



## Record year

Revenues amounted to SEK 2,901 M,  
up 1,142%.

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## More customer segments

FPC sees favorable opportunities above  
and beyond the smartphone market.

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## Enhancing development capacity

FPC is increasing its investments in order  
to accelerate its innovativeness.

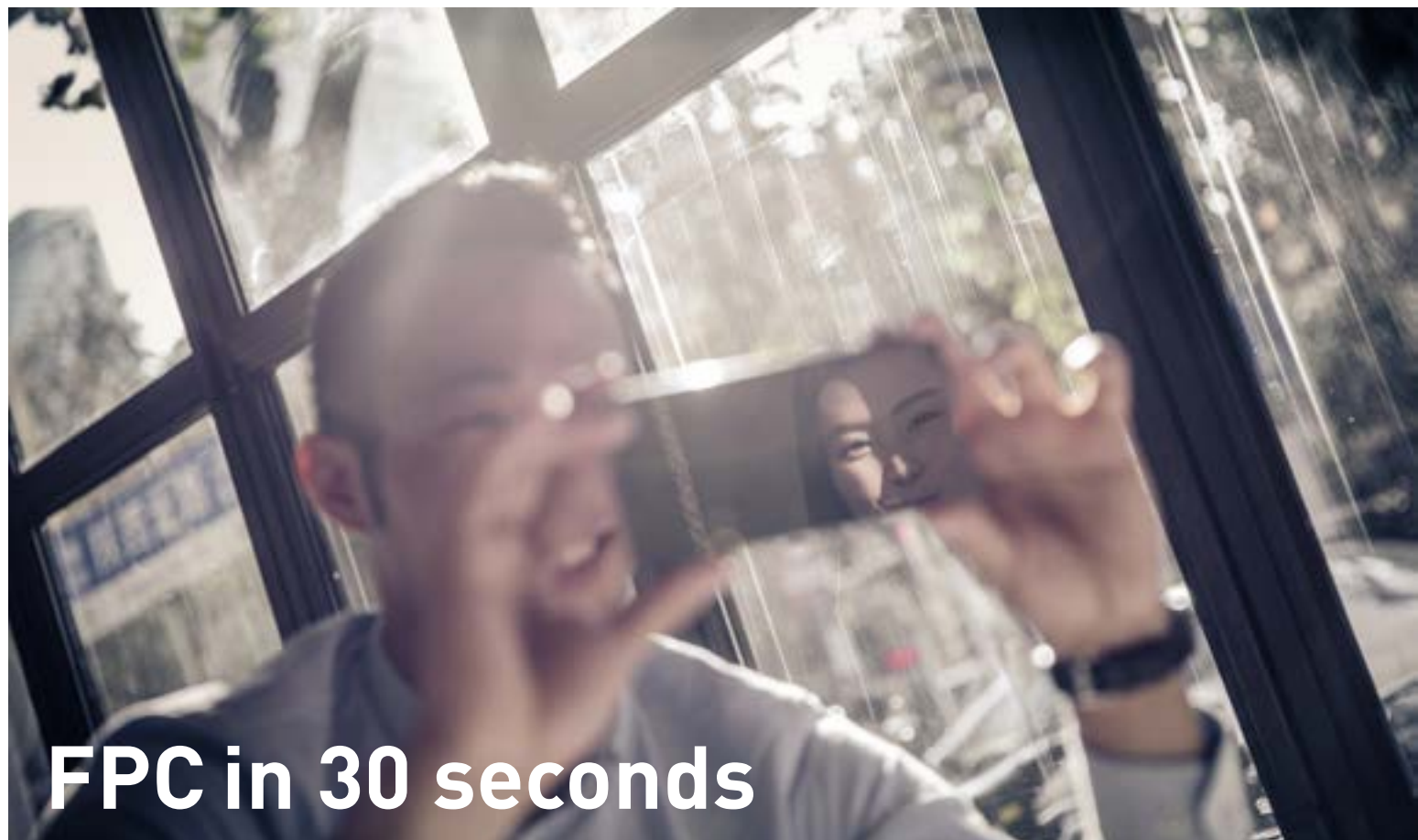
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A close-up photograph of a woman's face and hands holding a silver smartphone. She is looking at the phone with a slight smile. The background is blurred.

Annual Report  
2015

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## FPC in 30 seconds

Fingerprint Cards AB, FPC, is a publicly traded, globally active, high-tech company whose operations are based on biometric system solutions designed for mass-market applications using an individual's unique fingerprint as the point of departure. The company offers a combination of highly processed hardware and software that creates market-differentiating opportunities for the customer and a high degree of user-friendliness and integrity protection for the end user.

The company pursues the significant parts of the value chain on a proprietary basis: technological development and global marketing and sales. The hardware is produced externally. The main markets are smartphone/tablet and other vertical markets in which the company's products can be integrated. Prioritized markets are smartcards, the automotive industry and the Internet of Things i.e. online equipment.



With products  
that have  
market-leading  
characteristics

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## FPC creates value

### For our customers

Products with market-leading characteristics that permit the manufacturer to pursue differentiating marketing all on the basis of unique user-friendliness for the end user.

[Read more about FPC's products on page 23 and its solutions on page 18.](#)

### For partners

With attractive collaborative and development opportunities that provide the potential to grow in pace with FPC's successes in the market

[Read more about FPC's products on page 12.](#)

### For the shareholder

With ownership in a company with a strong investment case.

[Read more about FPC's products on page 39.](#)

### For society

By contributing to the ecosystem for transactions by providing safe and integrity-protecting verification for both transaction-rich markets and countries where there are shortcomings in the established banking and transfer-payments system.

[Read more about FPC's sustainability efforts on page 37.](#)

### For the end user/individual

With user-friendly intuitive characteristics that contribute to the comfort and integrity of the user.

[Read more about FPC's sustainability solutions on page 18.](#)

### For the employee

As a development-intensive high-tech company active in a global market hallmarked by challenging and rewarding assignments in a multitude of disciplines, together with opportunities to interact with other regions and cultures.

[Read more about FPC's development on page 23 and its organization on page 30.](#)

# The year in brief

1 million

touch sensors delivered per working day in December

SEK 12.62  
earnings per share

FPC's touch sensors featured in 55 smartphones for 23 OEMs (during 2015)

SEK 910.3 M  
operating profit

SEK 2,901 M  
Revenues, + 1,142%

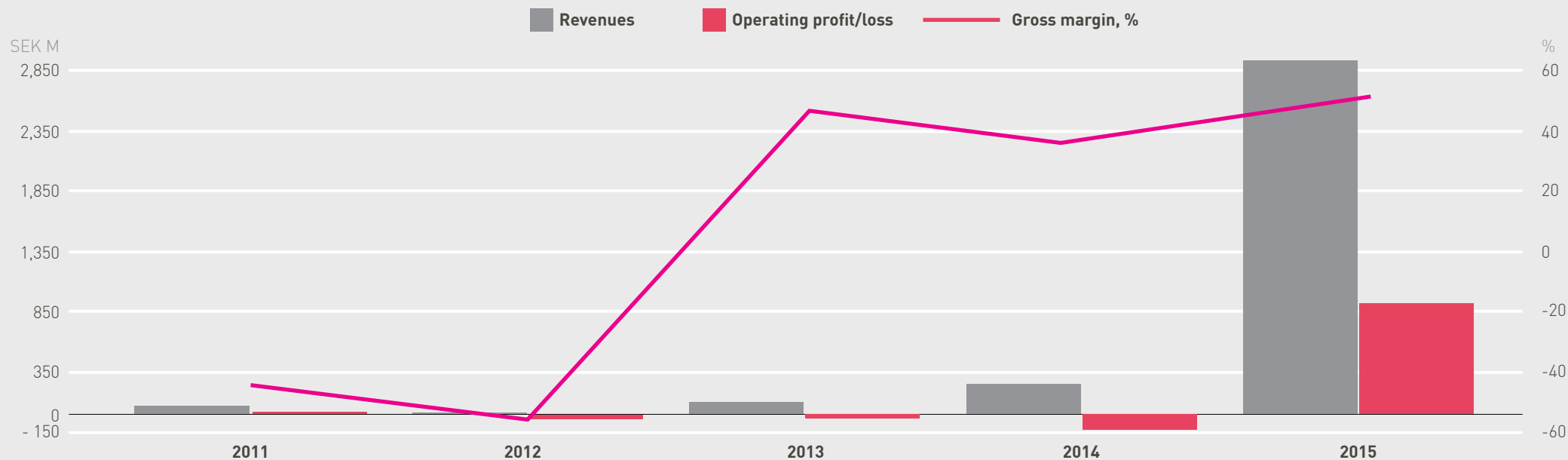
Sharp increase in delivery capacity

43%  
gross margin

254  
employees  
(175 at the start of 2014)

## The year in brief

	2011	2012	2013	2014	2015
Revenues, SEK M	68.6	10.3	95.4	233.6	2,900.5
Gross profit, SEK M	-37	-5.7	39.2	71.6	1,255.3
Gross margin, %	46	-55	41	31	43
Operating profit/loss, SEK M	2.7	-38.7	-34	-145.2	910.3
Operating margin, %	5	-375	-36	-62	31
EBITDA, SEK M	8.2	-27.9	-21.4	-83.6	953.7
Profit/loss before tax, SEK M	3.4	-38.1	-32.9	-143.6	910.0
Net profit/loss for the year, SEK M	3.4	-38.1	-32.9	-144.0	798.3
Earnings per share, SEK	0.08	-0.84	-0.65	-2.52	12.62
Equity/asset ratio, %	91	87	87	71	60
Employees, number	18	21	80	175	254



## Significant events

### First quarter, 2015:

- FPC 1140 and FPC 1145 touch sensors introduced.
- Fingerprint Cards and O-Film cooperate on touch sensors.
- Executive Management Group strengthened through appointment of Henrik Sundell as Legal Counsel.
- FPC1145 touch sensor demonstrated at Mobile World Congress.
- Order for touch sensors valued at SEK 165 M.

### Second quarter 2015:

- FPC's touch sensors included in following launches: Yulong's Coolpad Tiptop Pro, Oppo's smartphone R7 Plus, Gionee's smartphone Elife E8, Meizu's smartphone MX5 and Huawei's smartphone Honor 7.
- Google's pre-release of Android M features support for FPC's fingerprint sensors.
- Fingerprint Cards' smallest touch sensors to date introduced.
- Orders for touch sensors totaling SEK 950 M secured during the quarter.
- Johan Carlström steps down and Acting CEO Jörgen Lantto is appointed Chief Executive Officer of Fingerprint Cards AB.
- Fingerprint Cards raises the sales forecast for the second quarter of 2015 and full-year 2015.
- Executive Management Group strengthened through appointment of Johan Wilsby as new CFO and Mikael Jönsson as VP Product Management.

### Third quarter 2015:

- FPC's touch sensors included in the following launches: Google's Nexus 5X and Nexus 6P, ZTE's Axon Mini smartphone, Meizu's Pro 5, ivvi's smartphone smartphone K2 and Huawei's Mate S and G8 smartphones.
- Touch sensors under glass launched.
- Exercise of warrants during September. Number of Class B shares up 3,553,000.
- Fingerprint Cards clarifies changed information disclosure.

### Fourth quarter 2015:

- FPC's touch sensors included in the following launches: Vivo's X6 and X6 Plus smartphones, Xiaomi's Red Mi Note 3 smartphone, Lenovo's X3 and X3 Youth smartphones and LG's V10 smartphone.
- Revenue guidance for 2016 announced on December 9, 2015.
- Ownership change of Class A shares in Fingerprint Cards AB
- Exercise of warrants during October 2015. Number of Class B shares 1,265,000.

### Notable events after year-end

#### January-March 15, 2016

- **FPC** and other leading companies in the industry have developed jointly solutions for the automotive industry.
- **FPC** introduces a new solution that detects that a finger is live which further enhances the security of fingerprint sensors.
- **FPC touch sensors included in Huawei's** tMedia-Pad M2 tablet and 2-i-1 product MateBook, LG's G5 smartphone and iaomi's Mi5 smartphone.
- **FPC launches** touch sensors under display glass.
- **FPC och TPK** integrate FPC1268 under display glass in a smartphone.
- **Zwipe och Fingerprint Cards** enter into strategic partnership.
- **An increase in the number of shares** by 1,300,000 Class B shares, following which the number of Class B shares totals 63,339,135 with the number of Class A shares remaining unchanged at 1,200,000, making a total of 64,539,135 shares.

# Interview with the CEO

We definitively have a future that remains favorable

## To start with, what is your opinion of 2015

2015 was definitely our breakthrough year, which showed the strength of our business. From a relatively cautious approach among our smartphone manufacturers during 2014, not only interest but also significant demand was awakened, and demand that we were well positioned for.

I also believe that our successes were due to the fact that we were already equipped for rapidly rising demand. This enabled us to both deliver, while simultaneously increasing customer volume.



## How will you be able to continue to achieve success?

Our biometric systems help customers generate successes from their products by creating a positive user experience. We aim to continue to provide superior products to the market and, by so doing, to maintain our position as the market leader. Our healthy earnings trend has enabled us to build up financial strength and we can therefore invest in product development and further strengthening our manufacturing capacity.

We also have contingencies in place to make acquisitions of complementary technology.

## Where will this market exist?

We view the smartphone market as a contin-

ued major market for us. Meanwhile, demand is beginning to increase in other market segments. We are planning for commercial launches of smartcards during 2016. The automotive industry is another exciting volume market in which we anticipate sharply increased use of fingerprint technology in all types of vehicles. The Internet of Things, meaning all online electronics involving human interaction, will be a growing phenomenon. Examples include wearables, portable equipment and smartwatches. On the whole, we believe that these market segments will reach approximately the same volume in 2018 as the smartphone market for fingerprint technology will achieve in 2016. I feel comfortable with my volume assessment of the smartphone market. We are in daily discussions with smartphones manufacturers, which results in good visibility in terms of their plans. Therefore, we have good conditions for continuous market size estimate.

## In addition to customer collaborations, you have entered into a number of exciting strategic partnerships with other players – can you comment on this?

We feel that these strategic partnerships, whereby the technologies of two or more parties enable and enhance offerings in new market segments, offer solid business opportunities. Based on the strong respective market positions of Zwipec and FPC in biometrics and smartcard

technology, this partnership is naturally targeted at specific smartcard markets. Another example is our offering to OEMs in the field of wearables. Here, we're creating a joint solution based on algorithms from Precise Biometrics, secure storage of biometric data together with Gemalto and energy-efficient microprocessors from STMicroelectronics.

## FPC is growing and becoming a larger company; what does this mean?

Economies of scale. As our development organization grows, our expertise is widened and deepened. This in turn benefits our technology, which can be further developed through improved performance and additional functions. At the same time, the technology can be sold to several different market segments. Increasing numbers of customer projects are providing us with market insight and the ability to be proactive. A larger organization also adds to our commercial ability; quite simply, we can sell more to more customers.

A growing customer base means that our eggs are spread in more baskets, at the same time as we build more valuable customer relations.

As I have just said, it also gives us financial strength that leads to independence and more freedom of action.

As a result of our growing order volume with chip manufacturers, we become a priority customer in a market in which it takes a long time to increase delivery capacity. We have

significantly strengthened our cooperation with module suppliers that are an important part of our value chain. Our success has contributed to the same for our module partners, which makes us an attractive partner. The key to building a successful ecosystem is that our partners can successfully run their own business in cooperation with us. This is where we have established a very strong position. Our customers can choose us knowing that we can deliver in line with their needs.

### **What is your view on vertical integration?**

We have a good control over our value chain, since we control all of its links. This gives us a platform for continued leadership. Since the development of our range occurs entirely within the company, our products are exposed to very few external dependencies. What we develop is not hardware; it is a biometric system solution that creates differentiation opportunities for us and our customers. We are a fabless manufacturer; i.e. we have no proprietary production. However, we have created a strong position among our suppliers, which strengthens the manufacturing links in the value chain. We both market and sell our products on a proprietary basis. Since our products are not replaceable goods, but a solution that has to be integrated in a many times more complex environment, we have opportunities to build relationships and strengthen our position with customers.

### **What is your principal asset?**

An easy question – our employees. It is thanks to their expertise and skills that we have

reached our current position. But not just that – our employees are driven by the will to progress much further. The only limit is set by our joint creativity. This makes us all very motivated.

### **Where will fingerprint technology be found in ten years' time?**

In ten years, fingerprint technology will be a natural feature of our daily lives; a day without codes and pin codes. We can already see the contours. Fingerprint technology is becoming increasingly standard in smartphones. Smartcards are starting to be available on the market already this year and vehicles will be connected to the Internet – the Internet of Things exists already and our technology will be a natural feature. In ten years, the technology will be a part of a fully integrated ecosystem that facilitates our daily lives. We will pay our bills, log in to computers and the Internet, open cars and our homes and activate alarms at home and at work with a fingerprint. In other words, the list of daily occasions is endless.

### **Your rate of expansion is impressive – what are your main challenges?**

I am humble and I know that we face a number of challenges. We're active in a growing market that many others want to penetrate. We must continuously take actions in relation to what other players do. One challenge is to be able to continue to attract and retain the best talent in order to develop the best solutions and find a market for them. Ensuring that our customers remain satisfied is definitely a prerequisite for further success. We really want to continue to climb the positive spiral.



### **How will you achieve this?**

By understanding the difference between what we can and cannot influence. We can definitely influence our own development. We create opportunities through our daily work and we have no intention whatsoever of easing off.

**This gives us a platform for continued leadership.**

# Business concept, objectives and strategies

**Vision**

People are identified on any device by a simple touch.

**Mission**

FPC is leading the development of biometric identification enabling the individual's convenience and privacy.

**Business Concept**

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

**Core values**

FPC has four core values that must shape the attitudes and approach of the employees to each other in their daily work and in the desire to realize the company's vision.

- Smart
- Brave
- Open
- United

**Forecast**

FPC only provides full-year forecasts. According to the revenue guidance communicated in connection with the 2015 year-end report, revenues in 2016 are estimated to be in the range of SEK 7,000-8,500 M. The foundation for this forecast is the market visibility with respect to the expected smartphone launches in 2016 in combination with continued strong competitiveness.

The operating margin for 2016 is estimated to exceed the operating margin of 37% achieved in the second half of 2015.

FPC estimates that the penetration of fingerprint sensors in smartphones, including Apple, will continue to rise during the full-year 2016 to slightly more than 50%. The penetration rate for full-year 2015 is estimated slightly exceed 30%.

FPC estimates that in 2016 the company will outperform the market, excluding Apple, in terms of growth, and that the company's estimated market share in terms of value for the full-year 2016 will increase from 45% at the end of 2015 to 50-70%. During 2016, the smartphone segment is expected to account for by far the majority of FPC's revenues. The estimated market value includes FPC's customer offering and products from the company's direct competitors, as well as segments other than smartphones, but does

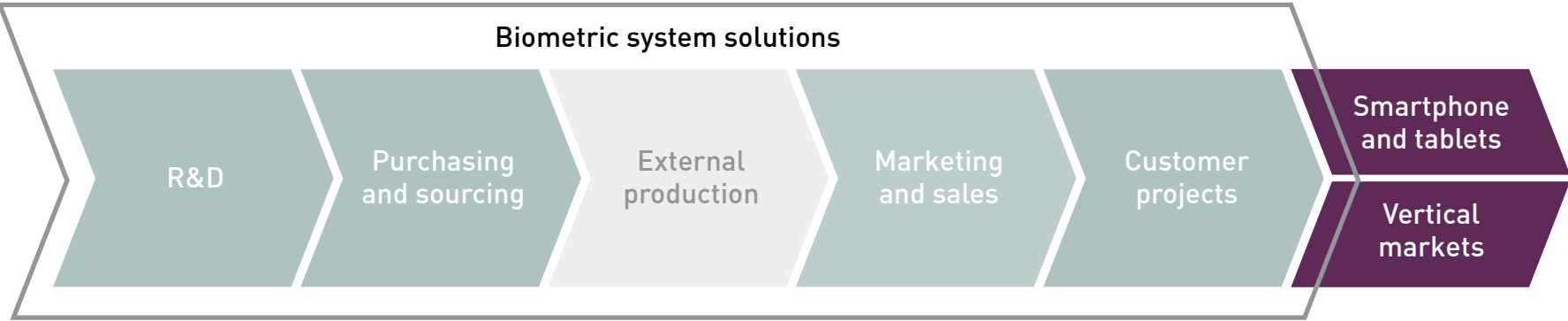
not include fingerprint sensor modules and products from Apple.

Other market segments, particularly smart-cards, will become a reality and start to grow during 2016 and are estimated to represent a substantial share of the market for fingerprint sensors starting in 2017.

[Read more about the market on page 27.](#)

**Outcome of revenue guidance provided in November 2015**

FPC provided revenue guidance for the full-year 2015 of sales of SEK 2,750-2,850 M. The outcome was SEK 2,901 M. The higher sales were mainly attributable to successes for the company's products in the mobile phone market and the continued launch of additional touch sensors for smartphones in the global market, as well as the increased penetration of fingerprint technology on a wide front.





# Objectives



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## Financial

FPC aims to continue to combine substantial growth with profitability.

[Read more in the Interview with the CEO on page 4](#)



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## Market position

FPC aims to strengthen its position as a high value-adding partner in biometric systems.

FPC aims to strengthen its market-leading position in the market for mobile phones and thus outperform the market in general in terms of growth based on increasing penetration of fingerprint sensors .

FPC will grow in additional vertical markets, primarily the markets for smartcards and automotive applications.



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## Sustainability

During 2016, frameworks, policies and objectives will be deployed for integrated sustainability efforts.

## Strategies

**Growth strategy**  
Fingerprint Cards aims to primarily grow organically and through complementary acquisitions. The company will grow in multiple dimensions.

**With existing system solutions for existing customer segments.** FPC sees a clear potential to expand its customer base as fingerprint technology continues to penetrate the market.

**New customer segments with existing system solutions.** FPC sees tremendous potential to capitalize on its economies of scale in applications of the company's biometric system solutions in multiple customer segments. The market for smartcards is next in line. FPC also sees opportunities in multiple other application areas – in the automotive industry, the access and time reporting industry, the healthcare sector and the Internet of Things, including wearable devices. New solutions and features for existing customers. Development efforts have been expanded, and they have the potential to create new offerings through continued exploration of the technology.

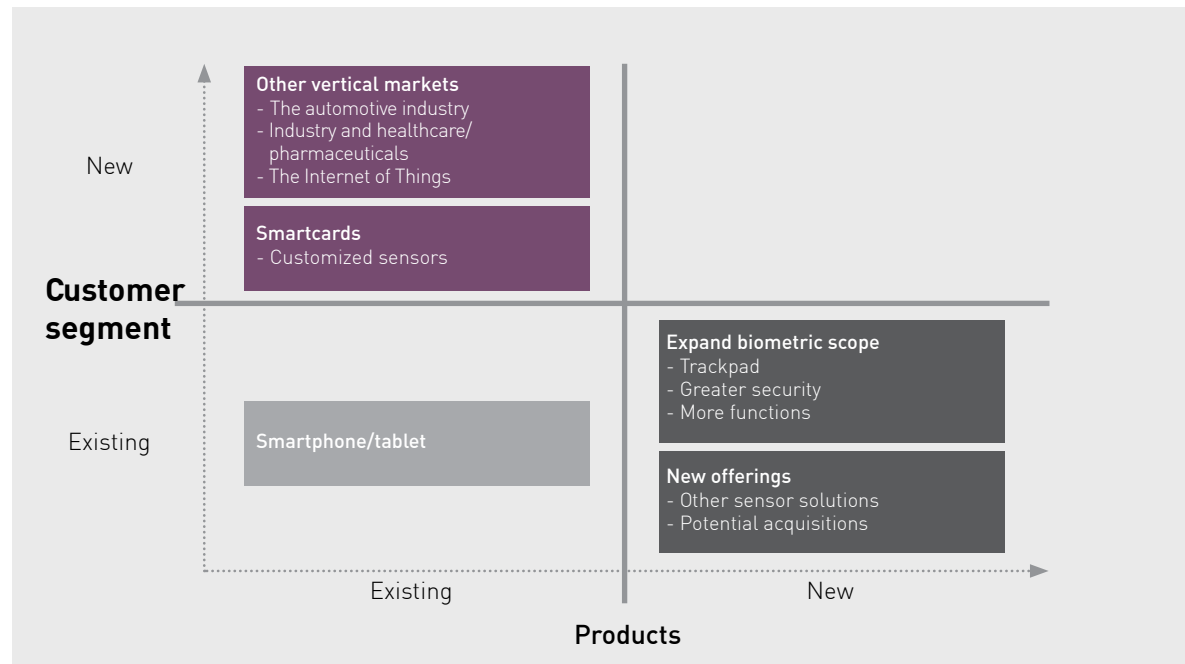
Development efforts have been expanded, and they have the potential to create new offerings through continued exploration of the technology.

**New solutions for new customer segments.** FPC sees opportunities to ultimately penetrate new markets with new solutions. However the company is continuously evaluating complementary acquisitions that would add value to its product development and/or market presence.

### Activities

FPC is upping the pace of development, strengthening its delivery capacity and expanding its marketing.

[Read more about FPC's value chain and business model on page 12.](#)





FPC occupies  
a strong  
position in  
the Chinese  
market.

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**New customer segments with existing solutions.**

### Product strategy

FPC aims to be a high-value-adding supplier of biometric systems for fingerprint verification in the form of hardware and software.

FPC's 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.

#### Activities

Product development is creating more flexible integration solutions and improved performance of hardware, as well as software development for improved functionality, thus giving customers the opportunity to differentiate themselves.

[Read more about FPC's solutions on page 18.](#)

### Development strategy

FPC is increasing its development efforts aimed at technologies that increase security and improve the end-user experience for customers in the smartphone/tablet segment and other vertical markets. FPC's development is focused on the core aspects of biometric systems for fingerprint verification: silicon solutions, algorithms, software for communication and end user functions, and packaging. System customizations, such as implementation in a smartphone, take place in close collaboration with customers and other system providers.

#### Activities

Development activities follow an action plan, which facilitates structured development aimed at expanding the portfolio, improving performance and investigating customization for additional vertical markets.

[Read more about FPC's products on page 23.](#)

### Patent strategy

FPC's patent strategy entails continuously registering new patents and monitoring the market to evaluate new opportunities for capitalizing on patents while 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.

#### Activities

Development activities are continuously evaluated from a patent protection perspective in order to immediately identify strategic patent applications. Meanwhile, the company continuously engages in global business intelligence.

### Strategic active partnerships

FPC aims to actively participate in partnerships with other players in the ecosystem for fingerprint technology.

#### Activities

FPC partners with Google and the Chinese firm Alipay to customize its fingerprint technology and its function in payment systems.

### Production strategy

FPC is engaged in fabless manufacturing, with all hardware production performed by partners. All manufacturing is to be conducted in accordance with forecasts based on information received from customers and distributors.

#### Activities

FPC evaluates and contracts with additional partners to ensure its delivery capacity.

## Market and sales strategy

FPC will develop and market biometric systems for smartphone/tablet manufacturers.

Marketing and sales will also be pursued in relation to other vertical markets. The company's priority markets are plastic card manufacturers/players (primarily charge/credit cards, but also ID cards, access cards and public transport passes), the automotive industry and the lock industry. Sales are conducted directly and via distributors to the producer chain. Geographically, marketing will occur primarily in the US and Asia, in the latter case primarily in China, but also in Taiwan, South Korea, Singapore and Japan. The company also cultivates markets in India and Europe.

[Read more about FPC's business model on page 12.](#)

## Financing strategy

The company uses internally generated profits to fund its ongoing operational needs. Major one-off investments may be supplemented with primarily loans and secondarily new share issues.

## HR strategy

FPC has employees and also retains consultants on contract. Consultants are retained for tasks that are limited in duration and/or in cases where consultants are the primary source for the skills the company is looking for. Contract consultants who work at least half-time are reported with the company's hired employees in its accounts.

Since FPC's business requires an organization commanding a high level of skill in all of its specializations, recruitment focuses on expe-

rienced employees with university educations. The company endeavors to be a continuously learning organization. Employees are encouraged to try out new paths as they work, and to take considerable personal responsibility for the company's development.

[Read more about FPC's organization on page 30.](#)

## Activities

FPC continues to recruit new candidates while endeavoring to retain its existing employees.

The company is working to maintain and strengthen its already strong corporate culture as the company continues to grow. FPC endeavors to be a continuously learning organization. Employees are encouraged to try out new paths as they work and to take substantial personal responsibility for the company's development.

## Sustainability strategy

Social and environmental sustainability should be integrated into FPC's operation, with areas where the company has the greatest impact having top priority.

## Activities

A three-year plan has been initiated to fully implement a framework, policy documents and objectives for integrated sustainability work..

[Read more about the company's sustainability work on page 37.](#)



The use of smartphones to make payments is growing in China.



# Close to the OEM end customer

FPC's biometric systems are a combination of sophisticated hardware and software, while a precondition for sales being that both of these features will be customized. The strength of FPC's business also lies in its close relationship with the end customer, from sales to customer-specific customizations to continued software updates.

## Scalable business model

The biometric technology is scalable in relation to a wide range of markets. FPC's system solutions are marketed to two segments – smartphones/tablets and vertical markets with embedded fingerprint technology (embedded solutions).

## R&D and marketing as well as sales – the strongest links

FPC is a fabless manufacturer, meaning that FPC does not manufacture hardware itself, but it owns the essential links of R&D, marketing and sales, as well as production management in its own value chain.

## Two-way marketing in the smartphone/tablet segment

Marketing and sales directly target smartphone/tablet manufacturers (OEMs) that decide which units will be incorporated into their technical specifications, also known as a design win. The OEMs also state which adaptations must be made to adapt FPC's biometrics systems. FPC's marketing also targets module suppliers who are able to strengthen their businesses with FPC's strategic system solutions.

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.

