniska Forskningsinstitut AB and Swedish Match Industries AB.

The auditor, on the behalf of the shareholders, is responsible for examining the Annual Report and accounting records, as well as the administration of the Board and the CEO. The auditor also reviews one quarterly report, and issues statements regarding the Board's reports in conjunction with, inter alia, decisions about new share issues and warrant programs. Each year, the Board meets with the auditor to receive the auditor's report as to whether the company's organization is appropriately configured to ensure that accounting, management of funds and conditions in general are controlled satisfactorily. The company's auditor reported to the Board on one occasion and to the Audit Committee on two occasions in the 2016 fiscal year. During 2016, the auditor attended the AGM on May 4. In 2017, Authorized Public Accountant Johan Kratz will have performed the duties of auditor-in-charge for seven years. Pursuant to the Swedish Companies Act, the term of office should not exceed seven years and, for that reason, a new Auditor-in-Charge will have to be elected at the 2017 AGM.

#### INTERNAL CONTROL AND RISK MANAGEMENT

The Annual Accounts Act stipulates that the Board must annually submit a description of the principal elements of the company's system for internal control and risk management with regard to financial reporting.

The Board is responsible for the company's internal control, with the overall intention of

providing protection for the company's assets and thus the investments of shareholders.

The Board has established attestation instructions, a financial policy and other governing documents containing instructions and procedures for the operations that are to be monitored and reported on regularly. The attestation instructions contain regulations governing signing on behalf of the company and authorizations concerning decisions about and the approval of agreements, investments, costs and other outlays.

The financial policy, which was updated in 2011, includes frameworks for investments, cash management, currency hedging and the granting of credit in connection with sales. Sales are covered to the largest possible extent credit by hedges when this is feasible and credit is granted only if there is good reason to assume that the credit recipients will meet their obligations. Fingerprint Cards seeks to ensure the continuance of its historically low customer bad-debt losses, thereby upholding its favorable profitability and solid financial position.

#### CONTROL ENVIRONMENT

The fundamental platform in the control environment for financial reporting consists of the guidelines and controlling documents, including the Board's working procedures and instruction to the President, as well as the allocation of responsibility and authority that is adapted to the business organization. It is primarily the President's responsibility as part of daily operations to maintain the control environment as designated by the Board. The President reports regularly to the Board in line with set procedures. The company's auditor also submits reports from implemented examinations.

#### RISK ASSESSMENT

Risk assessment is performed on a continuous basis and comprises the identification and management of any risks that could impact business activities and financial reporting. The primary risk within the framework of financial reporting is the risk of significant errors in the financial reporting. Risk management comprises part of the business activities' processes and various methods are utilized to ensure that risks are managed in compliance with regulations, instructions and procedures with the aim of providing correct information.

#### CONTROL ACTIVITIES

Control activities are designed to manage the risks that the Board and Group management assess as essential for the internal control of the financial reports.

Control activities aimed at preventing, identifying and correcting errors and deviations are evaluated. Assignment of responsibility and organization comprise the structure for the control. Follow-up is performed in each respective area of responsibility and for the entire business. Allocation of attestation rights and authority is part of the structure for control activities as are clear rules for decisions regarding investment, sales, procurement and contracts. Control activities are also based on the business concept, strategies and goals, and on issues that are critical for operations. A high degree of IT security is a prerequisite for favorable internal control of the financial reporting. The IT strategy focuses on security and functionality, where security is the most important since no security usually results in weakened functionality.

External financial reporting with accompanying controls is performed on a quarterly basis and internal financial reporting is performed monthly. Financial control is performed on the basis of a business plan that is broken down to an annual budget. The budget is revised during the year and is utilized to produce forecasts and forms the basis for the follow-up of actual results. In reporting, analysis and comments are reported on trends in relation to the set goals. Control of development projects is performed through ongoing project monitoring and reporting of subprojects. Performance and costs expended are related to plans and budgets and the anticipated remaining project expenses for project completion are reported.

The operative control is supplemented by monitoring quality and performance from suppliers, customers and internal processes.

Liquidity and cash flow are followed up regularly with the updating of forecasts and the resultant liquidity planning. The continuous analysis of the financial reporting on various levels is central to ensure that the financial reporting does not contain substantial errors. Control activities and distribution among various functions are integrated features throughout the financial reporting process.

## GUIDELINES FOR REMUNERATION OF BOARD MEMBERS

The 2016 AGM resolved that the Board of Directors should be paid fees totaling SEK 4,050,000, of which SEK 850,000 to the Chairman of the Board and SEK 400,000 to each other Board member.

It was resolved that fees for work on committees should be payable in an amount of SEK 460,000, to be distributed as follows:

Audit Committee: SEK 150,000 to the Chairman and SEK 75,000 to each other member.

Remuneration Committee: SEK 80,000 to the Chairman and SEK 40,000 to each other member.

If tax-related prerequisites for invoicing exist, and on condition that it is cost-neutral for the company, the invoicing of director fees from the member's own company was permissible. If a Board member invoices his/her director fee via a company, the fee will be increased by an amount corresponding to social security contributions and statutory VAT.

Board members who receive salary from Fingerprint Cards do not receive director fees.

Board members appointed during the year receive fees in relation to the remaining period until the next AGM.

## GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

The 2016 AGM resolved that the Remuneration Committee, which is appointed from among Board members, should 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 Board decides on pay and other remuneration of the CEO. The CEO is to determine the salary and other remuneration payable to other senior executives in accordance with the Board's guiding principles. The term "other senior executives" refers to the individuals who, in addition to the CEO, constitute Executive Management. The remuneration levels are to be market-based. Remuneration comprises a fixed basic salary, variable remuneration calculated according to predetermined targets, other benefits, pension and financial instruments in the form of warrants.

The distribution between fixed salary and variable remuneration is to be proportionate to the executive's responsibilities and authorities. The variable remuneration payable to the CEO

and other senior executives may not exceed 100% of their fixed annual salary. Pensions are to be based on defined-contribution pension schemes. The period of notice from the company is not to exceed six months. During the period of notice of no longer than six months, full salary and employment benefits are payable. If employment is terminated by the company, severance pay is payable in an amount corresponding to no more than 12 monthly salaries. Resolutions regarding share and share-price-based incentive programs are to be made by the AGM. The Board of Directors is to be entitled to disapply the guiding principles if, in an individual case, there are special reasons for doing so.

## ARTICLES OF ASSOCIATION

The Articles of Association stipulate the company's business operations, the number of Board members and auditors, instructions for the official notification of the AGM, business for discussion at the AGM and where the AGM should be held, as well as classes of shares, preferential rights and the post-sale purchase of the company's Class A shares. The current Articles of Association are available on Fingerprint Cards' website, [www.fingerprints.com](http://www.fingerprints.com).

## INFORMATION AND COMMUNICATION

Fingerprint Cards' policies and guidelines are of particular importance for correct accounting, reporting and information. During 2016, Fingerprint Cards' investment relations unit was expanded with additional resources. The company's collaboration with news agencies, investment relations advisors and communication consultants regarding external communication and information disclosure was also expanded.

The information is intended to increase awareness of Fingerprint Cards and increase confidence in Fingerprint Cards, its management and employees, while promoting business activities. A communication policy is in place that provides guidelines governing the company's internal and external communication.

Fingerprint Cards communication policy is presented on the company's website, [www.fingerprints.com](http://www.fingerprints.com).

## FOLLOW-UP

Compliance with the Board's rules of procedure, instructions, policies and procedures is followed up by the Board and Executive Management. The current state of the business and the company's financial situation are addressed at Board meetings. The financial situation and business outlook are dealt with at Board meetings. The Board reviews financial reports and decides on publication prior to the publication of financial reports. The Board evaluates its own work and that of the CEO annually.

The auditor reviews at least one of the interim and six-month reports, and always audits the annual financial statements, with accompanying financial reports. Reports covering all operational functions are submitted by the CEO to the Board on a monthly basis. The Executive Management Group meets at a high frequency, in principle

once a week, and regularly follows up business developments, financial trends, the company's position and influential events. The Board meets with the auditor during the year to review the audit of internal control and other assignments. Continuous work is conducted on forecasts and budgets, with rolling prospective forecasts based on updated information about sales, material acquisitions, operating costs and the progress of product and technology development.

Fingerprint Cards AB had no internal audit in 2016 but intends to establish such a function in the company during coming years to additionally enhance control and the reliability of financial and other information.

Board of Directors  
Gothenburg, March 29, 2017

## AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

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 that is responsible for the corporate governance statement for the year 2016 on pages 49-53 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 statement. 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.

### Opinions

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

Gothenburg, March 29 2017  
KPMG AB, Johan Kratz, Authorized Public Accountant

# Board of Directors

Lars Söderfjell stepped down from the Board at his own request in February 2017.



## JAN WÄREBY

Chairman of the Board since 2016. Board member since 2015. Born 1956.

## KATARINA BONDE

Board member since 2015. Born: 1958.

## PETER CARLSSON

Board member since 2016. Born 1970.

## URBAN FAGERSTEDT

Board member since 2009. Born 1953.

### Committees

Remuneration Committee, Chairman

Audit Committee, Chairman

Remuneration Committee

### Employment and other Board assignments:

Chairman of the Board of RISE AB, Obelixus AB. Board member of Tobii AB, Agapi Boating AB.

Chairman of the Board of Propellerhead Software AB and Opus Group AB, Board member of Micro Systemation AB (publ), Mycronic AB (publ), Avega Group AB, Nordax Bank AB (publ) and Jarl Securities AB.

Entrepreneur, investor and advisor. Board member of Metso, Rosti, Orbital-systems and Ketra Lightning and member of the Advisory board at Clean Motion, Oden Tech and Elementum. Also Member of the Board of the Swedish-American Chamber of Commerce in San Francisco.

Vice President R&D, Huawei Technologies Sweden AB.

Owner and Chairman of the Board of Fagerstedt Dynamics Radio AB, Fagerstedt Finance AB and Fagerstedt Dynamics UK Ltd. Board member of Netcom Consultants AB, Cuptronic AB, Crowdsoft AB och Atollic AB.

### Education:

Master of Science degree from the Chalmers Institute of Technology.

Master of Science in Engineering from the Royal Institute of Technology in Stockholm.

Majored in quality & production control at Luleå University of Technology, Master of Science.

Master of Science in Electronics Engineering, Lund Institute of Engineering.

### Background:

SVP and Head of Group Function Sales at Ericsson 2015-2016. SVP and Head of Group Function Sales & Marketing at Ericsson 2011-2015. Formerly, SVP and Head of Business Unit Multimedia, and Executive Vice President and Head of Sales and Marketing at Sony Ericsson Mobile Communications.

Directorships in Sweden and the US as, for example, Chairman of DIBS Payment Services Sverige and Netreflector, Inc. Senior executive positions, such as CEO of Programator Industri AB, Executive VP Timeline Inc., Director, Business Development Dun & Bradstreet Software, CEO of Captura International and CEO of Unisite Software Inc. During 2006-2010, member of the Swedish government's council for the sale of state-owned companies.

Senior executive positions in the fields of procurement and logistics (Tesla Motors), procurement and outsourcing (NXP Semiconductors) and global procurement (Sony Ericsson).

Vice President and General Manager of Design unit Radio Networks in Ericsson AB.

### Shareholding in Fingerprint Cards February 28, 2017:

116,950 Class B shares.

0

0

0

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

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

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

Urban Fagerstedt was in 2016 dependent as a major shareholder.





**MICHAEL HALLÉN**

Board member since 2016. Born 1964.

**ÅSA HEDIN**

Board member since 2016. Born 1962.

**TOMAS MIKAELSSON**

Board member since 2016. Born in 1956.

**CARL-JOHAN VON PLOMGREN**

Board member since 2015. Born 1961.

Committees	Audit Committee	Remuneration Committee		Audit Committee
Employment and other Board assignments:	CEO, Vizrt Group AS. Chairman of the Board of Paxport AB.	Member of the Board of Nolato AB, Tobii AB, Immunova AB, Cellavision AB and E. Öhman J:or Fonder AB. Industrial Advisor to the Department of Microtechnology and Nanoscience at Chalmers AB.	Member of the Board and CEO of ZetiQ AB and Member of the Board of Sourcingprovider Sweden AB.	Sales Director Northern Europe & Chief Compliance Officer, Villeroy & Boch Gustavsberg, co-opted Board member of Villeroy & Boch Gustavsberg AB, Villeroy & Boch Gustavsberg AS (Norway), Villeroy & Boch Gustavsberg AS (Denmark) and Villeroy & Boch Gustavsberg OY.
Education:	Master of Science in Engineering Physics from Chalmers University of Technology in Gothenburg.	Master of Science in biophysics from the University of Minnesota and a bachelor's degree in physics from Gustavus Adolphus College.	IHM Business School, Stockholm.	Graduate in Law, Stockholm University.
Background:	Longstanding experience of senior executive positions in technology and software companies, such as former positions as CEO of Qmatic, Boss Media and IFS, and a number of Board assignments for technology and software companies.	Longstanding experience of senior executive positions in the field of medical equipment, from such global companies as Elekta, Gambro and Siemens Healthcare and has in-depth microtechnology expertise.	Experience in marketing and sales. Extensive knowledge of the telecom and mobile communications industry, senior executive positions in such companies as Omnipoint (T-Mobile) and Affinity Internet, as well as broad experience of marketing and sales in Europe.	Considerable professional experience from senior positions in the IT industry during 1987–2001, gained from such IT companies as Dell, Compaq and WM-data, and subsequently, as of 2001, from industrial and finance companies, such as General Electric, Havells Sylvania and Villeroy & Boch Gustavsberg. Member of various sector boards such as Belysningsbranschen (industry association for lighting companies) in Sweden, and its equivalents in Denmark, LWF, and Finland, FLIP, as well as Ecogaisma of Latvia.
Shareholding in Fingerprint Cards February 28, 2017:	4,500 Class B shares.	0	0	110,825 Class B shares.
	Independent in relation to major shareholders and the company and executive management.	Independent in relation to major shareholders and the company and executive management.	Dependent in relation to the company and independent in relation to major shareholders.	Independent in relation to major shareholders and the company and executive management.

# Executive Management



**CHRISTIAN FREDRIKSON**

President and CEO since 2016.

Born: 1964

Education: Master of Science in Engineering, Turku University.

Previous assignments: CEO of F-Secure, 2012–2016, prior to that active in a number of senior executive positions in Nokia Networks.

Shareholding in Fingerprints: 21,750 Class B shares



**JOHAN WILSBY**

CFO since 2015.

Born: 1966.

Education: Bachelor's degree in Business Administration, Stockholm School of Economics.

Previous assignments: CFO of Transmode, 2013–2015. CFO of Hewlett-Packard in the Nordic and Baltic countries from 2008–2013. Prior to that, employed by Microsoft in positions including CFO for Western Europe, 2004–2007.

Shareholding in Fingerprints: 47,500 Class B shares



**HEIDI BERGER**

Senior VP Marketing and Communication since 2017.

Born: 1978.

Education: B.A. degree in Media and Communication Science, Jönköping University.

Previous assignments: A number of senior executive positions within communication and marketing in such listed companies as Saab AB, SSAB AB and OMX Nordic Exchange AB as well as Norrköping Municipality.

Shareholding in Fingerprints: 0



**TED HANSSON**

Senior VP Business Line Mobile since 2017.

Born: 1976.

Education: Masters degree in 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: 0

*Management's share holding on February 28, 2017.*



**JAN JOHANNESSON**

Senior VP Strategy & Corporate Development since 2013.

Born: 1969.

Education: Master of Science Electronics Engineering, Lund Institute of Engineering, MSCEE. Consumer Marketing Strategy, Kellogg School of Management at Northwestern University.

Previous assignments: VP, Head of Strategic Planning ST-Ericsson, Director Portfolio Management Ericsson Mobile Platforms. Senior Advisor Northstream.

Shareholding in Fingerprints: 26,250 Class B shares

**PONTUS JÄGEMALM**

Senior VP Research & Development since 2009.

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

**JONAS SPANNEL**

Senior VP Operations & Quality since 2013.

Born: 1963.

Education: Military training at the former Officers' College, War College and the Swedish Armed Forces Staff. Business Administration at Örebro University.

Previous assignments: Director of Electronics Sourcing and VP Strategic Sourcing at Sony Mobile.

Shareholding in Fingerprints: 50,000 Class B shares

**NIKLAS STRID**

Senior VP Business Line PC & Embedded since 2017.

Born: 1972.

Education: Master of Science in Electronics Engineering, Lund Institute of Engineering, MSCEE.

Previous assignments: Senior project manager, Program Manager Ericsson BU Modems, ST-Ericsson.

Shareholding in Fingerprints: 5,000 Class B shares

Management's share holding on February 28, 2017.

# Administration report

## FINGERPRINTS' OPERATIONS

Fingerprint Cards AB (publ) is a leading high-tech company that develops, produces and markets biometric technology that through the analysis and matching of an individual's unique biometric properties verifies the person's identity. A secure and convenient user experience made this possible, beyond keys and pins. Fingerprints' technology offers world-class performance, advantages including unique image quality, extreme robustness and low power consumption and complete biometric systems. With these advantages, in combination with very low production costs, the technology can be implemented in large volume products, such as smartphones, tablets and smart cards where demands for these characteristics are extremely high. Fingerprints technology has been tested thoroughly in several fields of application.

## GROUP AND PARENT COMPANY

The Annual Report encompasses the fiscal year January 1 – December 31, 2016.

Fingerprint Cards AB (publ), [Corporate Registration Number 556154-2381], is the Parent Company of a Group that includes seven subsidiaries: The entire workforce in Sweden is employed by the Parent Company. During 2016, new subsidiaries were established in China and Taiwan. The operations of these companies consist of marketing and customer support.

In 2016, all external business operations were conducted in the Parent Company, Fingerprint Cards AB, which is also where all decisive decisions are taken, such as about transactions, financing, the product portfolio, research and development, intellectual property rights and strategies.

The Parent Company's registered office is in the municipality of Gothenburg, County of Västra

Götaland, Sweden. The company's share has been listed on Nasdaq OMX Nordic since 1998 and as of 2015 the share is quoted on this market's Large Cap list.

## SIGNIFICANT EVENTS DURING THE YEAR

During 2016, Fingerprints' powerful growth continued. Sales increased 129% compared with 2015 to SEK 6,638 M and this growth occurred while maintaining profitability. The operating margin rose to 39% from 31% in 2015.

The number of product launches containing the company's technology in the consumer market continued to increase. 136 mobile phone models containing Fingerprints' fingerprint technology were launched during 2016, including products from the world's largest and best known brands of smartphones, smart cards, PCs and embedded solutions: Samsung and Google are two examples.

Fingerprints continued to invest in developing new products, partnerships with relevant partners in high-priority business segments and a strengthening of the offering of biometric and fingerprint technology to the market. The portfolio of products became both broader and deeper in respect of areas of use, technical performance and functionality; for example, ultrathin sensors for smart cards and technology for sensors under glass.

At the end of 2016, Fingerprints was Sweden's most innovative company in terms of the number of patent applications in relation to sales.

The Group continued to be attractive and approximately 200 new employees were recruited.

In 2016, all warrants from the T05 and T06 programs were exercised. T05 led to subscription of 6.5 million shares and T06 to 1.7 million shares. This contributed SEK 97 M to the Parent Company in the form of shareholders' equity. 870,000 shares were redeemed at December 27, 2016 but were

registered with the Swedish Companies Registration Office (Bolagsverket) on January 3, 2017.

The Fingerprint Cards Class B continued to be one of the most traded shares on Nasdaq (OMX) Stockholm during 2016.