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

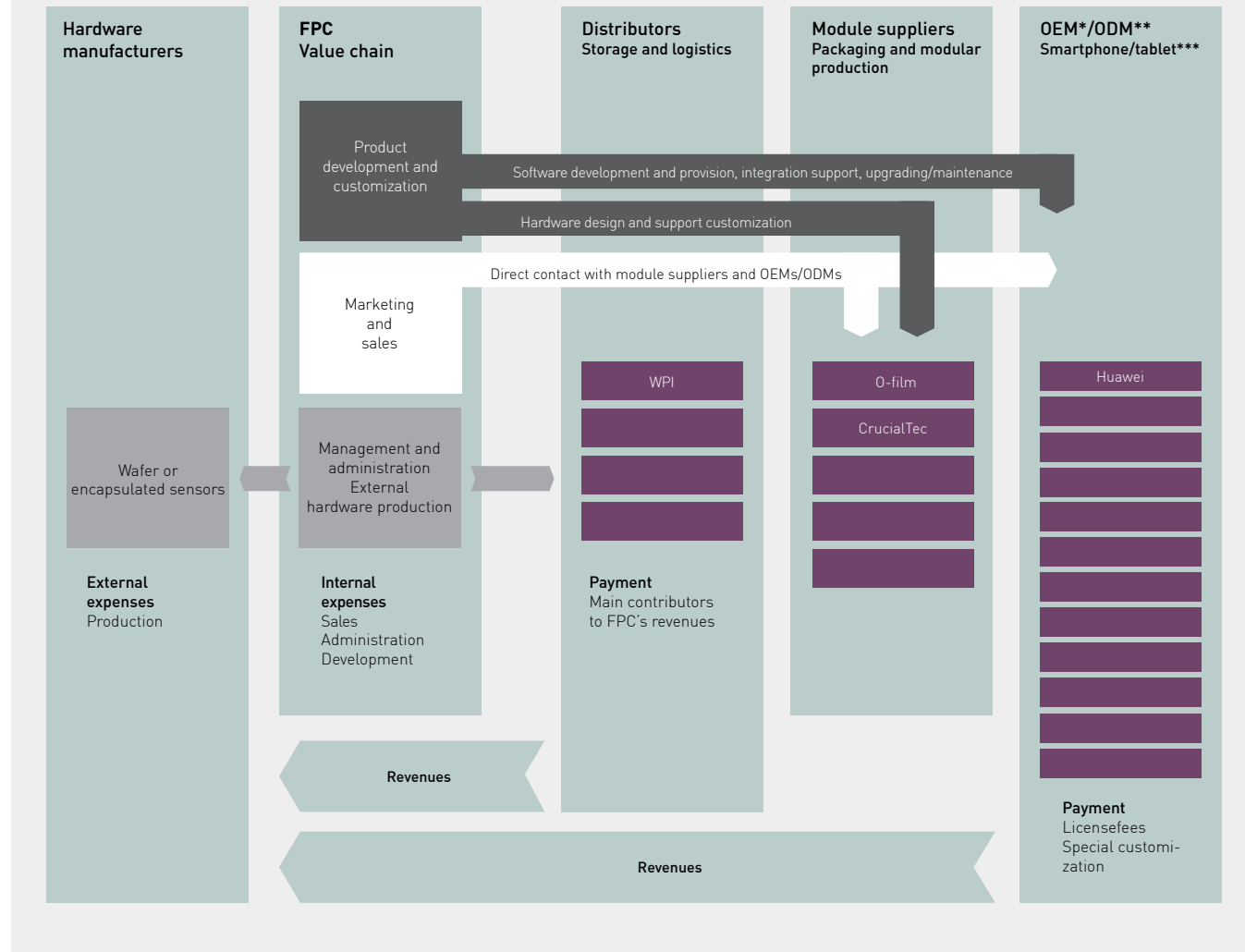
Distributors are an established link in the electronics industry. One of the distributors that FPC supplies is the Chinese firm WPI (World Peace Industrial Group).



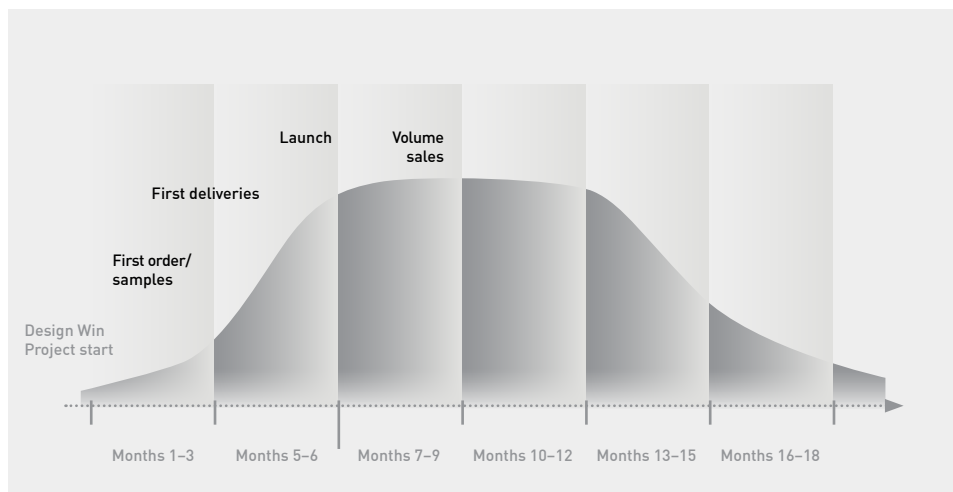
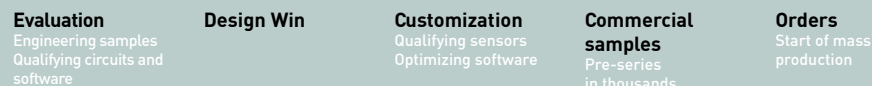
Given that FPC has qualified a biometric system solution for smartphone/tablet manufacturers, it is natural for this customer relationship to continue as the manufacturers develop new products. This established partnership with the module suppliers and distributors of smartphone/tablet manufacturers' strengthens FPC's continued partnerships and relationships in continued customer-specific product development/customization.

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. FPC only reports one type of revenue in its accounts.

### FPC's business model for the smartphone/tablet segment



## Sales process smartphone



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 launches of new models.

## Module supplier – an important partner of two parties

Like many other advanced products, smartphones/tablets are produced by assembling modules from several subsuppliers. 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, FPC works closely with ten or so 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 FPC's product customization.

## The chip manufacturer – a global player

FPC's hardware – the silicon chip – is primarily manufactured through the Chinese company SMIC (Semiconductor Manufacturing International Corporation, listed on the NYSE and Shanghai exchanges), one of the five largest semiconductor manufacturers in the world. SMICs powerfully expanded their production in 2015 in order to meet sharply rising demand. Meanwhile, FPC engaged an additional manufacturing partner, also one of the five largest manufacturers, in order to increase its delivery capacity.

Production takes place in several factories. FPC orders silicon chips based on forecasts to ensure its delivery capacity. The silicon chip manufacturers must build new capacity in order to increase their capacity. As the market

grows, volumes become increasingly important, giving FPC a strong position as a customer and a purchaser, by being a priority customer that utilize production in line with existing capacity.

The chip is further refined when necessary through processes including LGA packaging, with the help of other suppliers, depending on volume.

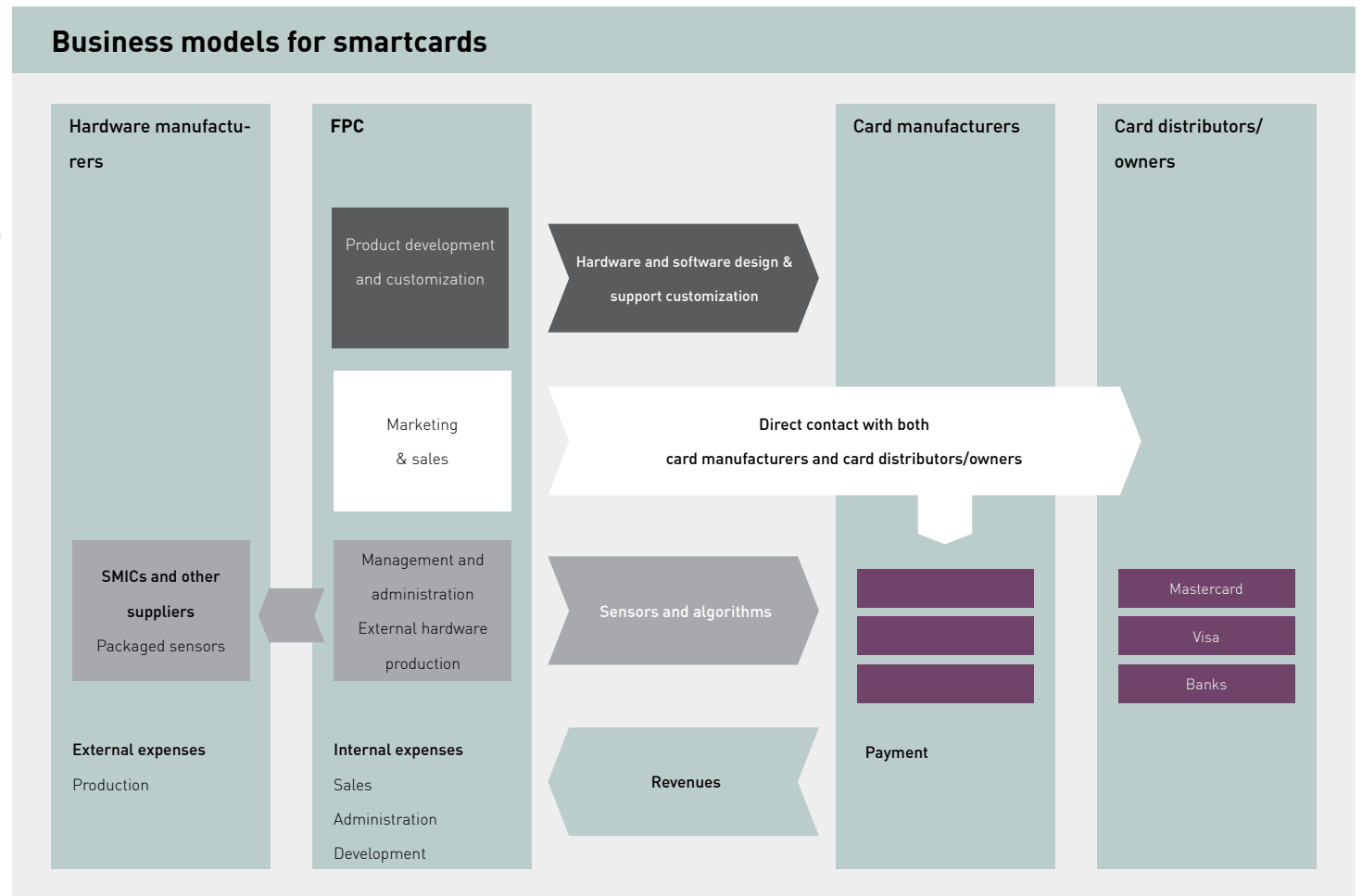
## Smaller silicon chips generates higher margins

Chips with a smaller surface area contribute to lower production costs and thus a better gross margin. In 2015, product development resulted in increased functionality on a significantly smaller sensor area, reducing surface area by nearly 70%. The sensors are manufactured in wafers, which come in a particular size so that smaller sensors reflect significantly more sensors per wafer. FPC estimates that its gross margin could consistently be in the 40–45% range for a protracted period.



The business model for smartcards is more direct, because FPC accounts for distribution of packaged sensors via subsuppliers, bypassing the wholesale level. Marketing is conducted in two directions, targeting both smartcard manufacturers and smartcard issuers, with such players as MasterCard and Visa.

Revenue is generated by the smart-card manufacturer.





## The fifth time and jackpot

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One of FPC's employees



### **Ted Hansson** Country Manager, China

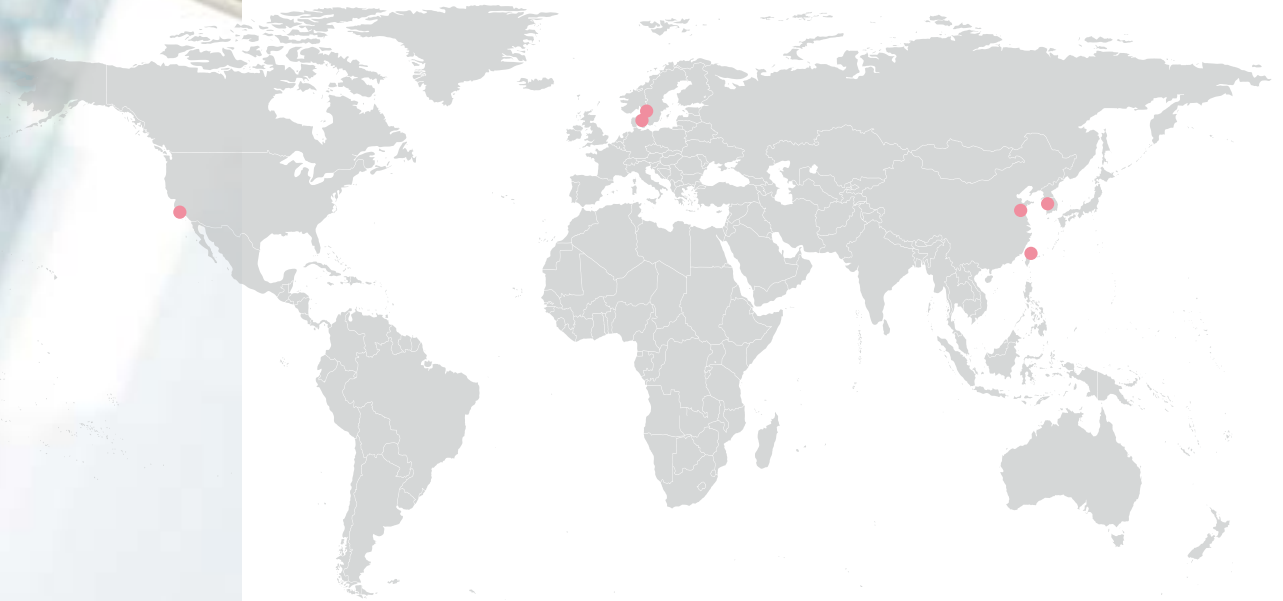
Success breeds success. In 2015, our products were part of 11 out of 12 flagship models here in China. Until this point in January 2016, 60 smartphone models with FPC products had been launched in China alone. In my previous job I was involved in starting businesses in the telecom sector in China four times. This is the fifth time I've done it now, and the fifth time was the jackpot, thanks to having the right products at the right time.

Customers also play an important role, since their requirements have a huge impact on what we deliver. The freedom to work hard and thereby succeed is fantastic.

There's still a lot happening in China, and there are challenges lying ahead.

Right now we are continuing to build a larger organization in order to grow the business outside the smartphone segment as well.

2015 was an intense working year, and we gained energy from our successes. But now I'm going to go on vacation with my family for the first time, and will celebrate the Chinese new year.



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### **A dedicated sales force and regional customer support**

FPC has established subsidiaries in Shanghai China, Seoul South Korea, Taipei Taiwan and Palo Alto California in the US. FPC's local presence helps to strengthen its customer relationships and to correctly understand and satisfy customer requirements.

Distributors are also an important regional sales channel. The company has its own regional organization, making the relationship between FPC and its distributors more continuous.

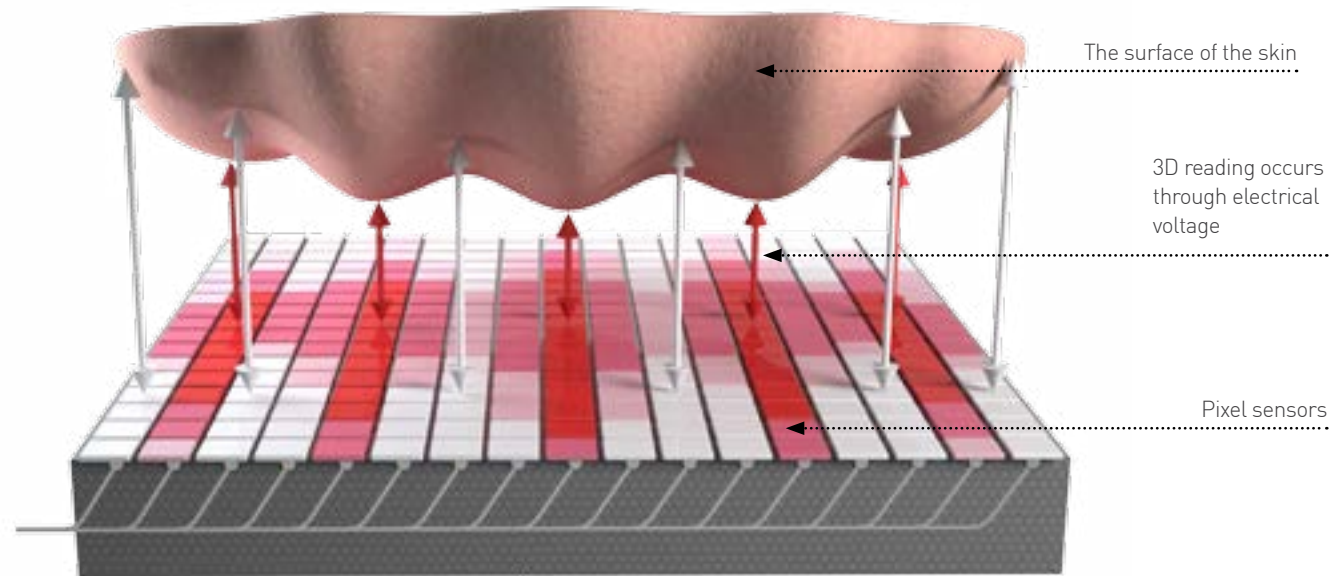
# An advanced biometric system solution

FPC offers a patented fundamental biometric system solution based on fingerprint verification. Value is added through software solutions that compensate for the smaller size of the sensors and add user-friendly features.

FPC bases its biometrics on unique fingerprints. The risk of an erroneous fingerprint verification is generally 1 in 50,000, which can be compared with the chance of entering the correct four-digit PIN code which is 1 in 10,000. FPC develops a biometric system solution consisting of hardware, an algorithm for reading images and verification, and software for communication and user-friendly functions.

## High technology on a micro-scale

One part of FPC's core technology is the ASIC (Application-Specific Integrated Circuit) processor, an integrated circuit consisting of a silicon chip with the specific function of measuring fingerprints. On top of the silicon chip is an advanced, unique matrix of pixels that has excellent image capture capabilities with high contrast and resolution. The sensor is capacitive, which means that it not only recognizes the surface of the finger but also reads three-dimensional images beneath. This impedes and prevents manipulation, for example by using a two-dimensional optical image of a fingerprint.

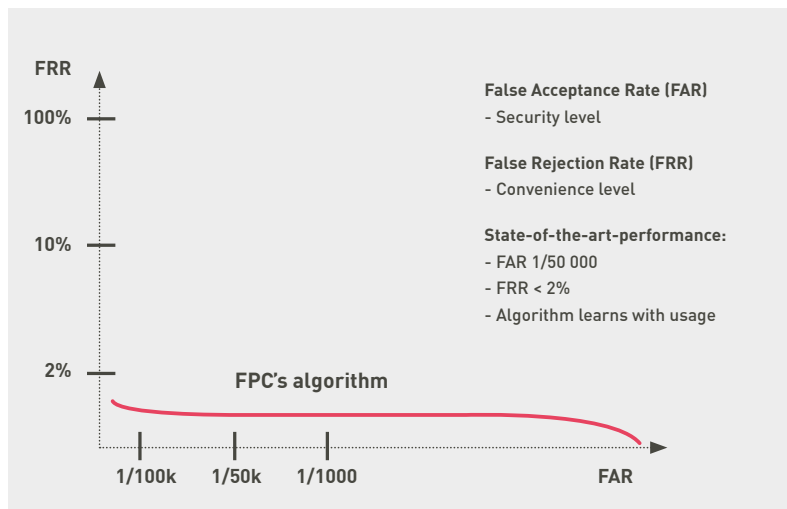


The algorithm makes it possible to identify and perform three-dimensional readings of distinctive traits within a limited space. Algorithm A shows FPC's accuracy in fingerprint verification.

## A sophisticated algorithm

Another part of FPC's core technology is the algorithm system, which optimizes the image from the sensor and performs image processing in order to locate the unique information in every fingerprint. The algorithm system is refined further in order to compensate for ever-shrinking sensors, both for registering and verifying fingerprints. The algorithm system is also further refined in order to reduce demands for processing power, which also results in extremely low power consumption, and for memory, as well as to minimize the time between placement of a finger and acceptance by the system.

The security provided by FPC's verification function is considerable, since the degree of false acceptance or mistaken rejections are extremely low (see below the graph for definitions).



The flat algorithmic curve shows schematically that verification security is very high. A combination of a high security level and high comfort is retained.

FAR – two different people being mistaken for the same person.

FRR – the same person being mistaken for two different people.

## Fingerprints are protected from dissemination

The data obtained by reading a fingerprint via the sensor goes to a separate processor memory called TEE – Trusted Execution Environment. This is a secure area of a smartphone's main processor, where data cannot be accessed by the operating system or apps. TEE guarantees that code and data that have been loaded in are protected in terms of confidentiality and privacy.

### Authentication is divided into three steps:

1. Reading/registration of a fingerprint when a three-dimensional image is generated. This three-dimensional image is used to create a template containing the unique properties. Images of fingerprints cannot be recreated from a template.
2. The template and not the image is stored on the TEE unit for comparison during verification.
3. A matching function compares a fingerprint image with the template every time a new reading/fingerprint verification takes place.

TEE means that a fingerprint cannot be disseminated from a source such as a smartphone.

The FIDO Alliance consortium (Fast IDentity Online) cooperates with the organization Global Platform for secure chips, to standardize TEE for natural ID implementations.



FPC  
contributes  
to secure  
payments.

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### There are multiple application opportunities:

- **Smartcards** (primarily charge/credit cards, but also ID cards, access cards and public transport passes),
- **The automotive industry**
- **Physical access** – the lock industry
- **The healthcare sector** – physical access to medicine cabinets, wards etc., logins to medical records systems, etc.
- **Banking and finance** – logging in, registration of transfers etc.
- **The public sector** – visas etc.
- **Login devices** – access cards for physical and logical access, integration into USBs etc.
- **The Internet of Things** – a network of Internet-connected physical objects/devices, such as wearables.



### Software that increases user-friendliness ...

To make fingerprint reading secure, FPC has added several software-directed functions that improve the end-user experience, which also allows smartphone manufacturers to differentiate themselves from the competition.

- One touch of your fingerprint, is enough to both wake up and unlock a device such as a smartphone.
- Detection of live finger prevents registration of false fingerprints. Identifies “spoofs,” also known as fake fingers, i.e. attempted identification theft.
- The sensor can also be used to manage other functions, such as scrolling images/pages or adjusting volume.
- A finger can be placed in a 360 degree relationship to the sensor and still be read.

### ... and integration

FPC also offers customized software for communication with the operating system in the device in which the biometric system solution is embedded.

### A smoothly functioning link in the ecosystem

FPC ensures that the interface for verification data and communication complies with system standards for secure payments.

FPC's biometric system solution is approved for Android 6.0 including Android Pay, PayPal and Alipay.

### A broad product portfolio

FPC offers a wide range of fingerprint sensors that facilitate the placement of the sensor itself in other types of electronics. In the case of smartphones, it is possible to locate them on the front, the rear, the side and even under glass. Smaller sensor models are suitable for wearables and thinner ones for smartcards.

### Differentiating opportunities for smartphones and tablets

FPC offers a broad portfolio of fingerprint sensor systems. In addition to excellent image quality, low power consumption, robustness – able to handle over 10 million fingerprints – and secure algorithms, FPC offers smartphone/tablet manufacturers opportunities to distinguish themselves from the competition through a broad product portfolio and the ability to develop software for unique capabilities in functions for end users. The company is able to meet smartphone/tablet manufacturers' demands and wishes, which are based on hardware requirements – the placement of the sensor – on the front, side or rear, and software requirements – customization of the systems for each mobile platform.

### Embedded system solutions with broad application potential

FPC's biometric system solution is also extremely suitable for other applications. The company offers prepackaged system solutions, plug-and-play modules, that are easy to apply without special customization, and which thus cut the customer's time to market.

*FPC-BM* – a biometric module with sensors and a processor/memory for internal storage of identities.

*FPC-BEP* – a biometric software platform for easy integration and connection which cuts the customer's time to market.

The modules can also be provided with drivers for configuration and integration with external computer units.

### Pilot test kits

DevKit, a software development and pilot kit featuring FPC's components is sold to facilitate customer evaluations and opportunities for proprietary production of prototypes/pilot series.

### Delivered in various stages of refinement

**Wafer + software** Sensors for smartphones, tablets and laptops are generally delivered in the form of a wafer, where the chips sit intact on a substrate. They are delivered to module suppliers who handle modularization, i.e. they manufacture customized sensor modules for end customers/OEMs. The algorithm and software are delivered directly to the smartphone manufacturer and integrated into the smartphone along with other software with the help of FPC customer support engineers.

**Chip + LGA + software** The sensor is packaged with contact and signal processing. FPC also offers customized coatings in the customer's chosen shape and color. The algorithm and software are sent separately straight to the customer (see above).

**Biometric module** A complete biometrics system for the simplest integration into other products, consisting of sensors connected to a processor and accompanying software. Usually integrated into other products.

### Strong patent portfolio on a global scale

FPC proactively protects its patents in close proximity to product development. The company patents the entire system solution including the algorithm. FPC has strong patent protection with over 100 registered patents. Patents are registered in several key markets: the US and important countries in Europe and Asia. This strong protection makes it easier for customers to launch products featuring an FPC biometric system solution globally in ever-larger markets without running the risk of patent infringement.



Pilot kit for testing



# Enhancing development capacity

FPC is increasing its investments in development in order to accelerate its ability to innovate. The objective is to continuously develop technology, performance and system solutions at an ever-increasing pace.

FPC's offerings are specially developed and customized biometric system solutions. The combination of proprietary chip design and extremely advanced software represents substantial added value.

The company's technology is continuously evolving, driven by demand and innovation to create new functions and solutions. Meanwhile growing competition is a motivation to maintain and strengthen FPC's strategically important technological edge.

The primary purpose of FPC's products is to make security simple and user-friendly. Its products must combine maximum security with ease of use. FPC's development also offers customers the ability to stand out from the competition, so that they can offer unique properties and functions in their marketing. The company focuses on the end-user experience, from user-friendly ergonomics to functions that are simple and versatile.

## Advanced skills and low staff turnover

FPC's business development is highly dependent on focused and accelerated product development. Its workforce is extremely skilled, with the majority having engineering degrees and about 30 percent having PhDs. The company's

expertise is also based on the fact that many employees have long-standing experience of the telecommunications industry.

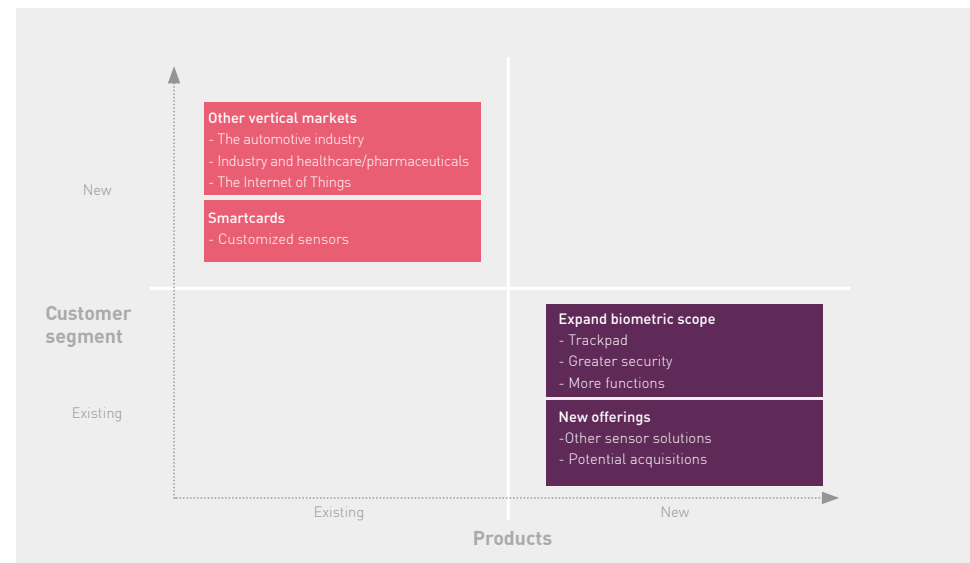
R&D experienced significant growth in 2014-2015, from 20 to more than 140 employees at the end of 2015. FPC intends to continue adding employees in 2016. A larger workforce increases the company's capacity to handle customer-specific development projects and improve smartphone application solutions, while having the energy to continue value-creating innovation in new product area solutions.

The R&D organization has extremely low staff turnover thanks to a positive team environment, challenging job duties that help employees grow, international work and dedicated colleagues.

R&D primarily takes place in four locations: Gothenburg, Malmö, Copenhagen and Linköping.

## Working closely on patents

FPC's proactive patent protection process is an integrated part of its product development. Developments are continuously monitored in order to quickly identify and protect newly developed system solutions. The company patents the entire system solution including the algorithm.



Development is the foundation for new markets.

## System development in four dimensions

FPC's development is characterized by complete system integration with four areas of focus: algorithms, software development, ASICs/chips and packaging.

# Software + Hardware

### Algorithms

– fingerprint scanning

The algorithm is a piece of software that optimizes image quality and performs the image processing that locates the information in the fingerprint images coming from the chip. There is an ongoing trend to increase the information utilization of ever smaller chips in ever more packaging environments, i.e. sensor location and embedded solutions (for example, beneath glass). The company's in-house algorithm expertise is an asset, since it offers customers partnership opportunities that meet their biometric development needs.

### Software development

– improved end-user experience

FPC's software development focuses on its biometric system development in applications such as smartphones. It manages the sensor's communication with the mobile platform for verification in a secure platform, and adds additional value in end-user functions.

### ASIC/silicon chip development

– the hub

ASIC/chip development focuses on continued design solutions for 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 chip's integration with other materials, as well as complete system solutions involving processors for plug-and-play functionality. Ready-made system solutions of this type are developed primarily for applications/industry segments other than smartphones and smartcard solutions.

**R&D**  
Develops new system solutions and customer-unique adaptations

**OEM**  
Sets specifications for final application in a smartphone/tablet

**FPC Customer projects, Sweden**  
Guarantees customer-specific adaptations

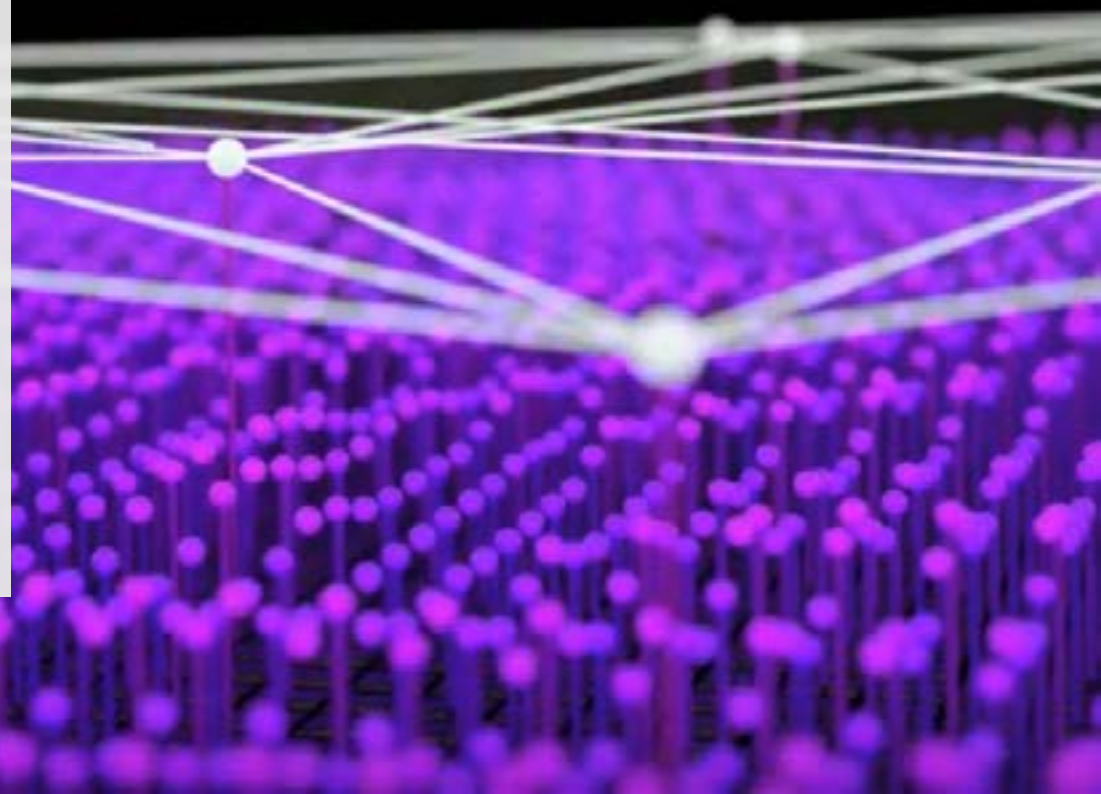
**FPC Customer projects, Local**  
Has on-site discussions with module suppliers and OEM, and provides feedback to FPC Customer Support Sweden

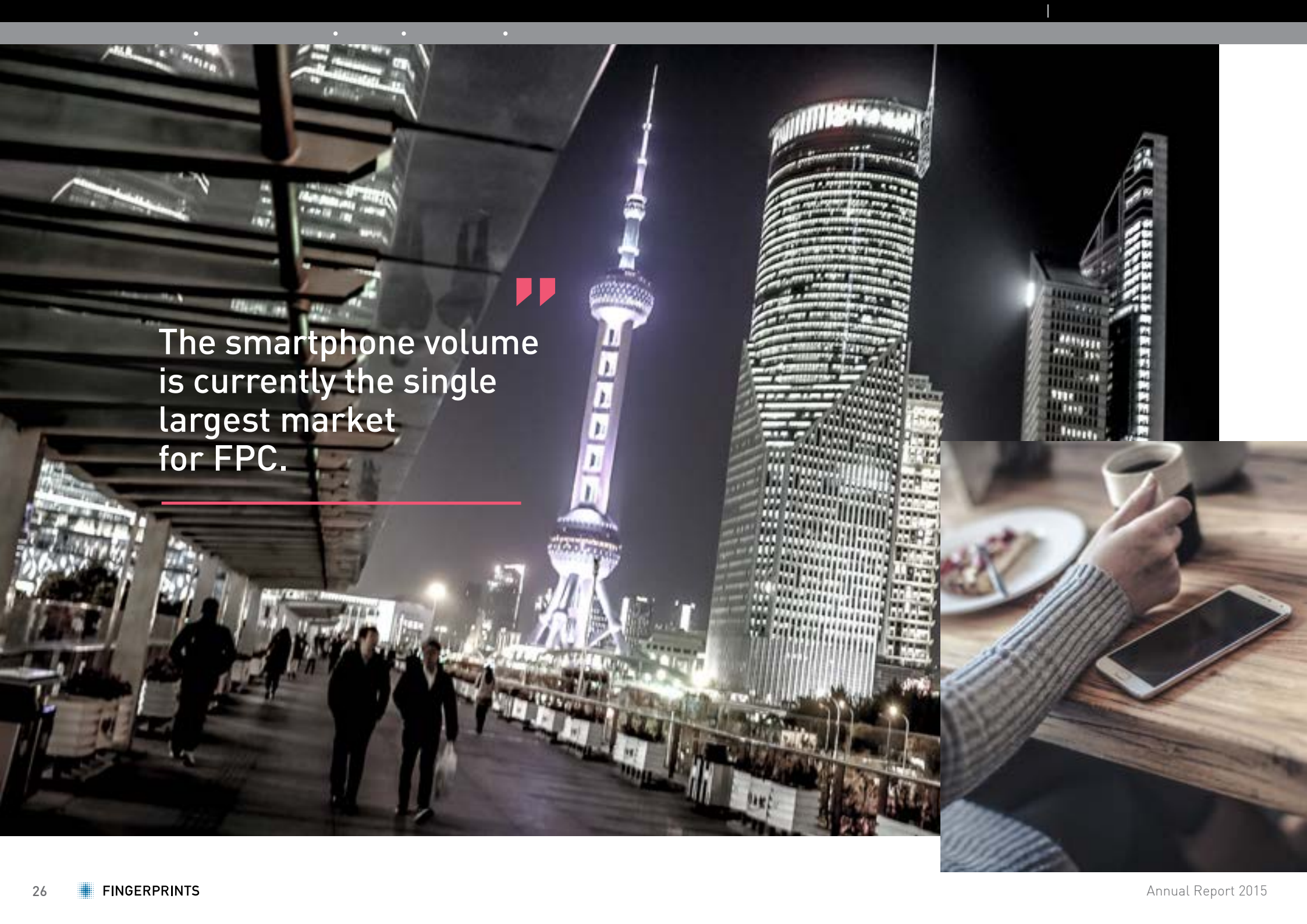
### Close customer relationships are crucial

FPC's sales are based on customer-unique solutions, and the R&D organization works extremely closely with the company's Customer projects organization. In addition, FPC has expanded its local presence in Asia with its own Customer projects staff who communicate with customers about customization of biometric system solutions. These staff have a local background, speak the same language and have the same cultural roots as the customers. This is the type of partnerships that FPC has with the vast majority of its customers in the smartphone/tablet segment. Ongoing contact with customers provides unique insights into customer requirements and strengthens the company's customer relationships.



R&D experienced significant growth in 2014-2015, from 20 to more than 140 employees





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The smartphone volume  
is currently the single  
largest market  
for FPC.

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# A broad mass market

FPC's main market is currently biometric solutions for smartphones and tablets. The company's offering is also considered to have promising potential as embedded system solutions in a wide range of applications; see the following examples:

- Smartcards (primarily charge/credit cards, but also ID cards, access cards and public transport passes),
- The automotive industry
- The Internet of Things
- Physical access – the lock industry
- Wearables – watches, bracelets
- The healthcare sector – physical access to medicine cabinets, wards, logging in to medical records systems
- Banking and finance – logging in, registration of transfers
- The public sector – visas
- Login devices – integration into USBs

## Driving forces for biometrics

Initially the introduction of fingerprint technology was driven by convenience and security when logging into smartphones. There are several advantages: no PIN codes, immediate unlocking, verification and functions (taking pictures, opening apps, etc.)

A maturing biometrics ecosystem is rapidly emerging. Increasing numbers of players are approving biometric verification for payments, over the Internet or in stores. These players include Alipay (China), Apple Pay, Android 6.0 including Android Pay, PayPal, Microsoft and

FIDO (Fast IDentity Online) certified technology. The smartphone payment system is especially evident in China, where it is commonly used instead of charge/credit cards.

Smartphones with biometric features also have great long-term potential in an "unbanked" world, i.e. in countries where a large share of the population does not have a bank account and the bank branch infrastructure is extremely sparse.

Implementation is also driven by convenience and security in other applications, as is apparent from the accompanying list.

## The smartphone is a mass market

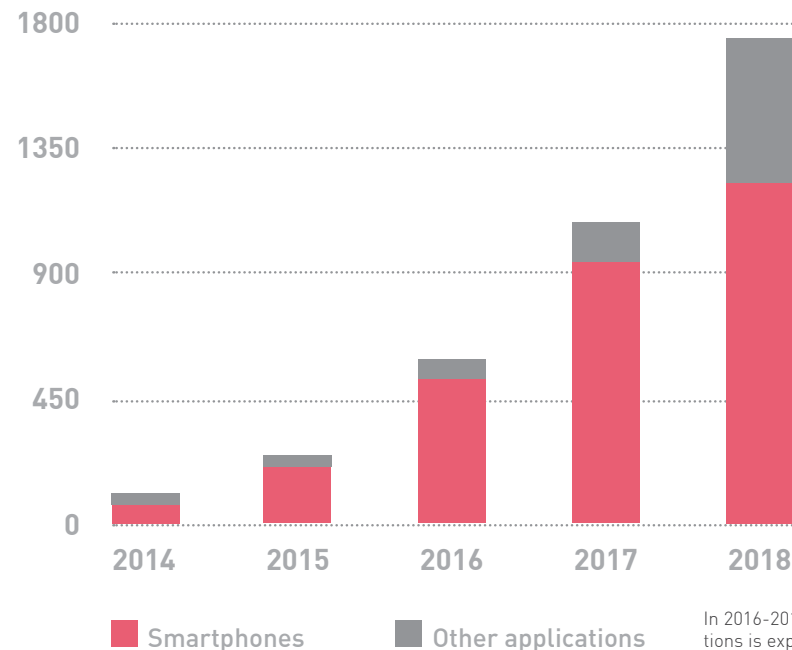
The smartphone volume is currently the largest mass market targeted by FPC, while other markets will be added going forward.

Unit volume growth in the global smartphone market has been extremely strong but is expected to slow according to consulting firm StrategyAnalytics, from a very high rate of 70 percent in 2010 to about 17 percent in 2015, continuing down to about 4 percent by the end of the current decade.

The trend in penetration of fingerprint technology is the opposite, with low penetration of about 17 percent in 2014 expected to increase to about 85 percent by 2018 according to FPC's assessment, which incorporates data from IHS. Apple, which introduced fingerprint technology on a large scale, was the dominant player in 2014. However, FPC's market consists of smartphones based on Android and Windows-based operating systems. These two

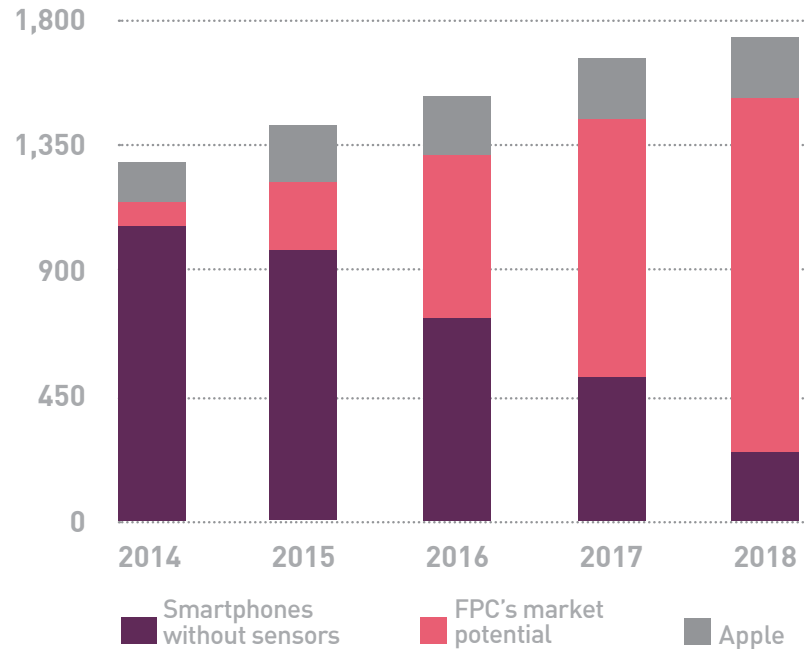
operating systems are expected to experience strong growth from 2016 to 2018 and to dominate smartphones equipped with sensors, with an 85 percent share by 2018. Apple makes up the remaining 15 percent.

## FPC's total market potential, million units



In 2016-2018, growth in other applications is expected to increase, primarily smartcards but also tablets, laptops, vehicles, locks etc.

## Penetration of fingerprint sensors in smartphones, millions units



Fingerprint technology was initially introduced in the high-priced smartphone segment. FPC expects this pattern to continue, and expects the technology to be rapidly introduced in the medium and low-price segments.

Source: FPC's assessment and StrategyAnalytics (re: Apple).

### The touch sensor dominates

When sensors were introduced in Android smartphones, swipe sensors were used. Now the touch sensor dominates the market, and it is expected to continue to do so in the future.

### FPC's market share encompasses a large number of OEMs

Apple led total smartphone sales in 2015 with a market share of about 23 percent, followed by Samsung with about 16 percent. In terms of volume, FPC's customers are primarily located in Asia, especially China. The company's market share for fingerprint sensors in the Android/Windows segment, in terms of market value, was 45 percent in 2015 and is expected to rise to 50 to 70 percent in 2016.

### Slower growth in tablets

Tablets with biometrics have a lower growth rate, due to a slower pace of innovation/development and lower sales of tablets, which is believed to depend on usage habits. The tablet is more stationary, and generally has more users per unit. The penetration of fingerprint sensors in tablets has not reached the same level as in smartphones, but it is expected to begin rising over the next few years as secure e-commerce payments are introduced.

### Embedded system solutions - vast potential

Fingerprint technology is expected to become widespread in other market segments as embedded system solutions. FPC estimates that by 2018 the market potential for embedded system solutions, smartcards, the Internet of Things etc. will be nearly as large as the market for fingerprint sensors in smartphones was in 2016.

#### Access solutions

According to the American consulting firm Technavio, the market for biometric access solutions in Europe, North and South America and the Middle East/Africa is expected to show annual average growth of 18% from 2015 to 2019. They attribute this significant growth to the transition from non-biometric technologies



FPC's position as a trustworthy biometrics partner is also cited by many of its customers, who emphasize that they work with FPC.

such as PIN codes and smartcards (without biometrics). The most established biometric technologies in the field are iris and fingerprint recognition. Technavio defines the market as government authorities, the banking/finance/insurance sector, transportation and the healthcare sector. This growth is driven by the rising threat of fraud and cyber crime. According to Technavio, the global banking groups have begun integrating biometric security solutions, and smartphones are expected to be the most popular tool for users to gain online access to their bank accounts.

#### The automotive industry

The automotive industry's volumes for new production are lower than smartphone volumes, but this industry is also a mass market. However, the degree of refinement and system value are significantly higher. FPC sees promising potential to deliver biometric systems with greater value, and thus higher margins. In FPC's view, the automotive industry has now decided to integrate fingerprint sensors into their products.

It generally takes a long time to establish a position as a supplier to this market, and the company expects penetration to start from a low level.

The suppliers that establish a leading position early on will be in a position to drive revenue for many years, which is why this market is an excellent complement to the smartphone market for FPC.

#### The competitive landscape

FPC is seeing increasing competition in fingerprint biometrics. The competitive situation

is not comparable with that of commodity semiconductor manufacturers. The company operates in the specialty semiconductor field, where there is continuous progress and new differentiated solutions continuously arrive. It is possible to make comparisons with the market for smartphone camera sensors, where there are three main manufacturers: Sony, Samsung and OmniVision (a NASDAQ-listed US firm).

FPC does not view Apple as a potential market because Apple has its own developer/manufacturer for the iOS operating system (through the 2012 acquisition of Authentec). Accordingly, FPC does not take Apple's share of the smartphone/tablet market into account in its market and competitive evaluation.

#### A strong market position

According to the consulting firm IHS, FPC was the largest company in the market for fingerprint technology in smartphone/tablets in 2015, with a market share of slightly more than 50%, excluding Apple's iOS-based sensors. Synaptics accounted for 40%.

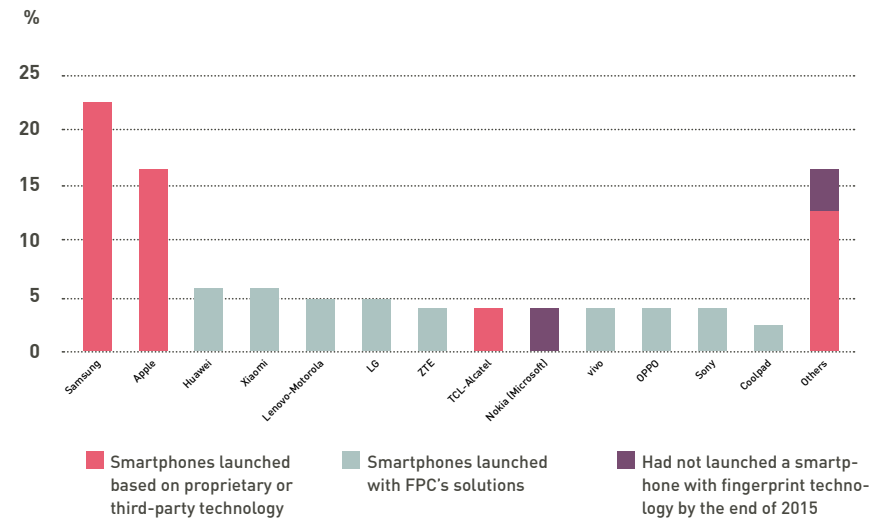
FPC faces competition primarily from the following companies that mass produce proprietary products:

**Synaptics**, listed on the NASDAQ exchange, American manufacturer of touchscreen and fingerprint solutions for PCs and smartphones/tablets.

**Goodix**, a privately owned Chinese manufacturer of touchscreen and fingerprint solutions.

**Egistec**, listed on the Taipei exchange (in December 2015), a Taiwanese fingerprint sensor manufacturer.

### Market share for smartphone manufacturers, %

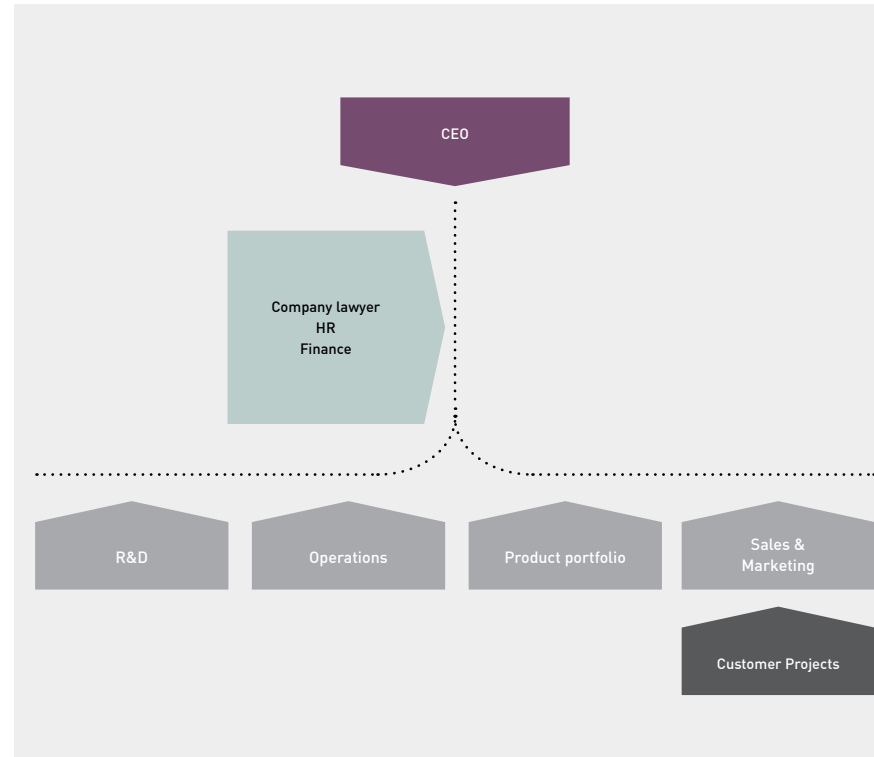


In addition to these companies, several players have announced that they are offering fingerprint solutions. However as far as FPC is aware, none of them had begun mass production by the end of 2015. These players include the US NASDAQ-listed firm Qualcomm, the Chinese firm Silead and the Norwegian firms IDEX and Next Biometrics.

Qualcomm's fingerprint technology is based on recognition using ultrasound.

# A continuously growing organization

FPC's products, features and quality are of major significance. The company's success is due primarily to its employees' expertise, capability, dedication to teamwork, values and conduct.



## What FPC can offer

The challenge of finding and attracting people with the right skills will only grow in the future, and FPC is taking a long-term approach, cultivating its employee brand and searching for people with the right skills all over the world.

- A flat management structure means a short path to decision makers, allowing for rapid and innovative decisions. Many employees report to a manager who is a member of senior management.
- Taking advantage of a variety of experience from other firms and fields allows management to choose the best approach for

future work. Many employees have joined FPC in recent years, and they have much to contribute to the company's development.

- Hiring people from different cultural backgrounds and with a variety of experiences adds new perspectives, thus improving the quality of the company's work and products.
- FPC must be a safe and secure workplace, where trying new approaches must be allowed and accepted.

## A values-driven organization

In order to maintain and strengthen its already strong corporate culture, which is characterized by a flat decision-making hierarchy and strong pioneering spirit, the company has adopted four core values:

- Smart
- Brave
- Open
- United

The core values have been formulated with the help of employees in a workshop format. The values must guide corporate decisions and permeate the entire business. They are

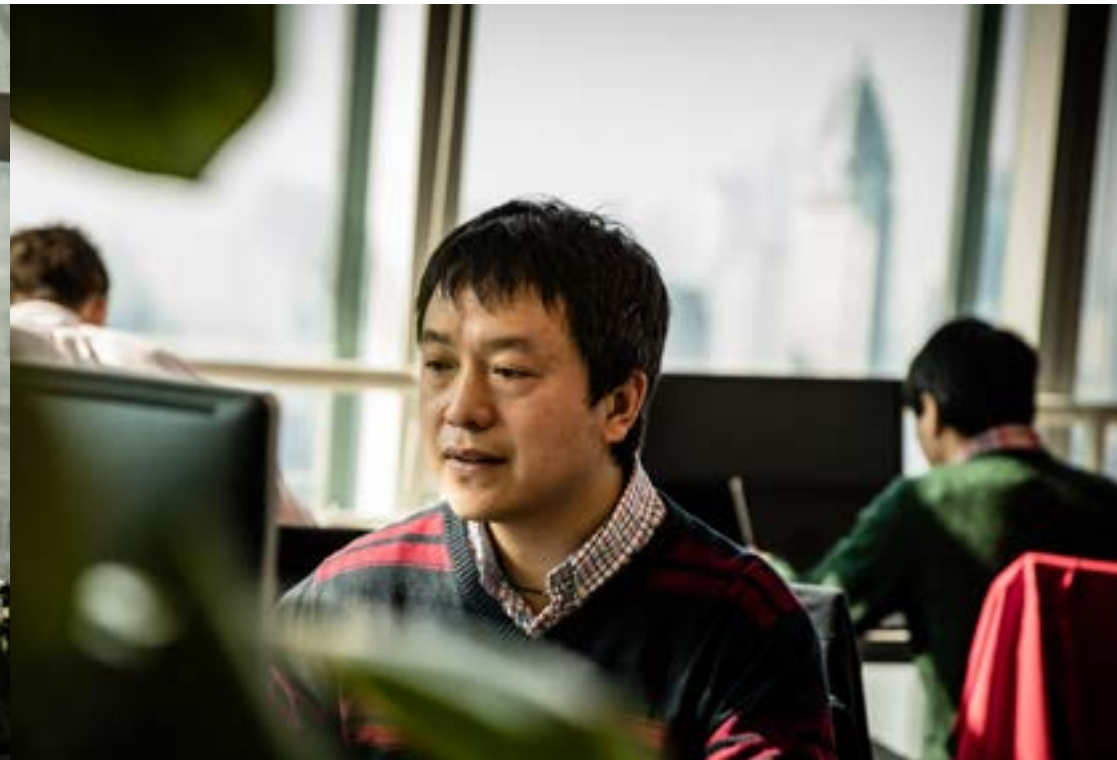
included in training programs and in the introductory program for new employees.

## ... with a clear Code of Conduct

In addition to core values, the company has also developed a Code of Conduct to provide guidelines for how all employees should behave.

[Read more on page 37 in the Sustainability Report.](#)





### Continuing to add resources to the organization

FPC continued to strengthen its workforce during 2015 in the form of both employment and insourcing of consultants during various periods. At year-end, the company had 150 (104) employees. At the end of 2015, the company also had 104 consultants (71). The consultants are distributed throughout the organization. On December 31., the company had a total 254 (175) employees.

Strengthening of human resources is planned in 2016, with an increase of up to 40%, to around 400 employees by the end of 2016.

### Significantly strengthened R&D

The largest increase in headcount is in R&D, in order to stay at the cutting edge of fingerprint biometrics while managing multiple development projects and product launches.

The number of employees active in R&D increased during the year, amounting to 140 (100) at year-end. The company currently conducts development in four locations – Gothenburg, Linköping, Malmö and Copenhagen.

Anacatum Design AB, a Linköping-based company specialized in technology licensing and ASIC development, was acquired in 2014. In 2015, this process was completed through the integration of Anacatum personnel into

Fingerprint Cards AB.

### More employees closer to customers

FPC's 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 2015.

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

### FPC's organization is highly specialized

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. More than 30% of the employees active in development hold PhDs in engineering. In addition to technical knowledge, the company's employees have considerable experience from such industries as telecom.



### Geographic distribution

FPC's organization has a great international reach, with employees in Sweden, Denmark, Japan, the Netherlands, South Korea, China, the Philippines, Taiwan and the US.

### Introductory program

All new employees undergo an introductory program, comprising both joint training and special training depending on the employee's function. This introduction has been greatly appreciated by employees and enables a faster phase-in, as well as building up a knowledge network among the employees, thus allowing them to participate fully in each

function and promoting cooperation.

### Skills development is naturally connected to product development

Every employee works with his or her manager to evaluate the past year and develop a skills development plan for the year to come. The development of skills, for individuals and customer project teams, is intimately connected with product development. Through many years of R&D work, FPC 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, i.e. an organization that continuously learns from its experiences in

### Number of employees

	2015	2014
Employees	150	104
Of whom, women	33	17
Consultants	104	71
Of whom, women	17	10
Total number of employees	254	175
Average duration of employment	2.0 years	1.9 years
Average age of employees	41	42
Staff turnover, %	0.03	NA
Sickness absence, %	0.8	0.4

At year-end, there were 30 managers in the company, five of whom (17%) were women. During the year, the total share of women in the company was increased from 16% till 20%. This provides good prospects for ultimately increasing the number of women in management positions and in the Executive Management Group.

order to better solve problems. The company also takes advantage of and develops expertise by forming focus groups for new segments/products.

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

In 2016, 10 managers will participate in a leadership program to assist them in becoming confident leaders with the right leadership tools.

### Staff welfare

FPC offers its employees a generous fitness contribution in order to encourage a healthy and active lifestyle. The company also provides health insurance to all employees, which includes counseling to identify problems early and avoid sick leave. Work environment efforts were formalized and developed during the year.



## Strong bonds with coworkers

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An FPC employee

### Paul Kwong

Sales and customer projects, based in Taiwan

I started at FPC in July 2013 after being introduced to the company by a colleague. Fingerprint technology was a new field at the time, and customers were cautious. We felt like pioneers – there were only a few of us, and only Apple and FPC were working on the technology. Things have moved quickly and now our services are in high demand. We have many more customer relationships, and I'm the account manager for two to three customers. As a salesperson I feel extremely responsible for being able to help them, so it's good to have strong relationships with your coworkers. We work hard, and we're the link between our customers and FPC in Sweden.

I receive energy from my family as well as my colleagues. Sometimes it can be nice to leave it all behind for a while, and take the family camping in the mountains where there's no mobile network coverage.



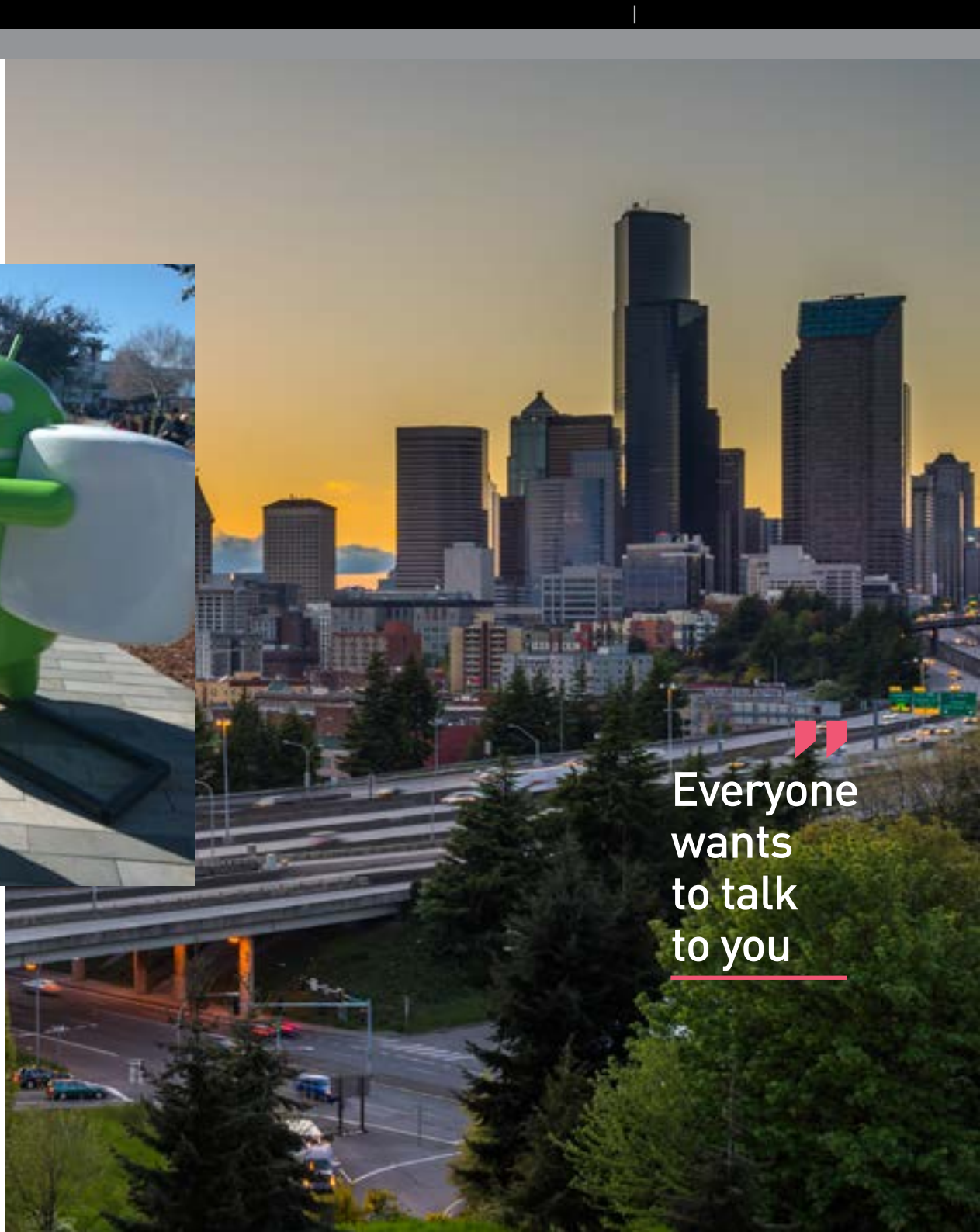
## An FPC employee

### Bill Gallione US Country Manager


I started at FPC two years ago, and I've built up the sales and support team here in San José, California. I've been in Silicon Valley for 19 years. Being with FPC is great – everyone wants to talk to us. The growth we've experienced is exceptional, and far more dramatic than I expected. That makes it easy to work hard, because time goes by quickly. We're talking to major players such as Microsoft and Google, while interest from others continues to grow. We don't just offer a product; we offer our customers the potential to differentiate themselves, combined with user-friendliness.