Other significant events were communicated regularly in press releases during 2016:

### FIRST QUARTER 2016

- 26 mobile devices fitted with Fingerprints' touch sensor were announced by the following manufacturers: 360/QiKu, Coolpad, Gionee, Hisense, Huawei, Lenovo, LG, Meizu, Oppo, Sony, Vivo, Xiaomi.
- Zwipe and Fingerprints enter into strategic partnership.
- Fingerprints launches a touch sensor under glass.
- Fingerprints increases fingerprint sensor security.
- Fingerprints provides fingerprint sensor technology to the automotive industry.
- The number of shares is increased by 1,300,000 Class B shares due to the exercise of warrants (after split 6,500,000).

### SECOND QUARTER 2016

- 42 mobile devices fitted with Fingerprints' touch sensor were announced by the following manufacturers: 360/QiKu, Coolpad, Gionee, HTC, Huawei, ivi, Lenovo, LG, Meitu, Nubia, OnePlus, Oppo, Sharp, Sony, Vivo, Xiaomi, ZUK, ZTE.
- Fingerprints introduces improved algorithm for smartphones.
- Fingerprints holds Annual General Meeting and makes changes to the Board of Directors.
- Fingerprints presents long-term financial objectives.
- Fingerprints implements share split and announces decision to buy back shares.

- Fingerprints launches complete biometric module.
- Fingerprints launches touch sensor for the low price segment.
- Fingerprints appoints Christian Fredrikson as new President and CEO.

### THIRD QUARTER 2016

- Christian Fredrikson takes office as President and CEO on August 1.
- 36 mobile units equipped with Fingerprints' sensors were launched by 16 different OEM customers
- Fingerprints completed buyback of own shares.

### FOURTH QUARTER 2016

- Fingerprints' touch sensor included in Google's new Pixel phones.
- Johan Carlström, former CEO, resigns from his employment at Fingerprints.
- The Nomination Committee at Fingerprints ahead of the 2016 Annual General Meeting is appointed.
- First product launch of Fingerprints' sensors under glass.
- Fingerprints cancels Extraordinary General Meeting.
- Fingerprints launches ultrathin fingerprint sensors for smart cards.
- Nasdaq Stockholm Disciplinary Committee orders Fingerprints to pay fine.
- Fingerprints adjusts its revenue guidance for 2016.
- Fingerprints communicates its revenue guidance for 2017.
- Fingerprints FPC1025 touch sensor included in Samsung's new Notebook 9 PC line.
- 32 mobile units equipped with Fingerprints sensors launched.

**EARNINGS TREND**

Consolidated revenues for 2016 increased to SEK 6,638 M (2,900), up 129%. The profit for the year amounted to SEK 2,035 M in 2016 (798).

This trend is attributable to the technological and market position captured by Fingerprints.

Gross profit for the year increased to SEK 3,165 M (1,255) and the gross margin rose to 48% (43). The higher gross profit derived directly from the increase in sales. In combination, efforts to optimize production and distribution, the content of the product mix and a relative decrease in the portion of fixed costs in the cost of goods sold contributed to the higher gross margin. The portion of fixed costs in relation to the cost of goods sold declined because the percentage materials costs accounted for an ever-larger share of the cost of goods sold, thus favorably affecting the gross margin.

Operating profit for the year increased to SEK 2,613 M (910) and the operating margin rose to 39% (31).

The expanded organization resulted in an increase in operating costs. By far the largest increase occurred in technology development, as well as sales, but these components' percentage of sales still remained lower than in 2015 because in relative terms sales increased more, whereby the operating margin also improved year-on-year. Exchange-rate effects are recognized in operating profit under the item Other external income and expenses.

Profit after financial items for the year increased to SEK 2,614 M (910), since financial items had no significant impact. The increase in profit before tax also resulted in a rise in income tax, which amounted to a cost of SEK 579 M in 2016 (cost: 112).

In total, the Group's net profit for the year was SEK 2,035 M (798).

The quarterly trend for profit was also positive and a profit was reported for all quarters. Consolidated earnings per share for the whole of 2016 increased to SEK 6.40 (2.53).

**FINANCIAL POSITION**

As a result of the favorable profitability during 2016, Fingerprints' financial position improved significantly. The higher sales, which resulted in a net profit, increased equity to SEK 2,226 M (1,147). The equity/assets ratio increased to 64%

(60), because shareholders' equity increased more than total assets.

Fixed assets increased to SEK 101 M (71), primarily because of capitalization of development expenditure. The share of fixed assets in relation to total assets declined as a result of the expanding balance sheet.

The growth in business volume and a larger product portfolio at various processing rates resulted in increased levels of both accounts receivable outstanding and inventories. Inventories increased to SEK 673 M (153.0) and outstanding accounts receivable rose to SEK 1,132 M (618).

At the same time, current liabilities increased, resulting in accounts payable at year-end amounting to SEK 822 M (548) and other current liabilities to SEK 319 M (215).

The Annual General Meeting in May 2016 resolved to implement a buyback of Class B shares from the market. During June to September 2016, 10,424,000 Class B shares were bought back for SEK 1,052 M. The buybacks had an equivalent negative impact on the company's liquidity.

However, despite the share buybacks, cash and bank balances increased and amounted to SEK 1,162 M (1,031) at year end.

Otherwise, the increase in other current receivables and liabilities was related to the growing business volume.

**TREND IN NET INVESTMENTS, DEPRECIATION/AMORTIZATION AND IMPAIRMENT LOSSES**

During 2016, investments totaled 78 MSEK (26). Of these, investments in capitalized development and intangible fixed assets accounted for SEK 63 M (17), tangible fixed assets for SEK 22 M (8) and financial fixed assets SEK - M (1.0).

Total depreciation/amortization according to plan increased during 2016 to an expense of SEK 49 M (expense: 43). Of this, amortization according to plan of intangible fixed assets accounted for an expense of SEK 41 M (37) and tangible fixed assets for an expense of SEK 7 M (expense: 6).

Accordingly, the total amounts recognized for intangible fixed assets in 2016 increased to SEK 71 M (50) and tangible fixed assets to SEK 29 M (21) while financial fixed assets declined to SEK - M (1.0).

**TREND IN CASH FLOW**

Cash flow from operations continued to improve considerably during 2016. The sharply increasing operating profit generated a positive contribution of SEK 2,614 M (910) to cash flow. Cash flow from the components of changes in working capital were affected by an increase in capital tied up in current receivables, which had a negative impact of SEK 913 M (neg: 519), as a direct result of the sharply increased sales, the need of increased inventories, which had a negative effect of SEK 520 M (neg: 54), due to a larger product portfolio, as well as the need to be able to supply goods to match the increasing sales. This negative impact on cash was partly offset by an increase of SEK 433 M (530) in current liabilities. Following these changes in working capital, the cash flow contributed by operating activities increased to SEK 1,130 M (910).

Cash flow from investing activities amounted to a negative SEK 78 M (neg: 26) and cash flow from financing activities to a negative SEK 956 M (pos: 47), including the buyback of shares, but a positive SEK 97 M (47) excluding the buyback of shares. The buybacks of shares resulted in an outflow of cash and cash equivalents by SEK 1,053 M (-).

In 2016, warrants were exercised from the T05 incentive program in the first quarter and from the T06 in the fourth quarter, resulting in SEK 97 M (48) being contributed to the Group. Combined, the net change in cash and cash equivalents for the whole of 2016 amounted to SEK 96 M (932).

**TREND IN SHAREHOLDERS' EQUITY AND FINANCING**

In 2016, warrants from the T05 and T06 programs were exercised to subscribe for a total of 8,196,000 new Class B shares. The subscription period for both programs expired in 2016 and since there were no additional programs at the end of 2016, all decided warrants programs had thus been completed.

The T05 warrants program contributed SEK 67 M to the Parent Company.

Each warrant entitled the holder to subscribe for one new Class B share for SEK 52.35. Exercise of the warrants resulted in share capital rising by SEK 260,000.

The T06 warrants program contributed SEK 30 M to the Parent Company.

Each warrant entitled the holder to subscribe for one new Class B share for SEK 18.03. Exercise of the warrants resulted in share capital rising by SEK 67,840.

The Annual General Meeting in May 2016 resolved to implement a five-for-one share split and to implement a buyback of Class B shares. The share buybacks were implemented during the second and third quarters. The number of bought back shares totaled 10,424,000 for SEK 1,053, M.

Following the exercise of warrants, completion of the share split and the share buybacks, the number of Class A shares at year-end totaled 6,000,000 and the number of Class B shares was 307,967,675. The number of shares repurchased shares in treasury accounted for 10,424,000 of the total of shares outstanding amounting to 313,967,675 and the total number of voting rights amounting to 367,967,675.

**FINANCE POLICY**

Fingerprints' financial policy regulates and clarifies responsibilities and provides guidelines relating to specific areas in financing, the granting of credit, investment and currency management in an effort to support the operations, manage financial risk and control its impact on the company's financial position, earnings and cash flow.

The principal net currency flow is from USD to SEK, whereby a key aspect of Fingerprints' financial work has been to formulate a strategy for sales in USD and purchasing in SEK. Due to the increasing net surplus from sales denominated in USD and the rising operating expenses that are primarily denominated in SEK, there is a continuous need to convert USD to SEK. Purchasing, manufacturing and sales are essentially conducted in USD. Fluctuations in other exchange rates have a limited impact on earnings. To a very great extent, cash assets are deposited in banks in Sweden. Fluctuations in other exchange rates have a minor impact on earnings. According to the financial policy, currency hedging using derivative instruments is not permissible. See Note 24, for further information about financial risks.

**ORGANIZATION AND PERSONNEL**

During 2016, the organization continued to grow sharply. The total number of employees, including both employees and consultants, increased to 438 at year-end from 254 at the beginning of the year. Since the start of 2013 until the end of 2016, the number of employees has risen from 28 to 438.

The number of employees on December 31, 2016 was 306 (150), of whom 244 (117) were men and 62 (33) women. Accordingly, including employees and consultants, Fingerprints had 438 (254) employees on December 31, 2016. Increases have occurred in all countries where Fingerprints has established its own operations.

Ahead of 2017, an organizational change was launched in late 2016. The new organization comprises three organizational units to ensure the focus on the market segments "Mobile" (smartphones and tablets), "Smart cards" and "PC and Embedded" (PCs and embedded systems in the Internet of Things). The company is retaining and further developing the joint R&D organization, with a focus on supporting these three business lines by developing new innovative products and building competencies in new technology areas. Sales and product management are being coordinated along the business lines, a company-wide communications department is being created and other company-wide functions will be retained to maximize efficiency.

**RESEARCH AND DEVELOPMENT OPERATIONS**

Fingerprints has achieved a leading position in fingerprint technology, through continuous initiatives aimed at further developing biometric technology.

At the end of 2016, more than 55% (55) of the resources in the Group's organization were focused on technological development activities and, together with the engineers in the customer support organization, these two departments accounted for 71% (71) of all employees.

Expenditure in technological development is recognized partly by being expensed in the Consolidated statement of comprehensive income (the income statement for the Parent Company) under the heading Development costs, and in part by being capitalized in the Consolidated statement of financial position (the balance sheet for the Parent Company) Capitalized development expenditure within intangible fixed assets. Capitalization occurs following assessment of the project's commercial, economic and technical potential, the future value for the Group, control over the product/solution, the ability to complete the development and the existence of a market for the product. Depreciation rates are determined on the basis of the technical and commercial lifetime of the product/solution related to the existing market. As a result, the period of amortization varies among products and projects.

In 2016, the Group's expenses for technological development and patents increased to SEK 367 M (195), of which SEK 63 M (17) has been capitalized in the Consolidated statement of financial position and the remaining SEK 304 M (177) has been expensed in the Consolidated statement of comprehensive income. In 2016, the portion of expenditure related to technological development and patents as a proportion of total operating expenses, excluding the cost of materials but including capitalized development expenditure, increased in the Group to SEK 367 M (195) of a total SEK 610 M (394), representing 60% (49).

Correspondingly for the Parent Company in 2016, expenses for technological development increased to SEK 367 M (198), of which SEK 63 M (17) has been capitalized in the Parent Company's balance sheet, and the remaining SEK 304 M (181) has been expensed in the Parent Company's income statement. In the Parent Company, the equivalent portion in 2016 amounted to SEK 367 M (198) of a total SEK 622 M (393), or 59% (50).

**OWNERSHIP STRUCTURE**

During 2016, the number of shareholders increased to 63,467 from 36,541 at the beginning of the year. No change occurred in ownership representing at least one-tenth of the voting rights. At the end of 2016, Sunfloro AB continued to hold all Class A shares, which after the split in 2016 amounted to 6,000,000 shares (1,200,000).

Shareholder	Shares and capital, %		Votes at year-end	
	2016*	2015*	2016*	2015*
Sunfloro AB	1.91	1.90	16.31	16.21

Class of share	Number of shares		Number of votes	
	A	6,000,000	6,000,000	60,000,000
B	307,967,675	310,195,675	307,967,675	310,195,675
Total	313,967,675	316,195,675	367,967,675	370,195,675

Shareholdings of at least one-tenth of the voting rights for all shares at December 31, 2016

Sunfloro AB	16.31%
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\*Five-for-one split implemented during 2016  
The table above includes 870,000 B shares registered on January 3, 2017.

**INCENTIVE PROGRAMS**

In 2016, warrants from the T05 and T06 programs were exercised:

T05, with a term until March 5, 2016, was approved by an Extraordinary General Meeting (EGM) on March 4, 2013. All of the program's remaining 1,300,000 warrants were exercised to subscribe for Class B shares.

Exercise occurred in the first quarter at a rate of one Class B share for each warrant and, following the share split implemented in June 2016, this corresponded to 6,500,000 shares. The price per warrant was SEK 1.79 at the time of issue and the future subscription price was set at SEK 52.35. The corresponding amounts after the implemented share split were SEK 0.36 and SEK 10.47.

T06, with a term until December 27, 2016, was approved by an EGM on November 6, 2013. All of the program's remaining 339,200 warrants were exercised to subscribe for Class B shares.

The price per warrant was SEK 4.53 at the time of issue and the future subscription price was set at SEK 90.16. Exercise occurred following the share split implemented in June, whereby each warrant was exercised for five Class B shares at an exercise price of SEK 18.03 per share and a total of 1,696,000 Class B shares.

There were no long-term incentive programs at the end of 2016.

**EXPECTATIONS REGARDING FUTURE PERFORMANCE**

Fingerprints will not issue any guidance for 2017.

The first quarter is the seasonally weakest period for sales of smartphones. As a result of the high penetration of fingerprint sensors, the seasonal pattern for the company is becoming more like the pattern for the smartphone market. As previously communicated, revenues in the first quarter of 2017 will be impacted by the stock-piling that the company has seen throughout the supply chain. Although underlying demand for the company's fingerprint sensors remains favorable, it will be affected in the short term in part by the inventories accumulated in the supply chain and in part naturally also by the successes achieved by the company's various OEM customers in the smartphone market. Fingerprints' assessment is that a number of these factors will adversely impact revenues in the first quarter of 2017, which will therefore be significantly weaker than in the first quarter of 2016.

**SEASONAL FLUCTUATIONS**

As the penetration of fingerprint sensors in the smartphone segment has increased, the company's market has increasingly displayed the same pattern and seasonal fluctuations as the other parts of the mobile phone industry, albeit subject to a certain time lag.

The fourth quarter tends to account for a large share of the annual volume of mobile phones and the first quarter is usually the weakest.

**GUIDELINES FOR REMUNERATION OF BOARD MEMBERS**

The 2016 AGM resolved that the Board of Directors should be paid fixed director fees totaling SEK 4,050,000, of which SEK 850,000 to the Chairman of the Board and SEK 400,000 to each other Board member. Fees for work on committees will be payable in an amount of SEK 460,000, to be distributed as follows:

Audit Committee: SEK 150,000 to the Chairman and SEK 75,000 to each other member.

Remuneration Committee: SEK 80,000 to the Chairman and SEK 40,000 to each other member.

If tax-related prerequisites for invoicing exist, and on condition that it is cost-neutral for the

company, the invoicing of director fees from the member's own company will be permissible. If a Board member invoices his/her director fee via a company, the fee will be increased by an amount corresponding to social security contributions and statutory VAT.

#### GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

The 2016 AGM resolved that the Remuneration Committee, which is appointed from among Board members, should prepare guidelines in respect of pay and other employment terms for the President and senior executives, and present the Board with proposals in respect of these issues. The Board decides on pay and other remuneration of the President. The President is to determine the salary and other remuneration payable to other senior executives in accordance with the Board's guiding principles. The term "other senior executives" refers to the individuals who, in addition to the President, constitute Executive Management. The remuneration levels are to be market-based. Remuneration comprises a fixed basic salary, variable remuneration calculated according to predetermined targets, other benefits, pension and financial instruments in the form of warrants.

The breakdown between fixed salary and variable remuneration is to be proportionate to the executive's responsibilities and authorities. The variable remuneration payable to the President and other senior executives may not exceed 100% of their fixed annual salary. Pensions are to be based on defined-contribution pension schemes. The period of notice from the company is not to exceed six months. During the period of termination of no longer than six months, full salary and employment benefits are payable. If employment is terminated by the company, severance pay is payable in an amount corresponding to no more than 12 monthly salaries. Resolutions regarding share and share-price-based incentive programs are to be made by the AGM. The Board of Directors is to be entitled to disapply the guiding principles if, in an individual case, there are special reasons for doing so.

#### DIVIDEND AND FINANCIAL OBJECTIVES

Board of Directors' proposal to 2017 AGM:

The Board proposes that no dividend be paid for the 2016 fiscal year. In addition, the Board proposes that the AGM resolve to reduce the share capital through the cancellation of the bought back shares. The Board also proposes that the AGM resolve to implement a bonus issue.

The Board will also propose to the AGM that the Board be authorized on one or several occasions during the period up to the following AGM to make decisions on the buyback of the company's B shares, although subject to limit that the number of new shares will not exceed 10% of all of the shares in the company. The shares are to be acquired on Nasdaq Stockholm. In addition, the Board will propose that during the period up to the following AGM it be authorized on one or several occasions to make decisions on the transfer of the company's Class B treasury shares. The shares are to be transferred via Nasdaq Stockholm.

The purpose of the authorizations is to enable the Board to adapt the company's capital structure and thus be able to contribute to increased shareholder value. The Board of Directors' complete motions concerning the dividend, the share cancellations and the authorizations will be available at the time that the official notice of the AGM is distributed.

The company's long-term financial objectives encompass three areas of focus: growth, profitability and capital structure. The objectives are being communicated to ensure that shareholders, analysts and other external stakeholders receive information about the ambitions of the Board of Directors and company management beyond the current fiscal year.

Since the market for biometric solutions is growing rapidly, the factors of uncertainty are considerable. The company has therefore decided to continue to formulate the objectives as ambitions over three-year rolling periods. Accordingly, the financial objectives pertain to the years 2017 to 2019.

It is important to emphasize that the financial objectives do not constitute forecasts but a level of ambition that the Board and company management regard as corresponding to reasonable expectations for the company. When establishing the objectives, assumptions have been made

concerning such factors as market growth, competition and average sales prices.

**Growth:** Fingerprints' objective is that its revenues will show an average annual growth rate of approximately 20 percent from 2017 to 2019.

**Profitability:** Fingerprints' objective is to achieve an operating margin of between 30 and 35 percent during the period from 2017 to 2019.

**Capital structure:** Fingerprints' objective is to have a strong balance sheet. Surplus capital is to be returned to the shareholders through the buyback of own shares and/or dividends.

#### EVENTS AFTER THE BALANCE-SHEET DATE

##### January–March 21, 2017

- All of Fingerprints' touch sensors are now available for PCs.
- Lars Söderfjell steps down from the Fingerprints Board.
- Fingerprints acquires Delta ID.
- Fingerprints CFO, Johan Wilsby, to leave the company in July 2017.
- Fingerprints is expecting a weaker first quarter and that the short-term challenges will persist in the second quarter. Consequently, the company has decided to refrain from making forecasts for the full year 2017. The dividend proposal that was previously communicated in the year-end report has been withdrawn.