I am extremely passionate about my work and FPC. There's so much more to do, practically 24 hours a day. In the morning I talk with Sweden, and during the day with all of my contacts here in the US, and in the evening with Asia.

I'm a big sports fan and I see positive similarities with my job – winning is contagious.



“  
Everyone  
wants  
to talk  
to you”



Helpful  
colleagues and  
a fast-paced,  
challenging  
work environ-  
ment



An FPC  
employee



**Irina Åström**  
Project Manager  
Product development, Malmö.

FPC came to my attention just over three years ago, and I thought "I want to work there." I emailed the company for six months, and finally landed my dream job. My role as a project manager in product development is a combination of technology development and leading people. We're continuously developing both our processes and our products. It's fast-paced and challenging, and you're solving problems every day. The flat organization makes things easier, since we have an open and solutions-oriented working environment. My colleagues are helpful, and the attitude here is positive.

I take natural breaks from thinking about work thanks to my family. I also take short mental breaks by working out with my coworkers at lunchtime.

## Cairong Chen

Product developer in packaging in Gothenburg

A lot of my job is about ensuring a product's functionality before it reaches the market. During my two years at FPC, my job duties and responsibilities have continuously evolved. We constantly collaborate with the other product development teams. At FPC, we all depend on each other. It's like a puzzle, and I feel that we really cooperate in order to produce results. Helpful colleagues with a positive attitude and enthusiasm create a unique FPC spirit. I have small children, and despite the workload I also feel that I can balance work and family.

We get along well at work. We enjoy coffee breaks, and on Fridays the team eats lunch together.



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A unique  
FPC spirit

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An FPC  
employee

# Structured sustainability work has begun

FPC's products make life more convenient and secure for users. Value is created for both the individual and society. FPC has begun structured sustainability work that will benefit the company, its customers, society and individuals.

This work means introducing methods to ensure that sustainability is taken into account, socially and environmentally, in daily work and in the company's products.

## Distinct action plan through 2018

Based on an analysis of the current state of its sustainability work, the company has designed a framework for continued efforts. Objectives will be drawn up for the subparts of the framework in 2016. This is the beginning of a three-year plan to fully implement sustainability work in FPC's operations.

The action plan includes the following:

- Refining the policy structure and other governing documents connected to the framework.
- Developing a whistleblower process
- Developing methods to measure employee satisfaction
- Refining work methods by subjecting the company's suppliers to requirements and following them up

## Stakeholder dialog

FPC has in-depth discussions with stakeholders in order to assign the right level of priority to its sustainability work, especially the process of stating objectives. This will enable the company to identify the sustainability-related factors with the greatest influence on stakeholders' decisions, and which factors should receive priority in future communications.

## Joined the Global Compact

In February 2016, FPC joined the Global Compact, the UN's set of international principles for companies concerning human rights, labor issues, the environment and anticorruption. The principles are based on the UN declaration on human rights, the ILO's fundamental conventions on principles and rights at work, the Rio Declaration and the UN Convention against Corruption.

## Code of Conduct in place

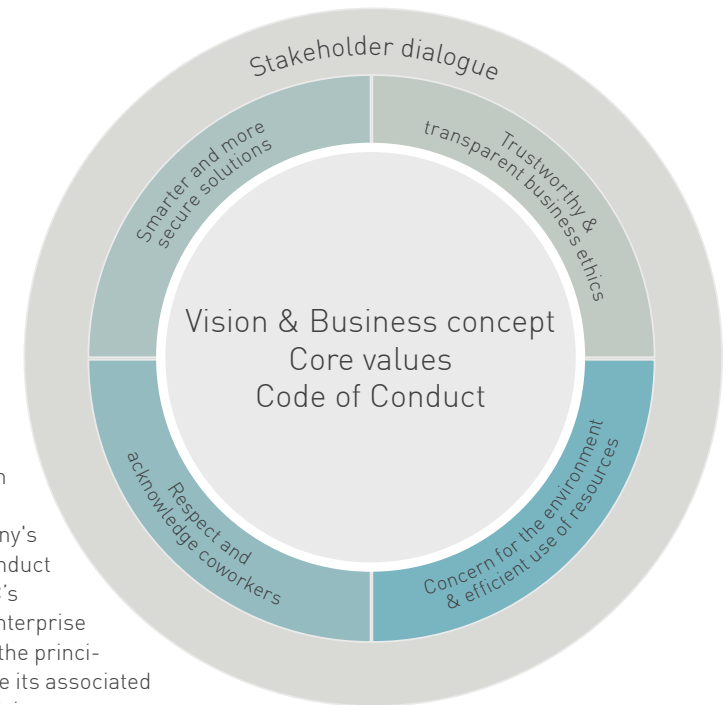
A Code of Conduct has been drawn up, and in 2016 there will be a great deal of emphasis on training and discussions for everyone affected by the code, including how to apply it in daily work at FPC.

The Code of Conduct is FPC's Group-wide policy for correct behavior towards each other within the company, and externally towards the company's stakeholders. The Code of Conduct is a central component of FPC's commitment to responsible enterprise and sustainability. It contains the principles that will then characterize its associated policies and ultimately all decisions.

The Code of Conduct focuses on the following:

- Compliance with the law in all areas
- Ethics, integrity and transparency in how the company does business, including anticorruption efforts
- Respect for each other and other people affected by the company's business
- Respect for the environment

## Framework for sustainability work



## Supplier requirements

FPC already had special requirements for its suppliers. These are being developed further, based on the code for the Electronic Industry Citizenship Coalition (EICC). The Code of Conduct puts particular emphasis on the types of operations and the potential risks found in the manufacturing stage of FPC's value chain.

# Message from the Chairman

2015 was an exceptional year, when our offering gained an unparalleled breakthrough.

FPC is a fantastic company whose development is unprecedented in modern times. There is no doubt that the company delivered, in several respects. In terms of capacity, we coped with the challenge resulting from growth and our delivery capacity has kept up with the extremely strong demand.



**WE ARE  
INCREDIBLY  
PROUD**

## Broadening

FPC has a very strong position in the smartphone market, a position that we naturally intend to maintain and strengthen. However, FPC is not a mobile phone company; we are a biometrics company.

The Board of Directors' focus will now be to secure the company's continued development of new applications for other markets.

Accordingly, we are broadening the business base, while achieving a better spread of risks. Since there are many application possibilities, focus is the key to having an impact. The market that is now beginning to take shape is the one based on the application for smartcards. Interest from other industries is considerable, resulting in excellent prospects moving forward.

## Dividend

The members of the Board have jointly taken the decision not to propose a dividend to the AGM.

## Improved governance

The work of the Board of Directors also targeted improving the governance and control of the company. Among other measures, new processes, increased risk control and policies in a number of areas have been introduced.

## Formulation of objectives

The growth in our sales and operating profit is of unique proportions. Our profitability is also at a highly satisfactory level. Meanwhile, FPC is active in a growing market, in which demand in new market segments is difficult to predict. 2015 was an exceptional year, when our offering gained an unparalleled breakthrough. In other words, FPC cannot be compared with companies serving mature markets. For this reason, the Board of Directors has decided to wait before quantifying financial objectives. However, we obviously still have the stated target of maintaining growth combined with profitability.

## Nurturing company value

The Board has ultimate responsibility for ensuring sustainable profitability and the company's value. Accordingly, as a step towards creating conditions for improved liquidity in the share, the Board has proposed a one-for-five share split, whereby each share, regardless of class, will be converted into five shares.



Adjusting the company's capital structure could also benefit shareholder value. The Board is therefore also proposing that it be empowered up to the next AGM to take decisions on a buyback of the company's own Class B shares. However, the holding of treasury shares may not exceed 10% of the total number of shares.

## The work of the Board of Directors

The expertise of the Board of Directors has been broadened following the addition of the new members nominated at last year's AGM. We are drawing benefits from the experience that has been added, which is from industries of relevance to us.

2015 also continued to be characterized by intensive work on the Board, which held 27 Board meetings. In addition to the Board's scheduled work, our efforts in 2015 mainly focused on the company's expansion and growth.

Urban Fagerstedt,  
Chairman of the Board



# Why FPC is attractive to investors

FPC continues to have business potential based on multiple strong dimensions.

## A strong position in the growing smartphone/tablet market

- Large market share in a growing market
- Increasing market penetration – in more smartphones/tablets
- Close customer relationships – top of mind awareness among customers

## Market potential in more markets

- Market potential in other market segments – smartcards, automotive industry, Internet of Things, etc.

## The offering

- A broad product portfolio with extremely advanced systems
- Strong patent portfolio with global protection

## Advanced technology

- FPC offers proprietary biometric systems with sophisticated hardware, algorithms and software that provide a unique advantage for users when combined
- Profits are reinvested into more product development

## Owns the strongest links in the processing chain

- Scalable business model
- Increased R&D with advanced expertise
- High level of refinement – system solutions with software solutions that provide functionality and opportunities for differentiation
- Strong delivery capacity

## Finances

- Strong finances with no borrowing
- Low and variable production costs/fabless
- High rate of growth combined with profitability

# THE SHARE

FPC's Class B shares have been listed on Nasdaq Stockholm since 2000 and were moved from the Midcap to the Large Cap list in 2016. FPC was initially floated 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 traded under the ticker FING B. Share capital in FPC at December 31, 2015 amounted to SEK 12,647,827 distributed among 1,200,000 Class A shares and 62,039,135 Class B shares, each with a quotient value of SEK 0.20. Class A shares carry ten voting rights each, while Class B shares carry one vote, and the total number of voting rights is 74,039,135. All shares provide equal entitlement to participation in the company and are freely transferable. Class A shares represent 16.21% of the votes and 1.90% of the capital in FPC.

## Exercise of warrants

Exercise of warrants from the T04 2015 program increased Fingerprint Cards' share capital by SEK 963,600. The number of shares increased by 4,818,000 Class B shares. The exercise price of SEK 9.72 represented a gross contribution of SEK 46,830,960.

## Very strong share price performance

During 2015, the price of FPC's Class B share rose by 1,598% to close at SEK 591 (34.80). During the same period, the OMX Industrial Goods increased index by 13.7%. The highest closing price for FPC's Class B share during the year was SEK 675 and the lowest was SEK 28.8. At the end of 2015, FPC's market capitalization was about SEK 36,665 M (2,033).

## High share turnover

During the year, 692 million (157) Class B

shares were traded at a value of SEK 184.2 billion (6.8). On average, 2,757 million (0.631) Class B shares were traded at a value of SEK 733 M (27.4) per trading day. FPC was the fifth most highly traded share on Nasdaq Stockholm during 2015.

## Increased number of shareholders

The number of shareholders was 36,542 (14,469) at the end of 2015. In terms of percentage shareholdings, legal entities accounted for 29.93% (37.49), Swedish private shareholders for 39.15% (38.49) and non-Swedish shareholders for 30.92% (23.92).

## Warrants program

FPC has two ongoing warrants programs, T05 and T06; see the table below.

## Dividend policy

Since the company's cash flow in coming years will be used to finance continued development, expansion and potential acquisitions, it is proposed that no dividend be paid. The Board of Directors will examine the established dividend policy annually.

## Dividend

In view of the company's capital requirements

and the amount of unrestricted equity, the Board proposes that no dividend be paid for the 2015 fiscal year (SEK 0 in 2014).

## Share split

The Board of Directors proposes a 5-for-1 share split, whereby each share, irrespective of class, will be divided into five (5) of the equivalent class. If the proposal is adopted by the Annual General Meeting (AGM), it is estimated that the split will occur during the month of May.

## Share buyback

The Board of Directors will also propose to the AGM that the Board be 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 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.

## Changed information disclosure

Due to the rapid advances being made in the market and the challenge of being able to provide precise revenue guidance, the company intends to only provide full-year guidance as of the 2015 Year-end Report and to no longer announce revenue guidance for the following quarters. As of the 2015 Year-end Report, the company will also no longer provide a closing order backlog at the end of the quarter. In addition, due to the frequent launches of smartphones incorporating FPC's touch fingerprint sensors, the company will henceforth only announce smartphone launches of particular significance.

## Analysts

FPC is monitored by the following analysts: Håvard Nilsson, Carnegie Investment Bank Oscar Semb Fredricsson, Arctic Securities Per Lindberg, ABG Sundal Collier.

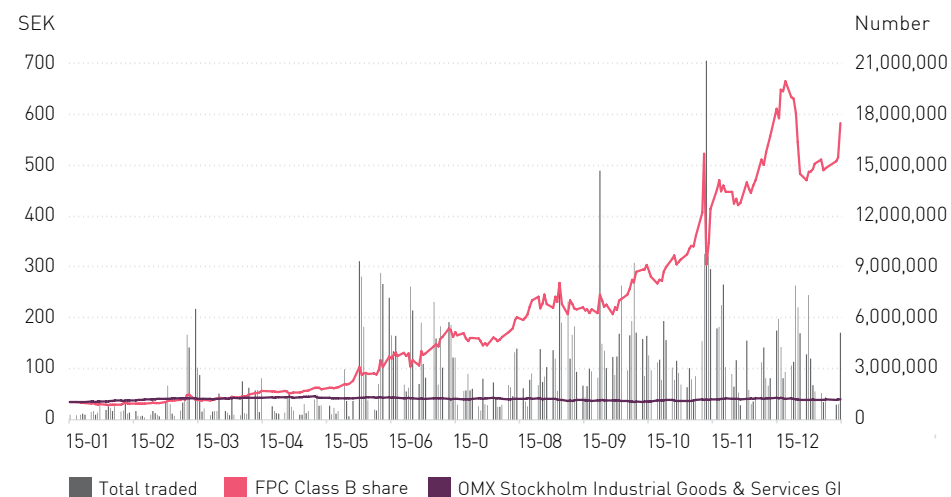
## Warrants program

Name	Adopted	No. of warrants	No. subscribed	No. remaining	Exercise price	Maturity	Dilution %	Dilution % No. of votes
T05	Mar 4, 2013	1,300,000	1,300,000	1,300,000	52.35	Mar 5, 2016	2.01	1.73
T06	Nov 26, 2013	500,000	500,000	500,000	90.16	Dec 27, 2016	0.78	0.67
						Total:	2.79	2.40

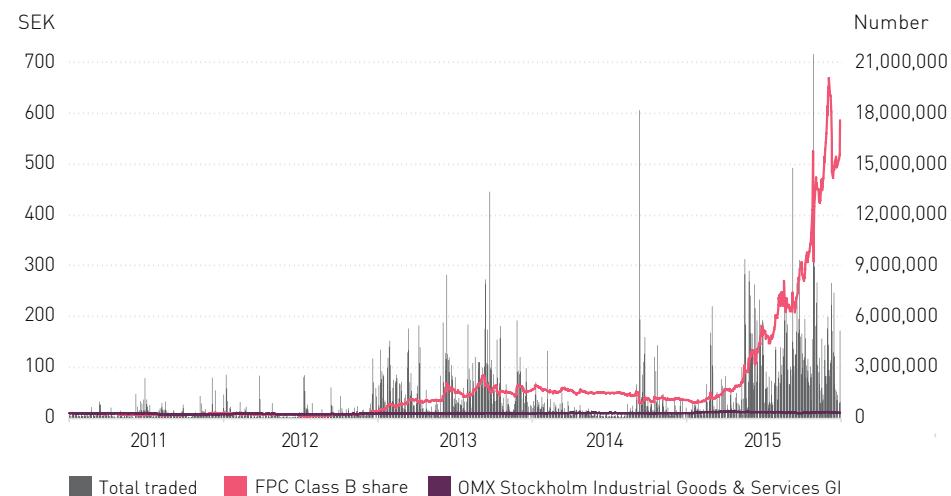
**Shareholder by category 10 largest  
Dec 31, 2015**

	Class A shares	Class B shares	Votes (%)
Försäkringsaktiebolaget, Avanza pension		6,151,812	8.31
Pension expense, Danica		3,348,100	4.52
Oppenheimer Glob Opportunity Fund		2,500,000	3.38
Nordnet Pensionsförsäkring AB		1,363,782	1.84
Sunfloro AB	1,200,000		16.21
Handelsbanken funds		1,121,084	1.51
Skandinaviska Enskilda Banken S.a., W8imy		1,049,013	1.42
Bny Gcm Client Accounts (E) lsg		1,039,183	1.40
Amf - Insurance and Funds		958,849	1.30
Unger, Magnus		896,730	1.21
Thomas Rex		800,000	1.08
Second AP Fund		709,866	0.96
Bny Gcm Client A/C (E) lsm		694,409	0.94
Robur Försäkring		554,786	0.75
CBLDN-Saxo Bank A/S		553,442	0.75
Folksam		514,835	0.70
Total 25 largest shareholders	1,200,000	22,255,891	46.28
Other		39,783,244	53.72
<b>Total</b>	<b>12,000,000</b>	<b>62,039,135</b>	<b>100.00</b>

**Price trend 2015**



**Price trend 2011-2015**



## Composition of share capital at Dec 31, 2015

Class of share	Votes	Number of shares	No. of shares	No. of votes	Share of votes, %
Class A	10	1,200,000	12,000,000	1.90%	16.21%
Class B	1	62,039,135	62,039,135	98.10%	83.79%
<b>Total</b>		<b>63,239,135</b>	<b>74,039,135</b>	<b>100.00%</b>	<b>100.00%</b>

## Share capital trend, 2015

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 1-for-5*	0.04	0	322,695,675	0	12,907,827

\*The Board of Directors' motion to 2016 Annual General Meeting. The motion also includes the buyback of shares.

## Shareholders by size of holding,

Holdings	No. of share-holders	No. of Class A	No. of Class A	Holding (%)	Votes (%)
1 - 500	30,416		2,936,210	4.64%	3.97%
501 - 1000	2,301		1,781,411	2.82%	2.41%
1001 - 5000	2,641		5,961,234	9.43%	8.05%
5001 - 10000	541		3,886,483	6.5%	5.25%
10001 - 15000	189		2,300,069	3.64%	3.1%
15001 - 20000	110		1,901,629	3.01%	2.57%
20001 -	343	1,200,000	43,272,109	70.32%	74.65%
<b>Total, Dec 31, 2015</b>	<b>36,542</b>	<b>1,200,000</b>	<b>62,039,135</b>	<b>100.00%</b>	<b>100.00%</b>

## Shareholders by category, Dec 31, 2015

Category	Class A shares	Class B shares	Holding (%)	Votes (%)
Financial companies		14,970,654	23.67%	20.22%
Of which:				
<i>Banks</i>		115,515	0.18%	0.16%
<i>Securities companies and stockbrokers</i>		386	0.00%	0.00%
<i>Fund companies</i>		1,692,614	2.68%	2.29%
<i>Insurance companies and pension institutions</i>		13,090,151	20.70%	17.68%
<i>Pension foundations</i>		71,988	0.11%	0.10%
Other financial companies		12,788	0.02%	0.02%
Social security funds		23,162	0.04%	0.03%
Government		2,382	0.00%	0.00%
Municipal sector		295	0.00%	0.00%
Municipalities		295	0.00%	0.00%
Interest organizations		16,103	0.03%	0.02%
Aid and trade union organizations		16,103	0.03%	0.02%
Other Swedish legal entities	1,200,000	1,474,833	4.23%	18.20%
Non-categorized legal entities		1,223,291	1.93%	1.65%
Shareholders residing outside Sweden		19,555,974	30.92%	26.40%
Swedish private shareholders		24,759,653	39.15%	33.43%
<b>Total, Dec 31, 2015</b>	<b>1,200,000</b>	<b>62,039,135</b>	<b>100.00%</b>	<b>100.00%</b>

# ADMINISTRATION REPORT

## Fingerprint Cards' operations

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

## Group and Parent Company

The Annual Report encompasses the January 1–December 31, 2015 fiscal year. Fingerprint Cards AB (publ), (Corporate Registration Number 556154-2381), is the Parent Company of a Group that includes five subsidiaries:

Fingerprint Security System Databärare AB. The company's operation comprises safe-keeping of the warrants issued by the Parent Company as part of incentive programs and that are not held by employees of Fingerprint Cards. In 2015, the subsidiary managed the warrants acquired during 2013 as part of incentive programs implemented in 2013 and, in line with this mission, the warrants were sold to Group employees during the year.

Fingerprint Cards Aps in Denmark. The operations consist of technical development in close collaboration with the Sweden-based operations. The company was founded in 2013 and is the company in which all Danish personnel are employed.

Anacatum Design AB in Sweden. The operations consist of technical development in close collaboration with the the Parent Company's operations. The company was acquired in 2014. During 2015, the employees of this company became employees of the Parent Company, whereby the entire workforce in Sweden is now employed in the same company.

Fingerprint Inc. in the US. The operations consist of marketing and technical customer support in the US market. The company was founded during 2014.

Fingerprint Cards Korea Ltd. The operations consist of marketing and technical customer support in the Korean market. The company was founded in 2015.

In 2015, all other business activities were conducted in the Parent Company, Fingerprint Cards AB, where all personnel are employed except for employees of the companies in Denmark, the US and Korea. The Swedish operations account for all decisive business and R&D decisions, and all ownership of intellectual property rights.

The Parent Company has its registered offices in the Municipality of Gothenburg, County of Västra Götaland, Sweden. The company has been listed on NASDAQ Nordic since 1998 and was moved from the Small Cap list to the Mid Cap list in early 2014 and from the Mid Cap list to the Large Cap list at the end of 2015.

## Significant events during the year

Growth was considerable during 2015. Fingerprint Cards' sales increased sharply by 1,142%. The Group continued to recruit new employees, grow the organization and intensify development of new products, while strengthening the offering of fingerprint technology to the market. The portfolio of products has been widened and deepened in terms of areas of use, technical performance and functionality. The number of

product launches containing FPC's technology in the consumer market rose substantially. 55 mobile phone models featuring Fingerprint Cards technology were launched during 2015.

In 2015, all warrants from the TO4 program were exercised to subscribe for 4,818,000 new Class B shares. This contributed SEK 46 M to the Parent Company.

The price of the Fingerprint Cards Class B share increased 1,598% in 2015, making it one of the most heavily traded shares on NASDAQ Stockholm during the year.

Significant events were communicated regularly in press releases during 2015:

### First quarter, 2015:

- The FPC 1140 and FPC 1145 touch sensors were introduced.
- FPC and O-Film cooperate on touch sensors.
- FPC strengthens Management Group with Henrik Sundell as Legal Counsel.
- FPC demonstrates the FPC1145 touch sensor at the Mobile World Congress.
- FPC receives order worth SEK 75 M for touch sensors.
- FPC receives order worth SEK 90 M for touch sensors.

### Second quarter of 2015:

- FPC updates sales figures for the first quarter of 2015.
- FPC receives order worth SEK 110 M for touch sensors.
- FPC reports final revenues for the first quarter of 2015
- FPC introduces its smallest touch fingerprint sensors to date.
- FPC receives order worth SEK 235 M for touch sensors.
- FPC receives order worth SEK 230 M for touch sensors and raises sales forecast.

- Yulong launches its first phone with a touch fingerprint sensor, Coolpad Tiptop Pro, featuring FPC1025.
- Johan Carlström steps down and Acting CEO Jörgen Lantto is appointed CEO of FPC AB.
- FPC provides fingerprint sensor support for Google's pre-release of Android M.
- FPC receives order worth SEK 375 M for touch sensors.
- FPC raises the sales forecast for the second quarter of 2015 and the full-year 2015.
- FPC strengthens the Management Group. Johan Wilsby is appointed new CFO and Mikael Jönsson is appointed VP Product Management.
- FPC touch sensors were included in the following smartphones: Gionee Elife E8, Oppo R7 Plus, Meizu MX5 and Huawei Honor 7.

### Third quarter of 2015:

- FPC launches touch sensors under glass.
- Exercise of warrants during September. The number of Class B shares increased by 3,553,000.
- Touch sensors included in the following smartphones: Google Nexus 5X and Nexus 6P, i ZTE Axon Mini, Meizu Pro 5, iwi K2 and Huawei Mate S and G8.
- FPC clarifies change in information disclosure.

### Fourth quarter of 2015:

- Touch sensors included in the following smartphones: Vivo X6 and X6 Plus, Xiaomi Red Mi Note 3, Lenovo X3 and X3 Youth and LG V10.
- Fingerprint Cards will announce its revenue guidance for 2016 on December 9, 2015.
- Ownership change of Class A shares in FPC AB.

- Fingerprint Cards AB has appointed the Nomination Committee ahead of 2016 AGM.
- Exercise of warrants during October 2015. The number of Class B shares increased by 1,265,000.
- FPC's publication of its third-quarter earnings on November 5.
- FPC announces preliminary income for the third quarter of 2015.

### Earnings trend

Fingerprint Cards improved its revenues and the Group reports a profit for 2015. Consolidated revenues for 2015 increased to SEK 2,900.5 M (233.6), up slightly more than 1,142%. Accordingly, 2015 was the best year to date in the company's and the Group's history. In common with 2014, sales increased quarter by quarter during 2015, and for each quarter higher year-on-year sales were reported. During the fourth quarter of 2015, sales amounted to SEK 1,351.5 M, a record for a single quarter.

The factors underlying the sales increase included successes for the company's products in the mobile phone market and the continued launch in the global market of the company's touch sensors for smartphones, combined with penetration of fingerprint technology on a broad front.

Gross profit for the year increased to SEK 1,255.3 M (71.6) and the gross margin rose to 43% (31). The increased sales resulted in a higher gross profit and, because of the measures to optimize production and the product mix, as well as a reduction in the portion of fixed costs in the cost of goods sold, the gross margin increased. In this context, the fixed costs consisted of production expenses, and amortization of capitalized development. The trend toward a smaller share of capitalization of development expenditure continued during 2015, because the period of capitalization of a project has become shorter. A growing share of total development expenditure was recognized as development costs in the statement of income and comprehensive income. At the same time, the part that was capitalized and became subject to amortization was recognized

over a shorter period because the economic life of the projects' deliverables has been adjudged to be shorter. On the whole, this resulted in a further reduction in capitalized development expenditure in 2015, compared with the past.

Operating profit for 2015 increased to SEK 910.3 M (loss: 145.2) and the operating margin to 31% (neg: 62).

While operating expenses increased, due to the expanding organization, primarily in technology development and sales, the share of costs in relation to sales was reduced, because sales are increasing at faster rate, 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 2015 were a negative SEK 3.3 M (pos: 6.6). Operating profit for 2015 includes an impairment loss of SEK 2.6 M (loss: 29.5) regarding capitalized development.

Profit after financial items for 2015 amounted to SEK 798.3 M (loss: 144.5). The sharply increasing sales were the reason for the profit reported after tax for full-year 2015. The quarterly trend for the result after tax was also positive and in the second quarter and thereafter a profit was reported. Earnings per share in the Group increased to SEK 12.62 (loss: 2.47)

As a result of the increased profitability in the form of a net profit, Fingerprint Cards is now able to utilize the loss capitalized carry-forwards for tax purposes. The surplus taxable profit has been charged with income tax, to which should be added income tax on the profit of foreign companies.

On the whole, this meant that tax expenses in the Group rose to a cost of SEK 111.7 M (cost: 0.5).

### Financial position

Fingerprint Cards' financial position improved sharply during 2015. The increase in sales combined with the net profit led to a rise in equity to SEK 1,146.8 M (301.1). The equity/assets rate declined to 60% (71), because of a substantial increase in operations-related components over the entire balance sheet.

Fixed assets declined to SEK 71.3 M

(88.6), as a result of reduced capitalization of development expenditure, combined with a shortening of the amortization period for capitalized development of the projects that have already been capitalized. The share of fixed assets in relation to total assets declined to SEK 71.3 M (88.6). The expanding business, with a large portfolio of fingerprint sensors at various stages of refinement, is also leading to an increased need of warehousing. Inventories increased to SEK 153.0 M (98.8) and accounts receivable to SEK 617.9 M (115.8). As a result of the growing business volume, with accounts payable and other current liabilities increasing to SEK 548.5 M (66.1) and SEK 113.6 M (35.7), respectively, the proportion of equity in relation to total assets declined.

The cash balance increased to SEK 1,031.3 M (101.9), as a result of the higher sales and the favorable net profit.

The increase in other current receivables and liabilities was due to the growing business.

### Trend in investments, depreciation/ amortization and impairment losses

Total investments during 2015 declined to SEK 26.0 M (90.6). Of this amount, investments in intangible fixed assets accounted for SEK 17.2 M (73.6), tangible fixed assets for SEK 7.8 M (17.0) and financial fixed assets for SEK 1.0 M (-). Total depreciation/amortization according to plan, including impairment losses, declined during 2015 to an expense of SEK 43.3 M (expense: 61.6). Of this amount, amortization according to plan of intangible fixed assets accounted for SEK 37.3 M (58.1) and depreciation of tangible fixed assets for SEK 6.0 M (3.5). On the whole, this meant that intangible fixed assets declined to SEK 49.7 M (69.8), tangible fixed assets increased to SEK 20.6 M (18.8) and financial fixed assets increased to SEK 1.0 M (-).