#### SENSITIVITY ANALYSIS

Fingerprints is affected by various factors and the following effects on pretax profit arise in the event of a 1% change in different variables (SEK M):

	2016	2015
Change in prices	+/- 66	+/- 29
SEK/USD exchange rate	+/- 32	+/- 13

This analysis has been conducted in a static environment, but in reality, the situation is more complex. Any change in the SEK/USD exchange rate could also affect the retail price, as well as the fact that there are time-delaying effects in any changes.

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

The Board's work follows an annual cycle that starts with the statutory Board meeting after the AGM. 2016 continued to be characterized by a high level of activity that required Board decisions and consultation: continuous decisions regarding sales and the market, development projects, general meetings and incentive programs as well as the official appointment of Christian Fredrikson as the new President and CEO. The Board convened 20 meetings during 2016. A more detailed description of corporate governance in 2016, 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.

#### Annual General Meeting (AGM)

The AGM will be held at 3:00 p.m. on Thursday, April 20, 2017 at the hotel Gothia Towers, Gothenburg.

Proposed treatment of the company's accumulated profit.

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

Share premium reserve	79,453,248
Retained earnings brought forward	0
Net profit for the year	1,518,408,207
Total	1,597,861,455

The Board proposes that the net profit for the year, as well as unrestricted funds and the profit brought forward, be treated as follows:

To be carried forward: SEK 1,597,861,455.

For more information regarding the company's earnings and financial position, refer to the following financial statements and the accompanying notes.

# Fingerprints' risks and risk management

In common with all business operations, Fingerprints' business is exposed to risks. Such risks involve incorrect management by Fingerprints, and events or decisions that are beyond the company's control and can lead to disruptions to the operations, damage or loss with a material impact on the company. Fingerprints' risk management is decisive to the company's success.

To anticipate risks and minimize their impact, Fingerprints has processes for continuously identifying and managing risks that could impact the operations. These processes includes probability and consequence assessments of operational risks, market risks, financial risks and legal and other risks.



## Operational risks

- 1 Delivery capacity of contracted suppliers
- 2 Insufficient competence sourcing
- 3 Loss of key competencies
- 4 Reduced technological lead
- 5 Leaks of corporate secrets

## Market risks

- 6 Geopolitical instability
- 7 Supplier costs
- 8 Economic fluctuations
- 9 Currency risk
- 10 Loss of customers and price pressure due to increased competition

## Financial risks

- 11 Credit risk
- 12 Financing

## Legal risks

- 13 Product defects and product liability
- 14 Competitors' IP
- 15 Value of proprietary IP
- 16 Corruption

## Other risks

- 17 Conflict minerals
- 18 Limitations on planned business development
- 19 Biometrics and integrity
- 20 Internal scalability
- 21 Discrimination and limited diversity



	RISK	HOW FINGERPRINTS IS IMPACTED	RISK CONTROL	PROBABILITY	IMPACT	TREND
	<b>Operational risks</b>					
1.	Insufficient delivery capacity among contracted suppliers	<ul style="list-style-type: none"> <li>Financial damage as a result of delivery disruption</li> </ul>	<ul style="list-style-type: none"> <li>Maintaining several suppliers of hardware and input materials.</li> </ul>	Low	High	
2.	Insufficient competence sourcing	<ul style="list-style-type: none"> <li>Planned growth is delayed</li> <li>Impact on competitiveness</li> </ul>	<ul style="list-style-type: none"> <li>Maintain attractiveness as an employer</li> <li>Distinct requirement profiles and professional recruitment process</li> <li>Use of all available channels to secure the right expertise for all areas of business, incl. acquisitions</li> </ul>	Medium	Medium	
3.	Loss of key competencies	<ul style="list-style-type: none"> <li>Impact on competitiveness</li> </ul>	<ul style="list-style-type: none"> <li>Create and maintain a strong corporate culture and a learning organization.</li> <li>Offer development opportunities and market-based terms of employment</li> <li>Improved internal communication</li> </ul>	Medium	Medium	
4.	Reduced technological lead	<ul style="list-style-type: none"> <li>Loss of competitiveness</li> </ul>	<ul style="list-style-type: none"> <li>Continuous product development</li> <li>Expanded investments in research and development</li> </ul>	High	High	
5.	Leaks and trespass in respect of corporate secrets	<ul style="list-style-type: none"> <li>Economic consequences, and impact of rumor mongering in connection with leaks of development information</li> </ul>	<ul style="list-style-type: none"> <li>IT and information policy</li> <li>Secure storage, communication and traceability of sensitive corporate information</li> <li>Background checks when employing staff and hiring consultants</li> <li>Application of Code of Conduct</li> </ul>	High	Medium	
	<b>Market risks</b>					
6.	Geopolitical instability	<ul style="list-style-type: none"> <li>Loss of business opportunities for local/regional political reasons</li> </ul>	<ul style="list-style-type: none"> <li>Minimize exposure to political instability through an attractive product mix and a broader customer base in terms of the number of customers and geographic spread</li> </ul>	Medium	Medium	
7.	Increase in supplier costs	<ul style="list-style-type: none"> <li>Reduced margins due to increase in supplier costs</li> </ul>	<ul style="list-style-type: none"> <li>Ensure market-aligned pricing by using several suppliers</li> <li>Continuous reviews of the suppliers' pricing, and market analyses</li> </ul>	Medium	Medium	
8.	Economic fluctuations	<ul style="list-style-type: none"> <li>Demand fluctuations impact the company's revenues</li> </ul>	<ul style="list-style-type: none"> <li>Reduce cyclicity through broad product portfolio and customer base</li> <li>Systematized business intelligence</li> </ul>	Medium	Medium	
9.	Currency risk	<ul style="list-style-type: none"> <li>Negative financial impact from currency fluctuations</li> </ul>	<ul style="list-style-type: none"> <li>Fingerprints has elected not to hedge its net exposure in USD, since hedging may itself be viewed as speculation on the direction of the exchange rate</li> </ul>	Medium	High	
10.	Loss of customers and price pressure due to increased competition	<ul style="list-style-type: none"> <li>Sales revenues and market shares decline due to price pressure and customer requirements for a number of suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Maintain the faith and satisfaction of customers</li> <li>Continue to develop highly refined systems featuring differentiating software</li> <li>Maintain direct customer contacts</li> <li>Cultivate new potential customers in various segments</li> </ul>	High	High	

	RISK	HOW FINGERPRINTS IS IMPACTED	RISK CONTROL	PROBABILITY	IMPACT	TREND
	<b>Financing</b>					
11.	Credit risk	<ul style="list-style-type: none"> <li>The counterparty does not fulfill his/her payment obligations</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with credit policy and established process for credit assessment and setting limits</li> <li>Use of credit insurance</li> </ul>	Low	Medium	→
12.	Insufficient capacity to finance	<ul style="list-style-type: none"> <li>Limited growth in operations, development and production</li> <li>Loss of competitiveness</li> </ul>	<ul style="list-style-type: none"> <li>Primary source of financing is to generate a positive cash flow</li> <li>Maintain satisfactory communications with the capital market to secure financing via shareholders</li> </ul>	Low	Medium	→
	<b>Legal risks</b>					
13.	Product defects and product liability	<ul style="list-style-type: none"> <li>Financial consequences and impact on customer satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>Ensure the right product design and that all of Fingerprints' hardware products are tested prior to delivery.</li> <li>Procedures for managing deviations and product returns</li> <li>Deviations and product returns are managed by the product portfolio manager and are investigated by the quality organization</li> </ul>	Medium	High	↗
14.	Inhibited by competitors' IP	<ul style="list-style-type: none"> <li>Patents held by others impede the application of Fingerprints' technology</li> </ul>	<ul style="list-style-type: none"> <li>Patent strategy and active patent monitoring</li> <li>Close cooperation between patent manager and development department</li> <li>Complementary acquisitions of patents from third parties</li> </ul>	High	High	→
15.	Value of proprietary IP	<ul style="list-style-type: none"> <li>Loss of competitiveness due to patent infringements</li> </ul>	<ul style="list-style-type: none"> <li>Maintain well-protected patents and work actively to leverage proprietary IP</li> </ul>	Low	High	→
16.	Corruption	<ul style="list-style-type: none"> <li>Financial consequences and loss of reputation</li> </ul>	<ul style="list-style-type: none"> <li>Apply Fingerprints' Code of Conduct</li> <li>Monitor customers, intermediaries and other stakeholders</li> <li>Targeted training activities</li> <li>Regular internal audits</li> <li>Enhance a good culture through tone at the top</li> </ul>	Medium	Medium	↗
	<b>Other risks</b>					
17.	Conflict minerals	<ul style="list-style-type: none"> <li>Impact of rumors, and financial consequences should conflict minerals find their way into the company's products</li> </ul>	<ul style="list-style-type: none"> <li>Annual inspections of our suppliers</li> <li>Only source from EICC-GeSI suppliers</li> </ul>	Low	Low	→
18.	Limitations on planned business development	<ul style="list-style-type: none"> <li>Entrance barriers, laws and regulations place impediments in the way of creating new segment</li> </ul>	<ul style="list-style-type: none"> <li>Structured analytical work on documenting demands on our products from various relevant interest groups</li> </ul>	Medium	High	→
19.	Biometrics and integrity	<ul style="list-style-type: none"> <li>Impact on demand if public confidence in biometric solutions diminishes</li> </ul>	<ul style="list-style-type: none"> <li>Application of TEE (Trusted Execution Environment) to ensure that data cannot be accessed through operating systems and apps.</li> <li>Continuous technology development</li> <li>Increased communication about the security of the company's products</li> </ul>	Low	Medium	→
20.	Internal scalability	<ul style="list-style-type: none"> <li>Growing pains as the company's infrastructure and working methods have not evolved at the same rate as the numerical development.</li> </ul>	<ul style="list-style-type: none"> <li>Creation of scalable solutions regarding organization, processes and IT support</li> </ul>	High	Medium	→
21.	Discrimination and limited diversity	<ul style="list-style-type: none"> <li>Positive effects of being a diversified company diminish</li> <li>Negative impact on attractiveness as an employer</li> </ul>	<ul style="list-style-type: none"> <li>Determined recruitment process</li> <li>Developed relations with universities and colleges, and target-group-oriented employer-branding activities</li> </ul>	Low	Low	→

## Consolidated statement of comprehensive income

SEK M	Note	2016	2015
Revenues	2, 4	6,638.3	2,900.5
Cost of goods sold	3.9	-3,473.0	-1,645.2
<b>Gross profit</b>		<b>3,165.3</b>	<b>1,255.3</b>
Selling costs	9	-176.6	-107.8
Administrative expenses	8.9	-117.2	-56.8
Development costs	34.9	-304.2	-176.6
Other operating revenues	5	45.8	0.0
Other operating expenses	6	0.0	-3.8
<b>Operating profit</b>	4, 7, 9, 25, 26	<b>2,613.1</b>	<b>910.3</b>
Financial income	10	1.4	0.1
Financial expenses	10	-1.0	-0.4
<b>Profit before tax</b>	<b>4</b>	<b>2,613.5</b>	<b>910.0</b>
Tax	11	-578.8	-111.7
<b>Net profit for the year</b>		<b>2,034.7</b>	<b>798.3</b>
Earnings per share	12		
before dilution (SEK)		6.40	2.53
after dilution (SEK)		6.33	2.48

### OTHER COMPREHENSIVE INCOME

<b>Net profit/loss for the year</b>		<b>2,034.7</b>	<b>798.3</b>
Items that may subsequently be reclassified as profit for the year:			
Translation differences pertaining to foreign operations.		0.3	-0.2
<b>Other comprehensive income</b>		<b>0.3</b>	<b>-0.2</b>
<b>Comprehensive income/loss for the year</b>		<b>2,035.0</b>	<b>798.1</b>
Attributable:			
Parent Company shareholders		2,035.0	798.1
		<b>2,035.0</b>	<b>798.1</b>

### COMMENTS ON THE STATEMENT OF COMPREHENSIVE INCOME

Fingerprints' **revenues increased** by slightly more than 129%. The number of product launches in the market containing the company's technology continued to rise.

**Gross profit for the year increased** to SEK 3,165.3 M (1,255.3) and **the gross margin rose** to 48% (43). The improved gross margin was mainly attributable to changes in product mix and modes of distribution. Fixed costs consist of production expenses, and amortization of capitalized development expenditure.

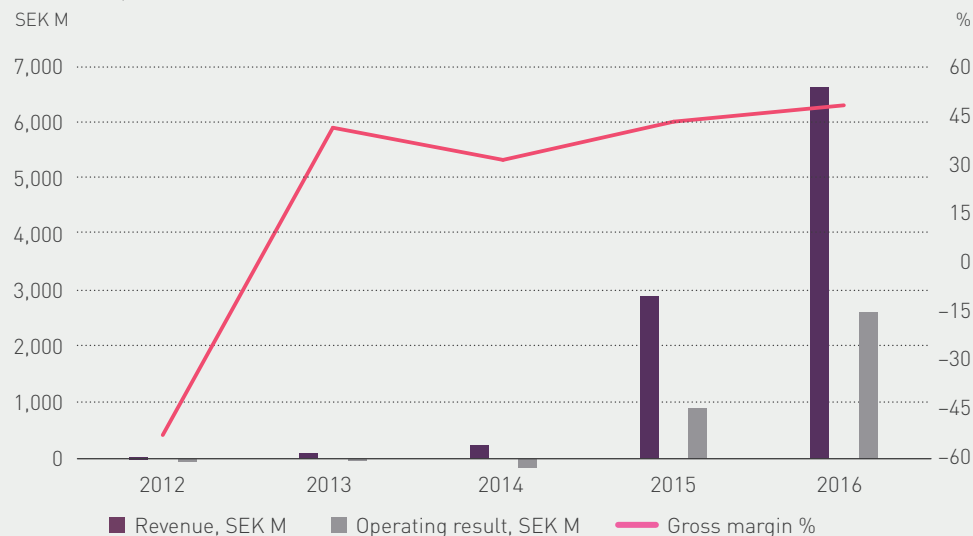
A growing share of total development expenditure was recognized as development costs in the statement of income and comprehensive income.

While **operating expenses increased**, due to the expanding organization, primarily in technology development and sales, the share of costs in relation to revenues was reduced, because revenues are

increasing at a faster rate than costs, thus resulting in a higher operating margin. Exchange-rate effects are recognized in operating profit under the item other external costs and other external income. Exchange-rate effects in 2016 were a gain of SEK 45.2 M (loss: 3.8).

**Operating profit for the year increased** to SEK 2,613.1 M (910.3) and **the operating margin rose** to 39% (31). Above all, investments in research and development, sales resources and business development are increasing in line with the growth ambitions and the focus on innovation. Net profit for the year was SEK 2,034.7 M (798.3). Earnings per share pertain to net profit for the year in relation to the average number of shares outstanding.

### REVENUE, OPERATING RESULT AND GROSS MARGIN



## Consolidated statement of financial position

SEK M	Note	Dec 31, 2016	Dec 31, 2015
<b>Assets</b>			
Intangible fixed assets	13	71.4	49.7
Tangible fixed assets	14	29.2	20.6
Financial fixed assets	15	0.0	1.0
<b>Total fixed assets</b>		<b>100.6</b>	<b>71.3</b>
<b>Current assets</b>			
Inventories	17	672.7	153.0
Accounts receivable	16, 18	1,132.1	617.9
Other current receivables		413.7	28.6
Prepaid expenses and accrued income	19	21.7	8.0
Cash and cash equivalents	16, 20	1,162.2	1,031.3
<b>Total current assets</b>		<b>3,402.4</b>	<b>1,838.8</b>
<b>Total assets</b>		<b>3,503.0</b>	<b>1,910.1</b>
<b>Shareholders' equity</b>			
Share capital	21	12.9	12.6
Other paid-in capital		854.8	757.7
Translation reserve		0.3	-0.1
Retained earnings, including profit for the year		1,358.1	376.6
<b>Total Shareholders' equity</b>		<b>2,226.1</b>	<b>1,146.8</b>
<b>Provisions</b>			
Deferred tax liability	11	136.3	0.0
<b>Total provisions</b>		<b>136.3</b>	<b>0.0</b>
<b>Current liabilities</b>			
Accounts payable	16	821.6	548.5
Current tax liability	11	54.1	109.6
Other current liabilities	22	6.7	4.0
Prepaid expenses and accrued income	23	258.2	101.2
<b>Total current liabilities</b>		<b>1,140.6</b>	<b>763.3</b>
<b>Total shareholders' equity and liabilities</b>		<b>3,503.0</b>	<b>1,910.1</b>

### COMMENTS ON THE STATEMENT OF FINANCIAL POSITION

**Fingerprints' financial position improved sharply** during 2016. The higher revenues, which resulted in a net profit, increased equity. Shares were bought back in the amount of SEK 1,053 M, which is not assigned a value in the balance sheet. Shareholders' equity increased to SEK 2,226.1 M (1,146.8). The equity/assets ratio rose to 64% (60).

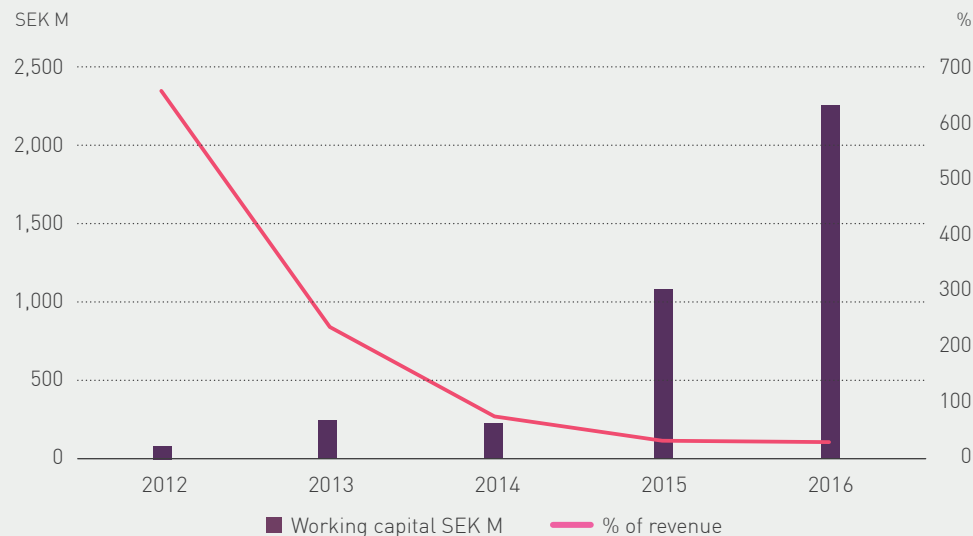
The share of **fixed assets** in relation to total assets amounted to SEK 100.6 M (71.3), corresponding to 2.9% (3.7), primarily due to capitalization of development costs.

**Inventories increased** to SEK 672.7 M (153.0) and **accounts receivable** to SEK 1,132.1 M (617.9), as a result of the increased revenues.

Due to the growing business volume, with **accounts payable** and other **current liabilities** increasing to SEK 821.6 M (548.5) and SEK 6.7 M (4.0), respectively, the **proportion of equity in relation to total assets declined**.

The increase in **other current receivables and liabilities** was due to the growing business. Other current receivables include the balance on the tax account of SEK 369.9 M (0).