### Trend in cash flow

Cash flow from operations improved during 2015. The profit for the year generated a positive cash flow from operating activities of SEK 908.1 M (neg: 174.2). Cash flow from changes in working capital was negative because of an increase in inventories of a negative SEK 54.2 M (neg: 78.9) and an increase

in current receivables of a negative SEK 519.2 M (neg: 87.8), which was offset by an increase in current liabilities by SEK 530.3 M (78.5).

Cash flow to investments declined to a negative SEK 26.0 M (neg: 90.6) and cash flow from financing activities increased to SEK 47.4 M (155.0). The exercise and sale of warrants implemented during the third and fourth quarters of 2015 contributed cash of SEK 47.6 M (23.7). Combined, the net change in cash and cash equivalents for the whole of 2015 amounted to SEK 929.3 M (neg: 109.8).

### Trend in shareholders' equity and financing

In 2015, all warrants from the TO4 program were exercised to subscribe for 4,818,000 new Class B shares. This contributed SEK 46 M to the Parent Company.

Each warrant entitled the holder to subscribe for one new Class B share for SEK 9.72. Exercise of warrants resulted in share capital rising by SEK 963,600 and SEK 46 M being contributed to the Parent Company.

Following completion of exercise of warrants, the number of Class B shares totaled 62,039,135 and the number of Class A shares remained unchanged at 1,200,000, bringing the total number of shares to 63,239,135. Accordingly, the total number of

### Finance policy

FPC's financial policy regulates and clarifies responsibilities and describes the general rules and guidelines relating to specific areas in financing, the granting of credit, investment and currency management in an effort to support the operations and to manage financial risk and 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 FPC's 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 minor impact on earnings. Currency hedging is not pursued. See Note 24, for further information about financial risks.

### Organization and Personnel

The organization continued to grow considerably during 2015. The number of employees, including both employees and consultants, increased during 2015 to 254 at year-end. The corresponding number at the start of the year was 175, compared with 28 employees at the beginning of 2013. The number of employees at December 31, 2015 was 150 (104), including 117 (87) men and 33 (17) women. Accordingly, including employees and consultants, FPC had 254 (175) employees at December 31, 2015, including 204 (148) men and 50 (27) women.

### Research and development operations

Fingerprint Cards continued to grow its development operations involving fingerprint technology. Development activities are focused on further enhancement of fingerprint sensors and their technology, chemistry, packaging, industrialization, software, algorithms, processors and production processes. More than 55% (50) of the resources in the Group's organization are employed in development activities and, combined with engineers in the customer support organization, these two departments accounted for 71% (75) of employees at the end of 2015. These resources consist of employed personnel and internal resources, as well as consultants and external resources in various fields of expertise, which vary among the different projects.

Development expenditure is recognized in part by being capitalized in the consolidated statement of financial position (the balance sheet for the Parent Company) and in part as capitalized development expenditure within intangible fixed assets. Capitalization occurs following assessment of the project's commercial and technical potential, the future value for the Group, the disposal of the product/solution, the ability to complete the development and the existence of a market for the product. Amortization rates are determined on the basis of the technical and commercial lifetime of the product/solution and

the existing market. This varies from product to product, and project to project.

Because the economic useful life of the projects' deliverables has also been assessed as being shorter since 2014, capitalization is reversed as amortization over a shorter period and thus in a higher amount per period.

In 2015, the Group's expenses for technological development and patents increased to SEK 193.8 M (179.3), of which SEK 17.2 M (61.3) has been capitalized in the Consolidated statement of financial position and the remaining SEK 176.6 M (118.0) has been expensed in the Consolidated statement of comprehensive income.

Correspondingly for the Parent Company in 2015, expenses for technological development increased to SEK 198.5 M (171.6), of which SEK 17.2 M (51.2) has been capitalized in the Parent Company's balance sheet, and the remaining SEK 181.3 M (120.3) has been expensed in the Parent Company's income statement.

In 2015, 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, amounted for the Group to SEK 193.8 M (179.3) of a total SEK 390.3 M (270.0), representing 49% (66).

In the Parent Company, the equivalent portion in 2015 amounted to SEK 198.5 M (171.6) of a total SEK 392.7 M (259.2), representing 51% (66).

### Ownership structure

During 2015, the number of shareholders increased to 36,541 from 14,469 at the end of the preceding year. No change in ownership representing at least one-tenth of the voting rights occurred. At the end of 2015, Sunfloro AB continued to hold all 1,200,000 Class A shares. The change in Sunfloro AB's ownership between 2012 and 2015 was due to the private placements implemented in those years. As a result, Sunfloro AB's holding has decreased in terms of both shares and voting rights, since Sunfloro AB's holdings were not included in the new share issues.

Shareholder	Proportion of shares and capital, %		Capital, % Votes, %	
	2015	2014	2015	2014
Sunfloro AB	1.90	2.09	16.21	17.59

Class of share	Number of shares	No. of voting rights
A	1,200,000	12,000,000
B	62,039,135	62,039,135
Totalt	63,239,135	74,039,135

Shareholdings of at least one-tenth of the voting rights for all shares at December 31, 2015	
Sunfloro AB	16,21 %

### Incentive programs

At the end of 2015, FPC had two outstanding warrants programs that jointly amounted to 2.79% of the total number of shares and 2.40% of the total number of voting rights in the company:

TO5: An Extraordinary General Meeting on March 4, 2013 approved an issue of 1,300,000 warrants with a term extending until March 5, 2016. The price per warrant was SEK 1.79 at the time of issue. All of the warrants under the program are held by FPC's employees. The exercise price for a Class B share is SEK 52.35. On full subscription with the support of all warrants in the program, 1,300,000 new Class B shares can be issued, corresponding to 2.01% of the total number of shares and 1.73% of the total number of voting rights, which will also raise the share capital by SEK 260,000. The program has been designated TO5.

TO6: An Extraordinary General Meeting on November 6, 2013 resolved to issue 500,000 warrants with a term extending to December 27, 2016. The price per warrant was SEK 4.53 at the time of issue. The program was directed to FPC's personnel, and employees who work full-time for the company or the Group on a consultancy basis and where formal employment is with another company that is not a Group company. The exercise price for a Class B share is SEK 90.16. On full subscription with the support of all warrants in the program, 500,000 new Class B shares can

be issued, corresponding to 0.78% of the total number of shares and 0.67% of the total voting rights, which will also raise the share capital by SEK 100,000. The program is designated TO6.

In 2015, warrants from the TO4 program were exercised.

The TO4 program, with a term until October 6, 2015, was approved by an Extraordinary General Meeting on September 5, 2012. All 4,818,000 of the program's remaining warrants have been exercised to subscribe for Class B shares. The price per warrant was SEK 0.15 at the time of issue. The exercise price was SEK 9.72.

### Expectations regarding future performance

The revenue guidance for 2016, as already communicated, is for revenues to amount to SEK 7,000-8,500 M

As communicated earlier, the operating margin for 2016 has been deemed to exceed the operating margin for the second half of 2015. During the second half of 2015, the operating margin was 37%.

### Seasonal fluctuations

To date, sales have not shown any distinct seasonal fluctuations

### Guidelines for remuneration of Board members

The Board of Directors' proposal ahead of the 2016 Annual General Meeting (AGM) is that the guidelines remain unchanged. The Chairman of the Board is remunerated in accordance with a resolution adopted at the 2015 AGM. The Chairman is paid a fee of SEK 350,000 and other members of the Board are paid SEK 220,000 per member, making a total of SEK 1,450,000 for six Board members. As of the seventh Board meeting and thereafter up to the time of the next AGM, an additional amount of SEK 10,000 per member will be payable per attended meeting, subject to a maximum payment of SEK 100,000 per member. Accordingly, the fixed and variable payment may total a maximum of SEK 2,050,000 for the six elected Board members. No special payment is made for work on committees.



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.

If tax-related prerequisites for invoicing exist, and on condition that it is cost-neutral for the company, the invoicing 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 Remuneration Committee, which is appointed from among Board members, prepares guidelines in respect of pay and other employment terms for the President and senior executives and presents the Board with proposals in respect of these issues. The Board is to determine the salary and other remuneration paid to 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 eight individuals who, in addition to the President, constitute Group Management. The basic 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 for the President and other senior executives may not exceed 40% of their total 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 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

The Board of Directors' proposal to 2016 AGM:

In view of the company's capital requirements and size, the Board proposes that no dividend be paid for the 2015 fiscal year. The Board also proposes a 5-for-1 share split, whereby each share, irrespective of class, will be divided into five (5) shares of the equivalent class.

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 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 available in connection with the official notice of the AGM.

The 2016 AGM will be held on May 4, 2016. The 2015 Annual Report will be available on the company's [www.fingerprints.com](http://www.fingerprints.com) website as of April 13, 2016.

### Events after the balance-sheet date January-March 15, 2016

- FPC and other leading companies in the industry have jointly developed solutions for the automotive industry.

- FPC introduces a new solution that detects that a finger is live which further enhances the security of fingerprint sensors.
- Touch sensors included in Huawei's MediaPad M2 tablet and 2-i-1 product MateBook, LG's G5 smartphone and iaomi's Mi5 smartphone.
- FPC launches touch sensors under display glass.
- FPC and TPK integrate FPC1268 under display glass in a smartphone.
- Zwipe and Fingerprint Cards enter into strategic partnership.
- An increase in the number of shares by 1,300,000 Class B shares, following which the number of Class B shares totals 63,339,135 with the number of Class A shares remaining unchanged at 1,200,000, making a total of 64,539,135 shares.

### Sensitivity analysis

FPC is affected by various factors and the following effects on pretax profit arise in the event of a one-percentage-point change in different variables (SEK M):

	2015	2014
Change in prices	+/-29	+/-2
SEK/USD exchange rate	+/-13	+/-1

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. 2015 was characterized by a high level of activity that required Board decisions and consultation: continuous decisions regarding the market and development projects as well as the official appointment of Jörgen Lantto as CEO. The Board convened 27 meetings during 2015.

A more detailed description of corporate governance in 2015, 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.

### Supplementary information pursuant to Chapter 6, Section 2a of the Annual Accounts Act

The 2015 AGM passed resolutions to authorize the Board, during the period until the next AGM, to make decisions on the issue of up to 5,000,000 new Class B shares disapplying the existing shareholders' preferential rights to participate in the issue, and the issue of up to 5,000,000 new shares with preferential rights for the shareholders'.

### Annual General Meeting

Annual General Meeting will be held at 2 p.m. CET on Wednesday, May 4, 2016 at Svenska Mässan, Hall F4/F5, Mässans gata 24, Box 5184, SE 402 26 Gothenburg.

Proposed treatment of the company's accumulated profit.

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

Share premium reserve	525,832,377
Loss carried forward	-236,921,058
Net profit for the year	793,460,926
Total	1,082,372,245

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

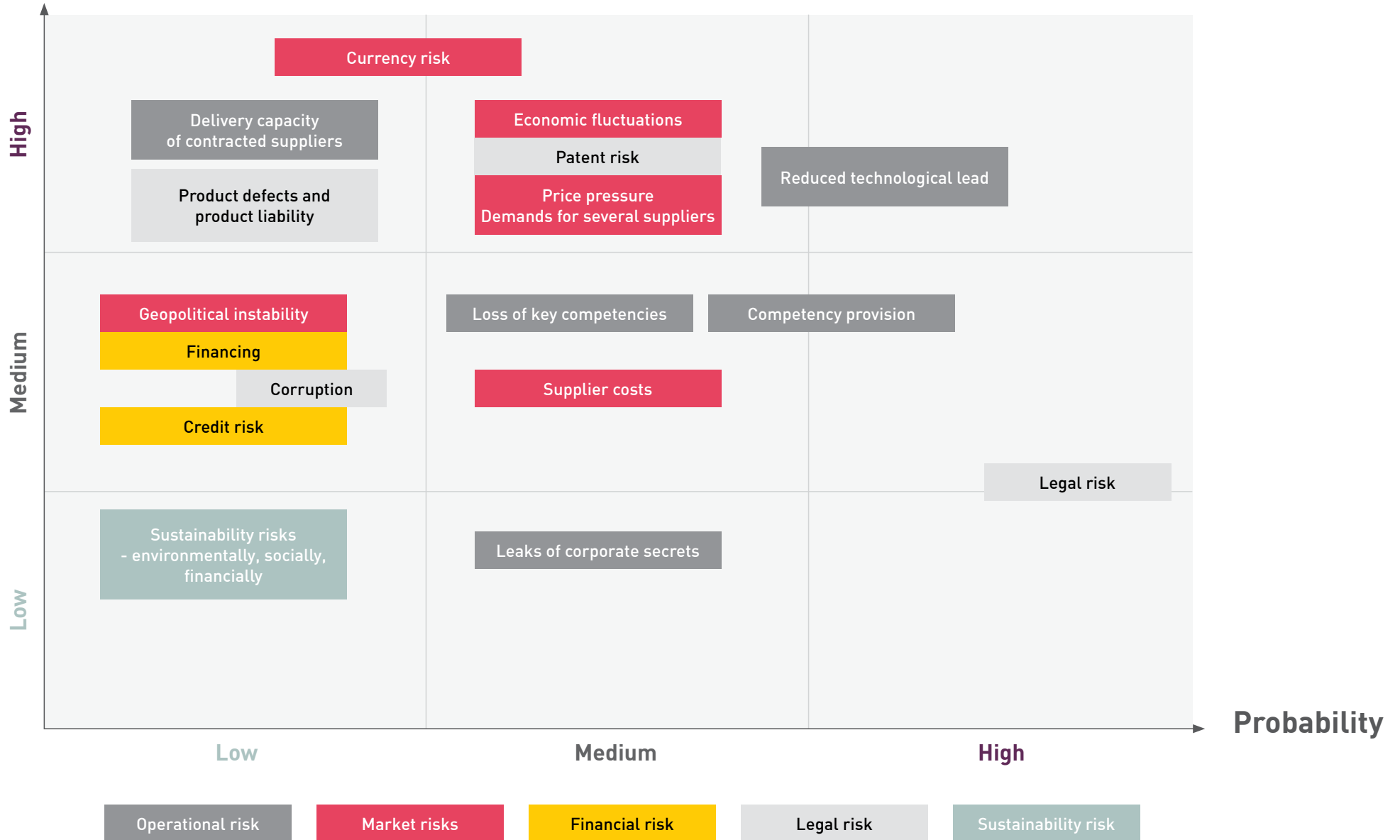
To be carried forward: 1,082,372,245 of which to SEK 525,832,377 to be transferred to the share premium reserve.

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

Risk	Strategy concerned	Aims	Strategy and risk control	Probability	Impact	Probability, trend in 2015
<b>Operational risks</b>						
Delivery capacity of contracted suppliers	Production strategy	Ensure continuous delivery of hardware and input materials. Minimize financial damage to FPC of any delivery disruption	Strategy of maintaining several suppliers of hardware and input materials. Maintain several suppliers. Safeguard and monitor suppliers to ensure that a plan exists to safeguard delivery capacity (Business Continuity Plans (BCP)).	Low	High	↘
Competency provision	HR strategy Competency strategy	Ensure access to the right skills	Maintain attractiveness as an employer. Distinct requirement profiles and professional evaluation.	Medium to high	Medium	→
Loss of key competencies	HR strategy Competency strategy	Keep committed key competencies	Create and maintain a strong corporate culture and a learning organization. Offer development opportunities and market-based remuneration.	Medium	Medium	→
Reduced technological lead	Development strategy	FPC will maintain its leading position in terms of technology.	Continuous product development. Expanded investment in product development.	Medium to high	High	→
Leaks of corporate secrets	Sustainability strategy Code of Conduct	Minimize risk of leaks.	IT and information policy. Safe storage, communication and traceability of sensitive corporate information. Application of code of conduct.	Medium	Low	→
<b>Market risks:</b>						
Geopolitical instability	Growth strategy Product strategy Market and sales strategy	Minimize exposure to local/regional political instability	With an attractive product mix and a broad customer base, in terms of the number of customers and geographic spread.	Low	Medium	→
Supplier costs	Production strategy	Ensure market-aligned pricing of suppliers.	By commissioning several suppliers and market intelligence. Continuous reviews of the suppliers' pricing and market analyses.	Medium	Medium	→
Economic fluctuations	Development strategy Market and sales strategy	Reduce sensitivity to economic conditions	Broad product portfolio och customer base. Systematized business intelligence.	Medium	High	↗
Currency risk	Currency strategy	Minimize undesired negative impact of exchange-rate fluctuations.	The strategy pursued is to not hedge net exposure in USD since hedging as such constitutes speculation in the way exchange rates will develop. Exchanging USD to SEK is effected by converting the currencies proportionally based on forecast sales over time and, to the extent possible, to capitalize on opportunities when the exchange rate is more favorable than the forecast exchange rate. Fluctuations in other exchange rates in relation to SEK have a minor impact on earnings.	Low to medium	High	→

Risk	Strategy concerned	Aims	Strategy and risk control	Probability	Impact	Probability, trend in 2015
<b>Customer losses, due to price pressure and customer requirements for several suppliers</b>	<b>Development strategy Market and sales strategy</b>	Maintain and increase market share	Maintain the faith and satisfaction of customers. Continue to develop highly refined systems featuring differentiating software and maintain direct contact with customers.	Medium	High	→
<b>Financial risks</b>						
<b>Financing</b> The risk associated with being able to finance future operations, development and production.	<b>Financing strategy</b>	Assure access to financing.	Financing strategy. Primary source of financing is to generate a positive cash flow while continuing to communicate well with the capital market to secure financing via shareholders.	Low	Medium	↓
<b>Credit risk</b> The risk that counterparties cannot fulfill their payment obligations.		Lowest possible credit losses	Credit policy. Established process for credit assessment and setting limits. Credit insurance.	Low	Medium	→
<b>Legal risks</b>						
<b>Product defects and product liability</b>	<b>Development strategy Production</b>	Assure low probability	Ensure the right product design and that all of FPC's hardware products are tested prior to delivery. Procedures for managing deviations and product returns. R&D development programs. Deviations and product returns are managed by the person responsible for the product portfolio and are investigated by R&D.	Low	High	↘
<b>Patent risk,</b> the risk that patents held by others will impede the application of FPC's technology.	<b>Patent strategy</b>	Maintain well-protected patents.	Active patent monitoring and strategy. Close cooperation between patent manager and the development department. Complementary acquisitions of patents from third parties.	Medium to high	Medium	→
<b>Corruption</b>	<b>Sustainability strategy</b>	Avoid corruption	Apply FPC's code of conduct. Monitor customers, intermediaries and other stakeholders. Application of and training in best practice.	Low	Medium	→
<b>Other risks</b>						
<b>Environmentally and socially</b>	<b>Sustainability strategy</b>	Minimize the risk	Structured work to integrate the sustainability aspect into operations. Continuous stakeholder dialogue.	Low	Low	→

# Impact



# Consolidated statement of comprehensive income

SEK M	Note	2015	2014
Revenues	2, 4	2,900.5	233.6
Cost of goods sold	3	-1,645.2	-162.0
<b>Gross profit/loss</b>		<b>1,255.3</b>	<b>71.6</b>
Selling costs		-107.8	-54.4
Administrative expenses		-56.8	-28.9
Development costs	34	-176.6	-140.1
Other operating revenues	5	-	6.6
Other operating expenses	6	-3.8	-
<b>Operating profit/loss</b>	4, 7, 8, 9, 25, 26	<b>910.3</b>	<b>-145.3</b>
Financial income	4, 10	0.1	2.2
Financial expenses	4, 10	-0.4	-0.5
<b>Profit/loss before tax</b>		<b>910.0</b>	<b>-143.6</b>
Tax	11	-111.7	-0.5
<b>Net profit for the year</b>		<b>798.3</b>	<b>-144.0</b>
Earnings per share	12		
before dilution (SEK)		12.62	-2.47
after dilution (SEK)		12.42	-2.47

## Other comprehensive income

<b>Net profit/loss for the year</b>		<b>798.3</b>	<b>-144.0</b>
Items that may subsequently be reclassified as profit/loss for the year:			
Translation differences pertaining to foreign operations:		-0.2	0.1
<b>Other comprehensive income</b>		<b>-0.2</b>	<b>0.1</b>
<b>Comprehensive income/loss for the year</b>		<b>798.1</b>	<b>-144.0</b>
Attributable to:			
Parent Company shareholders		798.1	-144.0
		<b>798.1</b>	<b>-144.0</b>

## Comments on the income statement

**Fingerprint Cards' revenues increased** by 1,142%. Accordingly, 2015 was the best year to date in the company's and the Group's history. In common with 2014, sales increased quarter by quarter during 2015, and for each quarter higher year-on-year sales were reported. During the fourth quarter of 2015, sales amounted to SEK 1,351.5 M, a record for a single quarter.

The factors underlying the sales increase included successes for the company's products in the mobile phone market and the continued launch in the global market of the company's touch sensors for smart-phones, combined with penetration of fingerprint technology on a broad front.

**Gross profit increased** to 1,255.3 (71.6) and the **gross margin rose** to 43% (31). The increased sales resulted in higher gross profit and, because of the measures to optimize production and the product mix, as well as a reduction in the portion of fixed costs in the cost of goods sold, the gross margin increased. Fixed costs consist of production expenses, and amortization of capitalized development. The trend toward a smaller share of capitalization of development expenditure continued during 2015, because the period of capitalization of a project has become shorter.

A growing share of total development expenditure was recognized as development costs in the statement of income and comprehensive income. At the same time, the part that was capitalized and became subject to amortization was recognized over a shorter period because the economic life of the projects' deliverables has been adjudged to be smaller. On the whole, this resulted in a further reduction in capitalized development expenditure in 2015, compared with the past.

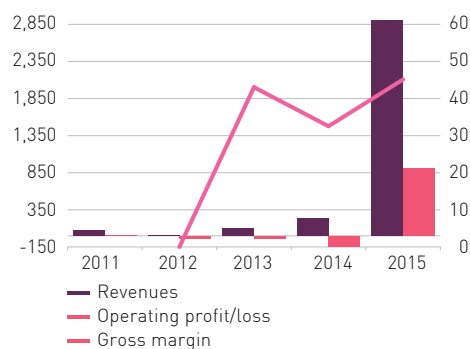
While **operating expenses increased**, due to the expanding organization, primarily in technology development and sales, the **share of costs in relation to sales was reduced**, because sales are increasing at a faster rate than costs resulting in a higher operating margin. Exchange-rate effects are recognized in operating profit under the item other external costs and other external income. Exchange-rate effects in 2015 were a negative SEK 3.3 M (pos: 6.6). Operating profit for 2015 includes an impairment loss of SEK 2.6 M (loss: 14.5) regarding capitalized development.

**Operating profit increased** to 910.3 (loss 145.3) and the **operating margin rose** to 31% (neg: 62).

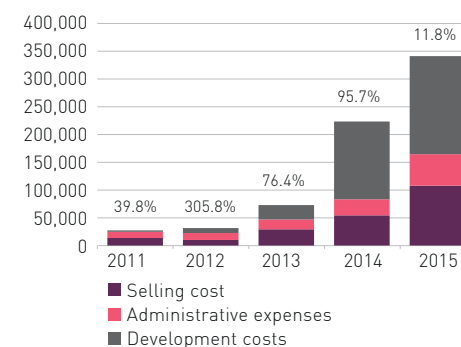
**The after-tax profit increased** and was the result of sharply increasing sales. The quarterly trend for the result after tax was also positive and in the second quarter and thereafter a profit was reported.

As a result of the increased profitability in the form of a net profit, Fingerprint Cards is now able to utilize the loss carry-forwards for tax purposes that have been capitalized. The surplus taxable profit has been charged with income tax, to which will be added income tax on the earnings of foreign companies.

## Revenues, Operating profit/loss and Gross margin



## Operating costs, KSEK



## Consolidated statement of financial position

SEK M	Note	Dec 31, 2015	Dec 31, 2014
<b>Assets</b>			
Intangible fixed assets	13	49.7	69.8
Tangible fixed assets	14	20.6	18.8
Financial fixed assets	15	1.0	-
<b>Total fixed assets</b>		<b>71.3</b>	<b>88.6</b>
<b>Current assets</b>			
Inventories	17	153.0	98.8
Accounts receivable	16, 18	617.9	115.8
Tangible fixed assets		28.6	15.9
Prepaid expenses and accrued income	16, 19	8.0	3.7
Cash and cash equivalents	16, 20	1,031.3	101.9
<b>Total current assets</b>		<b>1,838.8</b>	<b>336.0</b>
<b>Total assets</b>		<b>1,910.1</b>	<b>424.6</b>
<b>Shareholders' equity</b>			
	21		
Share capital		12.6	11.7
Other paid-in capital		757.7	711.1
Translation reserve		-0.1	0.1
Retained earnings, including profit/loss for the year		376.6	-421.8
Shareholders' equity attributable to Parent Company shareholders		1,146.8	301.1
<b>Shareholders' equity</b>		<b>1,146.8</b>	<b>301.1</b>
<b>Long-term liabilities</b>			
Other long-term liabilities		-	0.2
<b>Total long-term liabilities</b>		<b>-</b>	<b>0.2</b>
<b>Current liabilities</b>			
Accounts payable	16	548.5	66.1
Current tax liability	11	109.6	-
Other current liabilities	22	4.0	35.7
Prepaid expenses and accrued income	16, 23	101.2	21.5
<b>Total current liabilities</b>		<b>763.3</b>	<b>123.4</b>
<b>Total shareholders' equity and liabilities</b>		<b>1,910.1</b>	<b>424.6</b>
<b>Assets pledged and contingent liabilities, Group</b>			
<b>SEK M</b>	<b>Note</b>	<b>Dec 31, 2015</b>	<b>Dec 31, 2014</b>
Assets pledged	32	15,000	15
<b>Contingent liabilities</b>		<b>None</b>	<b>None</b>

### Comments on the balance sheet

**Fingerprint Cards' financial position improved sharply** during 2015. The increase in sales combined with the net profit led to a rise in equity to SEK 1,146.8 M (301.1). The equity/assets ratio declined to 60% (71), because of a substantial increase in operations-related components over the entire balance sheet.

**Fixed assets declined** to SEK 71.3 M (88.6), due to reduced capitalization of development expenditure, combined with a shortening of the amortization period for capitalized development of the projects that have already been capitalized. The share of fixed assets in relation to total assets declined to SEK 71.3 M (88.6), or by 3.7% (20.9).

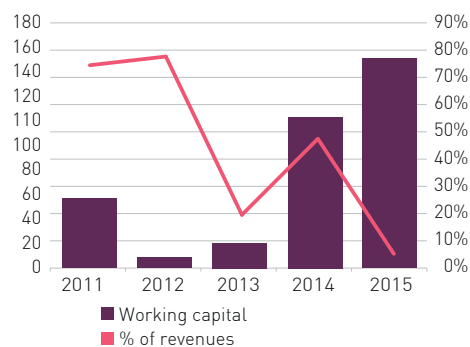
**Inventories increased** to SEK 153.0 M (98.8) and accounts receivable to SEK 617.9 M (115.8). The expanding business, with a large portfolio of fingerprint sensors at various stages of refinement, is also leading to an increased need of warehousing.

Due to the growing business volume, **with accounts payable** and **other current liabilities increasing** to SEK 548.5 M (66.1) and SEK 4.0 M (35.7), respectively, the proportion of **equity in relation to total assets declined**.

The cash balance **increased** to SEK 1,031.3 M (101.9), as a result of the higher sales and the favorable net profit.

**The increase in other current receivables and liabilities** was due to the growing business.

### Working capital, SEK M



## Statement of changes in equity, the Group

SEK M	Share capital	Other paid-in capital	Translation differences	Retained earnings incl. net profit for the year	Total shareholders' equity
Retained earnings, incl. profit/loss for the year					
Opening shareholders' equity, Jan 1, 2014	10.8	556.6	0.0	-277.7	289.8
Comprehensive income for the year:					0.0
Net loss for the year				-144.0	-144.0
Other comprehensive income for the year			0.1		0.1
Transactions with the company's shareholders					
New share issue	0.5	131.2			131.7
Exercise of warrants	0.4	23.3			23.7
<b>Closing shareholders' equity, Dec 31, 2014</b>	<b>11.7</b>	<b>711.1</b>	<b>0.1</b>	<b>-421.8</b>	<b>301.2</b>
Opening shareholders' equity, Jan 1, 2015	11.7	711.1	0.1	-421.8	301.2
Net profit for the year				798.3	798.3
Other comprehensive income for the year			-0.2		-0.2
Exercise of warrants	1.0	46.6			47.6
<b>Closing shareholders' equity, Dec. 31, 2015</b>	<b>12.7</b>	<b>757.7</b>	<b>-0.1</b>	<b>376.6</b>	<b>1,146.9</b>

### Comments on changes in shareholders' equity

In 2015, all warrants from the T04 program were exercised to subscribe for 4,818,000 new Class B shares. This contributed SEK 46 M to the Parent Company.

Each warrant entitled the holder to subscribe for one new Class B share for SEK 9.72. Exercise of warrants resulted in share capital rising by SEK 963,600 and SEK 46 M was contributed to the Parent Company.

Following completion of the exercise of warrants, the number of Class B shares totaled 62,039,135 and the number of Class A shares remained unchanged at 1,200,000, bringing the total number of shares to 63,239,135. Accordingly, the total number of votes is 74,039,135.

## Consolidated statement of cash flows, the Group

SEK M	Note	2015	2014
<b>Operating activities</b>	28		
Profit/loss before tax		910.0	-144.0
Adjustment for non-cash items	28	43.3	58.0
Income tax paid		-2.1	-
<b>Cash flow from operating activities before changes in working capital</b>		<b>951.2</b>	<b>-86.0</b>
<b>Cash flow from changes in working capital</b>			
Increase (-)/Decrease (+) in inventories		-54.2	-78.9
Increase (-)/Decrease (+) in operating receivables		-519.2	-87.8
Increase (+)/Decrease (-) in operating liabilities		530.3	78.5
<b>Cash flow from operating activities</b>		<b>908.1</b>	<b>-174.2</b>
<b>Investing activities</b>			
Acquisition of, and in-house developed, intangible fixed assets	13	-17.2	-58.4
Acquisition of subsidiaries/business	35	-	-15.2
Acquisition of financial fixed assets		-1.0	-
Acquisition of tangible fixed assets	14	-7.8	-17.1
<b>Cash flow to investing activities</b>		<b>-26.0</b>	<b>-90.7</b>
<b>Financing activities</b>			
Repayment of loans		-0.2	-0.2
Exercise of warrants		47.6	23.7
New share issue		-	131.6
<b>Cash flow from financing activities</b>		<b>47.4</b>	<b>155.1</b>
Cash flow for the year		929.5	-109.8
Cash and cash equivalents, January 1		101.9	211.7
<b>Cash and cash equivalents, December 31</b>	28	<b>1,031.3</b>	<b>101.9</b>

### Comments on the cash flow statement

**Cash flow from operations improved.** The profit for the year generated a positive cash flow from operating activities of SEK 908.1 M (neg: 174.2).