### WORKING CAPITAL



## Consolidated statement of changes in equity

SEK M	Share capital	Other paid-in capital	Translation reserve	Retained earnings incl. net profit for the year	Total shareholders' equity
Retained earnings incl profit for the year					
<b>Opening shareholders' equity, Jan 1, 2015</b>	<b>11.7</b>	<b>711.1</b>	<b>0.1</b>	<b>-421.7</b>	<b>301.2</b>
Net profit for the year				798.3	798.3
Comprehensive income for the year			-0.2		-0.2
Exercise of warrants	0.9	46.6			47.5
<b>Closing shareholders' equity, Dec 31, 2015</b>	<b>12.6</b>	<b>757.7</b>	<b>-0.1</b>	<b>376.6</b>	<b>1,146.8</b>
Opening shareholders' equity, Jan 1, 2016	12.6	757.7	-0.1	376.6	1,146.8
Net profit for the year				2,034.7	2,034.7
Comprehensive income for the year			0.4		0.4
Buybacks of own shares				-1,053.2	-1,053.2
Exercise of warrants *	0.3	97.1			97.4
<b>Closing shareholders' equity, Dec 31, 2016</b>	<b>12.9</b>	<b>854.8</b>	<b>0.3</b>	<b>1,358.1</b>	<b>2,226.1</b>

\* As per December 31 2016 there was issued, but not registered share capital equivalent to 34 SEK thousand (870,000 B-shares).

### COMMENTS ON CHANGES IN SHAREHOLDERS' EQUITY

In 2016, all warrants from the T05 program were exercised to subscribe for 1,300,000 new Class B shares. Following a five-for-one split, each existing share was converted into five new shares. An additional buyback of 10,424,000 own shares was implemented during the autumn at a buyback price of SEK 1,053.2 M. At the end of the year, a further 1,596,000 Class B shares were subscribed for in the T06 program. Exercise of warrants contributed SEK 97.4 M to the Parent Company.

## Consolidated statement of cash flows

SEK M	Note	2016	2015
<b>Operating activities</b>	28		
Profit before tax		2,613.5	910.0
Adjustment for non-cash items		14.6	45.6
Income tax paid		-498.0	-2.1
<b>Cash flow from operating activities before changes in working capital</b>		<b>2,130.1</b>	<b>953.5</b>
<b>Cash flow from changes in working capital</b>			
Increase (-)/Decrease (+) in inventories		-519.7	-54.2
Increase (-)/Decrease (+) in operating receivables		-913.0	-519.2
Increase (+)/Decrease (-) in operating liabilities		432.9	530.3
<b>Cash flow from operating activities</b>	4	<b>1,130.3</b>	<b>910.4</b>
<b>Investing activities</b>			
Acquisition of, and in-house developed, intangible fixed assets	13	-62.8	-17.2
Acquisition of subsidiaries	35	-	-
Acquisition of financial fixed assets		-	-1.0
Sales of tangible fixed assets	14	6.6	-
Acquisition of tangible fixed assets	14	-22.1	-7.8
<b>Cash flow to investing activities</b>	4	<b>-78.3</b>	<b>-26.0</b>
<b>Financing activities</b>			
Repayment of loans		0.0	-0.2
Exercise of warrants		97.5	47.6
Buybacks of own shares		-1,053.2	0.0
<b>Cash flow from financing activities</b>	4	<b>-955.7</b>	<b>47.4</b>
Cash flow for the year		96.3	931.8
Cash and cash equivalents, January 1		1,031.3	101.9
Impact from translation differences on Cash and cash equivalents		34.6	-2.4
<b>Cash and cash equivalents, December 31</b>	28	<b>1,162.2</b>	<b>1,031.3</b>

### COMMENTS ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

The increased profit for the year generated a positive cash flow from operating activities of SEK 1,130.3 M (910.4).

Cash flow from changes in working capital components was negative because of an increase in inventories amounting to a negative SEK 519.7 M (neg: 54.2) and an increase in current receivables amounting to a negative SEK 913.0 M (neg: 519.2) but was offset to some extent by an increase in current liabilities by SEK 432.9 M (530.2).

Cash flow from investing activities increased to a negative SEK 78.3 M (neg: 26.0), with cash flow from financing activities rising to a negative SEK 955.7 M (pos: 47.4). Buybacks of own shares were charged against financing in an amount of SEK 1,053.2 M (0). Combined, the net change in cash and cash equivalents for the whole of 2016 amounted to SEK 96.3 M (931.8).

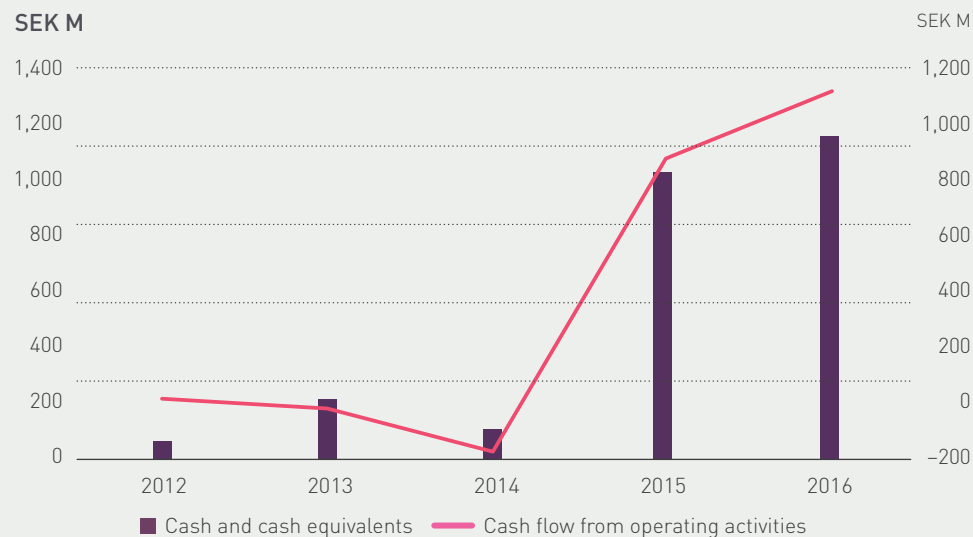
Of this amount, investments in intangible fixed assets accounted for a negative SEK 62.8 M (neg: 17.2) and tangible fixed assets for a negative SEK 22.1 M (7.8).

Total depreciation/amortization according to plan, including impairment losses, increased during 2016 to an expense of SEK 48.6 M (expense: 43.3).

Of this amount, amortization according to plan of intangible fixed assets accounted for SEK 41.1 M (37.3) and depreciation of tangible fixed assets for SEK 7.4 M (6.0).

Overall, this meant that intangible fixed assets increased to SEK 71.4 M (49.7), tangible fixed assets increased to SEK 29.2 M (20.6) and financial fixed assets declined to SEK 0 M (1.0).

### CASH AND CASH EQUIVALENTS AND CASH FLOW SEK M



## Parent Company income statement

SEK M	Note	2016	2015
Revenues	2, 4	6,638.3	2,900.2
Cost of goods sold	3	-3,473.0	-1,645.2
<b>Gross profit</b>		<b>3,165.3</b>	<b>1,255.0</b>
Selling costs		-176.6	-108.6
Administrative expenses		-129.0	-56.8
Development costs	34	-304.2	-181.4
Other operating revenues	5	45.9	0.0
Other operating expenses	6	0.0	-3.4
<b>Operating profit</b>	4, 7, 8, 9, 25, 26	<b>2,601.4</b>	<b>904.8</b>
<b>Result from financial items:</b>	4, 10		
Interest income and other financial income		1.4	0.1
Interest expenses and other financial expenses		-0.8	-0.4
<b>Profit after financial items</b>		<b>2,602.0</b>	<b>904.5</b>
Appropriations		-650.0	0.0
<b>Profit before tax</b>		<b>1,952.0</b>	<b>904.5</b>
Tax	11	-433.7	-111.0
<b>Net income for the year</b>		<b>1,518.3</b>	<b>793.5</b>

## Parent company balance sheet

SEK M	Note	Dec 31, 2016	Dec 31, 2015
<b>Assets</b>			
<b>Fixed assets</b>			
Intangible fixed assets	13	69.8	47.0
Tangible fixed assets	14	25.9	18.6
Financial fixed assets	15	11.8	3.5
<b>Total fixed assets</b>		<b>107.5</b>	<b>69.1</b>
<b>Current assets</b>			
Inventories	17	672.7	153.0
Receivables from Group companies		2.5	4.2
Accounts receivable	16, 18	1,132.1	617.9
Other receivables		412.8	28.4
Prepaid expenses and accrued income	16, 19	19.1	6.8
Cash and bank deposits	16, 20	1,142.3	1,018.0
<b>Total current assets</b>		<b>3,381.5</b>	<b>1,828.3</b>
<b>Total assets</b>		<b>3,489.0</b>	<b>1,897.4</b>
<b>Shareholders' equity</b>	21		
<b>Restricted shareholders' equity</b>			
Share capital		12.9	12.6
Statutory reserve		41.5	41.5
Fund for development expenses		46.7	0.0
<b>Unrestricted shareholders' equity</b>			
Share premium reserve		79.6	525.8
Loss carried forward		0.0	-236.9
Net profit for the year		1,518.3	793.5
<b>Total shareholders' equity</b>		<b>1,699.0</b>	<b>1,136.5</b>
<b>Untaxed reserves</b>			
<b>Tax allocation fund</b>		<b>650.0</b>	<b>0.0</b>
<b>Current liabilities</b>			
Accounts payable	16	820.7	548.2
Liabilities to Group companies		9.2	3.7
Tax liability	11	53.9	109.9
Other current liabilities	22	4.4	2.4
Prepaid expenses and accrued income	16, 23	251.8	96.7
<b>Total liabilities and current liabilities</b>		<b>1,140.0</b>	<b>760.9</b>
<b>Total shareholders' equity and liabilities</b>		<b>3,489.0</b>	<b>1,897.4</b>

## Total shareholders' equity and liabilities

SEK M	Restricted shareholders' equity			Unrestricted shareholders' equity			Total shareholders' equity
	Share capital	Statutory reserve	Fund for development expenses	Share premium reserve	Retained earnings	Net profit for the year	
Opening shareholders' equity, Jan 1, 2015	11.7	41.5	—	481.6	-90.2	-146.7	297.9
Net profit						793.5	793.5
Appropriation of profits					-146.7	146.7	0.0
Paid-in warrant premiums **	0.9			44.2			45.1
Closing shareholders' equity, Dec. 31, 2015	12.6	41.5	—	525.8	-236.9	793.5	1,136.5
Opening shareholders' equity, Jan 1, 2016	12.6	41.5	—	525.8	-236.9	793.5	1,136.5
Net profit						1,518.3	1,518.3
Fund for capitalized development expenses			62.3		-62.3		
Amortization of revalued assets and capitalized development expenses			-15.6		15.6		
Purchase of own shares				-543.3	-509.9		-1,053.2
Appropriation of profits					793.5	-793.5	0.0
Paid-in warrant premiums ***	0.3			97.1			97.4
Closing shareholders' equity, Dec. 31, 2016	12.9	41.5	46.7	79.6	0.0	1,518.3	1,699.0

\* As per December 31, 2016 there was issued, but not registered share capital equivalent to SEK 34,000 (870,000 B shares).

\*\* Transaction costs for contributed capital amount to SEK 1.4 M ( 1.6).



## Parent Company statement of cash flows

SEK M	Note	2016	2015
<b>Operating activities</b>	28		
Profit before tax		1,952.0	904.5
Adjustment for non-cash items		661.0	43.2
<b>Cash flow from operating activities before changes in working capital</b>		<b>2,613.0</b>	<b>947.7</b>
Income tax paid		-495.3	-1.1
<b>Cash flow from changes in working capital</b>			
Increase (-)/Decrease (+) in inventories		-519.7	-54.2
Increase (-)/Decrease (+) in operating receivables		-909.0	-515.2
Increase (+)/Decrease (-) in operating liabilities		435.0	531.6
<b>Cash flow from operating activities</b>		<b>1,124.0</b>	<b>908.8</b>
<b>Investing activities</b>			
Acquisition of, and in-house developed, intangible fixed assets	13	-62.8	-17.2
Acquisition of tangible fixed assets	14	-19.9	-7.7
Acquisition of financial fixed assets	15	-2.4	-1.7
Sales of tangible fixed assets	14	6.6	—
<b>Cash flow to investing activities</b>		<b>-78.5</b>	<b>-26.6</b>
<b>Financing activities</b>			
Exercise of warrants		97.3	45.2
Purchase of own shares		-1,053.2	—
<b>Cash flow from financing activities</b>		<b>-955.9</b>	<b>45.2</b>
Cash flow for the year		89.6	927.4
Cash and cash equivalents, January 1		1,018.0	93.0
Impact from translation differences on cash and cash equivalents		34.7	-2.4
<b>Cash and cash equivalents, December 31</b>	28	<b>1,142.3</b>	<b>1,018.0</b>

## Notes to the financial statements

### NOTE 1 Significant accounting policies

All amounts are in SEK M unless otherwise indicated.

The consolidated financial statements comprise Fingerprint Cards AB (Publ) (Parent Company) and its subsidiaries (the Group). The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS/IAS) issued by the International Accounting Standards Board (IASB) as adopted 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 RFR 2 (Accounting in Legal Entities) issued by the Financial Reporting Board, whereby the Parent Company applies the same accounting policies as the Group; i.e. IFRS to the extent possible under Swedish legislation.

The annual report and the consolidated financial statements were approved for publication by the Board and the President on March 29, 2017. The consolidated statement of comprehensive income and statement of financial position and the Parent Company's income statement and balance sheet will be adopted by the Annual General Meeting (AGM) on April 20, 2017.

The applied accounting policies correspond to those applied in 2015. None of the amendments and interpretations of existing standards that are to be applied as of fiscal years beginning on January 1, 2016 have a material impact on the prepared financial statements.

### MEASUREMENT BASIS APPLIED TO THE PREPARATION OF THE FINANCIAL STATEMENTS

Assets and liabilities are recognized at cost, except for certain financial assets and liabilities measured at fair real value.

### FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

The Parent Company's functional currency is Swedish kronor (SEK), which is also the presentation currency for the Parent Company and the Group. Accordingly, the financial statements are presented in SEK. Unless otherwise specified, all amounts are stated in millions of Swedish kronor (SEK M).

Transactions in foreign currency are translated to the functional currency according to the exchange

rates prevailing on the transaction date. Receivables and liabilities in foreign currency are measured using the exchange rates prevailing on the balance-sheet date. Exchange-rate gains and losses are recognized in profit or loss. Exchange-rate differences on current receivables and current liabilities are recognized in operating profit and exchange-rate differences on financial receivables and financial liabilities are recognized in net financial items.

Subsidiaries prepare their financial statements using the functional currency of the particular company. In the consolidated financial statements, the earnings and financial position of subsidiaries are restated in Swedish kronor. Income and expenses in profit or loss are restated using the average exchange rates for the particular year, assets and liabilities are restated using the exchange rates prevailing on the balance-sheet date. Estimated translation differences are recognized as a separate item in other comprehensive income.

### JUDGMENTS AND ESTIMATES IN THE FINANCIAL STATEMENTS

Preparing the financial statements in accordance with IFRS requires that Executive Management make judgments and estimates that can impact the carrying amounts of recognized assets, liabilities, income and expenses. Judgments and estimates made by Executive Management in the application of IFRS that have a material impact on the financial statements are described in greater detail in Note 29.

### SIGNIFICANT ACCOUNTING POLICIES APPLIED

Except for those policies described in more detail, the accounting policies presented below have been applied consistently to all of the periods presented in the consolidated financial statements. The Group's accounting policies have also been applied consistently by the Group companies.

### AMENDED ACCOUNTING POLICIES NEW AND AMENDED IFRS EFFECTIVE JANUARY 1, 2016

Amendments to IAS 16 and IAS 38: The updates clarify that depreciation/amortization based on revenue generation is not an acceptable method. Similarly, revenues are generally considered to be an unsuitable point of departure for measuring consumption of financial benefits connected to intangible assets.

Amendment to IFRS 11: Recognition of Acquisitions of Interests in Joint Operations. The amendment entails that IFRS 3 Business Combinations is to be applied when an acquisition of joint operations constitutes a business. Common control transactions are excluded.

Amendment to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception. The update addresses the circumstances under which it is permissible for an investment entity not to consolidate its subsidiaries and instead recognize them as financial investments.

Amendment to IAS 27: The update makes it possible to recognize subsidiaries, associated companies and joint operations in an entity's separate financial statements in accordance with the equity method.

Amended IAS 1 Presentation of Financial Statements. Disclosure Initiative. The amendment entails that disclosures need not be submitted should the content of the disclosure be considered immaterial, even if there is an expressed requirement formulated in a standard. The notes need not be presented in any special order. The lines in the financial statements can be specified additionally if this can be considered appropriate on the basis of the company's operations. The lines in the balance sheet may be aggregated should these not be considered material.

The changes and updates described above have not impacted the prepared financial statements. The update of IAS 1 continuously impacts the content of financial statements.

### NEW STANDARDS AND INTERPRETATIONS THAT BECAME EFFECTIVE IN 2017 OR LATER

A number of new and amended IFRSs have been issued but not yet become effective. The IFRSs that could impact the consolidated financial statements are described below. Fingerprints has not decided to introduce any of these prospectively.

#### IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 with the same name. IFRS 9 is divided into three components: classification and measurement, impairment losses on financial instruments and hedge accounting. The implementation of IFRS 9 will not give rise to any effects on the financial statements. The categories that are currently applied in accordance with IAS 39 will be replaced by new categories that could impact

how financial instruments are classified and measured. IFRS 9 also introduces a new model for how financial instruments are to be impairment tested, which will ultimately affect our handling of the recognition and measurement of accounts receivable. IFRS 9 introduces a new model that attaches importance to the expected loan losses in a portfolio rather than to the losses that have already occurred. The standard is to be applied for fiscal years starting on 1 January 2018. We will not be applying IFRS 9 retrospectively; instead we will make necessary adjustments at January 1, 2018.

#### IFRS 15 Recognition of Revenue from Contracts with Customers

The standard governs how revenue is to be recognized. IFRS 15 replaces all previously issued standards and interpretations pertaining to revenue recognition and becomes effective on January 1, 2018. The principles upon which IFRS 15 is based are designed to result in more useful and transparent information about the company's revenues. Fingerprints is currently working to analyze the company's business model and associated contracts in order to assess whether IFRS 15 will impact future revenue recognition in any way. Since in the final analysis Fingerprints delivers goods, this issue primarily concerns any variable payments that could impact revenue recognition connected to an individual contract.

#### IFRS 16 Leases

IFRS 16 will replace IAS 17 and associated interpretations. The standard requires, with some exceptions, that all leased assets be recognized in the balance sheet. Accordingly, all leasing contracts will be recognized as if they were "financial" in accordance with IAS 17. The standard is to be applied for fiscal years starting on January 1, 2019 or later. Prospective application is permitted on condition that IFRS 15 is also applied. The standard has not yet been adopted by the EU. Work to identify the potential impact that IFRS 16 will have has not yet been initiated.

#### CLASSIFICATION, ETC.

Fixed assets and long-term liabilities essentially comprise amounts that are expected to be recovered or paid twelve months or more after the balance-sheet date. Current assets and current liabilities essentially comprise amounts that are expected to be recovered or paid within twelve months from the balance-sheet date.

## SEGMENT REPORTING

An operating segment is a part of the Group that conducts operations from which it can generate income and incur costs and for which separate financial information is available. Furthermore, the results of an operating segment can be reviewed by the company's chief operating decision maker to evaluate the outcomes and to allocate resources to the operating segment. Refer to Note 4 for a more detailed description of the division and presentation of the company's operating segments.

## CONSOLIDATION PRINCIPLES

### (i) Subsidiaries

Subsidiaries are companies that are subject to a controlling influence from the Parent Company. Controlling influence is achieved when the Parent Company has control over the investment object, 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.

The acquisition method is applied, which means that an acquisition of a subsidiary is considered to be a transaction through which the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The consolidated cost is determined by performing an acquisition analysis in conjunction with the acquisition. The analysis determines the cost for the participations or the operations and the fair value of the acquired identifiable assets and the assumed liabilities and contingent liabilities on the acquisition date. The cost of the subsidiaries' shares and operations comprises the sum of the fair value of the paid assets or liabilities arising or assumed on the acquisition date. For business combinations whereby the cost exceeds the fair value of the acquired assets and assumed liabilities and contingent liabilities that are recognized separately, the difference is recognized as goodwill. Subsidiaries are consolidated as of the acquisition date until the date on which the controlling influence ceases.

### (ii) Transactions eliminated on consolidation

Inter-company receivables and liabilities, income or expenses and unrealized gains or losses arising from inter-company transactions between the Group companies are eliminated in their entirety when the consolidated financial statements are prepared.

### (iii) Foreign currency

Transactions in foreign currency are translated to the functional currency at the exchange rate prevailing on the date of the transaction. The functional currency is the currency in the primary economic environments in

which the companies conduct their operations. Monetary assets and liabilities in foreign currencies are translated to the functional currency at the exchange rate prevailing on the balance-sheet date. Exchange-rate differences are recognized in profit or loss. Non-monetary assets and liabilities recognized at their respective historic cost are translated according to the exchange rate prevailing on the transaction date. Non-monetary assets and liabilities measured at fair value are translated to the functional currency at the exchange rate prevailing on the date of fair value measurement.

## INCOME

Income for the sale of goods is recognized in profit or loss when the material risks and benefits associated with ownership of the product have been transferred to the purchaser. Income is not recognized if it is unlikely that the economic benefits will accrue to the Group. Revenue is not recognized if substantial uncertainty exists concerning payment, associated costs or the risk of returns or if the seller retains a commitment to the ongoing management that is usually associated with ownership. Income is recognized at the fair value of the amount received, or expected to be received, less discounts provided.

## LEASING

### (i) Operating leases

Expenses pertaining to operating leases are recognized in profit for the year straight-line over the lease term. Benefits received from signing a lease agreement are recognized in profit or loss as a decrease in leasing fees straight-line over the term of the lease agreement. Variable fees are expensed in the periods in which they arise.

### (ii) Financial leases

The minimum lease fees are distributed between interest expense and amortization of the outstanding liability. The interest expense is distributed over the lease term so that each accounting period is charged with an amount corresponding to a fixed interest rate for the liability recognized in each period. Variable fees are expensed in the periods in which they arise. An asset is recognized in accordance with the rules applying for corresponding assets; for example, in terms of depreciation/amortization.

## FINANCIAL INCOME AND EXPENSES

Financial income comprises interest income on deposited funds and gains from changes in value of financial assets measured at fair value in profit.

Financial expenses comprise interest expense, losses on changes in value of financial assets measured at fair value in profit or loss and impairment losses on financial assets.

## TAXES

Consolidated tax comprises 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 are adopted or have been adopted on the balance sheet date.

Current tax is tax pertaining to taxable profit for the period. Deferred tax arises due to temporary differences between the taxable value and the carrying amount of an asset or liability.

Current and deferred tax is recognized in profit or loss with the exception of transactions recognized in other comprehensive income and in 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 insofar as it is probable 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 used.

## CLASSIFICATION OF FINANCIAL ASSETS

Financial instruments recognized in the statement of financial position include, on the assets side, cash and cash equivalents, accounts receivable and financial investments, and on the liabilities side, accounts payable.

### (i) Classification

The Group's financial instruments are classified in the following four categories. The purpose of the acquisition of financial instruments constitutes the basis for classification. Classification is made by Executive Management in connection with the first recognition occasion. The classification determines how the financial instrument is to be measured after the first recognition occasion, in the manner shown below.

#### 1. Financial assets measured at fair value via profit or loss

This category comprises two subgroups: financial assets and liabilities held for sale and those that on the date of acquisition were classified as being measured at fair value via profit or loss. A financial asset or liability is entered in this category if it has been acquired with the

purpose of being sold in the short term or has been classified as such by Executive Management. Derivative instruments are also classified in this category. Assets and liabilities in this category are classified as current asset if they are held for sale or are expected to be sold within 12 months of the balance-sheet date.

#### 2. Loan receivables and accounts receivable

Financial assets and liabilities that are not classified as derivative instruments and that are subject to fixed payment and are not quoted on an active market. Classification as a current asset occurs if the due date arises later than 12 months after the balance-sheet date, following which non-current assets is the classification.

### (ii) Classification and measurement

A financial asset or financial liability is recognized in the statement of financial position when the Group becomes a contractual party under conditions with the terms of the instrument's contract. A receivable is entered when the company has performed and the counterparty has a contractual obligation to pay, even if the invoice has not been sent.

Accounts receivable are recognized in the statement of financial position when an invoice is sent. Liabilities are recognized when the counterparty has performed 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 been received. A financial asset is derecognized from the statement of financial position when the contractual rights have been realized, expire or the Group loses control of them.

The equivalent applies to a portion of a financial asset. A financial liability is derecognized from the statement of financial position when a contractual obligation has been received or otherwise extinguished. A financial asset and a financial liability are offset and recognized in a net amount in the statement of financial position only when a legal right to offset the amounts exists and it is intended that the items be settled at net amount or to simultaneously realize the asset and settle the liability. Acquisitions and divestments of financial assets are recognized on the trade date which is the date on which the Group undertakes to acquire or divest the asset.

A financial instrument that is not a derivative is initially recognized at cost corresponding to the fair value of the instrument plus transaction costs for all financial instruments, except for those belonging to the category of financial assets measured at fair value in profit or loss, which are measured at fair value excluding transaction costs.

Derivative instruments are recognized initially at fair value, whereby transaction costs are charged against profit or loss. Changes in the value of derivative instruments are recognized in either operating profit or net financial items. Cash and cash equivalents comprise cash funds and immediately available balances with banks and similar institutions, as well as current liquid investments, which are exposed to only an insignificant risk of currency fluctuations. Exchange-rate fluctuations pertaining to operating receivables and liabilities are recognized in operating loss, while exchange-rate fluctuations pertaining to financial receivables and liabilities are recognized in net financial items.

Accounts receivable are financial assets that are not derivatives, that have determined or determinable payments and which are not listed on an active market. These assets are measured at amortized cost. Amortized cost is determined based on the effective rate that is calculated on the acquisition date. Accounts receivable are recognized in the amounts expected to be received, meaning less any doubtful receivables. Loans and other financial liabilities, such as accounts payable, are measured at amortized cost. This does not apply to derivative liabilities, which are instead measured at fair value.

## TANGIBLE FIXED ASSETS

### (i) Owned assets

Tangible fixed assets 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. Accounting policies for impairment are described below. The carrying amount of a tangible fixed asset is derecognized from the statement of financial position when the asset is disposed or divested or no more future economic benefits are expected to be derived from the use or disposal/divestment of the asset. Gains or losses arising in conjunction with the divestment or disposal of an asset comprise the difference between the sales price and carrying amount of the asset, less direct selling expenses. Gains and losses are recognized as other operating income/expenses.

### (ii) Leased assets

Lease agreements are classified as either financial or operating leasing. Financial leasing exists when the economic risks and benefits associated with ownership have been essentially transferred to the lessee. If this is not the case, it is operating leasing. Assets rented

under financial leases are recognized as fixed assets in the statement of financial position and are initially measured at the lower of the leased item's fair value and the current value of the minimum leasing fees when the contract is signed.

The obligation to pay future leasing fees is recognized as a long-term and a current liability. The leased assets are depreciation over their respective useful lives while leasing payments are recognized as interest and amortization of liabilities. Assets rented under operating leasing are not usually recognized in the statement of financial position. Operating leases do not give rise to liabilities.

### (iii) Additional costs

Additional costs are added to a cost only if it is probable that the future economic benefits associated with the asset will accrue to the company and the cost can be calculated reliably. Other additional costs are recognized as an expense in the period in which they arise.

An additional cost is added to cost if the expense pertains to the exchange of identified components or portions thereof. An expense is also added to cost if a new component is created. Any non-depreciated carrying amounts for exchanged components, or portions of components, are scrapped and expensed in conjunction with the exchange. Repairs are expensed continuously.

### (iv) Depreciation principles

Depreciation takes place on a straight-line basis in relation to the estimated useful life of the asset. Leased assets are depreciated over their estimated useful lives or their contractual lease term, if shorter.

## THE ESTIMATED USEFUL LIVES ARE AS FOLLOWS:

### Plant and machinery

Equipment	5 years
Tools, fixtures and fittings	3-5 years

## INTANGIBLE ASSETS

### (i) 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 registration of legal rights. Other develop-

ment expenditure is recognized in profit or loss as an expense when it arises. Development expenditure recognized in the statement of financial position is recognized at cost less accumulated amortization and any impairment losses.

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.

### (ii) Amortization principles

Amortization is recognized in profit or loss straight-line over the estimated useful lives of the intangible assets, unless the useful lives are indeterminable. The useful lives are reassessed at least once a year. Intangible assets with an indeterminable useful life or that are not ready for use are tested for impairment every year and as soon as there is an indication suggesting that the asset has declined in value. Intangible assets with determinable useful lives are amortized from the date on which they became available for use.

The estimated useful lives are as follows:

Products	1.5 – 4.0 years
Platform	1.5 – 5.0 years

Useful lives are reassessed annually.

## INVENTORIES

Inventories are measured at the lower of cost and the net selling price. The cost of the inventories is calculated by applying the first-in, first-out method (FIFU) and includes expenses arising in conjunction with the acquisition of inventory items and the transportation to their current location and condition.

## IMPAIRMENT

The Group's recognized assets are tested on every balance-sheet date to determine whether there are any indications of impairment. IAS 36 is applied to the impairment of assets that are not financial assets recognized in accordance with IAS 39, assets for sale and divestment groups recognized in accordance with IFRS 5, inventories and deferred tax assets. The carrying amounts of the exempted assets stated above are determined in accordance with the respective standard.

### (i) Impairment of tangible and intangible assets

If there is an indication of impairment, the asset's recoverable amount is calculated. The recoverable amount of intangible assets is also calculated annually. If it is not possible to determine significant independent cash flows to an individual asset, and the asset's fair value less selling expenses cannot be used, the assets are grouped when tested for impairment 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.

### (ii) Impairment of financial assets

On each reporting occasion, the company tests whether there is objective evidence that a financial asset or group of assets requires impairment. Objective evidence comprises observable circumstances that have occurred and that have a negative impact on the possibility of recovering costs and significant or protracted decreases in the fair value of an investment in a financial investment classified as an available-for-sale financial asset.

Impairment testing of accounts receivable is determined based on historical experience of customer losses from similar receivables. Accounts receivable that require impairment are recognized at the present value of future cash flows. However, receivables with short terms are not discounted. Impairment losses on available-for-sale financial assets are recognized in profit or loss in net financial items.

### (iii) Reversal of impairment

Impairment losses on assets encompassed by the scope of IAS 36 can be reversed if there is an indication suggesting that impairment no longer exists and a change has been made to the assumptions that formed the basis of the calculation of the recoverable amount. A reversal only takes place to the extent that the asset's carrying amount following reversal does not exceed the carrying amount that would have been recognized, less depreciation/amortization where necessary, had the impairment loss not been recognized. Impairment losses on accounts receivable recognized at amortized cost are reversed if the previous reasons for recognizing an impairment loss no longer exist and full payment can be expected from the customer.

**EARNINGS PER SHARE**

The calculation of earnings per share is based on the consolidated net profit for the year attributable to the Parent Company's owners and on the average number of shares outstanding during the year. In calculating earnings per share after dilution, earnings and the average number of shares outstanding are adjusted to take into account the potential dilution effects, which arise during recognized periods from warrants issued to employees. The dilution of warrants outstanding only affects the number of shares in the calculation when the redemption price is lower than the share price. Bought back shares held in treasury are not included as outstanding.

**REMUNERATION OF EMPLOYEES**

The Group has defined-contribution pension plans. Defined-contribution pension plans are classified as the 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 that 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 performing the services for the company over a period of time.

**(i) Severance pay**

An expense for severance pay when employees leave the company is recognized only if the company is demonstrably obligated, without a realistic possibility of withdrawing, by a formal detailed plan to terminate employment before the normal point in time.

**(ii) Short-term remuneration**

Short-term remuneration to employees is calculated 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 performed by employees and the obligation can be measured reliably.

**PROVISIONS**

A provision differs from other types of liabilities since there is uncertainty surrounding the point in time that payment will be received or the amount of payment required to settle the provision. A provision is recognized in the statement of financial position when there is an existing legal or informal obligation as a result of an event that has occurred and it is probable that an outflow of economic resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are established in the amount corresponding to the best estimate of the amount required to settle the existing obligation on the balance-sheet date. Since the effect of the point in time at which payment is made is of importance, provisions are calculated by discounting the expected future cash flow using an interest rate before tax that reflect the current market assessment of the time value of money and, if applicable, the risks associated with the liability.

**CONTINGENT LIABILITIES**

A contingent liability is recognized when there is a potential commitment deriving from an event that has occurred and the existence of which is confirmed by only one or more uncertain future events or when there is a commitment that is not recognized as a liability or a provision since it is not probable that an outflow of resources will be required.

**PARENT COMPANY ACCOUNTING POLICIES**

The Parent Company's Annual Report is 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. Under RFR 2, the Parent Company, in its Annual Report, is to apply all IFRSs and statements adopted by the EU as far as possible within the framework of the Annual Accounts Act, the Pension Obligations Vesting Act and with respect to the relationship between accounting and taxation. The recommendation stipulates the exception and additions to IFRS that are to be made.

**DIFFERENCES BETWEEN CONSOLIDATED AND PARENT COMPANY ACCOUNTING POLICIES**

The differences between the consolidated and Parent Company accounting policies are presented below. The accounting policies for the Parent Company described below were applied consistently to all periods presented in the Parent Company's financial statements.

**(i) Amended accounting policies**

The year's changes in RFR 2 Accounting for legal entities were due in part to changes in the Annual Accounts Act, although updates have also been effected due to a number of amended standards.

Changes in RFR 2 due to changes in the Annual Accounts Act.

- If the period in use for a proprietary developed intangible asset cannot be determined definitively, it is to be set at five years.
- If the company recognizes a proprietary developed intangible asset, the same amount is to be transferred from unrestricted shareholders' equity to restricted shareholders' equity, where it is to be called the Fund for development expenditure.

For the 2016 fiscal year, corresponding amounts that are carried as capitalized development expenditure have been transferred from unrestricted equity to restricted equity

**(ii) Classification and presentation format**

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 that the Group refers to as "statement of financial position" and "statement of cash flows," respectively.

The balance sheet for the Parent Company has been presented according to the format stipulated in the Annual Accounts Act, while the statement of comprehensive income, the statement of changes in shareholders' equity and the cash-flow statement are based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows.

**(iii) Subsidiaries**

Participations in subsidiaries are recognized in the Parent Company in accordance with the cost method.

**(iv) Tangible fixed assets**

Tangible fixed assets in the Parent Company are recognized at cost less accumulated depreciation and any impairment in the same manner as for the Group, with the addition of any revaluations.

**(v) Leased assets**

All lease agreements in the Parent Company are recognized as operating leasing.

**(vii) Group contributions and shareholders' contributions for legal entities**

Group contributions are recognized according to the main rule.

**Changes in Swedish regulatory framework; the Financial Reporting Board**

IAS 21 – Effects of Changes in Foreign Exchange Rates.

Exchange-rate differences on monetary assets that constitute part of a net investment in foreign operations were previously recognized in a fair value reserve. The update of RFR 2 entails that exchange-rate differences on these monetary items are to be recognized in profit or loss.

IFRS 7 Financial Instruments: Disclosures and IAS 39 Financial Instruments: Recognition and measurement.

If the Parent Company recognizes financial instruments at their respective cost, additional disclosures are required. The expanded disclosure requirements entail that the accounting policies that were applied for financial instruments, the policies for hedge accounting and the policies for derecognition from the balance sheet have to be described as part of the section accounting policies.

**IAS 1 Presentation of Financial Statements**

The Financial Reporting Board has reviewed the exceptions in RFR 2 in respect of IAS 1. In view of this, the Reporting Board has decided to implement a more general regulation entailing that guidance in IAS 1 is to be applied insofar as it is within the framework of what is permissible under the Annual Accounts Act. The changes have not had any impact on the prepared financial statements.

**IAS 27 Separate Financial Statements**

IAS 27 has been updated to enable recognition of subsidiaries, associated companies and joint ventures according to the equity method in the company's separate financial statements. In accordance with the Annual Accounts Act, the equity method may only be applied in respect of associated companies.

**NOTE 2 Distribution of income**

Income per significant type of income SEK M	Group		Parent Company	
	2016	2015	2016	2015
Revenues				
Sale of goods	6,638.3	2,900.5	6,638.3	2,900.2

FPC receives revenues when its hardware – in the form of wafers (sensors in continuous format) or packaged sensors (LGA) – is delivered to the distributor or module supplier. Software development is ordinarily part of the contract. Software development/customization may also be charged to an OEM separately as part of the software license.

**NOTE 3 Cost of goods sold**

Opening costs in Cost of goods sold SEK M	Group		Parent Company	
	2016	2015	2016	2015
Materials	-3,414.8	-1,596.6	-3,414.8	-1,596.6
Depreciation/amortization and impairment losses on capitalized development	-34.1	-29.3	-34.1	-29.3
Purchasing and production expenses	-24.1	-19.3	-24.1	-19.3
Cost of goods sold	-3,473.0	-1,645.2	-3,473.0	-1,645.2

**NOTE 4 Operating segments**

The Group's business activities are divided into operating segments based on the divisions of the operations reviewed by the company's chief operating decision-maker. Since Group management reviews the results of the 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 this internal reporting structure. Fingerprints reports one operating segment, which comprises Fingerprint sensors, primarily for mobile phones. The remaining part of the operations is so small that no monitoring is conducted.

The Group's operating segments SEK M	Fingerprint sensors		Total and continuing operations	
	2016	2015	2016	2015
Income from external customers	6,638.3	2,900.5	6,638.3	2,900.5
Operating profit	2,613.1	910.3	2,613.1	910.3
Profit before tax	2,613.5	910.0	2,613.5	910.0

Assets /Liabilities and Cash flow per segment SEK M	Fingerprint sensors		Total and continuing operations	
	2016	2015	2016	2015
Assets	3,503.0	1,910.1	3,503.0	1,884.1
Liabilities	-1,140.6	-763.3	-1,140.7	-763.3
Cash flow from operating activities	1,130.3	910.4	1,130.4	910.4
Cash flow to investing activities	-78.3	-26.0	-78.3	-26.0
Cash flow from financing activities	-955.7	47.4	-955.7	47.4

Geographical areas SEK M	Income from external customers		Fixed assets	
	2016	2015	2016	2015
Sweden	0.6	0.3	97.3	60.6
Asia	6,627.3	2,887.9	0.5	9.0
Europe, Middle East and Africa	3.9	3.3	2.3	1.7
South and North America	6.5	9.0	0.4	0.0
<b>Total</b>	<b>6,638.3</b>	<b>2,900.5</b>	<b>100.6</b>	<b>71.3</b>

Income from external customers was attributed to geographical areas according to the country in which the customer is domiciled.

**Information regarding major customers**

In 2016, FPC generated revenues from one group in a total amount of SEK 3,812.6 M (1,239.1), as well as in order of size a group totaling SEK 2,013.1 M (428.5) and a group totaling SEK 350.3 M (391.4). This income was recognized in the Fingerprint sensors operating segment and the geographical area of Asia.

**Parent Company**

The Parent Company's division into operating segments is presented above.