**Cash flow from changes in working capital** was negative because of an increase in inventories of a negative SEK 54.2 M (neg: 78.9) and an increase in current receivables of a negative SEK 519.2 M (neg: 87.8), which was offset by an increase in current liabilities by SEK 530.2 M (78.5).

**Cash flow to investments** declined to a negative SEK 26.0 M (neg: 90.7) and cash flow from financing activities increased to SEK 47.4 M (155.1). The exercise of warrants implemented during the third and fourth quarters of 2015 contributed cash of SEK 47.6 M (23.7). Combined, the net change in cash and cash equivalents for the whole of 2015 amounted to SEK 929.5 M (neg: 109.8).

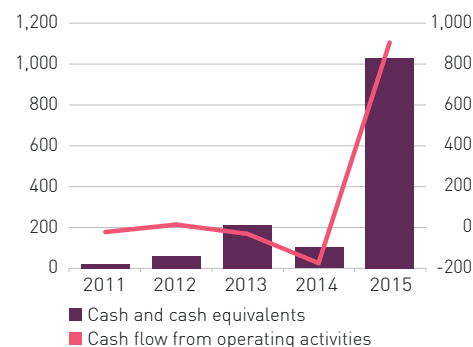
**Total investments** during 2015 declined to SEK 26.0 M (90.7).

Of this amount, **investments in intangible fixed assets** accounted for SEK 1.0 M (73.6), tangible fixed assets for SEK 7.8 M (17.1) and financial fixed assets for SEK 1.0 M (-).

**Total depreciation/amortization** according to plan, including impairment losses, declined during 2015 to an expense of SEK 43.3 M (expense: 61.6). Of this amount, amortization according to plan of intangible fixed assets accounted for SEK 37.3 M (58.1) and depreciation of tangible fixed assets for SEK 6.0 M (3.5).

On the whole, this meant that **intangible fixed assets declined** to SEK 49.7 M (69.8), **tangible fixed assets increased** to SEK 20.6 M (18.8) and **financial fixed assets increased** to SEK 1.0 M (-).

### Cash and cash equivalents and cashflow, MSEK





## Parent Company income statement

SEK M	Note	2015	2014
Revenues	2, 3	2,900.2	231.9
Cost of goods sold	3	-1,645.2	-162.0
<b>Gross profit</b>		<b>1,255.0</b>	<b>69.9</b>
Selling costs		-108.6	-54.4
Administrative expenses		-56.8	-28.0
Development costs	34	-181.4	-127.1
Other operating revenues	5	-3.4	6.6
Other operating expenses	6		-
<b>Operating profit/loss</b>	4, 7, 8, 9, 25, 26	<b>904.8</b>	<b>-133.0</b>
Result from financial items:	100		
Result from shares in subsidiaries	36	-	-15.5
Other interest income and similar profit/loss items		0.1	2.1
Interest expenses and similar profit/loss items		-0.4	-0.3
<b>Profit/loss before tax</b>		<b>904.5</b>	<b>-146.7</b>
Tax	11	-111.0	-
<b>Net loss for the year</b>		<b>793.5</b>	<b>-146.7</b>

### Consolidated statement of income and other comprehensive income

Net profit/loss for the year		793.5	-146.7
Other comprehensive income for the year		-	-
<b>Comprehensive income/loss for the year</b>		<b>793.5</b>	<b>-146.7</b>

## Parent Company statement of cash flows

SEK M	Note	2015	2014
<b>Operating activities</b>	28		
Profit/loss before tax		904.5	-146.7
Adjustment for non-cash items		40.8	62.5
<b>Cash flow from operating activities before changes in working capital</b>		<b>945.3</b>	<b>-84.2</b>
Income tax paid		-1.1	-
<b>Cash flow from changes in working capital</b>			
Increase (-)/Decrease (+) in inventories		-54.2	-78.9
Increase (-)/Decrease (+) in operating receivables		-515.2	-95.9
Increase (+)/Decrease (-) in operating liabilities		531.6	69.6
<b>Cash flow from operating activities</b>		<b>906.4</b>	<b>-189.4</b>
<b>Investing activities</b>			
Acquisition of, and in-house developed, intangible fixed assets	13	-17.2	-51.3
Acquisition of tangible fixed assets	14	-7.7	-14.8
Acquisition of financial fixed assets	15	-1.7	-16.4
<b>Cash flow to investing activities</b>		<b>-26.6</b>	<b>-82.5</b>
<b>Financing activities</b>			
Warrants, paid-in amounts for programs		-	-
Redemption and sales of warrants		45.2	23.7
New share issue		-	131.7
<b>Cash flow from financing activities</b>		<b>45.2</b>	<b>155.3</b>
Cash flow for the year		925.0	-116.6
Cash and cash equivalents, January 1		93.0	209.6
<b>Cash and cash equivalents, December 31</b>	28	<b>1,018.0</b>	<b>93.0</b>

## Parent company balance sheet

SEK M	Note	Dec 31, 2015	Dec 31, 2014
<b>Assets</b>			
Fixed assets			
Intangible fixed assets	13	47.0	65.1
Tangible fixed assets	14	18.6	16.4
Financial fixed assets	15	3.5	1.8
<b>Total fixed assets</b>		<b>69.1</b>	<b>83.3</b>
Current assets			
Inventories	17	153.0	98.8
Current receivables			
Receivables from Group companies		5.4	11.0
Accounts receivable	16, 18	617.9	115.5
Other receivables		28.4	13.5
Prepaid expenses and accrued income	16, 19	6.7	3.2
Cash and bank deposits	16, 20	1,018.0	93.0
<b>Total current assets</b>		<b>1,829.4</b>	<b>335.1</b>
<b>Total assets</b>		<b>1,898.5</b>	<b>418.4</b>

SEK M	Note	Dec 31, 2015	Dec 31, 2014
<b>Shareholders' equity</b>			
Restricted shareholders' equity			
Share capital (1,200,000 Class A shares, 57,221,135 Class B shares)		12.6	11.7
Statutory reserve		41.5	41.5
Unrestricted shareholders' equity			
Share premium reserve		525.8	481.6
Loss carried forward		-236.9	-90.2
Net profit for the year		793.5	146.7
<b>Total shareholders' equity</b>		<b>1,136.5</b>	<b>297.8</b>
Current liabilities			
Advance payments from customers		0,0	29.7
Accounts payable	16	548.2	70.0
Liabilities to Group companies		4.9	0.0
Tax liability	11	109.9	-
Other current liabilities	22	2.4	1.6
Prepaid expenses and accrued income	16, 23	96.7	19.3
<b>Total liabilities and current liabilities</b>		<b>762.1</b>	<b>120.6</b>
<b>Total shareholders' equity and liabilities</b>		<b>1,898.5</b>	<b>418.4</b>

### Assets pledged and contingent liabilities for the Parent Company

	Note	Dec 31, 2015	Dec 31, 2014
Assets pledged	32	15	15
Contingent liabilities		None	None

## Parent Company statement of changes in equity

SEK M	Restricted shareholders' equity		Unrestricted shareholders' equity			Total shareholders' equity
	Share capital	Statutory reserve	Share premium reserve	Loss carried forward	Net profit for the year	
<b>Opening shareholders' equity, Jan 1, 2014</b>	<b>10.8</b>	<b>41.5</b>	<b>327.1</b>	<b>-57.1</b>	<b>-33.1</b>	<b>289.2</b>
Comprehensive income for the year:						0.0
Net loss for the year					-146.7	-146.7
Other comprehensive income for the year						0.0
Appropriation of profits				-33.1	33.1	0.0
New share issue	0.5		131.2			155.3
Paid-in warrant premiums	0.4		23.3			23.7
Closing shareholders' equity, Dec 31, 2014	11.7	41.5	481.6	-90.2	-146.7	297.8
<b>Opening shareholders' equity, Jan 1, 2015</b>	<b>11.7</b>	<b>41.5</b>	<b>481.6</b>	<b>-90.2</b>	<b>-146.7</b>	<b>297.8</b>
Comprehensive income for the year:						0.0
Net profit for the year					793.5	793.5
Other comprehensive income for the year						0.0
Appropriation of profits				-146.7	146.7	0.0
New share issue	0.9		44.3			45.2
Paid-in warrant premiums	12.6	41.5	525.8	-236.9	793.5	1,136.5
<b>Closing shareholders' equity, Dec. 31, 2015</b>	<b>12.6</b>	<b>41.5</b>	<b>525.8</b>	<b>-236.9</b>	<b>793.5</b>	<b>1,136.5</b>

# Notes to the financial statements

## Note 1 Significant accounting policies

All amounts are in SEK M unless otherwise indicated.

Compliance with standards and legislation. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS/IAS) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU. The Swedish Financial Reporting Board's recommendation RFR 1 (Supplementary Accounting Rules for Groups) was also applied.

The Parent Company applies the same accounting policies as the Group, except in the cases described below under "Parent Company accounting policies." The Annual Report and the consolidated financial statements were approved for issue by the Board of Directors and President on March 31, 2016. 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 May 4, 2016.

### 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 value through profit or loss. Financial assets and liabilities measured at fair value comprise derivative instruments but no such item existed at December 31, 2015. The Group does not apply hedge accounting.

Unrealized gains and losses resulting from fluctuations in the fair value of the hedging contracts are continuously recognized in profit or loss under the segment, Fingerprint Sensors.

### 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 stated, all amounts have been rounded to the nearest thousand.

### Judgments and estimates in the financial statements

Preparing the financial statements in accordance with IFRS requires that company management make judgments, estimates and assumptions that affect the application of the accounting policies and the carrying amounts of assets, liabilities, income and expenses. The actual outcome may deviate from these estimates and judgments.

These estimates and assumptions are regularly reviewed. Changes to estimates are reported in the period in which the change is made if the change affects only that specific period, or are reported in the period in which the change is made and future periods if the change affects the current and future periods.

Judgments made by company management in the application of IFRS that have a material impact on the financial statements and estimates made that may lead to significant adjustments in the following year's 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 were applied consistently to all of the periods presented in the Group's financial statements. The Group's accounting policies were also applied consistently by the Group companies once they had been consolidated.

### Amended accounting policies

No changes have taken place.

### New and amended IFRSs have not had any material impact on the financial statements

The amended accounting policies applied by the Group as of January 1, 2015 are described below. IFRS amendments with effect from 2015 have not had any material effect on the Group's financial statements.

IFRIC 21 Levies. The interpretation contains rules for outflows imposed on entities by governments and clarifies at which point an obligating event arises that gives rise to the recognition of a liability. The amendment is to be applied for fiscal years commencing June 17, 2014 or later, and is to be applied retrospectively.

Annual improvements of IFRSs (2011-2013) In accordance with EU regulations, (IFRS 1, IFRS 3, IFRS 13, IAS 40) are to be applied to fiscal years commencing January 1, 2015 or later.

Annual improvements of IFRSs (2011-2013) IFRS 3: Joint arrangements (previously joint ventures) and exceptions from this application area. As part of the exceptions from the IFRS 3 application area, it is clarified that the creation of joint arrangements (not solely the subcategory joint ventures in IFRS 11) is excluded and that this applies to the financial statements of the joint arrangement. The exception does not encompass the financial statements of the parties to the joint arrangement.

Annual improvements of IFRSs (2011-2013) IFRS 13: The portfolio exception's application area.

The application area of what is termed the portfolio exception in IFRS 13 is being adjusted so that it complies with the application area for IAS 39 and IFRS 9.

Annual improvements of IFRSs (2011-2013) IAS 40: The acquisition of investment properties may occur through the acquisition of the company that owns the properties rather than by acquiring the properties directly.

### New and revised existing standards, which have been approved by the EU.

New standards that became effective in 2015

The new standards that became effective in 2015 have had no impact on Fingerprint Cards' financial statements.

IFRIC 21 Levies: The interpretation deals with how the various fees levied by governments are to be recognized. IFRIC 21 applies to levies within the framework of IAS 37 and to obligations to pay levies that are definitive in terms of amount and timing. IFRIC 21 does not apply to income tax (IAS 12) and fines. Only recognition on the liabilities side is

addressed; but not whether the debit side is a cost or an asset. The interpretation has meant that property tax has to be recognized at January 1, when the obligation to pay the tax arises. The entire debt has to be recognized on January 1 at the same time as a prepaid expense concerning the property tax has to be recognized.

Changes in existing standards that became effective in 2015

Changes in existing standards have not resulted in any changes in Fingerprint Cards' financial statements.

New standards and interpretations that become effective in 2016 or later

Changes in existing standards have not resulted in any changes in Fingerprint Cards' financial statements.

Amendment to IAS 16 and IAS 38: clarification of methods for measuring the depreciation of an asset. Depreciation 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. The amendments are to be applied as of January 1, 2016 and advance application is permitted. The amendment has been approved by the EU.

Amendment of IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. There has been inconsistency between IFRS 10 and IAS 28 regarding how the sale or contribution of assets between an investor and its associate or joint venture is to be recognized. The amendment entails that the entire gain or loss is to be recognized if the sale or the contribution of assets constitutes a part of a business (regardless of whether it is a subsidiary or an asset transfer). In cases of a sale or contribution of assets that is not part of a business, only part of gain or loss is to be recognized. IASB will issue a draft concerning deferral of the effective date. It has not been stated when application is to start. The EU is deferring the decision-making process until the time of the proposed amendments of IFRS 10 and IAS 28.

Amendment to IFRS 11: Recognition of Acquisitions of Interests in Joint Operations – there has previously been a lack of clarity concerning the recognition of business combinations involving joint operations, particularly pertaining to companies in the energy and natural resources industries. Accordingly, an amendment has been made to the effect that IFRS 3 Business Combinations is to be applied when an acquisition of joint operations constitutes a business. Common control transactions are excluded. According to IASB, prospective application is permissible as of January 1, 2016. Advance application is permitted. The amendment has been approved by the EU.

IFRS 15 Revenue from Contracts with Customers. The purpose of the new revenue standard is to have a single principle-based standard for all industries, which is to replace existing standards and statements on revenues. The industries that are considered to be impacted the most are the telecom, software, property, aviation, defense, construction and civil engineering sectors, as well as companies engaged in contract manufacturing. However, all companies will be impacted by new, significantly expanded disclosure requirements. There are three alternative methods for the transition: full retrospective application, partial retrospective application (including relief rules) and an “accumulated effect method,” whereby equity will be adjusted as of January 1, 2018 for contracts that are still in progress under the previous regulations (IAS 11/ IAS 18). IFRS 15 becomes effective on 2018 and earlier application is permissible assuming that the EU adopts the standard. The EU is expected to approve IFRS 15 during the second quarter of 2016.

Amendment to IAS 27: Equity Method in Separate Financial Statements. The amendment entails that the equity method can be used for recognition of interests in subsidiaries, joint ventures and associated companies in a company’s separate financial statements. According to IASB, retrospective application is permissible as of January 1, 2016. Advance application is permitted. The EU is expected to approve IFRS 15 during the fourth quarter of 2015. It remains to be seen how the Financial Reporting Board will deal with this amendment to RFR 2.

Amendment to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception. The amendments entail the following:

\*An investment entity that is a parent company is required to recognize at fair value any subsidiary that supplies investment-related services in the event that this subsidiary is itself an investment entity.

\*A parent company that is a holding company owned by an investment entity can be exempted from the requirement to compile consolidated financial statements.

\*An investor that is not an investment entity may recognize at fair value its interests in associated companies and joint ventures that are investment entities when calculating the equity share.

According to IASB, retrospective application is permissible as of January 1, 2016. Advance application is permitted. The EU is expected to approve the amendment during the second quarter of 2016.

Amended IAS 1 Presentation of Financial Statements. Disclosure Initiative. The amendment entails an emphasis on the fact that the point of departure in terms of disclosures must be materiality.

\*Specific disclosures need not be provided in cases where these are not material, although the standard represents an expressed requirement.

\*The disclosures need not be presented in any special order; in fact they may also include accounting policies.

\*The lines in statements of income and other comprehensive income and the balance sheet can be specified additionally if this can be considered appropriate on the basis of the company’s operations.

\*The lines in the balance sheet required by IAS 1 can be aggregated in the event that these are not considered material.

\*Special rules prevail for presenting subtotals in the balance sheet and statements of income and other comprehensive income.

\*Other comprehensive income attributable to joint ventures and associated companies recognized according to the equity method is to be divided into two categories: items that have been or may be reclassified to profit and loss, and those that will not.

However, the amendment does not entail any material change in relation to current practices.

Changes in Swedish regulatory framework; the Financial Reporting Board

Changes in existing standards have not resulted in any changes in Fingerprint Cards’ financial statements.

#### **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.

Shares that potentially carry voting rights and any factor control are taken into account in assessing the existence of a controlling influence.

Subsidiaries are recognized in accordance with the purchase method.

In accordance with this method, 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 or operations comprises the sum of the fair value of the paid assets on the acquisition date, arisen or assumed liabilities and for issued equity instruments paid in exchange for the acquired net assets. Costs directly attributable to the acquisition are expensed on a current account basis. For business combination 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. If the difference is negative, it is recognized directly in net profit for the year. Subsidiaries’ financial statements are included in the consolidated financial statements from 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.

#### **Foreign currency**

Transactions in foreign currency are translated to the functional currency at the exchange rate prevailing on the transaction date. 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 arising in conjunction with these translations are recognized in profit or loss. Non-monetary assets and liabilities recognized at historic costs are translated according to the exchange rate 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.

Currency flows for 2016 have not been hedged. The net surplus from sales in USD and expenditure for purchasing materials sold in USD is exchanged as needed and used as working capital in the ongoing expansion.

#### **Revenue**

Revenue 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. Revenue 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 loss for the year straight-line over the lease term. Benefits received from signing a lease are recognized in profit or loss as a decrease in leasing fees straight-line over the term of the lease. 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.

## 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 or loss. Gains/losses from the divestment of a financial instrument are recognized when the risks and benefits associated with ownership of the instrument are transferred to the purchaser and the Group no longer has control of the instrument.

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 tax and deferred tax are recognized in profit or loss with the exception of transactions recognized in other comprehensive income. Tax attributable to items recognized in other comprehensive income is also recognized in other comprehensive income. 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, a tax rate of 22% is applied.

## Classification of financial assets

Financial instrument recognized in the statement of financial position include, on the assets side, cash and cash equivalents, accounts receivable and financial investments, and on the liability 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 company 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 show below.

### 1. Financial assets measured at the 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 company management. Derivative instruments are also classified in this category. Assets and liabilities in this category are classified as current 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 less than 12 months after the balance-sheet date, following which non-current assets is the classification.

### 3. Investments held to maturity

During 2015 and 2014, the Group had no assets in this category.

### 4. Financial assets held for resale

During 2015 and 2014, the Group had no assets in this category.

## (iii) Classification and measurement

A financial asset or financial liability is recognized in the statement of financial position when the Group becomes a contractual party in accordance 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 yet to be 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 at 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 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 operating profit. 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 at the amounts at which they are 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 it 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 from the divestment or disposal of an asset comprise the difference between the selling price and the asset's carrying amount, less direct selling costs. Gains and losses are recognized as other operating income/expenses.

### (ii) Leased assets

Leases 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 hired 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 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	5 years
Equipment, tools, fixtures and fittings	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, registration of legal rights and borrowing costs in accordance with IAS 23. Other development 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	Up to 4 year
Platform	Up to 5 year

Useful lives are reassessed annually.

#### Inventories

Inventories are measured at the lowest of cost and the net selling price. The cost of the inventories is calculated by applying the first-in, first-out method (FIFO) and includes expenses arising in conjunction with the acquisition of inventory items and the transportation to their current location and condition. The cost of manufactured goods and work in progress includes a reasonable share of indirect costs based on normal capacity.

The net selling price is the estimated sales price in the operating activities, less estimated expenses for completion and bringing about a sale.

Inventories are measured at cost less obsolescence.

#### 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 determined significant independent cash flows to an individual asset, and its 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 on 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 net profit/loss for the year in the Group attributable to the Parent Company's owners and on the weighted average number of shares outstanding during the year. In calculating earnings per share after dilution, earnings and the average number of shares are adjusted to take into account the diluting effects of potential common shares, 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.

#### 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. When severance pay is provided as an offer to encourage voluntary redundancy, an expense is recognized if it is probable that the offer will be accepted and the number of employees who will accept the offer can be reliably estimated.

##### (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.

##### (iii) Share-based payments

An options program enables employees to acquire shares in the company. The expense recognized corresponds to the fair value of an estimate of the number of warrants that is expected to be earned, taking into consideration terms of services and performance that are not market conditions. This expense is adjusted in subsequent periods to eventually reflect the actual number of warrants earned. However, no adjustment is made for when warrants are forfeited due to only the non-fulfillment

of market conditions and/or conditions that are not earnings conditions. Social security contributions attributable to share-based instruments issued to employees as remuneration for services purchased are expensed over the period during which the services are performed. The provision for social security contributions is based on the fair value of the warrants on the reporting date. The fair value is calculated in accordance with the same measurement model as applied when the warrants were issued.

#### 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 to be received 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 at 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 at 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's 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. The statements regarding listed companies as issued by the Financial Reporting Board were also applied. Under RFR 2, in its Annual Report for the legal entity, the Parent Company is to apply all IFRS 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 exemptions and additions to IFRS that are to be made.

#### Parent Company's 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, in its Annual Report for the legal entity, the Parent Company is to apply all IFRS 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 exemptions 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  
No change has taken place.

(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) Segment reporting

The Parent Company's distribution of revenues matches the Group's segments and the distribution of revenues from external customers, as shown in Note 4.

#### (v) 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 additional of any revaluations.

#### (vi) Leased assets

All leases in the Parent Company are recognized as operating leasing.

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

Group contributions paid are recognized in the Parent Company as an increase in the item "Participations in Group companies" in the balance sheet. A Group contribution received is recognized in the Parent Company in the same manner as dividends; that is, as financial income.

## Note 2 Distribution of income

Income per significant type of income SEK M	Group		Parent Company	
	2015	2014	2015	2014
Revenues	2,900.5	233.6	2,900.2	231.9
Sale of goods	2,900.5	233.6	2,900.2	231.9

## Note 3 Cost of goods sold

Opening costs in Cost of goods sold SEK M	Group		Parent Company	
	2015	2014	2015	2014
Materials	-1,596.6	-126.9	-1,596.6	-126.9
Depreciation/amortization and impairment losses on Capitalized development	-29.3	-23.2	-29.3	-23.2
Purchasing and production expenses	-19.3	-11.8	-19.3	-11.8
Cost of goods sold	-1,645.2	-162.0	-1,645.2	-162.0



## Note 4 Operating segments

The Group's business activities are divided into operating segments based on the parts of the operations reviewed by the company's chief operating decision-maker, which is known as a "management approach." 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.

The Group's operating segments SEK M	Fingerprint sensors		Total and continuing operations	
	2015	2014	2015	2014
Income from external customers	2,900.5	233.6	2,900.5	233.6
Depreciation/ amortization	-43.3	-45.2	-43.3	-45.2
Operating profit/loss	910.3	-145.3	910.3	-145.3
Net financial items	-0.3	1.7	-0.3	1.7
<b>Profit/loss before tax</b>	<b>910.0</b>	<b>-143.6</b>	<b>910.0</b>	<b>-143.6</b>

The Group's operating segments SEK M	Fingerprint sensors		Total and continuing operations	
	2015	2014	2015	2014
Assets*	1,910.1	424.6	1,910.1	424.6
Investments in fixed assets*	-26.0	-90.7	-26.0	-90.7
Liabilities	763.3	123.6	763.3	123.6
Cash flow from operating activities	908.1	-174.1	908.1	-174.1
Cash flow to investing activities	-26.0	-90.7	-26.0	-90.7
Cash flow from financing activities	47.4	155.1	47.4	155.1

All activities are reported in one operating segment. The reason is because the operation is under rapid development where the division into market segments is not sufficiently clear and there is no division for how the company's chief operating decision-maker monitors the operation:

- Fingerprint sensors
- Other

Parent Company's operating segments SEK M	Fingerprint sensors		Total and continuing operations	
	2015	2014	2015	2014
Income from external customers	2,900.2	231.9	2,900.2	231.9
Depreciation/ amortization	-40.8	-29.3	40.8	-29.3
Operating profit/loss	904.8	-133.0	904.8	-133.0
Net financial items	-0.3	1.8	-0.3	1.8
<b>Profit/loss before tax</b>	<b>904.5</b>	<b>-146.7</b>	<b>904.5</b>	<b>-146.7</b>

Parent Company's operating segments SEK M	Fingerprint sensors		Total and continuing operations	
	2015	2014	2015	2014
Assets*	1,898.5	418.4	1,898.5	418.4
Investments in fixed assets*	-26.6	-82.5	-26.6	-82.5
Liabilities	762.1	120.6	762.1	120.6
Cash flow from operating activities	906.4	-189.4	906.4	-189.4
Cash flow to investing activities	-26.6	-82.5	-26.6	-82.5
Cash flow from financing activities	45.2	155.3	45.2	155.3

## Geographical areas

Group SEK M	Income from external customers		Fixed assets <sup>1</sup>	
	2015	2014	2015	2014
Sweden	0.3	0.2	60.6	79.9
Asia	2,887.9	222.9	9.0	8.7
Europe, Middle East and Africa	3.3	2.7	1.7	0.0
South and North America	9.0	7.8	0.0	0.0
<b>Total</b>	<b>2,900.5</b>	<b>233.6</b>	<b>71.3</b>	<b>88.6</b>

Parent Company SEK M	Income from external customers		Fixed assets <sup>1</sup>	
	2015	2014	2015	2014
Sweden	0.1	0.2	60.0	74.4
Asia	2,887.8	221.2	9.0	8.7
Europe, Middle East and Africa	3.3	2.7	0.1	0.1
South and North America	9.0	7.8	0.0	0.1
<b>Total</b>	<b>2,900.2</b>	<b>231.9</b>	<b>69.1</b>	<b>83.3</b>

\*Assets and investments in fixed assets are excluding financial instruments.

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

### Information regarding major customers

In 2015, FPC generated revenues totaling SEK 1,239.1 M (21.7) from one group, and thereafter in the order of size a total of SEK 428.5 M (0.1) and SEK 391.4 M (-) from other groups. These revenues are recognized in the operating segment Fingerprint sensors and in the geographical area of Asia.

### Parent Company

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

## Note 5 Other operating expenses

### Group and Parent Company

SEK M	2015	2014
Exchange-rate gains, operating receivables and liabilities	-	6.0
Development grants	-	0.5
	<b>-</b>	<b>6.5</b>

## Note 6 Other operating expenses

### Group

SEK M	2015	2014
Exchange-rate losses, operating receivables and liabilities	-3.8	-
	<b>-3.8</b>	<b>-</b>

### Parent Company

SEK M	2015	2014
Exchange-rate losses, operating receivables and liabilities	-3.4	-
	<b>-3.4</b>	<b>-</b>

## Note 7 Employees, personnel costs and remuneration of senior executives

### Expenses for remuneration of employees

Group	2015	2014
Salaries and remuneration, etc.	113.6	68.0
Share-based payments	0.0	0.0
Pension expenses, defined-contribution plans	16.0	10.0
Other social security contributions	29.1	17.6
	<b>158.7</b>	<b>95.6</b>
<b>Parent Company</b>	<b>2015</b>	<b>2014</b>
Salaries and remuneration, etc.	83.4	48.4
Share-based payments	-	-
Pension expenses, defined-contribution plans	12.7	7.9
Other social security contributions	27.8	16.0
	<b>123.9</b>	<b>72.2</b>

Share-based payments pertain to warrants programs that in every case were subscribed for at market prices. No personnel expenses as a result of these programs were incurred or recognized. Warrants contain no conditions concerning continued employment for a certain period. The company has not issued any warrant programs that have to be recognized in accordance with IFRS 2.

### Average number of employees

Group	2015	2014
Sweden	95	68
Taiwan	6	3
Denmark	23	12
USA	2	0
<b>Group total</b>	<b>126</b>	<b>83</b>
<b>Parent Company</b>	<b>2015</b>	<b>2014</b>
Sweden	89	53
Taiwan	6	0
<b>Total Parent Company</b>	<b>95</b>	<b>53</b>

The number of employees at December 31, 2015 was 150 (104), including 117 (87) men and 33 (17) women.

## Gender distribution in company management

Group	Dec 31, 2015	Dec 31, 2014
	Proportion women	Proportion women
Board of Directors	14%	0%
Other senior executives	0%	0%
	<b>Dec 31, 2015</b>	<b>Dec 31, 2014</b>
<b>Parent Company</b>	<b>Proportion women</b>	<b>Proportion women</b>
Board of Directors	14%	0%
Other senior executives	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.

## Salaries and other remuneration specified by senior executives and other employees, and social security contributions

SEK M	2015			2014		
	Senior executives (9 people)	Other employees	Total	Senior executives (8 people)	Other employees	Total
<b>Parent Company</b>						
Salaries and other remuneration	24.6	89.0	113.6	16.0	52.0	68.0
Of which, President	5.2	-	5.2	3.2	-	3.2
Of which, Sweden	24.6	58.7	83.3	16.0	36.8	52.8
Of which, other countries	-	30.3	30.3	-	15.2	15.2
<b>Total</b>	<b>24.6</b>	<b>89.0</b>	<b>113.6</b>	<b>16.0</b>	<b>52.0</b>	<b>68.0</b>
(of which, bonus, etc.)	10.9	10.2	21.1	1.7	0.1	1.8
Social security contributions	10.6	18.5	29.1	9.1	18.4	27.6
Of which, pension expenses	3.5	12.5	16.0	3.3	6.7	10.0

Mkr	2015			2014		
	Senior executives (9 people)	Other employees	Total	Senior executives (8 people)	Other employees	Total
<b>Parent Company</b>						
Salaries and other remuneration	24.6	58.8	83.4	16.0	32.4	48.4
Of which President	10.6	-	5.2	3.2	-	3.2
Of which Sweden	24.6	55.2	79.8	16.0	32.4	48.4
Of which beyond Sweden	-	3.6	3.6	-	-	-
<b>Total</b>	<b>24.6</b>	<b>58.8</b>	<b>83.4</b>	<b>16.0</b>	<b>32.4</b>	<b>48.4</b>
(of which, bonus, etc.)	10.9	8.8	19.7	1.7	0.1	1.8
Social security contributions	10.6	17.2	27.8	9.1	14.7	23.9
Of which, pension expenses	3.5	9.2	12.7	3.3	4.6	7.9

Of pension expenses, SEK 772,000 (573,000) pertains to the President. There were no outstanding pension commitments to the President at the year-end.

## Salaries and other remuneration of senior executives

Group and Parent Company	2015				2014			
	Basic salary Board fee	Variable remuneration	Pension expense	Total	Basic salary Board fee	Variable remuneration	Pension expense	Total
Chairman of the Board								
Urban Fagerstedt	0.4	-	-	0.4	0.3	-	-	0.3
Board member								
Christer Bergman, through June 2015	0.1	-	-	0.1	0.2	-	-	0.2
Alexander Kotsinas	0.3	-	-	0.3	0.2	-	-	0.2
Tord Wingren, through June 2015	0.1	-	-	0.1	0.2	-	-	0.2
Johan Carlström, through June 2015	-	-	-	-	-	-	-	-
Katarina Bonde, as of July 2015	0.3	-	-	0.3	-	-	-	-
Lars Söderfjäll, as of July 2015	0.3	-	-	0.3	-	-	-	-
Carl Johan von Plomgren, as of July 2015	0.3	-	-	0.3	-	-	-	-
Jan Wäreby, as of July 2015	0.3	-	-	0.3	-	-	-	-
President								
Johan Carlström (January 1 - September 10, 2014)	-	-	-	-	2.2	0.3	0.4	2.9
Jörgen Lantto, as of September 2014	2.8	2.4	0.8	6.0	0.6	0.1	0.1	0.8
Other senior executives (8.5/8.5 pers)	10.9	8.5	2.8	22.2	11.5	1.3	2.8	15.6
<b>Total from the Parent Company</b>	<b>15.8</b>	<b>10.9</b>	<b>3.6</b>	<b>30.3</b>	<b>15.1</b>	<b>1.7</b>	<b>3.3</b>	<b>20.1</b>

Variable salary pertains to bonus earned, which is paid on achievement of predetermined performance targets.

T05 An Extraordinary General Meeting on March 4, 2013 approved an issue of 1,300,000 warrants with a term extending until March 5, 2016. The price per warrant was SEK 1.79 at the time of issue. All of the warrants under the program are held by FPC's employees. The exercise price for a Class B share is SEK 52.35. On full subscription with the support of all warrants in the program, 1,300,000 new Class B shares are issuable, corresponding to 2.01% of the total number of shares and 1.73% of the total number of voting rights, thus also raising the share capital by SEK 260,000. The program has been designated T05.

T06 An Extraordinary General Meeting on November 26, 2013 resolved to issue 500,000 warrants with a term extending to November 27, 2016. The price per warrant was SEK 4.53 at the time of issue. The exercise price for a Class B share is SEK 90.16. On full subscription with the support of all warrants in the program, 500,000 new Class B shares are issuable, corresponding to 0.78% of the total number of shares and 0.67% of the total voting rights, thus also raising the share capital by SEK 100,000. The program is designated T06.

## Note 8 Fees and remuneration to auditors

SEK M	Group		Parent Company	
	2015	2014	2015	2014
Audit KPMG	1.0	0.6	1.0	0.6
Tax consultation	0.1	0.0	0.1	0.0
Other fees	0.2	0.2	0.2	0.2
<b>Total fees</b>	<b>1.3</b>	<b>0.8</b>	<b>1.3</b>	<b>0.8</b>

## Note 9 Operating expenses specified by type

SEK M	Group		Parent Company	
	2015	2014	2015	2014
Cost of materials	-1,596.6	-126.9	-1,596.6	-126.9
Personnel costs	-157.6	-96.6	-163.3	-73.4
Depreciation, amortization and impairment	-46.3	-61.8	-40.8	-66.3
Other operating expenses	-192.6	-93.5	-194.8	-98.4
<b>Operating expenses</b>	<b>1,990.2</b>	<b>-378.9</b>	<b>1,995.5</b>	<b>-365.0</b>

## Note 10 Net financial items

SEK M	Group		Parent Company	
	2015	2014	2015	2014
Interest income	0.1	2.2	0.1	2.1
<b>Financial income</b>	<b>0.1</b>	<b>2.2</b>	<b>0.1</b>	<b>2.1</b>
Other interest and financial expenses	-0.4	-0.5	-0.4	-0.3
<b>Financial expenses</b>	<b>-0.4</b>	<b>-0.5</b>	<b>-0.4</b>	<b>-0.3</b>

All interest expenses and interest income are attributable to items recognized at amortized cost.

## Note 11 Taxes

SEK M	Group		Parent Company	
	2015	2014	2015	2014
Current tax expense				
Tax expense for the period	-111,7	-0,5	-111,0	-
<b>Total recognized tax expense</b>	<b>-111,7</b>	<b>-0,5</b>	<b>-111,0</b>	<b>-</b>

## Reconciliation of effective tax

The Group, SEK M	2015	%	2014	%
Profit/loss before tax	910.0		-144.0	
Tax according to applicable tax rate for Parent Company	-200.2	-22.00%	31.7	-22.00%
Non-deductible expenses	-0.2	0.13%	-7.0	4.52%
Non-taxable revenues	0.3	-0.03%	0	- %
Acquired loss carryforwards	-	-	2.6	-1.82%
Loss carryforwards utilized without capitalizing deferred tax	88.6	9.75%	-27.8	18.44%
Recognized effective tax	-111.7	12.27%	-0.5	- %

Parent Company, SEK M	%	%
Profit/loss before tax	904.4	-146.7
Tax according to applicable tax rate for Parent Company	-199.0	-22.00%
Non-deductible expenses	-0.2	0.14%
Non-taxable revenues	0.3	-0.03%
Loss carryforwards utilized without capitalizing deferred tax	87.9	9.73%
Recognized effective tax	-111.0	12.3%

The tax effect on items recognized in shareholders' equity amounted to SEK 1.6 M (1.4) and pertains to the cost of new share issues.

## Unrecognized deferred tax assets

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

SEK M	Group		Parent Company	
	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014
Tax loss carryforwards	13.1	415.1	-	399.7

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.

## Note 12 Earnings per share

SEK	Before dilution		After dilution	
	2015	2014	2015	2014
Earnings/loss per share	12.62	-2.47	12.42	-2.47

### Earnings for the year attributable to Parent Company's common shareholders before dilution

SEK M	2015	2014
Net profit/loss for the year attributable to Parent Company's shareholders	798.3	-144.0

### Weighted average number of outstanding common shares before and after dilution

Number of shares	2015	2014
Total of shares, January 1	58,421,135	54,61,135
New share issue	4,818,000	4,260,000
Total number of shares outstanding, December 31	63,239,135	58,421,135
Total number of shares outstanding for the year before dilution	63,069,830	57,514,859
Average weighted number of common shares during the year after dilution	64,274,459	62,061,210

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

When calculating the number of common shares after dilution, the exercise price of outstanding warrants in relation to the share price has been taken into account, whereby those warrants with a price 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.

Outstanding programs with potential dilution effects are:

TO5: 1,300,000 warrants. The exercise price for a Class B share is SEK 52.35. 1,300,000 new Class B shares, corresponding to 2.01% of the total number of shares and 1.73% of the total number of voting rights.

TO6: 500,000 warrants. The exercise price for a Class B share is SEK 90.16. 500,000 new Class B shares, corresponding to 0.78% of the total number of shares and 0.67% of the total number of voting rights.

## Note 13 Intangible fixed assets

Group SEK M	Capitalized development expenditure		Patents		Intangible fixed assets	
	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014
<b>Accumulated cost</b>						
Opening balance	122.3	82.7	28.0	6.5	150.3	89.2
Acquisitions	-	9.9	-	21.5	-	31.4
Scrapping	-	-	-	-	-	-
Internally developed assets and acquisitions	17.2	29.7	-	-	17.2	29.7
Closing balance	139.5	122.3	28.0	28.0	167.5	150.3
<b>Accumulated amortization</b>						
Opening balance	-60.9	-32.5	-3.1	-0.4	-64.1	-32.9
Acquisitions	-	-4.1	-	-	-	-4.1
Scrapping	-	-	-	-	-	-
Amortization for the year	-28.7	-24.3	-6.0	-2.7	-34.7	-27.1
Closing balance	-89.6	-60.9	-9.1	-3.1	-98.7	-64.1
<b>Accumulated impairment</b>						
Opening balance	-16.4	-2.0	-	-	-16.4	-2.0
Scrapping	-	-	-	-	-	-
Impairment for the year	-2.6	-14.5	-	-	-2.6	-14.5
Closing balance	-19.1	-16.4	-	-	-19.1	-16.4
<b>Carrying amounts</b>						
At the beginning of the year	45.0	48.2	24.9	6.1	69.8	54.3
<b>At end of year</b>	<b>30.8</b>	<b>45.0</b>	<b>18.9</b>	<b>24.9</b>	<b>49.7</b>	<b>69.8</b>

### Amortization is included in the following rows of the statement of comprehensive income

	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014
Cost of goods sold	-26.7	-24.3	-	-	-26.7	-24.3
Development costs	-2.0	-	-6.0	-2.7	-8.0	-2.7

### Amortization is included in the following rows of the statement of comprehensive income

	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014
Development costs	-2.6	-14.5	-	-	-2.6	-14.5



Parent Company SEK M	Capitalized development expenditure		Patents		Intangible fixed assets	
	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014
<b>Accumulated cost</b>						
Opening balance	112.5	82.7	28.0	6.5	140.5	89.2
Purchasing	-	-	-	21.5	-	21.5
Scrapping	-	-	-	-	-	-
Internally developed assets and acquisitions	17.2	29.7	-	-	17.2	29.7
Closing balance	129.7	112.5	28.0	28.0	157.7	140.5
<b>Accumulated amortization</b>						
Opening balance	-55.8	-32.5	-3.2	-0.4	-58.9	-32.9
Scrapping	-	-	-	-	-	-
Amortization for the year	-26.7	-23.2	-6.0	-2.7	-32.7	-25.9
Closing balance	-82.5	-55.8	-9.2	-3.2	-91.6	-58.9
<b>Accumulated impairment</b>						
Opening balance	-16.4	-2.0	-	-	-16.4	-2.0
Scrapping	-	-	-	-	-	-
Impairment for the year	-2.6	-14.5	-	-	-2.6	-14.5
Closing balance	-19.0	-16.4	-	-	-19.0	-16.4
<b>Carrying amounts</b>						
At the beginning of the year	40.2	48.2	24.9	6.1	65.1	54.3
At end of year	28.2	40.2	18.8	24.9	47.0	65.1

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

	2015	2014	2015	2014	2015	2014
Cost of goods sold	-26.7	-23.2	-	-	-26.7	-23.2
Development costs	-	-	-6.0	-2.7	-6.0	-2.7

**Impairment losses are included in the following rows of the statement of comprehensive income**

	2015	2014	2015	2014	2015	2014
Development costs	-2.6	-14.5	-	-	-2.6	-14.5

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. The amortization period is based on estimated economic useful lives, which can vary up to four years for products and up to five years for platforms. Impairment testing is performed after assessing the commercial potential of each project. During 2015, the amortization periods were reduced due to the increasingly shorter economic useful lives for developed products. At the same time, the period when a project's expenses are capitalized in the consolidated

statement of financial position and in the Parent Company's balance sheet has become shorter due to commercial deliverables to customers coming earlier in projects. This resulted in a smaller proportion of capitalized expenses in a project in 2015 compared with the past, and a larger proportion in the beginning and end of the product recognized directly in the consolidated statement of comprehensive income and in the Parent Company income statement. Expenses for development are thus recognized, over time, proportionally earlier.

During 2015, impairment losses pertained to capitalized expenditure in a technology project for which the profitability calculation did not reveal the anticipated economic return.

## Note 14 Tangible fixed assets

SEK M	Group		Parent Company	
	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014
Accumulated cost	Machinery and equipment		Machinery and equipment	
Opening balance	26.9	9.8	23.5	8.7
Scrapping	-	-	-	-
Other acquisitions	7.8	17.1	7.7	14.8
Closing balance	34.7	26.9	31.2	23.5
Accumulated depreciation				
Opening balance	-8.0	4.4	-7.2	-4.1
Scrapping	-	-	-	-
Depreciation for the year	-6.1	-3.6	-5.4	-3.1
Closing balance	-14.1	-8.0	-12.6	-7.2
Carrying amounts				
At the beginning of the year	18.8	5.4	16.4	4.6
At end of year	20.6	18.8	18.6	16.4

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

	2015	2014	2015	2014
Cost of goods sold	-3.0	-1.5	-3.0	-1.5
Administration	-0.3	-0.2	-0.3	-0.2
Market	-0.6	-0.2	-0.5	-0.2
Technology	-2.2	-1.7	-1.7	-1.2
<b>Total</b>	<b>-6.1</b>	<b>-3.6</b>	<b>-5.4</b>	<b>-3.1</b>

## Note 15 Financial fixed assets

SEK M	Parent Company					
	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014		
Accumulated cost	Shares in subsidiaries		Other financial fixed assets		Total	
Opening balance	30.7	14.3	-	-	30.7	14.3
Other investments	0.8	16.4	1.0	-	1.8	16.4
Carrying amounts	31.5	30.7	1.0	-	32.5	30.7
Accumulated impairment						
Opening balance	-28.8	-6.0	-	-	-28.8	-6.0
Impairment for the year	-	-22.8	-	-	-	-22.8
Closing balance	-28.8	-28.8	-	-	-28.8	-28.8
Closing carrying amounts	2.6	1.8	-	-	2.7	1.8
Carrying amounts						
At the beginning of the year	1.8	8.3	-	-	1.8	8.3
At end of year	2.6	1.8	1.0	-	3.5	1.8

The year's increase in shares in subsidiaries comprises investment in the formation of subsidiaries in Korea.

SEK M	Group	
	Dec 31, 2015	Dec 31, 2014
Accumulated cost	Other financial fixed assets	
Opening balance	-	-
Other investments	1.0	-
Closing balance	1.0	-
Accumulated impairment		
Opening balance	-	-
Impairment for the year	-	-
Closing balance	-	-
Closing carrying amounts	-	-
Carrying amounts		
At the beginning of the year	-	-
At end of year	1.0	-

## 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 occurs at the sight draft price on balance-sheet date. The carrying amount less impairments comprises an approximate fair value for accounts receivable and accounts payable.

## Fair value hierarchy

The Group's financial assets and liabilities are measured at fair value in accordance with the following fair value hierarchy: Level 1: Listed prices on active markets for identical assets or liabilities Measurement is based on exchange rates on the balance-sheet date. Level 2: Observed data other than listed prices included in level 1, direct or indirect from the price listing. Level 3: Data for the asset or liability that is not fully based on observable market data.

## Fair value and carrying amount of financial assets and liabilities by balance sheet item and category

SEK M	Group				Parent Company			
	Dec 31, 2015		Dec 31, 2014		Dec 31, 2015		Dec 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Finansiella tillgångar
<b>Financial assets</b>								
Current financial assets								
Prepaid expenses and accrued income	-	-	-	-	-	-	-	-
Loan receivables and accounts receivable								
Accounts receivable	617.9	617.9	115.8	115.8	617.9	617.9	115.5	115.5
Cash and cash equivalents	1,031.3	1,031.3	101.9	101.9	1,018.0	1,018.0	93.0	93.0
<b>Total financial assets</b>	<b>1,649.2</b>	<b>1,649.2</b>	<b>217.7</b>	<b>217.7</b>	<b>1,635.9</b>	<b>1,635.9</b>	<b>208.6</b>	<b>208.6</b>
Financial liabilities								
Current financial liabilities								
Prepaid expenses and accrued income								
Accounts payable	548.5	548.5	66.1	66.1	548.2	548.2	70.0	70.0
<b>Total financial liabilities</b>	<b>548.5</b>	<b>548.5</b>	<b>66.1</b>	<b>66.1</b>	<b>548.2</b>	<b>548.2</b>	<b>70.0</b>	<b>70.0</b>
By category								
Financial assets at fair value via profit or loss			-	-				
Loan receivables and accounts receivable	1,649.2	1,649.2	217.7	217.7	1,635.9	1,635.9	208.6	208.6
<b>Total financial assets</b>	<b>1,649.2</b>	<b>1,649.2</b>	<b>217.7</b>	<b>217.7</b>	<b>1,635.9</b>	<b>1,635.9</b>	<b>208.6</b>	<b>208.6</b>
Financial liabilities at fair value via profit or loss								
Financial liabilities at amortized cost	548.5	548.5	66.1	66.1	548.2	548.2	70.0	70.0
<b>Total financial liabilities</b>	<b>548.5</b>	<b>548.5</b>	<b>66.1</b>	<b>66.1</b>	<b>548.2</b>	<b>548.2</b>	<b>70.0</b>	<b>70.0</b>

## Note 17 Inventories Group and Parent Company

SEK M	Dec 31, 2015	Dec 31, 2014
Products in process	128.0	76.2
Finished products	25.0	22.5
	<b>153.0</b>	<b>98.7</b>

## Note 18 Accounts receivable

Accounts receivable are recognized in the Group and Parent Company after individual assessments of provision requirements.

SEK M	Group		Parent Company	
	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014
Total accounts receivable	644.6	109.7	644.6	109.4
Provision for accounts receivable	-1.5	-0.2	-1.5	-0.2
Measurement in foreign currency	-25.2	6.3	-25.2	6.3
Carrying amount	617.9	115.8	617.9	115.5
Of which, due > 15 days	4.2	6.2	4.2	6.2
Of which, due > 30 days	1.0	2.4	1.0	2.4

## Note 19 Prepaid expenses and accrued income

SEK M	Group		Parent Company	
	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014
Premises	2.6	1.6	2.1	1.5
Exchange and listing expenses	-	-	-	-
Insurance expenses	1.3	-	1.3	-
License costs	0.7	-	-	-
Interest income	-	0.6	-	0.6
Other operating expenses	3.4	1.4	3.4	1.1
	<b>8.0</b>	<b>3.7</b>	<b>6.8</b>	<b>3.2</b>

## Note 20 Cash and cash equivalents

The Group, SEK M	Dec 31, 2015	Dec 31, 2014
The following subcomponents are included in cash and cash equivalents		
Cash and bank balances	1031.3	101.9
Current investments equivalent to cash and cash equivalents	-	-
<b>Total in accordance with the statement of financial position</b>	<b>1031.3</b>	<b>101.9</b>
<b>Total in accordance with the cash-flows statement</b>		
Parent Company, SEK M	Dec 31, 2015	Dec 31, 2014
The following subcomponents are included in cash and cash equivalents		
Cash and bank balances	1018.0	93.0
Current investments equivalent to cash and cash equivalents	-	-
<b>Total in accordance with the balance sheet</b>	<b>1018.0</b>	<b>93.0</b>
<b>Total in accordance with the cash-flows statement</b>	<b>1018.0</b>	<b>93.0</b>

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.

## Note 21 Shareholders' equity Group or Parent Company

Classes of shares	Number of shares	
	2015	2014
Number of shares issued on January 1		
Class A shares at beginning of the year	1,200,000	1,200,000
New share issue Class A shares	-	-
<b>Total Class A shares</b>	<b>1,200,000</b>	<b>1,200,000</b>
Class B shares at beginning of the year	57,221,135	52,961,135
New share issue Class B shares	4,818,000	4,260,000
<b>Total Class B shares</b>	<b>62,039,135</b>	<b>57,221,135</b>
Total shares outstanding	63,239,135	58,421,135
Quotient value per share	0.2	0.2

At December 31, 2015, the company's registered share capital encompassed 63,239,135 common shares (58,421,135).

Holders of common shares are entitled to receive dividends as determined as time progresses and the shareholding entitles the holder to one vote per share at General Meetings.

During the third and fourth quarter of 2015, 4,818,000 warrants were exercised in the T04 program. Each warrant entitled the holder to subscribe for a new Class B share for SEK 9.72 during the period September 6 through October 16, 2015. Exercise of warrants resulted in share capital rising by SEK 963,600.

Following completion of the above private placement and the exercise of warrants, the number of Class B shares will total 62,039,135 and the number of Class A shares will remain unchanged at 1,200,000, bringing the total number of shares to 63,239,135. Accordingly, the total number of votes is 74,039,135.

### Capital management

Shareholders' equity at year-end amounted to SEK 1,146.8 M (301.1). As a result of the increase in shareholders' equity, the Board's objective of having a solid financial position has been achieved. The Board proposes to the AGM 2016 that no dividend should 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 difference

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 any profits distributed as dividends 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.

#### Unrestricted shareholders' equity

The following funds, combined with the net profit/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 profit/loss less amounts distributed as dividends during the year.

## Note 22 Other current liabilities Group and Parent Company

SEK M	Group		Parent Company	
	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014
Employee withholding taxes	2.4	2.3	2.4	1.6
Advance payments from customers	-	29.7	-	-
Leasing liabilities, current	-	0.3	-	-
Software	0.9	2.0	-	-
Other	0.7	1.3	-	-
<b>Total</b>	<b>4.0</b>	<b>35.3</b>	<b>2.4</b>	<b>1.6</b>

## Note 23 Accrued expenses and deferred income Group and Parent Company

SEK M	Group		Parent Company	
	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014
Salaries	35.0	8.7	30.7	7.0
Social-security contributions	8.2	5.9	8.2	5.5
Material and production expenses	17.7	3.5	17.7	3.5
Board fees and company expenses	2.2	1.3	2.2	1.3
Selling costs	35.2	-	35.2	-
Audit	0.5	0.5	0.5	0.5
Other costs	2.4	1.8	2.2	1.6
<b>Total</b>	<b>101.2</b>	<b>21.5</b>	<b>96.7</b>	<b>19.3</b>

## Note 24 Financial risks and risk management Group and Parent Company

The Group is exposed to various financial risks through its business activities. Financial risks pertain to fluctuations in the company's earnings and cash flow due to changes in exchange rates and interest rates, as well as refinancing and credit risks. The Group's financial policy for the management of financial risks was prepared by the Board and comprises a framework of guidelines and regulations in the form of risk mandates and limits for the 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 negative impact on earnings from changes in market rates for currencies and interest.
- Plan and ensure adequate liquidity for business activities.
- Optimize the utilization of capital and cash flows.

### Funding risk

To date, the funding of working capital and development capital has been performed through the issue of shares. The Group has no borrowings and the policy is to continue minimizing the borrowing requirement through the utilization of share issues to cover capital requirements. 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. Funding risk can be bridged by developing operations and planning. The objective is for the Group to meet its funding commitments and in parallel maintain readiness to secure additional funding.

### 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 costs for financing the Group.

The aim is that the Group will 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 1,031.3 M (101.9).

In accordance with the finance 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, which comprise credit from suppliers, amounted to SEK 548.5 M (66.1) at year-end and have a short maturity structure of one to two months.

### Market risks

Market risk is the risk that the fair value of or future cash flows from a financial instrument will vary due to changes in market prices. IFRS divides market risks into three types: currency risk, interest-rate risk and other price risks. The market risks that primarily impact the Group comprise currency risks and commodity price risk, while 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 established 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 different types of currency risks. The main

exposure derives 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 receivable and accounts payable, and the currency risk inherent in expected and contractual payment flows. Such risks are designated transaction exposure.

According to the financial policy, exchange-rate risks are not to be hedged. Currency exchanges of the net surplus in USD to SEK occur on an continuous basis.

The outcome of hedges is recognized in the statement of comprehensive income/income statement. Net profit for the year includes negative exchange-rate differences of SEK 3.8 M (neg: 6.6) in operating profit and no amount in net financial items.

### This is recognized in operating profit but no amount is recognized in net financial items.

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

SEK M	Net flows
2015	
USD exposure expressed in SEK and Total	98.2
2014	
USD exposure expressed in SEK and Total	106.7

Transaction exposure was not hedged. Of this amount, SEK - M (-) was recognized in the consolidated statement of financial position as assets and no part (-) was recognized as liabilities.

No currency hedging was settled in 2014 and 2015.

### 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 in turn pass on the 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 99.1% 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, bank guarantees or other collateral on 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 1.5 M was posted for past due accounts receivable.

### Maturity structure of past due, non-impaired accounts receivable

Group	2015		2014	
	Carrying amount, non-impaired receivables	Collateral	Carrying amount, non-impaired receivables	Collateral
<b>SEK M</b>				
Not past due accounts receivable	543.1	-	87.5	-
Past due accounts receivable 0 – 30 days	75.3	-	24.5	-
Past due accounts receivable 30 days – 90 days	0.7	-	0.1	-
Past due accounts receivable < 90 days	0.3	-	-2.5	-
Provision for accounts receivable	-1.5	-	-0.2	-
Adjustment for fair value	-	-	6.3	-
<b>Total</b>	<b>617.9</b>	<b>-</b>	<b>115.8</b>	<b>-</b>

Group	2015			2014		
	No. of customers	total, no. of customers	% of value	No. of customers	total, no. of customers	% of value
<b>Sales per year</b>						
< SEK 1 M	80	83%	0.22%	71	92	3%
SEK 1 – 10 M	6	6%	0.68%	2	3	3%
> SEK 10 M	10	10%	99.10%	4	5	94%
<b>Total</b>	<b>96</b>	<b>100%</b>	<b>100.00%</b>	<b>77</b>	<b>100</b>	<b>100</b>

### Maturity structure of past due, non-impaired accounts receivable

Parent Company	2015		2014	
	Carrying amount, non-impaired receivables	Collateral	Carrying amount, non-impaired receivables	Collateral
<b>SEK M</b>				
Not past due accounts receivable	543.1	-	87.2	-
Past due accounts receivable 0 – 30 days	75.3	-	24.5	-
Past due accounts receivable 30 days – 90 days	0.7	-	0.1	-
Past due accounts receivable < 90 days	0.3	-	-2.5	-
Provision for accounts receivable	-1.5	-	-0.2	-
Adjustment for fair value	-	-	6.3	-
<b>Total</b>	<b>617.9</b>	<b>-</b>	<b>115.5</b>	<b>-</b>

Parent Company	2015			2014		
	No. of customers	total, no. of customers	% of value	No. of customers	total, no. of customers	% of value
<b>Sales per year</b>						
< SEK 1 M	80	83%	0.22%	71	92	3%
SEK 1 – 10 M	6	6%	0.68%	2	3	3%
> SEK 10 M	10	10%	99.10%	4	5	94%
<b>Total</b>	<b>96</b>	<b>100%</b>	<b>100.00%</b>	<b>77</b>	<b>100</b>	<b>100</b>

### Interest-rate risk

Interest-rate risk is the risk that the value of financial instruments will vary due to changes in market interest rates. Interest-rate risk could lead to changes in fair value and in cash flows. A significant factor that could impact the interest-rate risk is the fixed-interest periods. On the assets side, current investments of liquidity are regularly reinvested.

### Note 25 Leasing Operational leasing

#### Leases where the company is the lessee

SEK M	Group		Parent Company	
	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014
Non-terminable leasing payments amounted to:				
Within one year	6.8	6.8	4.5	4.5
Between one and five years	6.1	12.4	3.1	7.2
	<b>12.9</b>	<b>19.2</b>	<b>7.6</b>	<b>11.7</b>

Operational leases comprise leases for premises. The largest leases will expire in 2016 and 2018, with the option of renegotiation and extension. The lease includes 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	
	2015	2014	2015	2014
Minimum leasing fees	11.5	6.3	7.2	4.8
Variable fees	-	-	-	-
<b>Total leasing costs</b>	<b>11.5</b>	<b>6.3</b>	<b>7.2</b>	<b>4.8</b>

**Financial leasing**  
Leases where the company  
is the lessee

SEK 000s	Group		Parent Company	
	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014
Non-terminable leasing payments amounted to:				
Within one year	-	0.2	-	0.2
Between one and five years	-	-	-	-
	-	0.2	-	0.2

**Leasing fees paid during the year pertaining to financial leasing:**

SEK 000s	Group		Parent Company	
	2015	2014	2015	2014
Minimum leasing fees	-	0.6	-	0.6
Variable fees	-	-	-	-
<b>Total leasing costs</b>	-	0.6	-	0.6

**Carrying amount of assets under financial leases**

SEK 000s	Group and Parent Company	
	Dec 31, 2015	Dec 31, 2014
Cost:		
Equipment	1.1	1.1
Accumulated amortization:		
Equipment	-1.1	-0.5
Carrying amount according to the balance sheet:		
Equipment	-	-0.5

Financial leases comprise leases for equipment. The largest lease expires on June 30, 2015. The lease includes continuous adjustments to track interest rates. The leased assets are equipment. The residual value amounts to 3% and there is an opportunity to acquire the assets at the end of the lease term.

**Note 26 Related parties**  
**Related parties**

The Parent Company is a related party to its subsidiaries; refer to Note 27.

SEK M	Group		Parent Company	
	2015	2014	2015	2014
Sale of goods/services to related parties	-	-	-	-
Purchase of goods/services from related parties	0.3	0.5	58.3	36.9
Other (for example, interest, dividends)	-	-	-	-
Receivables from related parties at December 31	-	-	4.3	11.2
Liabilities to related parties	-	-	3.7	-

**No acquisitions were completed in 2015. Transactions with related parties are priced on market-based terms.**

Transactions with key individuals in senior positions are limited to individual, less clearly delineated consultancy assignments for which specific expertise is required. The following remuneration was received by key individuals in senior positions:

SEK M	2015	2014
Short-term remuneration of employees	30.3	20.1
Post-service remuneration	-	-
Other long-term remuneration	-	-
Share-based payments	-	-
Severance pay	-	-

The Group has purchased services from a Board member. The Parent Company has purchased services from a Board member and from subsidiaries. For information on remuneration of Board members, refer to Note 7. Transactions with senior executives have occurred in respect of the exercise of warrants in the T04 program. 4,818,000 warrants were exercised for SEK 9.72 per warrant.