**NOTE 5 Other operating expenses**

SEK M	Group		Parent Company	
	2016	2015	2016	2015
Exchange-rate gains, operating receivables and liabilities	45.2	—	45.3	—
Gains from sales of tangible fixed assets	0.6	—	0.6	—
	<b>45.8</b>	<b>—</b>	<b>45.9</b>	<b>—</b>

**NOTE 6 Other operating expenses**

SEK M	Group		Parent Company	
	2016	2015	2016	2015
Exchange-rate losses, operating receivables and liabilities	—	-3.8	—	-3.4
	<b>—</b>	<b>-3.8</b>	<b>—</b>	<b>-3.4</b>

**NOTE 7** Employees, personnel costs and remuneration of senior executives

Expenses for remuneration of employees	Group		Parent Company	
	2016	2015	2016	2015
Salaries and remuneration, etc.	209.2	113.6	136.6	83.4
Pension expenses, defined-contribution plans	41.4	16.0	35.3	12.7
Other social security contributions	49.8	29.1	47.2	27.8
	<b>300.5</b>	<b>158.7</b>	<b>219.1</b>	<b>123.9</b>

Gender distribution in company management	Group		Parent Company	
	Dec 31, 2016 Proportion woman	Dec 31, 2015 Proportion woman	Dec 31, 2016 Proportion woman	Dec 31, 2015 Proportion woman
Board of Directors	25%	14%	25%	14%
Other senior executives	0%	0%	0%	0%

If employment is terminated by the company, severance pay is payable in an amount corresponding to no more than 12 monthly salaries. The maximum period of notice for the CEO is six months.

## AVERAGE NUMBER OF EMPLOYEES

Group	Group						Parent Company					
	2016			2015			2016			2015		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
Sweden	115	45	160	66	29	95	115	45	160	60	29	89
China	19	4	23	—	—	0	1	—	1	—	—	—
Denmark	27	4	31	20	3	23	—	—	—	—	—	—
Korea	9	—	9	—	—	—	—	—	—	—	—	—
Taiwan	7	1	8	5	1	6	5	1	6	6	—	6
USA	6	—	6	2	—	2	—	—	—	—	—	—
<b>Group total</b>	<b>183</b>	<b>54</b>	<b>237</b>	<b>93</b>	<b>33</b>	<b>126</b>	<b>121</b>	<b>46</b>	<b>167</b>	<b>66</b>	<b>29</b>	<b>95</b>

The number of employees at December 31, 2016 was 306 (150), including 244 (117) men and 62 (33) women.

## SALARIES AND OTHER REMUNERATION SPECIFIED BY SENIOR EXECUTIVES AND OTHER EMPLOYEES, AND SOCIAL SECURITY CONTRIBUTIONS

SEK M	Group						Parent Company					
	2016			2015			2016			2015		
	Senior executives	Other employees	Total	Senior executives	Other employees	Total	Senior executives	Other employees	Total	Senior executives	Other employees	Total
Salaries and other remuneration	32.9	176.3	209.2	24.6	89.0	113.6	32.9	103.7	136.6	24.6	58.8	83.4
Of which, President	14.4	0.0	14.4	5.2	—	5.2	14.4	—	14.4	5.2	—	5.2
Of which, Sweden	32.9	100.1	133.0	24.6	58.7	83.3	32.9	100.1	133.0	24.6	55.2	79.8
Of which, other countries	—	76.3	76.3	—	30.3	30.3	—	3.6	3.6	—	3.6	3.6
<b>Total</b>	<b>32.9</b>	<b>176.3</b>	<b>209.2</b>	<b>24.6</b>	<b>89.0</b>	<b>113.6</b>	<b>32.9</b>	<b>103.7</b>	<b>136.6</b>	<b>24.6</b>	<b>58.8</b>	<b>83.4</b>
(of which, bonus, etc.)	3.2	6.3	9.5	10.9	10.2	21.1	3.2	6.2	9.4	10.9	8.8	19.7
<b>Total social security contributions</b>	<b>16.4</b>	<b>74.8</b>	<b>91.3</b>	<b>14.1</b>	<b>31.0</b>	<b>45.1</b>	<b>16.4</b>	<b>66.2</b>	<b>82.6</b>	<b>14.1</b>	<b>26.4</b>	<b>40.5</b>
Of which pension costs, President	1.6	—	1.6	0.8	—	0.8	1.6	—	1.6	0.8	—	0.8
Of which pension costs, others	4.2	35.6	39.8	2.7	12.5	15.2	4.2	31.0	35.3	2.7	9.2	11.9

The above includes termination benefits of SEK 6.5 M that were paid to senior executives.

## SALARIES AND OTHER REMUNERATION OF SENIOR EXECUTIVES

Group and Parent Company	2016				2015			
	Basic salary	Variable remuneration	Pension expense	Total	Basic salary	Variable remuneration	Pension expense	Total
<b>Chairman of the Board</b>								
Jan Wäreby, Board member through May 2016	0.5	—	—	0.5	0.3	—	—	0.3
Urban Fagerstedt, Board member as of May 2016	0.4	—	—	0.4	0.4	—	—	0.4
<b>Board member</b>								
Alexander Kotsinas, through May 2016	0.1	—	—	0.1	0.3	—	—	0.3
Carl Johan von Plomgren, as of June 2015	0.3	—	—	0.3	0.3	—	—	0.3
Christer Bergman, through June 2015	—	—	—	—	0.1	—	—	0.1
Katarina Bonde, as of June 2015	0.3	—	—	0.3	0.3	—	—	0.3
Lars Söderfjell, as of June 2015	0.3	—	—	0.3	0.3	—	—	0.3
Micahel Hallén, as of May 2016	0.2	—	—	0.2	—	—	—	—
Peter Carlsson, as of May 2016	0.2	—	—	0.2	—	—	—	—
Tomas Mikaelsson, as of May 2016	0.2	—	—	0.2	—	—	—	—
Tord Wingren, through June 2015	—	—	—	—	0.1	—	—	0.1
Åsa Hedin, as of May 2016	0.2	—	—	0.2	—	—	—	—
<b>President</b>								
Christian Fredrikson, as of August 2016	5.1	—	0.8	5.9	—	—	—	—
Jörgen Lantto, through July 2016	8.0	1.3	0.9	10.2	2.8	2.4	0.8	6.0
Other senior executives (8/8.5 pers)	15.2	1.9	4.2	21.3	10.9	8.5	2.8	22.2
<b>Total for the Parent Company</b>	<b>31.0</b>	<b>3.2</b>	<b>5.9</b>	<b>40.1</b>	<b>15.8</b>	<b>10.9</b>	<b>3.6</b>	<b>30.3</b>

Variable salary pertains to the company's costs for bonus payments, which are paid on achievement of predetermined performance targets.



**NOTE 8 Fees and remuneration to auditors**

SEK M	Group		Parent Company	
	2016	2015	2016	2015
Audit KPMG	-1.4	-1.0	-1.3	-1.0
Other fees	-0.2	-0.2	-0.2	-0.2
<b>Total fees</b>	<b>-1.6</b>	<b>-1.2</b>	<b>-1.5</b>	<b>-1.2</b>

**NOTE 9 Operating expenses specified by type**

SEK M	Group		Parent Company	
	2016	2015	2016	2015
Cost of materials	-3,414.7	-1,596.6	-3,414.7	-1,596.6
Personnel costs	-300.5	-157.6	-219.1	-123.9
Depreciation, amortization and impairment	-48.6	-46.3	-46.5	-40.8
Other operating expenses	-261.4	-189.7	-356.5	-234.2
<b>Operating expenses</b>	<b>-4,025.2</b>	<b>-1,990.2</b>	<b>-4,036.8</b>	<b>-1,995.5</b>

**NOTE 10 Net financial items**

SEK M	Group		Parent Company	
	2016	2015	2016	2015
Interest income	1.4	0.1	1.4	0.1
<b>Financial income</b>	<b>1.4</b>	<b>0.1</b>	<b>1.4</b>	<b>0.1</b>
Other interest and financial expenses	-1.0	-0.4	-0.8	-0.4
<b>Financial expenses</b>	<b>-1.0</b>	<b>-0.4</b>	<b>-0.8</b>	<b>-0.4</b>

**NOTE 11 Taxes**

SEK M	Group		Parent Company	
	2016	2015	2016	2015
<b>Current tax expense</b>				
Deferred tax	-137.3	1.0	5.7	1.0
Tax expense for the period	-441.5	-112.7	-439.4	-112.0
<b>Total recognized tax expense</b>	<b>-578.8</b>	<b>-111.7</b>	<b>-433.7</b>	<b>-111.0</b>

## RECONCILIATION OF EFFECTIVE TAX

The Group, SEK M	Group				Parent Company			
	2016	%	2015	%	2016	%	2015	%
Profit before tax	2,613.5		910.0		1,952.1		904.4	
Tax according to applicable tax rate for Parent Company	-575.0	-22.0%	-200.2	-22.0%	-429.5	-22.0%	-199.0	-22.0%
Non-deductible expenses	-4.8	-0.2%	-0.2	0.1%	-4.8	-0.2%	-0.2	-0.1%
Non-taxable revenues	0.6	0.0%	0.3	0.0%	0.6	0.0%	0.3	0.1%
Differences due to different tax rates in foreign subsidiaries	0.4	0.1%	-0.2	-0.1%	0.0	0.0%	0.0	0.0%
Loss carryforwards utilized without capitalizing deferred tax	0.0	0.0%	88.6	9.8%	0.0	0.0%	87.9	9.7%
<b>Recognized effective tax</b>	<b>-578.8</b>	<b>-22.1%</b>	<b>-111.7</b>	<b>12.3%</b>	<b>-433.7</b>	<b>-22.2%</b>	<b>-111.0</b>	<b>12.3%</b>

The tax effect on items recognized in shareholders' equity amounted to SEK 0,3 M (0,4) and pertains to the cost of new share issues.

## UNRECOGNIZED DEFERRED TAX ASSETS

Deductible temporary differences and taxable loss carryforwards for which deferred tax assets were not recognized in the statement of financial position:

SEK M	Group		Parent Company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Tax loss carryforwards	12.6	13.1	—	—

According to applicable tax regulations, deductible temporary differences do not expire. Deferred tax assets are not recognized. When there is less uncertainty about the profit or loss in the next year, the company will determine the amount to be capitalized as deferred tax assets.

## DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITY ARE DIVIDED AS FOLLOWS:

Deferred tax assets SEK M	Group		Parent Company	
	2016	2015	2016	2015
Deferred tax assets that are due within 12 months	6.7	1.0	6.7	1.0
<b>Total deferred tax assets</b>	<b>6.7</b>	<b>1.0</b>	<b>6.7</b>	<b>1.0</b>

Deferred tax liabilities SEK M	Group		Parent Company	
	2016	2015	2016	2015
Deferred tax liabilities that are due in more than 12 months	143.0	—	—	—
<b>Total deferred tax liabilities</b>	<b>143.0</b>	<b>—</b>	<b>—</b>	<b>—</b>

Changes in deferred tax assets and liabilities during the year. Without considering the netting that has been made within the same fiscal entity.

## GROUP AND PARENT COMPANY

Deferred tax assets SEK M	Current assets	Total
Recognized in profit/loss	1.0	1.0
As per December 31 2015	1.0	1.0
Recognized in profit/loss	5.7	5.7
<b>As per December 31 2016</b>	<b>6.7</b>	<b>6.7</b>

## GROUP

Deferred tax liability SEK M	Other *	Total
Recognized in profit/loss	0.0	0.0
As per December 31 2015	0.0	0.0
Recognized in profit/loss	143.0	143.0
<b>As per December 31 2016</b>	<b>143.0</b>	<b>143.0</b>

\*Deferred tax liability in the Group refers to the Profit Allocation Fund in the parent company.

## NOTE 12 Earnings per share

SEK	Before dilution		After dilution	
	2016	2015	2016	2015
Earnings/loss per share	6.40	2.53	6.33	2.48

Profit per share in 2015 has been adjusted to comply with the five-for-one share split.

## EARNINGS FOR THE YEAR ATTRIBUTABLE TO PARENT COMPANY'S COMMON SHAREHOLDERS BEFORE DILUTION

SEK M	2016	2015
Net profit for the year attributable to Parent Company's shareholders	2,034.7	798.3

## WEIGHTED AVERAGE NUMBER OF OUTSTANDING COMMON SHARES BEFORE AND AFTER DILUTION

Number of shares	2016	2015
Total of shares, January 1	63,239,135	58,421,135
New share issue	1,300,000	4,818,000
Share split 5:1	258,156,540	63,239,135
Number of treasury shares	-10,424,000	0
New share issue	1,696,000	0
Total number of shares outstanding, December 31	313,967,675	63,239,135
Total number of shares outstanding for the year before dilution	317,726,761	63,069,830
Average weighted number of common shares during the year after dilution	321,408,761	64,274,459

The amounts used in the calculation are presented below. The redemption of warrants is expected to incur costs, of which the effects have no material significance.

When calculating the number of common shares after dilution, the exercise price of outstanding in relation to the share price has been taken into account, whereby those warrants that valued below market value have impacted the calculation and thus given rise to dilution.

Weighted average number of common shares during the year is calculated as a weighted average of the number of common shares outstanding after considering changes that have occurred in the number due to new share issues. Dilution of warrants is calculated by considering the average share price for the period and thus including the number of shares from the programs for which the exercise price is below the average share price.

In 2016, warrants from the TO5 and TO6 programs were exercised:

TO5, with a term until March 5, 2013, was approved by an Extraordinary General Meeting (EGM) on March 4, 2016. All of the program's remaining 1,300,000 warrants were exercised to subscribe for Class B shares.

Exercise occurred in the first quarter at a rate of one Class B share for each warrant and, following the share split implemented in June 2016, this corresponded to 6,500,000 shares. The price per warrant was SEK 1.79 at the time of issue and the future subscription price was set at SEK 52.35. The corresponding amounts after the implemented share split were SEK 0.36 and SEK 10.47.

TO6, with a term until December 27, 2016, was approved by an EGM on November 6, 2013. All of the program's remaining 339,200 warrants were exercised to subscribe for Class B shares.

The price per warrant was SEK 4.53 at the time of issue and the future subscription price was set at SEK 90.16. Exercise occurred following the share split implemented in June, whereby each warrant was exercised for five Class B shares at an exercise price of SEK 18.03 per share and a total of 1,696,000 Class B shares (including 870,000 Class B shares registered on January 3, 2017).

There were no incentive programs at the end of 2016.

**NOTE 13** Intangible fixed assets

SEK M	Group						Parent Company					
	Capitalized development expenditure		Patents		Intangible fixed assets		Capitalized development expenditure		Patents		Intangible fixed assets	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
<b>Accumulated cost</b>												
Opening balance	135.5	118.3	28.0	28.0	163.5	146.3	129.7	112.5	28.0	28.0	157.7	140.5
Acquisitions	—	—	—	—	—	—	—	—	—	—	—	—
Internally developed assets and acquisitions	62.8	17.2	—	—	62.8	17.2	62.8	17.2	—	—	62.8	17.2
Closing balance	198.3	135.5	28.0	28.0	226.3	163.5	192.5	129.7	28.0	28.0	220.5	157.7
<b>Accumulated amortization</b>												
Opening balance	-85.7	-57.0	-9.1	-3.1	-94.8	-60.1	-82.5	-55.8	-9.2	-3.2	-91.7	-59.0
Acquisitions	—	—	—	—	—	—	—	—	—	—	—	—
Amortization for the year	-35.2	-28.7	-5.9	-6.0	-41.1	-34.7	-34.1	-26.7	-5.9	-6.0	-40.0	-32.7
Closing balance	-120.9	-85.7	-15.0	-9.1	-135.9	-94.8	-116.6	-82.5	-15.1	-9.2	-131.7	-91.7
<b>Accumulated impairment</b>												
Opening balance	-19.0	-16.4	—	—	-19.0	-16.4	-19.0	-16.4	—	—	-19.0	-16.4
Impairment for the year	—	-2.6	—	—	—	-2.6	—	-2.6	—	—	—	-2.6
Closing balance	-19.0	-19.0	—	—	-19.0	-19.0	-19.0	-19.0	—	—	-19.0	-19.0
<b>Carrying amounts</b>												
At the beginning of the year	30.8	45.0	18.9	24.9	49.7	69.8	28.2	40.2	18.8	24.9	47.0	65.1
<b>At end of year</b>	<b>58.4</b>	<b>30.8</b>	<b>13.0</b>	<b>18.9</b>	<b>71.4</b>	<b>49.7</b>	<b>56.9</b>	<b>28.2</b>	<b>12.9</b>	<b>18.8</b>	<b>69.8</b>	<b>47.0</b>
<b>Amortization is included in the following rows of the statement of comprehensive income</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Cost of goods sold	-34.1	-26.7	—	—	-34.1	-26.7	-34.1	-26.7	—	—	-34.1	-26.7
Development costs	-1.1	-2.0	-5.9	-6.0	-7.0	-8.0	—	—	-5.9	-6.0	-5.9	-6.0
<b>Amortization is included in the following rows of the statement of comprehensive income</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Development costs	—	-2.6	—	—	—	-2.6	—	-2.6	—	—	—	-2.6

Intangible fixed assets pertain to internally generated capitalized expenditure for the development of fingerprint-sensor technology and for acquired patents. The useful life is determinable based on the expected commercial potential, earnings, and the patent's remaining validity and technical significance. Testing for impairment losses are performed after assessing the commercial potential of each project. During 2015, the amortization periods were reduced as a result of the increasingly shorter economic useful lives for developed products. At the same time, the period when a project's expenses are capitalized in the statement of financial position in the Group, as well as the Parent Company's balance sheet have become shorter as a result of

commercial deliverables to customers coming earlier in the project. This has resulted in the proportion of capitalized expenses in a project in 2015 and 2016 becoming smaller when viewed overall compared with the past, and a larger proportion in the beginning and end of the product being recognized directly in the statement of comprehensive income in the Group and in the income statement in the Parent Company. Expenses for development are thus recognized, over time, proportionally earlier. Impairment testing of expenditure for intangible fixed assets is performed continuously. No assets were impaired in 2016.

**NOTE 14** Tangible fixed assets

SEK M	Group		Parent Company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
<b>Accumulated cost</b>	<b>Machinery and equipment</b>		<b>Machinery and equipment</b>	
Opening balance	34.7	26.9	31.2	23.5
Sales and scrapping	-8.8	—	-9.0	—
Acquisitions	22.1	7.8	19.9	7.7
Closing balance	48.0	34.7	42.1	31.2
<b>Accumulated depreciation</b>				
Opening balance	-14.1	-8.0	-12.6	-7.2
Reversed depreciation of sold and scrapped assets	2.7	—	2.8	—
Depreciation for the year	-7.4	-6.1	-6.4	-5.4
Closing balance	-18.8	-14.1	-16.2	-12.6
<b>Carrying amounts</b>	<b>29.2</b>	<b>20.6</b>	<b>25.9</b>	<b>18.6</b>

**Depreciation is included in the following rows of the statement of comprehensive income**

	Group		Parent Company	
	2016	2015	2016	2015
Cost of goods sold	-1.5	-3.0	-1.5	-3.0
Administration	-0.8	-0.3	-0.6	-0.3
Market	-1.3	-0.6	-1.2	-0.5
Technology	-3.8	-2.2	-3.1	-1.6
<b>Total</b>	<b>-7.4</b>	<b>-6.1</b>	<b>-6.4</b>	<b>-5.4</b>

**NOTE 15** Financial fixed assets

SEK M	Parent Company	
	Shares in subsidiaries Dec 31, 2016	Shares in subsidiaries Dec 31, 2015
Opening balance	31.5	30.7
Other investments	2.5	0.8
Carrying amounts	34.0	31.5
<b>Accumulated impairment</b>		
Opening balance	-28.8	-28.8
Closing balance	-28.8	-28.8
<b>Carrying amounts</b>		
At the beginning of the year	2.6	1.8
<b>At end of year</b>	<b>5.2</b>	<b>2.6</b>

The increase in shares in subsidiaries refers to the establishment of a subsidiary in Taiwan and to the increase of the equity in the subsidiary in China.

**NOTE 16 Financial instruments**

Market capitalization of financial instruments was conducted using the most reliable market prices available. This means that all instruments that are market listed are valued using current spot prices. Conversion to SEK is made using the closing rate on the balance sheet date. The carrying amount less impairments comprises an approximate fair value for accounts receivable and accounts payable.

**FAIR VALUE AND CARRYING AMOUNT OF FINANCIAL ASSETS AND LIABILITIES BY BALANCE SHEET ITEM AND CATEGORY**

SEK M	Group				Parent Company			
	Dec 31, 2016		Dec 31, 2015		Dec 31, 2016		Dec 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>								
<b>Current financial assets</b>								
Accounts receivables	1,132.1	1,132.1	617.9	617.9	1,132.1	1,132.1	617.9	617.9
Cash and cash equivalents	1,162.2	1,162.2	1,031.3	1,031.3	1,142.3	1,142.3	1,018.0	1,018.0
<b>Total financial assets</b>	<b>2,294.3</b>	<b>2,294.3</b>	<b>1,649.2</b>	<b>1,649.2</b>	<b>2,274.4</b>	<b>2,274.4</b>	<b>1,635.9</b>	<b>1,635.9</b>
<b>Financial liabilities</b>								
Accounts payable	821.6	821.6	548.5	548.5	820.7	820.7	548.5	548.5
<b>Total financial liabilities</b>	<b>821.6</b>	<b>821.6</b>	<b>548.5</b>	<b>548.5</b>	<b>820.7</b>	<b>820.7</b>	<b>548.5</b>	<b>548.5</b>
<b>By category</b>								
Loan receivables and accounts receivable	2,294.3	2,294.3	1,649.2	1,649.2	2,274.4	2,274.4	1,635.9	1,635.9
<b>Total financial assets</b>	<b>2,294.3</b>	<b>2,294.3</b>	<b>1,649.2</b>	<b>1,649.2</b>	<b>2,274.4</b>	<b>2,274.4</b>	<b>1,635.9</b>	<b>1,635.9</b>
Financial liabilities at amortized cost	821.6	821.6	548.5	548.5	820.7	820.7	548.5	548.5
<b>Total financial liabilities</b>	<b>821.6</b>	<b>821.6</b>	<b>548.5</b>	<b>548.5</b>	<b>820.7</b>	<b>820.7</b>	<b>548.5</b>	<b>548.5</b>

**NOTE 17 Inventories**

SEK M	Group		Parent Company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Commodity stocks	560.8	106.5	560.8	106.5
Products in process	48.1	21.5	48.1	21.5
Finished products	63.8	25.0	63.8	25.0
<b>Total</b>	<b>672.7</b>	<b>153.0</b>	<b>672.7</b>	<b>153.0</b>

Inventories are valued at the lower of net realizable value and cost. The provision for obsolescence of SEK 51.8 M (9.3) is based on individual assessment of the inventory items and the possibility of disposing of the products.

**NOTE 18 Accounts receivable**

Accounts receivables in the Group and the Parent company are presented based on an individual assessment.

SEK M	Group		Parent Company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Total accounts receivable	1,134.1	619.4	1,134.1	619.4
Provision for bad debt	-2.0	-1.5	-2.0	-1.5
Carrying amount	1,132.1	617.9	1,132.1	617.9

Cost for bad debt amounted to SEK 0.7 M (1.5).

**NOTE 19 Prepaid expenses and accrued income**

SEK M	Group		Parent Company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Premises	3.8	2.6	3.6	2.1
Insurance expenses	4.6	1.3	4.6	1.3
License costs	5.0	0.7	5.0	—
Other operating expenses	8.3	3.4	5.9	3.4
	<b>21.7</b>	<b>8.0</b>	<b>19.1</b>	<b>6.8</b>

**NOTE 20 Cash and cash equivalents**

SEK M	Group		Parent Company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Cash and bank balances	1,162.2	1,031.3	1,142.3	1,018.0
<b>Total in accordance with the statement of financial position</b>	<b>1,162.2</b>	<b>1,031.3</b>	<b>1,142.3</b>	<b>1,018.0</b>

**NOTE 21 Number of shares**

## PARENT COMPANY

Classes of shares	Number of share 2016	Number of share 2015
<b>Number of shares issued on January 1</b>		
Class A shares at beginning of the year	1,200,000	1,200,000
Share split (5:1)	4,800,000	—
<b>Total Class A shares</b>	<b>6,000,000</b>	<b>1,200,000</b>
Class B shares at beginning of the year	62,039,135	57,221,135
New share issue, Class B shares	1,300,000	4,818,000
Share split (5:1)	253,356,540	—
New share issue, Class B shares	1,696,000	—
<b>Total Class B shares</b>	<b>318,391,675</b>	<b>62,039,135</b>
Number of treasury shares	-10,424,000	0
<b>Total shares outstanding</b>	<b>313,967,675</b>	<b>63,239,135</b>
Quotient value per share	0.04	0.20

As of December 31, 2016, the registered share capital amounted to 313,967,675 common shares (63,239,135). There were also 870,000 common shares are under registration.

Holder of common shares are entitled to receive dividends that will be determined in the future and the shareholding entitles the holder to vote at General Meetings.

In the first quarter of 2016, 1,300,000 warrants from the TO5 incentive program were exercised in return for a corresponding number of Class B shares, whereupon the company's registered share capital increased by SEK 260,000.

During the second quarter, FPC implemented a five-for-one share split, meaning that every share was divided into five shares. The first day of trading after the split was May 27, 2016 and the record date for dividing the shares was May 30, 2016.

During the fourth quarter of 2016, 339,240 warrants from the TO6 incentive program were exercised. 826,000 Class B shares were registered, whereupon the company's registered share capital increased by SEK 33,040 to SEK 12,940,867 at December 31, 2016. On the balance sheet date, 870,000 Class B shares, representing share capital of SEK 34,800, had also been subscribed for but these were not registered until January 3, 2017.

Accordingly, the number of shares registered at the end of the fourth quarter amounted to 6,000,000 Class A shares and 318,391,675 Class B shares, making a total of 324,391,675 shares, of which 10,424,000 shares were held in treasury. The number of voting rights outstanding was 367,967,675.

**CAPITAL MANAGEMENT**

Shareholders' equity at year-end amounted to SEK 2,226.1 M (1,146.8). As a result of the increase in shareholders' equity, the Board's objective of having a solid financial position has been achieved. The Board of Directors' proposal to the AGM 2016 is that no dividend be paid.

**Consolidated shareholders' equity**

A reconciliation of opening and closing balances for the components of consolidated shareholders' equity is presented above in a separate statement after the Parent Company's balance sheet and which shows changes in shareholders' equity. Description of the type and purpose of reserves included in shareholders' equity:

**Other paid-in capital**

Other paid-in capital pertains to funds provided through new share issues and the portion that has not been allocated to share capital.

**Translation reserve**

Translation difference pertains to differences that arise from translation of the subsidiaries' balance sheets in cases where different exchange rates have been used when translating balance-sheet items at different points in time.

**Retained earnings**

Retained earnings comprise the preceding year's retained earnings less the shares bought back during the year.

**Parent Company's shareholders' equity**

The reconciliation of opening and closing balances for the Parent Company's components of shareholders' equity is presented above in a separate statement of changes in shareholders' equity after the Parent Company's balance sheet.

**DESCRIPTION OF THE TYPE AND PURPOSE OF RESERVES UNDER SHAREHOLDERS' EQUITY:****Restricted funds**

Restricted funds may not be reduced by profit distribution.

**Statutory reserve**

The aim of the statutory reserve is to save a portion of any net profit that is not utilized to cover losses brought forward. Amounts that were contributed to the share premium reserve before January 1, 2006 were transferred to and are included in the statutory reserve. In accordance with the transition rules of the amendments to the Annual Accounts Act, funds contributed to the share premium reserve before January 1, 2006 are to be transferred to the statutory reserve in the first annual report prepared after January 1, 2006. For the companies whose fiscal year is the calendar year, the share premium reserve was transferred to the statutory reserve in the 2005 Annual Report. The statutory reserve continues to comprise restricted shareholders' equity in the Parent Company. Share premium reserves arising after January 1, 2006 are recognized as unrestricted shareholders' equity in the Parent Company.

**Reserve for development expenditure**

The amount capitalized in respect of proprietarily developed development expenditure will be transferred from unrestricted shareholders' equity to a reserve for development expenditure in restricted equity. The reserve will diminish at the same pace as the capitalized expenditure is amortized or impaired. It will be managed in the same way as the write-up reserve.

**Unrestricted shareholders' equity**

The following funds, combined with the net loss for the year, comprise unrestricted shareholders' equity, which is also available for dividends.

**Share premium reserve**

When shares are issued at a premium, meaning that a higher amount is to be paid for the shares than their quotient value, an amount corresponding to the amount received in addition to the quotient value of the share is transferred to the share premium reserve. Amounts added to the share premium reserve from January 1, 2006 are included in unrestricted shareholders' equity.

**Retained earnings**

Retained earnings comprise the preceding year's retained earnings and earnings less profits distributed during the year.

**BUYBACK OF SHARES HELD AS TREASURY SHARES AND THAT IS INCLUDED IN RETAINED EARNINGS INCLUDING NET PROFIT FOR THE YEAR.**

SEK M	Number of shares		Impact on Shareholder's equity	
	2016	2015	2016	2015
Opening balance, treasury shares	—	—	—	—
Buyback during the year	10,424,000	—	1,053	—
Sold shares	—	—	—	—
<b>Closing balance, treasury, shares</b>	<b>10,424,000</b>	<b>—</b>	<b>1,053</b>	<b>—</b>

**NOTE 22 Other current liabilities****GROUP AND PARENT COMPANY**

SEK M	Group		Parent Company	
	Dec 31. 2016	Dec 31. 2015	Dec 31. 2016	Dec 31. 2015
Employee withholding taxes	4.9	2.4	4.4	2.4
Software	—	0.9	—	—
Other	1.8	0.7	—	—
<b>Total</b>	<b>6.7</b>	<b>4.0</b>	<b>4.4</b>	<b>2.4</b>

**NOTE 23 Accrued expenses and deferred income****GROUP AND PARENT COMPANY**

SEK M	Group		Parent Company	
	Dec 31. 2016	Dec 31. 2015	Dec 31. 2016	Dec 31. 2015
Salaries	26.6	35.0	24.9	30.7
Social-security contributions	18.5	8.2	18.5	8.2
Material and production expenses	10.9	17.7	10.8	17.7
Director fees and company expenses	4.4	2.2	4.4	2.2
Selling costs	185.1	35.2	185.1	35.2
Audit	0.8	0.5	0.8	0.5
Other costs	11.9	2.4	7.3	2.2
<b>Total</b>	<b>258.2</b>	<b>101.2</b>	<b>251.8</b>	<b>96.7</b>

**NOTE 24 Financial risks and risk management****GROUP AND PARENT COMPANY**

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

Financial risk refers to fluctuations in the company's earnings and cash flow due to changes in exchange rates, interest rates and risks relating to refinancing and credit risks. 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 financial operations. Financial transactions and risks are managed by the Parent Company's finance function. The objective is 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 business activities.
- Optimize use of capital and cash flows.

**FUNDING RISK**

The funding risk comprises the risk that adverse variables impact the availability of funds and the cost of capital in the form 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 every month.

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 for financing the Group.

The aim is that the Group should be able to meet its financial commitments and to have the necessary preparedness well in advance. It should be possible to offset upswings and downturns without incurring significant unforeseeable costs. Available liquidity in the Group at year end amounted to SEK 1,162.2 M [1,031.3].

In accordance with the financial policy, there should always be sufficient cash and cash equivalents and confirmed credit lines to cover the liquidity requirements of the period immediately ahead. The company's financial liabilities consist of supplier credits, totaling SEK 821.6 M [548.5] with a short maturity of within one to two months.

**MARKET RISKS**

Market risk is the risk that the fair value or future cash flows of a financial instrument will vary due 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 comprise 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 in a bid to ensure that market risks will have only a marginal effect 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.

**CURRENCY RISK**

Currency risk is the term for 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 risks. 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 designated transaction exposure.

According to the financial policy, exchange-risks are not to be hedged. Currency exchanges of the net surplus in USD to SEK occur on continuous basis. The result includes currency exchange differences of SEK 45.8 M (loss: 3.8) in operating profit and no part of net financial income. Translation difference in cash will be recognized as financial expense as of 2017.

**TRANSACTION EXPOSURE**

The Group's transaction exposure pertaining to sales and material on the balance-sheet date was in the following currencies.

SEK M	Net flows
2016	
USD exposure expressed in SEK and Total	532.4
2015	
USD exposure expressed in SEK and Total	510.7

Transaction exposure has not been hedged.

**SENSITIVITY ANALYSIS**

A 10% appreciation of the SEK against other currencies on December 31, 2016 would have entailed a change of SEK 41.5 M [39.8] in shareholders' equity and in profit. The sensitivity analysis is based on all other factors remaining unchanged.

**COMMODITY PRICE RISK**

The raw-material cost of products could be impacted by price fluctuations, mainly for silicon. Silicon is the main component in the products. Historically, the price of silicon has not fluctuated to any significant degree and supply is favorable. Should supplies of silicon in the world market decrease, there is a risk of price increases. The price per unit of the company's purchases from external suppliers could thereby increase. There is no guarantee that FPC can subsequently pass on any higher costs to its customers. The inability to pass on higher costs to the company's customers could have a negative impact on the company's operations, earnings and financial position.

**CREDIT RISK**

Due to a relatively limited spread in the number of customers, with ten customers accounting for 99.47% of sales, the Group is exposed to credit risk pertaining to this. The Group is exposed to credit risk associated with the financial institutions where this has been placed.

**CREDIT RISKS IN ACCOUNTS RECEIVABLE**

The risk that the Group's/company's customers are unable to fulfill their obligations, meaning that payment is not received from customers, comprises a customer credit risk. The credit risk for the Group's customers is assessed and results in decisions for each transaction. For significant accounts receivable, the risk of credit losses is limited by taking out credit insurance or requesting other collateral from customers with low credit ratings or insufficient credit history. Based on historical data, the Group has concluded that no impairment of accounts receivable that have not yet fallen due for payment was necessary on the balance-sheet date. A provision of SEK 2.0 M has been posted for past due accounts receivable.

**MATURITY STRUCTURE OF PAST DUE, NON-IMPAIRED ACCOUNTS RECEIVABLE**

	Group		Parent Company	
	2016 Carrying amount, non-impaired receivables	2015 Carrying amount, non-impaired receivables	2016 Carrying amount, non-impaired receivables	2015 Carrying amount, non-impaired receivables
Group and Parent company SEK M				
Not past due accounts receivable	947.4	543.1	947.4	543.1
Past due accounts receivable 0 – 30 days	180.8	75.3	180.8	75.3
Past due accounts receivable 30 days – 90 days	3.8	0.7	3.8	0.7
Past due accounts receivable > 90 days	2.1	0.3	2.1	0.3
Provision for accounts receivable	-2.0	-1.5	-2.0	-1.5
<b>Total</b>	<b>1,132.1</b>	<b>617.9</b>	<b>1,132.1</b>	<b>617.9</b>



GROUP	Group						Parent Company					
	2016			2015			2016			2015		
	No of customers	% total, no. of customers	% of value	No. of customers	% total, no. of customers	% of value	No. of customers	% total, no. of customers	% of value	No. of customers	% total, no. of customers	% of value
Sales per year												
< SEK 1 M	66	76%	0.1%	80	83%	0.2%	66	76%	0.1%	80	83%	0.2%
SEK 1 – 10 M	10	12%	0.4%	6	6%	0.7%	10	12%	0.4%	6	6%	0.7%
> SEK 10 M	10	12%	99.5%	10	10%	99.1%	10	12%	99.5%	10	10%	99.1%
<b>Total</b>	<b>86</b>	<b>100%</b>	<b>100.0%</b>	<b>96</b>	<b>100%</b>	<b>100.0%</b>	<b>86</b>	<b>100%</b>	<b>100.0%</b>	<b>96</b>	<b>100%</b>	<b>100.0%</b>

During the year, the cost of bad debts was SEK 0.7 M (1.5).

## NOTE 25 Leasing

### OPERATIONAL LEASING

Leases where the company is the lessee SEK M	Group		Parent Company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Non-terminable leasing payments amounted to:				
Within one year	17.9	6.8	14.4	4.5
Between one and five years	15.6	6.1	10.9	3.1
<b>Total</b>	<b>33.5</b>	<b>12.9</b>	<b>25.3</b>	<b>7.6</b>

Operational leases comprise leases for premises. The largest leases will expire in 2018 and 2019, with the option of renegotiation and extension. The leases include continuous adjustments to track the consumer-price index or similar index.

### Leasing fees paid during the year pertaining to operational leasing:

SEK M	Group		Parent Company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Minimum leasing fees	16.7	11.5	12.5	7.2
Variable fees	—	—	—	—
<b>Total leasing costs</b>	<b>16.7</b>	<b>11.5</b>	<b>12.5</b>	<b>7.2</b>

## NOTE 26 Related parties

### PURCHASES OF GOODS/SERVICES FROM RELATED PARTIES

SEK M	Group		Parent Company	
	2016	2015	2016	2015
Purchases of services from subsidiaries	0.0	-0.3	-126.3	-58.3
<b>Total</b>	<b>0.0</b>	<b>-0.3</b>	<b>-126.3</b>	<b>-58.3</b>

### RECEIVABLES FROM- AND LIABILITIES TO RELATED PARTIES AT DECEMBER 31

SEK M	Group		Parent Company	
	2016	2015	2016	2015
Receivables on subsidiaries	—	—	2.5	4.3
Liabilities to subsidiaries	—	—	-9.2	-3.7

Transactions with related parties are priced on market terms.

No acquisitions were made in 2016

Transactions with key people in executive positions are limited to individual clearly delineated smaller consultancy assignments where specific expertise is required.

The Group has purchased services from Board members. Refer to Note 7 for remuneration of the Board and senior executives.

Transactions with senior executives have been effected in respect of the exercise of warrants in the T05 and T06 programs.

**NOTE 27 Group companies**

Parent Company's holdings in subsidiaries	Registered office of subsidiary, country	Shareholders' equity	Net result	Participating interest	
				2016	2015
Anacatum Design AB	Sweden	5.3	0.5	100%	100%
Fingerprint Card Korea Co., Ltd.	Korea	2.4	1.6	100%	100%
Fingerprint Cards ApS	Denmark	7.6	3.8	100%	100%
Fingerprint Cards China	China	3.6	1.0	100%	0%
Fingerprint Cards Inc	USA	3.5	2.4	100%	100%
Fingerprint Cards Taiwan Ltd	Taiwan	0.4	0.3	100%	0%
Fingerprint Security System Databärare AB	Sweden	2.2	-0.1	100%	100%

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

Subsidiaries / Corp. Reg. No.	Number of shares	Holding as a %	Dec 31, 2016		Dec 31, 2015	
			Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Anacatum Design AB, 556779-5371	24,466,668	100	1.0	1.0		
Fingerprint Card Korea Co., Ltd.	20,000	100	0.7	0.7		
Fingerprint Cards ApS	800	100	0.1	0.1		
Fingerprint Cards China	—	100	2.5	0.0		
Fingerprint Cards Inc	100	100	0.1	0.1		
Fingerprint Cards Taiwan Ltd	—	100	0.1	—		
Fingerprint Security System Databärare AB 556239-5938	1,000	100	0.7	0.7		
<b>Carrying amount, December 31</b>			<b>5.2</b>	<b>2.6</b>		

- Fingerprint Security System Data Carriers AB: The company has been a subsidiary since 1998. The company's operation have comprised safekeeping of the warrants issued by the Parent Company as part of incentive programs and that are not held by employees of the Fingerprint Cards Group. In 2016, the subsidiary managed the warrants acquired during 2013 as part of incentive programs conducted during 2013. Exercises from warrant programs were effected in February, March, November and December, whereby the company no longer had any warrants in Fingerprint Cards AB at year-end. The company has no employed staff and did not pay any salaries.
- Fingerprint Cards Aps in Denmark: The company was established in 2013. The business consists of technology development on behalf of the business in Sweden. All employees in Denmark are employed in Fingerprint Cards Aps. The operations and the number of employees in 2016 continued to grow.
- Anacatum Design AB in Sweden: All shares in the company were acquired in 2014. The company conducts limited activities and has no personnel employed.
- Fingerprint Inc. in the US The company was founded in 2014. The operations consist of marketing and technical support in the US market. All staff in the United States are employed by the American company.

- Fingerprint Cards Korea Ltd Company was established in 2015. The operations consist of marketing and technical support in the Korean market. All personnel in Korea are employed by the Korean company.
- Fingerprint Cards (Shanghai) Co., Ltd. in China: The company was formed in 2016. The operations consist of marketing and customer support on the Chinese market. All staff in China are employed by the Chinese company.
- Fingerprint Cards Taiwan Ltd. Taiwan Company was established in 2016. The operations consist of marketing and customer support in the Taiwanese market. All staff in Taiwan are employees of the Taiwanese company.

**NOTE 28 Statement of cash flows****CURRENT INVESTMENTS HAVE BEEN CLASSIFIED AS CASH AND CASH EQUIVALENTS BASED ON THE FOLLOWING:**

- They have an insignificant risk of value fluctuations
- They can be easily converted to cash funds
- They have a term of not more than three months from the acquisition date

SEK M	Group		Parent Company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
The following subcomponents are included in cash and cash equivalents:				
Cash and bank balances	1,162.2	1,031.30	1142.3	1,018.00
Total in accordance with the statement of financial position	1,162.2	1,031.30	1,142.3	1,018.00
<b>Total in accordance with the cash-flow statement</b>	<b>1,162.2</b>	<b>1,031.30</b>	<b>1,142.3</b>	<b>1,018.00</b>

**INTEREST PAID AND RECEIVED**

SEK M	Group		Parent Company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Interest received	1.4	0.1	1.4	0.1
Interest paid	-1.0	-0.4	-0.8	-0.4

**ADJUSTMENTS FOR NON-CASH ITEMS**

SEK M	Group		Parent Company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Depreciation, amortization and impairment	48.6	43.2	46.5	40.8
Transfer to tax allocation fund	—	—	650.0	—
Other	-34.0	0.0	-35.5	0.0
	<b>14.6</b>	<b>43.2</b>	<b>661.0</b>	<b>40.8</b>

**NOTE 29 Important estimates and assessments**

Company management has discussed with the Audit Committee the development, choice and disclosures regarding the Group's most important accounting policies and estimates and the application of these policies and estimates.

In 2015 and 2016, development expenditure was capitalized. The capitalization was based on the anticipated commercial potential of the products to which the expenses pertain. The estimates focused on determining how long the products would be able to generate earnings and, by their very nature, these estimates depend on trends in the market, the performance of competitors and technological developments.

**NOTE 30 Information regarding the Parent Company**

Fingerprint Cards AB (publ) (Parent Company) org. nr. 556154-2381 is a limited liability company registered in Sweden, with its registered office in Gothenburg, Västra Götaland, Sweden. The Parent Company's shares are registered on OMX Nasdaq. The address of the head office is Box 2412, SE-403 16 Gothenburg, Sweden and the visiting address is Kungssportsplatsen 2, Gothenburg, Sweden. The 2016 consolidated financial statements comprise the Parent Company and its subsidiaries, jointly designated "the Group".

**NOTE 31 Events after the balance-sheet date**

Lars Söderfjell steps down from the company's Board.

Fingerprints acquires Delta ID Inc.

Fingerprints' CFO, Johan Wilsby, to leave the company in July 2017.

Fingerprints is expecting a weaker first quarter and that the short-term challenges will persist in the second quarter. Consequently, the company has decided to refrain from making forecasts for the full year 2017. The dividend proposal that was previously communicated in the year-end report has been withdrawn.

**NOTE 32 Assets pledged**

Parent Company SEK M	Dec 31, 2016	Dec 31, 2015
Assets pledged for operating credit, bank balances	15	15

**NOTE 33 Other long-term liabilities**

Group SEK M	Dec 31, 2016	Dec 31, 2015
<b>Accumulated liabilities</b>		
Opening balance	—	0.2
Amortization for the year	—	-0.2
Closing balance	—	—
<b>Carrying amounts</b>		
At the beginning of the year	—	0.2
At end of year	—	0

Other long-term liabilities refer to the long-term parts of financing obtained through financial leasing.

**NOTE 34 Development expenditure**

In 2016, the Group's expenses for technological development and patents increased to SEK 367.0 M (193.8), of which SEK 62.8 M (17.2) has been capitalized in the Consolidated statement of financial position and the remaining SEK 304.2 M (176.6) has been expensed. Correspondingly for the Parent Company in 2016, expenses for technological development increased to SEK 367.0 M (198.5), of which SEK 62.8 M (17.2) has been capitalized in the Parent Company's balance sheet, and the remaining SEK 304.2 M (181.3) has been expensed in the Parent Company's income statement. In 2016, expenses related to technological development and patents as a proportion of total operating expenses, excluding the cost of materials but including capitalized development expenditure, amounted for the Group to SEK 367.0 M (193.8) of a total SEK 610.4 M (393.7), representing 60% (49). In the Parent Company, the equivalent portion in 2016 amounted to SEK 367.0 M (198.5) of a total SEK 622.1 M (398.9), representing 59% (50).

**NOTE 35 Business combinations (after the balance-sheet date)****DELTA ID INC.**

On February 1, 2017, Fingerprints concluded an agreement concerning the acquisition of Delta ID Inc. When the acquisition has been completed, Fingerprints will own and consolidate 100% of the share capital of Delta ID Inc. The cash consideration, which corresponds to USD 106 M (approx. SEK 938 M) is subject to certain deferring terms and conditions, based on the future commitment of its management over the coming two years. A contingent consideration of up to USD 14 M (approx. SEK 124 M) may be paid by Fingerprints should Delta ID's revenues exceed the forecast for 2017. The acquisition will be financed with own funds, and by raising loans.

As a result of the acquisition, Fingerprints broadens its technology portfolio by adding biometric security solutions based on the human eye. The acquisition is subject to approval by relevant authorities and is expected to be completed during spring 2017.

Financial statements on the takeover of the company had not been established when this Annual Report was approved for publication. The acquisition will generate a surplus value of about USD 105 M. Work on allocating the surplus value will be initiated and it will be reported in the interim report on the second quarter of 2017, which will be published on July 21, 2017.

**NOTE 36 Proposed treatment of the company's accumulated profit**

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

Share premium reserve	79,453,249	SEK
Retained earnings	0.00	SEK
Net profit for the year	1,518,408,207	SEK
<b>Total</b>	<b>1,597,861,456</b>	<b>SEK</b>

The Board proposes that the net profit for the year, as well as unrestricted funds and retained earnings, be treated as follows:

To be carried forward	1,597,861,456	SEK
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## Assurance by the Board

The Board of Directors and President hereby give their assurance that the Annual Report has been prepared in accordance with generally accepted accounting policies in Sweden and that the consolidated financial statements 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 July 19, 2002 on the application of international accounting standards. The Annual Report and the consolidated financial statements provide a true and fair view of the Parent Company's and the Group's financial position and earnings. The Administration Report for the

Parent Company and the Group provides a fair review of the performance of the Parent Company's and the Group's operations, financial position and earnings, and describes the significant risks and uncertainties faced by the Parent Company and the companies included in the Group. The Annual Report and Consolidated Accounts have, as stated above, been approved for issue by the Board on March 29, 2017. The consolidated statement of comprehensive income and statement of financial position and the Parent Company's income statement and balance sheet will be subject to adoption by the Annual General Meeting on April 20, 2017.

Gothenburg, March 29, 2017

Jan Wäreby  
Chairman of the Board

Katarina Bonde  
Board member

Peter Carlsson  
Board member

Urban Fagerstedt  
Board member

Michael Hallén  
Board member

Åsa Hedin  
Board member

Tomas Mikaelsson  
Board member

Carl-Johan von Plomgren  
Board member

Our audit report was submitted on March 29, 2017

KPMG

Johan Kratz  
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 2016. The annual accounts and consolidated accounts of the company are included on pages 58–90 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 2016 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 2016 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.

### 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.

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 an-

nual 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.

### 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

See disclosure 2 and 4 and accounting principles on pages 72–75 in the annual account and consolidated accounts for detailed information and description of the matter.

### Description of key audit matter

Revenue during 2016 for the group and the parent company amounted to 6 638 MSEK. Revenue refers to agreements with customers concerning delivery of goods.

Revenue from the sale of goods is recognized in the profit and loss when the material risks and benefits associated with ownership of the products have been transferred to the purchaser. Here at is considered any uncertainty concerning payment, associated cost, risk returns or if the seller retains a commitment to the ongoing management that is usually associated with ownership.

Terms associated with delivery of goods, and the elements of judgment and estimates that thereby are included in the recognition of revenue, makes this a key audit matter in our audit. The risk is that these revenues might be over- or understated and that every adjustment of the value will have a direct impact on the profit and loss.

### Response in the audit

We have taken part of the current terms of agreement to assess the group's recognition of revenue from the sale of goods.

We have tested controls aimed at cut-off of revenue. We have also assessed the timing of recognition

of revenue from the sale of goods based on when the goods have been delivered and the terms associated with delivery, partly through sample tests and partly by testing the precision in the methodology based on historical outcome.

### Valuation of inventories

See disclosure 17 and accounting principles on pages 72–75 in the annual account and consolidated accounts for detailed information and description of the matter.

### Description of key audit matter

Inventories in the group and in the parent company amounts to 673 MSEK which is 19% of total assets. Inventories consists of both products in process and finished products.

The group's products are brought to market on a market where the rate of change is high as new product versions are launched continuously. Calculation of obsolescence in inventory comprises significant elements of judgment and thereby constitutes a key audit matter in our audit. The risk is that this obsolescence might be over- or understated and that every adjustment of the provision for obsolete inventories will have a direct impact on the profit and loss.

### Response in the audit

We have taken part of the group's assessment of the necessary provision for obsolescence in inventory.

We have evaluated the group's process for assessing the provision for putative obsolescence and tested thereto relevant controls.

We have challenged the group's assessment and assumptions regarding the provision for obsolescence. This have primarily been done by assessing the group's assessment of future sales and statistics over historical obsolescence by evaluating the precision in the group's assessments previous years. This assessment has been performed on an item level.

### 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 1–57 and 93–96. 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 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 or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**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 2016 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
- in 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 the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Gothenburg, March 29 2017  
KPMG AB

Johan Kratz  
Authorized Public Accountant

## Ten-year Summary

Statement of income	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues, SEK M	6,638.3	2,900.5	233.6	95.4	10.3	68.6	60.9	38.5	27.5	20.7
Gross profit, SEK M	3,165.3	1,255.3	71.6	39.2	-5.7	-37.0	20.4	6.0	-1.0	-12.5
Gross margin, %	48	43	31	41	-55	-46	33	16	-17	-60
Operating profit, SEK M	2,613.1	910.3	-145.2	-34.0	-38.7	2.7	1.6	-24.7	-24.1	-35.4
Operating margin, %	39	31	-62	-36	-375	5	3	-64	-88	-171
Profit for the year, SEK M	2,034.7	798.3	-144.0	-32.9	-38.1	3.4	2.0	-24.6	-23.3	-34.2
Profit margin, %	31	28	-62	-35	-375	5	3	-64	-85	-165
Depreciation and amortization, SEK M	-48.6	-43.4	-32.1	-12.6	-10.8	-4.9	-6.4	-4.1	-3.5	-2.8
Impairment, SEK M	—	—	-29.5	—	—	—	—	-5.9	—	—
EBITDA, SEK M	2,661.7	953.7	-83.6	-21.4	-27.9	8.2	8.3	-14.7	-20.8	-32.7

### Financial position - balance sheet

Intangible fixed assets, SEK M	71.4	49.7	69.8	54.3	29.1	28.2	22.9	12.3	20.8	16.4
Tangible fixed assets, SEK M	29.2	20.6	18.8	5.4	4.8	4.2	3.7	0.3	0.3	0.3
Financial fixed assets, SEK M	—	1.0	—	—	—	0.9	—	—	—	—
Inventories, SEK M	672.7	153.0	98.8	19.9	11.4	4.3	7.9	9.1	15.4	18
Accounts receivable, SEK M	1,132.1	617.9	115.8	31.1	6.2	53	17.2	9.7	8.4	4
Other receivables + Prepaid expenses, SEK M	435.4	36.6	19.5	10.1	3.1	3.2	3.8	2.3	1.4	1.6
Cash and cash equivalents + Current investments, SEK M	1,162.2	1,031.3	101.9	211.7	60.6	23	30.8	50.1	22.7	33.8
Shareholders' equity, SEK M	2,226.1	1,146.8	301.1	289.7	101.9	106.3	78	74.3	58.1	67.2
Deferred tax liability, SEK M	136.3	—	—	—	—	1.2	—	—	—	—
Non-current liabilities, SEK M	—	—	0.2	0.4	0.7	—	—	—	—	—
Current liabilities, SEK M	1,140.6	763.2	123.3	42.3	12.7	9.3	8.3	9.5	10.9	6.9
Working capital, SEK M	2,261.8	1,075.6	212.7	230.5	68.6	74.2	51.4	61.7	37	50.5
Balance-sheet total, SEK M	3,503	1,910.1	424.6	332.5	115.3	116.8	86.3	83.8	69	74.1
Inventory turnover rate, days	43	29	132	94	181	74	103	154	211	188
Average credit period, days	47	46	113	99	1,035	184	80	85	81	44
Return on capital employed, %	117	126	-48	-12	-44	3	2.6	-33	-40	-51
Return on shareholders' equity, %	121	110	-48	-12	-44	3	2.6	-132	-160	-204
Return on capital employed, %	75	78	-34	-10	-38	3	2.3	-117	-135	-185
Equity/asset ratio, %	64	60	71	87	87	91	90	89	84	91

### 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 the 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 days.

**Average number of shares.** Average number of shares during 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.

#### Average number of shares at the end of the period.

Number of shares less treasury shares at the end of the period.

**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 for materials, production expenses and amortization according to plan of capitalized development expenditure.

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

**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.

<b>Cash flow</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Cash flow from operating activities, SEK M	1,130.3	910.4	-174.2	-28.8	14.5	-22.2	-0.6	-11.3	-17.1	-31.9
Cash flow from investing activities, SEK M	-78.3	-26.0	-90.6	-38.3	-11.4	-11.7	-20.4	-1.5	-7.8	-5.5
Cash flow from financing activities, SEK M	-955.7	47.4	155	220.5	34.5	24.9	1.8	40.3	13.7	0
Cash flow for the year, SEK M	96.3	931.8	-109.8	151.1	37.6	-7.8	-19.3	27.5	-11.2	37.4
<b>Shares</b>										
Earnings per share, SEK	6.40	2.53	-0.49	-0.12	-0.17	0.02	0.01	-0.22	-0.24	-0.36
Earnings per share after full dilution, SEK	6.33	2.48	-0.49	-0.12	-0.17	0.02	0.01	-0.22	-0.24	-0.36
Cash and cash equivalents + investment at year-end/share, SEK	3.71	3.26	0.35	0.83	0.17	0.11	0.16	0.25	0.37	0.56
Equity per share, SEK	7.11	3.63	1.03	1.06	0.47	0.49	0.39	0.65	0.61	0.7
Equity per share, after full conversion, SEK	7.09	3.57	0.97	1.04	0.47	0.5	0.39	0.65	0.61	0.7
Cash flow from operations per average number of shares, SEK	3.56	2.86	-0.61	-0.11	0.14	-0.1	0	-0.1	-0.18	-0.33
Shares at end of period, thousands	313,967	316,196	292,106	270,806	239,041	218,048	198,348	198,348	60,764	60,764
Average number of shares during the year, thousands	317,727	315,349	287,574	254,470	228,841	216,943	210,719	89,283	101,419	101,419
Number of shares after dilution, average, thousands	321,409	321,372	310,306	276,441	230,362	216,943	210,719	89,283	101,419	101,419
Dividend per share, SEK	0	0	0	0	0	0	0	0	0	0
Share price at year-end, SEK	62.85	118.2	7	10.9	2.5	1.9	1.8	0.7	0.5	2.6
Market capitalization at year-end, SEK M	19.733	37.374	2.033	2.938	559	406	355	131	56	160
Employees at year-end	306	150	104	48	19	19	19	13	13	12

**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 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 period.** Profit after financial income/expenses and tax.

**Return on equity.** Profit for the period in relation to average equity for the period. Average 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.** This shows the increase in revenues compared with the corresponding year-earlier period shown as a percentage.

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

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

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



# Shareholder information

## FINGERPRINTS' WEBSITE FOR INVESTORS

At [www.fingerprints.com](http://www.fingerprints.com), there is up-to-date company, share and insider information, financial reports and a press-release archive, as well as opportunities to subscribe for reports and press release. The Annual Report is available at Fingerprints' website.

For the sake of the environment and expenses, Fingerprints has chosen not to distribute a physical copy of the Annual Report to shareholders. Annual reports, interim reports and press releases are available at the company's website for investors.

## FUTURE REPORTING DATES

- Interim Report Q1 2017 January–March: May 4, 2017
- Interim Report Q2 2017 April–June: July 21, 2017
- Interim Report Q3 2017 July–September: October 26, 2017

## REGISTRATION

Shareholders wishing to attend the AGM must be entered in the share register maintained by Euroclear Sweden AB by Wednesday, April 12, 2017, and notify the company of their intention to attend the Meeting not later than on April 12, at 4.00 p.m. at the following address: company website: [www.fingerprints.com/arsstamma](http://www.fingerprints.com/arsstamma), or by phone +46 8 518 01 553 or to the address Fingerprint Cards AB c/o Computershare, Box 610, SE 182 16 Danderyd.

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# 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 MODULE

Module with fingerprint sensors together with a biometric processor, storage of a fingerprint template and software.

## CHIP

A piece of silicon in which the integrated circuit is embedded, such as a sensor chip. Normally, a silicon wafer is cut 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 as a built-in part of this new product/these new 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 a multitude.

## THE 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 in the open market

## SMART CARD

Plastic card equipped with a chip, an embedded circuit card with information about the card and its owner.

## SMARTPHONE/ TABLET

A combined mobile phone and handheld computer which, via mobile broadband, is linked to the Internet. A smartphone has a complete mobile operating system that is transferable between various devices and that enables the user to easily install mobile apps, which are small third-party programs that expand the phone's functionality.

## TEMPLATE

An arrangement of unique data that represents a certain fingerprint.

## TOUCH SENSORS

A sensor that scans the fingerprint directly when the finger top touches the sensor surface; compare with swipe sensor.

## WAFER

A thin circular slice of silicon containing a number of integrated circuits, such as sensor chips.

## VERIFICATION

The comparison of compiled biometric data with a given template for the purpose of verifying the matching of the two. This enables the authentication of an individual to be made with a high degree of certainty.

# WHEN WAS THE LAST TIME YOU FORGOT YOUR FINGER?

WE BELIEVE IN A WORLD WHERE YOU ARE THE KEY TO EVERYTHING.



## FINGERPRINTS

Fingerprints is a world-leading biometrics company. We believe in a secure and seamless universe where you are the key to everything. Our solutions are found in millions of devices and are used billions of times, every day, providing safe and convenient identification and authentication with a human touch.

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