**Note 27 Group companies**

Parent Company's holdings in subsidiaries	Registered office of subsidiary, country	Participating interest	
		2015	2014
Fingerprint Security System Databärare AB	Sweden	100%	100%
Anacatum Design AB	Sweden	100%	100%
Fingerprint Cards ApS	Denmark	100%	100%
Fingerprint Cards Inc	USA	100%	100%
Fingerprint Card Korea Co.,Ltd.	Korea	100%	-



SEK M	2015	2014
Accumulated cost		
At the beginning of the year	30.7	14.3
Investments	0.8	16.4
<b>Closing balance December 31</b>	<b>31.5</b>	<b>30.7</b>
Accumulated impairment		
At the beginning of the year	-28.8	-6.0
Impairment for the year	-	-22.8
Closing balance December 31	-28.8	-28.8
<b>Carrying amount, December 31</b>	<b>2.6</b>	<b>1.8</b>

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

Subsidiaries / Corp. Reg. No. / Registered offices	Number of shares	Holding as a %	Dec 31, 2015	Dec 31, 2014
Fingerprint Security System Databärare AB 556239-5938, Gothenburg	1,000	100	0.7	0.7
Anacatum Design AB	24,466,668	100	1.0	1.0
Fingerprint Cards ApS	800	100	0.1	0.1
Fingerprint Cards Inc	100	100	0.1	0.1
Fingerprint Card Korea Co.,Ltd.	20,000	100	0.8	-
Carrying amount, December 31			2.6	1.8

### 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, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014
The following subcomponents are included in cash and cash equivalents: Cash and bank balances	1,031.3	101.9	1,018.0	93.0
Total in accordance with the statement of financial position	1,031.3	101.9	1,018.0	93.0
Total in accordance with the cash-flow statement	1,031.3	101.9	1,018.0	93.0

### Interest paid and received

SEK M	Group		Parent Company	
	2015	2014	2015	2014
Interest received	0.1	2.2	0.1	2.1
Interest paid	-0.4	-0.5	-0.4	-0.3

### Adjustments for non-cash items

SEK M	Group		Parent Company	
	2015	2014	2015	2014
Depreciation, amortization and impairment	43.3	61.8	40.8	66.3
Other	0.0	-3.8	0.0	-3.8
	<b>43.3</b>	<b>58.0</b>	<b>40.8</b>	<b>62.5</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, 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 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 the NASDAQ Nordic Exchange Stockholm. The address of the head office is Box 2412, SE-403 16 Gothenburg, Sweden and the visiting address is Kungssportsplatsen 2, Gothenburg, Sweden. The 2015 consolidated financial statements comprise the Parent Company and its subsidiaries, jointly designated "the Group."

### Note 31 Events after the balance-sheet date January-March 15, 2016

- FPC and other leading countries in the industry have jointly developed solutions for the automotive industry.
- FPC introduces a new solution that detects that a finger is live which further enhances the security of fingerprint sensors.
- Touch sensor in Huawei's MediaPad M2 tablet and 2-i-1 MateBook product, LG's G5 smartphone and iaomi's Mi5 smartphone.
- FPC launches touch sensors under display glass.
- FPC and TPK integrate the FPC1268 under a smartphone's display glass.
- Zwipe and Fingerprint Cards enter into a strategic partnership.
- An increase in the number of shares by 1,300,000 Class B shares, following which the number of Class B shares totals 63,339,135 with the number of Class A shares remaining unchanged at 1,200,000, making a total of 64,539,135 shares.

## Note 32 Assets pledged

Group and Parent Company	Dec 31, 2015	Dec 31, 2014
SEK M		
Assets pledged for utilized operating credit, bank balances	15.0	15.0

## Note 33 Other long-term liabilities

Group SEK M	Dec 31, 2015	Dec 31, 2014
Accumulated liabilities		
Opening balance	0.2	0.4
New liabilities	-	-
Amortization for the year	-0.2	-0.2
Closing balance	-	0.2
Carrying amounts		
At the beginning of the year	0.2	0.4
At end of year	-	0.2
Due more than one year after the balance-sheet date	-	-
Due more than five years after the balance-sheet date	-	-

Other long-term liabilities refer to the long-term parts of financing obtained through financial leasing; refer to Note 25.

## Note 34 Development expenditure

In 2015, the Group's expenses for technological development and patents increased to SEK 193.8 M (179.3), of which SEK 17.2 M (61.3) has been capitalized in the Consolidated statement of financial position and the remaining SEK 176.6 M (118.0) has been expensed in the Consolidated statement of comprehensive income. Correspondingly for the Parent Company in 2015, expenses for technological development increased to SEK 198.5 M (171.6), of which SEK 17.2 M (51.2) has been capitalized in the Parent Company's balance sheet, and the remaining SEK 181.3 M (120.3) has been expensed in the Parent Company's income statement. In 2015, 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, amounted for the Group to SEK 193.8 M (179.3) of a total SEK 390.3 M (270.0), representing 49% (66). In the Parent Company, the equivalent portion in 2015 amounted to SEK 198.5 M (171.6) of a total SEK 392.7 M (259.2), representing 51% (66).

## Note 35 Acquisition of subsidiaries/business

The Group, SEK M	Carrying amount Apr 30, 2014	Fair value and IFRS adjustment	Fair value, recognized in the Group
Intangible fixed assets	5,939	-	5,939
Tangible fixed assets	192	-	192
Operating receivables	1,178	-	1,178
Cash and cash equivalents	131	-	131
<b>Total assets</b>	<b>7,440</b>	<b>-</b>	<b>7,440</b>
Current operating liabilities	8,849	-	8,849
<b>Total liabilities</b>	<b>8,849</b>	<b>-</b>	<b>8,849</b>
Net identifiable assets	-1,409	-	-1,409
Group goodwill		0	0
Purchase consideration paid	15,330	-	15,330
Less cash and cash equivalents in the acquired operations	-131	-	-131
<b>Impact on cash and cash equivalents</b>	<b>15,199</b>	<b>-</b>	<b>15,199</b>

No acquisitions were completed in 2015.

### Upplysningar avseende förvärv 2014:

Company:	Anacatum Design AB
Date of acquisition:	Apr 30, 2014
Percentage share acquired:	100%

## Note 36 Impairment losses on shares in the subsidiary

Parent Company, SEK M	2015	2014
Dividends, subsidiaries	-	7.5
Impairment losses, subsidiaries	-	-7.5
Impairment losses, subsidiaries	-	-15.5
<b>Total</b>	<b>-</b>	<b>-15.5</b>

During 2014, the subsidiary Fingerprint Security System Databärande AB provided a dividend of SEK 7.5 M to the Parent Company Fingerprint Cards AB. At the same time, the carrying amount of shares in the Parent Company were impaired by a corresponding amount. On April 30, 2014, 100% of the shares in Anacatum Design AB were acquired for SEK 15.3 M.

In the company's assessment, the purchase consideration did not fulfill the accounting criteria under IFRS to qualify for recognition as an intangible asset and was therefore impaired. Accordingly, the company decided to recognize an impairment loss of SEK 15.5 M in the Parent Company.

See also Note 15.

## Assurance by the Board

The Board of Directors and CEO 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 the 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 31, 2016. The consoli-

dated 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 May 4, 2016.

Gothenburg, March 31, 2016

Urban Fagerstedt  
Chairman of the Board

Katarina Bonde  
Board member

Alexander Kotsinas  
Board member

Lars Söderfjel  
Board member

Carl-Johan von Plomgren  
Board member

Jan Wäreby  
Board member

Our auditors' report was submitted on  
March 31, 2016  
KPMG

Johan Kratz Authorized  
Authorized Public Accountant

# Audit report

To the annual meeting of the shareholders of Fingerprint Cards AB (publ), Corporate Registration Number 556154-2381.

## Report on the annual accounts and consolidated financial statements

We have audited the annual accounts and the consolidated financial statements of Fingerprint Cards AB (publ) for the 2015 fiscal year. The company's annual accounts and consolidated financial statements are included in the printed version of this document on pages 44–82.

## Responsibilities of the Board of Directors and the CEO for the annual accounts and consolidated financial statements

The Board of Directors and the CEO are responsible for the preparation and fair presentation of these annual accounts and consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs), as adopted by the EU, and the Annual Accounts Act, and for the internal control deemed necessary by the Board of Directors and the CEO for the preparation of annual accounts and consolidated financial statements that are free from material misstatement, whether such misstatement is due to fraud or error.

## Auditors' responsibility

Our responsibility is to express an opinion on the annual accounts and consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. These standards require that we comply with ethical requirements and plan and perform the audit to obtain

reasonable assurance that the annual accounts and consolidated financial statements are free from material misstatement.

An audit involves performing various procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated financial statements. The auditor chooses such procedures based on such assessments as the risk of material misstatement in the annual accounts and consolidated financial statements, whether such misstatement is due to fraud or error. In making these risk assessments, the auditor considers internal control measures relevant to the company's preparation and fair presentation of the annual accounts and consolidated financial statements in order to design audit procedures that are appropriate taking the circumstances into account, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the CEO, as well as evaluating the overall presentation of the annual accounts and consolidated financial statements.

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

## Opinions

It is our opinion that the annual report was prepared in accordance with the Swedish Annual Accounts Act and provides in all significant regards, a true and fair view of the Parent Company's financial position as of December 31, 2015, and of its financial

profit or loss and cash flow for the year in accordance with the Swedish Annual Accounts Act. The consolidated financial statements were prepared in accordance with the Annual Accounts Act and provides in all significant regards, a true and fair view of the Group's financial position as of December 31, 2015, and of its financial profit or loss and cash flow for the year in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report and corporate governance report are consistent with the other parts of the annual accounts and consolidated financial statements.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the Parent Company and the Group.

## Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated financial statements, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the CEO of Fingerprint Cards AB for the 2015 fiscal year.

## Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposal concerning the appropriation of the company's profit or loss, and the Board of Directors and the CEO are responsible for administration under the Companies Act.

## Auditors' responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed

appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal complies with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated financial statements, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the CEO is liable to the company. We also examined whether any member of the Board of Directors or the CEO has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

## Opinions

We recommend to the annual 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 CEO be discharged from liability for the fiscal year.

Gothenburg, March 31, 2016  
KPMG AB

Johan Kratz  
Authorized Public Accountant

## Ten-year summary

Statement of income	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues, SEK M	2900.5	233.6	95.4	10.3	68.6	60.9	38.5	27.5	20.7	11.1	2.7
Gross profit, SEK M	1255.3	71.6	39.2	-5.7	-37.0	20.4	6.0	-1.0	-12.5	0.2	0.0
Gross margin, %	43.0	31.0	41.0	-55.0	-46.0	33.0	16.0	-17.0	-60.0	2.0	0.0
Operating profit/loss, SEK M	910.3	-145.2	-34.0	-38.7	2.7	1.6	-24.7	-24.1	-35.4	-20.0	-18.1
Operating margin, %	31.0	-62.0	-36.0	-375.0	5.0	2.6	-64.0	-88.0	-171.0	-180.0	-670.0
Profit/loss for the period, SEK M	798.3	-144.0	-32.9	-38.1	3.4	2.0	-24.6	-23.3	-34.2	-19.7	-17.5
Profit margin, %	28.0	-62.0	-35.0	-375.0	5.0	3.3	-64.0	-85.0	-165.0	-177.0	-648.0
Depreciation and amortization, SEK M	-43.4	-32.1	-12.6	-10.8	-4.9	-6.4	-4.1	-3.5	-2.8	-2.8	-2.8
Impairment, SEK M	-	-29.5	-	-	-	-	-5.9	-	-	-	-
EBITDA, SEK M	953.7	-83.6	-21.4	-27.9	8.2	8.3	-14.7	-20.8	-32.7	-17.1	-15.2

### Financial position – Balance sheet

Intangible fixed assets, SEK M	49.7	69.8	54.3	29.1	28.2	22.9	12.3	20.8	16.4	13.7	14.0
Tangible fixed assets, SEK M	20.6	18.8	5.4	4.8	4.2	3.7	0.3	0.3	0.3	0.3	0.4
Financial fixed assets, SEK M	1.0	-	-	-	0.9	-	-	-	-	-	-
Inventories, SEK M	153.0	98.8	19.9	11.4	4.3	7.9	9.1	15.4	18.0	16.6	5.6
Accounts receivable, SEK M	617.9	115.8	31.1	6.2	53.0	17.2	9.7	8.4	4.0	1.1	0.1
Other receivables + Prepaid expenses, SEK M	36.6	19.5	10.1	3.1	3.2	3.8	2.3	1.4	1.6	5.6	1.0
Cash and cash equivalents + current investments, SEK M	1031.3	101.9	211.7	60.6	23.0	30.8	50.1	22.7	33.8	71.1	40.0
Shareholders' equity, SEK M	1146.8	301.1	289.7	101.9	106.3	78.0	74.3	58.1	67.2	100.9	58.7
Provisions, SEK M	-	-	-	-	1.2	-	-	-	-	-	-
Non-current liabilities, SEK M	-	0.2	0.4	0.7	-	-	-	-	-	-	-
Current liabilities, SEK M	763.2	123.3	42.3	12.7	9.3	8.3	9.5	10.9	6.9	7.5	2.4
Working capital, SEK M	1075.6	212.7	230.5	68.6	74.2	51.4	61.7	37.0	50.5	86.9	44.3
Balance-sheet total, SEK M	1910.1	424.6	332.5	115.3	116.8	86.3	83.8	69.0	74.1	108.4	61.1
Inventory turnover rate, days	29	132	94	181	74	103	154	211	188	367	760
Average credit period, days	46	113	99	1035	184	80	85	81	44	19	113
Return on capital employed, %	126	-48	-12	-44	3	2.6	-33	-40	-51	-20	-30
Return on shareholders' equity, %	110	-48	-12	-44	3	2.6	-132	-160	-204	-78	-119
Return on total capital, %	78	-34	-10	-38	3	2.3	-117	-135	-185	-73	-115
Equity/asset ratio, %	60	71	87	87	91	90	89	84	91	93	96

### Definitions

#### Gross margin

Gross profit as a percentage of net sales.

#### Operating margin

Operating profit/loss as a percentage of revenues..

#### Profit margin

Profit/loss for the period as a percentage of net sales.

#### EBITDA

Operating profit/loss before net financial items, taxes, impairment losses and depreciation/amortization (including goodwill amortization).

#### Working capital

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

#### Average credit period

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

#### Return on capital employed

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

#### Capital employed

Total assets minus interest-free liabilities.

#### Return on shareholders' equity

Profit/loss after financial income and expenses as a percentage of adjusted shareholders' equity.

#### Return on total capital

Profit/loss after financial items as a percentage of total capital (total assets).

#### Equity/assets ratio

Shareholders' equity divided by total assets.

Cash flow	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Cash flow from operating activities, SEK M	908.1	-174.2	-28.8	14.5	-22.2	-0.6	-11.3	-17.1	-31.9	-28.5	-13.6
Cash flow from investing activities, SEK M	-26.0	-90.6	-38.3	-11.4	-11.7	-20.4	-1.5	-7.8	-5.5	-2.3	0.0
Cash flow from financing activities, SEK M	47.3	155.0	220.5	34.5	24.9	1.8	40.3	13.7	0.0	62.0	22.5
Cash flow for the period, SEK M	929.5	-109.8	151.1	37.6	-7.8	-19.3	27.5	-11.2	37.4	31.2	8.9

## Shares

Earnings per share, SEK	12.62	-2.47	-0.60	-0.84	0.08	0.05	-1.08	-1.22	-1.79	-1.33	-1.63
Earnings per share after full dilution, SEK	12.42	-2.47	-0.60	-0.84	0.08	0.05	-1.08	-1.22	-1.79	-1.33	-1.63
Cash and cash equivalents + cash investments at period end/share, SEK	16.30	1.77	4.16	0.83	0.54	0.78	1.26	1.86	2.78	6.39	4.28
Equity per share, Kr	18.13	5.15	5.31	2.34	2.44	1.97	3.26	3.04	3.52	6.79	5.46
Equity per share, after full conversion, SEK	17.84	4.85	5.20	2.34	2.50	1.97	3.26	3.04	3.52	6.79	5.46
Cash flow from operations per average number of shares, SEK	14.32	-3.03	-0.57	0.71	-0.52	-0.02	-0.50	-0.90	-1.67	-1.92	-1.26
Shares at end of period	63,239,135	58,421,135	54,161,135	47,808,135	43,609,586	39,669,586	39,669,586	12,152,733	12,152,733	11,122,434	9,348,258
Average shares during the period	63,069,830	57,514,859	50,893,945	45,768,293	43,388,534	42,143,756	17,856,621	20,283,844	20,283,844	15,791,741	11,430,268
Shares after dilution, average	64,274,459	62,061,210	55,288,178	46,072,427	43,388,534	42,143,756	17,856,621	20,283,844	20,283,844	15,791,741	11,430,268
Dividend per share, SEK	0	0	0	0	0	0	0	0	0	0	0
Share price at period end, SEK	591.00	34.80	54.25	12.35	9.30	8.95	3.30	2.58	13.20	16.20	12.00
Market capitalization at period end, SEK M	37,374	2,033	2,938	559	406	355	131	56	160	180	112
Employees at period end	150	104	48	19	19	19	13	13	12	11	11

## Earnings per share

Earnings for the period attributable to the Parent Company's shareholders divided by the Parent Company's average number of shares for the fiscal year.

## Earnings per share after dilution

Earnings for the fiscal year attributable to the Parent Company's shareholders divided by the weighted average of the number of shares outstanding, plus the average number of shares that could be issued as a result of current remuneration and personnel programs. Order backlog at the beginning of the period.

# Corporate Governance Report

Fingerprint Cards is a Swedish public limited-liability company listed on Nasdaq Stockholm. Corporate governance in Fingerprint Cards is based on the Articles of Association, the Swedish Companies Act, the rules and regulations for issuers as published by Nasdaq Stockholm (the Exchange), the Swedish Code of Corporate Governance (www.bolagsstyrning.se) ("the Code") and other applicable laws and regulations, as well as internal regulations.

Fingerprint Cards endeavors to generate long-term value for the shareholders and other stakeholders. This entails, inter alia, maintaining 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, and is primarily intended to describe corporate governance within Fingerprint Cards. Accordingly, the report will only 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 responsibilities

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.

At year-end 2015, the company had 365,42 shareholders. Share capital amounted to SEK 12,647,827, distributed among 1,200,000 Class A shares and 62,039,135 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 the same entitlement to the assets and to an equally large dividend. At year-end, the ten largest owners had total holdings corresponding to 41.1% of the voting rights. Foreign investors owned about 30.9% of the share capital. For additional shareholder information, see pages 41–43 of the Annual Report.

## Annual General Meeting (AGM)

The AGM, which is normally held in Gothenburg but may also be held in Stockholm, 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.

Official notification of the AGM is to take 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. 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 Meetings (EGM) convened to address amendments to the Articles of Association is to be issued not earlier than six weeks and not later than four weeks prior to the Meeting. Notice 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, 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 complete number of shares they hold. Shareholders may be represented by proxy. To be able to exercise their voting rights at the AGM, shareholders whose shares are trustee-registered must

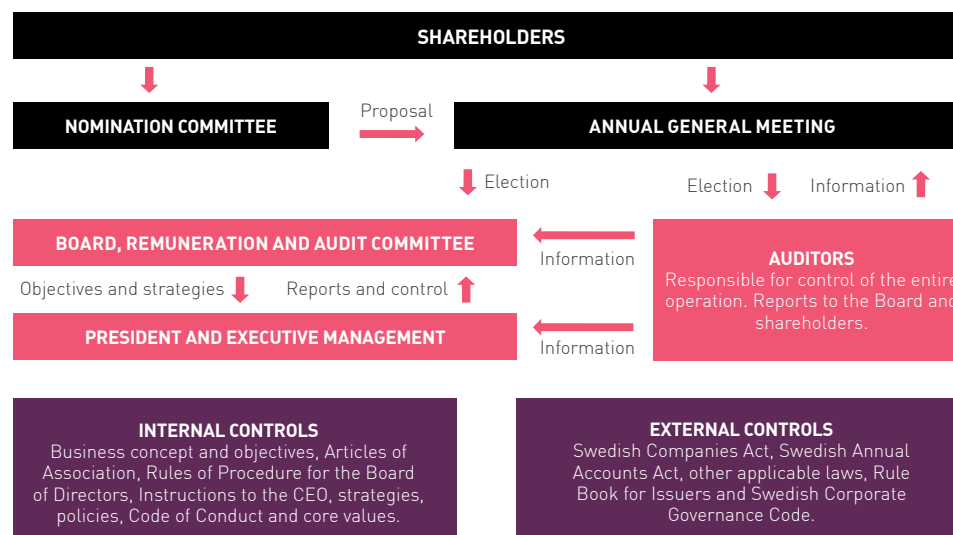
temporarily re-register their shares in their own name in accordance with what is stated in the notification of the AGM.

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

Most General Meeting resolutions 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.

## 2015 Annual General Meeting (AGM)

The AGM addressing operations during the 2014 fiscal year was held in Gothenburg on June 3, 2015. Notification of the Meeting was published on May 6, 2014.



A total of 170 shareholders attended the AGM representing 30.3% of the number of votes and 17.4% of the number of shares.

#### Resolutions passed by the Meeting included:

- Approval of the income statement and balance sheet for the 2014 fiscal year
- Approval of the appropriation of profit where profit was brought forward to the next fiscal year
- Discharge of liability for the Board and CEO for the 2014 fiscal year
- That the number of Board members be six
- Determination of Board fees
- Determination of the remuneration of the auditors
- Election of members of the Board and Chairman of the Board
- Election of auditors, where no changes were resolved
- Nomination Committee
- Guidelines for senior executives

A resolution was also passed authorizing the Board on one or more occasions during the period up until the next AGM to make decisions regarding (i) the new issue of up to 5,000,000 Class B shares disapplying the preferential rights of shareholders and (ii) the new issue of up to 5,000,000 Class B shares applying the preferential rights of shareholders. A new issue according to (i) is to be effected while observing the use of the authorization under (ii).

Additional information on the 2015 AGM is available on Fingerprints Cards' website, [www.fingerprints.com/corporate/bolagsstyrning/arsstamman/arsstammoprotokoll/arsstamma-for-2015/](http://www.fingerprints.com/corporate/bolagsstyrning/arsstamman/arsstammoprotokoll/arsstamma-for-2015/).

#### 2016 AGM

The 2016 AGM will be held at 2 p.m. CET on May 4, 2016 at Svenska Mässan/Gothia Towers in Gothenburg. For further information on the

2016 AGM, refer to the tab at the end of this Annual Report, and to Fingerprint Cards' [www.fingerprints.com](http://www.fingerprints.com) website, where the necessary documents ahead of the AGM are also available.

The Board of Directors will also propose to the 2016 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 Class B treasury 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 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 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 authorizations will be available in connection with the official notice of the AGM.

#### Nomination Committee

The AGM resolved on the principles for how the Nomination Committee is to be appointed. According to the resolution passed at the 2015 AGM, the Nomination Committee was to be appointed 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 on September 1, 2015 and to urge this shareholder to appoint three members to the Nomination Committee. Thereafter, support for the proposal made by the largest shareholder in terms of

votes concerning a new Nomination Committee was to be sought from among the shareholders who are the second and the third largest in terms of owner-registered votes or in some other known manner on September 1, 2015. If these have no objection, the proposal of the largest shareholder in terms of votes 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 manner described above. 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 2016 AGM for some other reason, the members of

Name	Function	Elected	Stepped down	Committees (1)	Independent* vis-à-vis		Meeting attendance 2015	Fees 2015/2016	Fees 2014/2015
					Company	Major shareholders			
Urban Fagerstedt	Chairman of the Board	June 4, 2009	-	Remuneration Committee Audit Committee	Yes	No	26	450,000	350,000
Alexander Kotsinas	Member	Nov 26, 2013	-	Audit Committee Audit committee	Yes	Yes	24	320,000	220,000
Jan Wäreby	Member	June 3, 2015	-	Remuneration Committee	Yes	Yes	13	320,000	-
Katarina Bonde	Member	June 3, 2015	-	Audit Committee	Yes	Yes	13	320,000	-
Carl-Johan von Plomgren	Member	June 3, 2015	-	Audit Committee	Yes	Yes	14	320,000	-
Lars Söderfjell	Member	June 3, 2015	-	Remuneration Committee	Yes	No	14	320,000	-
Christer Bergman	Member	Aug 8, 2008	June 3, 2015	Remuneration Committee Audit Committee	Yes	Yes	14	-	220,000
Tord Wingren	Member	June 18, 2013	June 3, 2015	Remuneration Committee Audit Committee	Yes	Yes	7	-	220,000
Johan Carlström	Member	Nov 26, 2013	June 3, 2015	Remuneration Committee Audit Committee	No	No	11	-	-

Urban Fagerstedt only Remuneration Committee 2015/2016, Alexander Kotsinas only Audit Committee 2015/2016. Both were members of both the Remuneration Committee and the Audit Committee in 2014/2015.



the Nomination Committee in consultation with the three largest shareholders in terms of votes are to be entitled to appoint another representative of the three largest shareholders in terms of votes to replace such a member.

The Nomination Committee's task, on behalf of the shareholders, is to submit proposals for resolution by the AGM. In this connection, the Nomination Committee is to express an opinion on whether the proposed Board members are to be considered independent in relation to the company, independent in relation to major shareholders, have other significant assignments and on their holding of Fingerprint Cards shares.

The names of the members of the Nomination Committee and information on the person appointed Chairman of the Nomination Committee was to be announced no later than six months prior to the 2016 AGM. The Nomination Committee is to appoint from among its members a chairman, who may not be the Chairman of the Board.

The current composition of the Nomination Committee was announced through a press release and on Fingerprint Cards' website on November 5, 2015. The tasks of the Nomination Committee include submitting:

- A proposal regarding the Chairman of the Meeting
- A proposal regarding membership of the Board
- A proposal regarding the Chairman of the Board
- A proposal regarding auditors
- A proposal regarding Board fees
- A proposal regarding remuneration of auditors
- A proposal regarding principles for appointing the coming Nomination Committee

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

The Nomination Committee of Fingerprint Cards currently consists of:

- Dimitrij Titov: (Nomination Committee's Chairman, 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, by e-mailing them to: [investrel@fingerprint.com](mailto:investrel@fingerprint.com)

### The Nomination Committee's work ahead of the 2016 AGM

Prior to the 2016 AGM, the Nomination Committee held four minutes meetings and, between these meetings, had continuous contact and participated in meetings with prospective Board members and recruitment firms.

In its work to make a correct assessment of the composition of the Board of Directors, the Nomination Committee conducted, inter alia, an evaluation of the Board and its work, and familiarized itself with the Chairman of the Board's report 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. One woman and five men are currently members of the Board. The Nomination Committee is striving to achieve an even gender distribution on the Board.

### Board of Directors and CEO

The Articles of Association stipulate that Fingerprint Cards' Board of Directors is to consist of four to seven AGM-elected members, with a maximum of five deputy members, for the period extending to the next AGM. The Board is elected by the shareholders at each AGM for the period until the following AGM, meaning for a term of office of one year.

In addition to at the AGM, changes to the

Board may be made through a resolution of an Extraordinary General Meeting, or by a member choosing to resign prematurely from his/her assignment.

The 2015 AGM resolved to expand the number of Fingerprint Cards Board members from five to six. Urban Fagerstedt and Alexander Kotsinas were reelected and Katarina Bonde, Carl-Johan von Plomgren, Lars Söderfjell and Jan Wäreby were newly elected. Urban Fagerstedt was reelected Chairman of the Board.

The Nomination Committee has concluded that all six members are independent in relation to the company and executive management. Four of the members are independent in relation to major shareholders. Accordingly, the Board complies with the independence requirements imposed in the Code.

The Board is responsible for Fingerprint Cards' 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 bookkeeping, 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.

In addition, the Board establishes corporate policy and instructions for ongoing operations, which 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 at the end of 2015 are presented separately on page 65 of the Annual Report.

### Work by the Board of Directors during 2015

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 27 Board meetings were held in 2015.

2015 was characterized by powerful sales growth and expansion of the business, thus requiring the Board to engage in consultation and to make decisions. 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 were dealt with by the Board in the autumn and before Christmas. In addition to the recurring items, Board meetings were also held due to more extraordinary events.

In conjunction with the end of the quarter, meetings were 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 official 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, 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 members of the Remuneration Committee are the Board members Urban Fagerstedt, Jan Wäreby and Lars Söderfjell.

#### Audit Committee

The task of the Audit Committee is to support the work of the Board by ensuring high-quality 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 assessments. The Audit Committee meets the external auditor on at least one occasion during the year. The members of the Audit Committee are the Board members Alexander Kotsinas, Katarina Bonde and Carl-Johan von Plomgren.

#### 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 2015 AGM, KPMG AB was elected 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 Akzo Nobel Pulp & Performance Chemicals AB, IAC Group Sweden AB, Sector Alarm AB and SP Sveriges Tekniska Forskningsinstitut 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 CEO on two occasions in the 2015 fiscal year. During 2015, the auditor attended the AGM on June 4.

#### 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 protecting the company's assets and thus the investments of shareholders.

The Board has established attestation instructions, a finance 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 includes frameworks for investments, cash management, currency hedging and the granting of credit in connection with sales. Sales are covered by credit 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. Otherwise, sales are conducted against advance payment. 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 rules of procedure and the instruction to the CEO, as described earlier in the Corporate Governance Report, 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

CEO reports regularly to the Board in line with set procedures. In addition to the above, reports are submitted by the auditor.

#### 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 material 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 to ensure that correct information is provided.

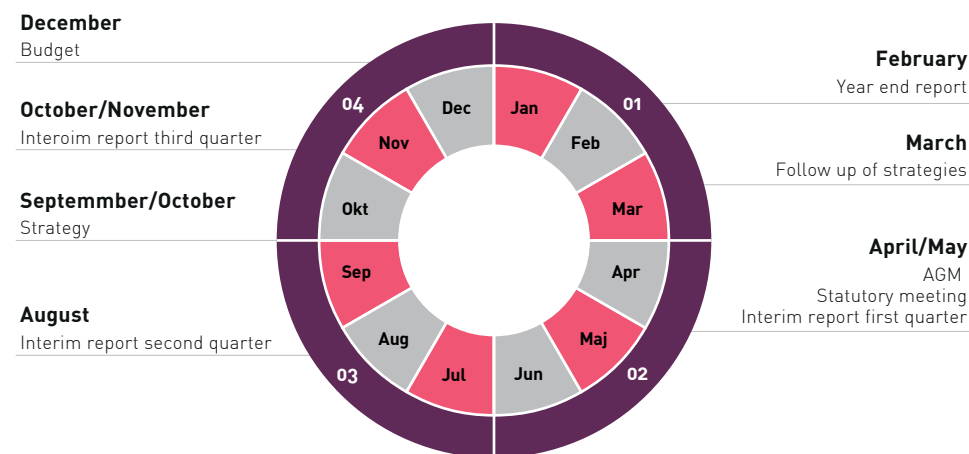
#### Control activities

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. Division of responsibility and organization comprise the structure for the controls. 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 financial reporting. The IT strategy focuses on security and functionality where security is the most important since lack of security usually results in weakened functionality.

External financial reporting with accompanying controls is performed on a quarterly basis and internal financial reporting is performed

#### Work by the Board of Directors



At all the meetings - progress report by the CEO, investment decisions

monthly. Financial control is performed based on a business plan that is broken down to the 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 vis-à-vis the set goals. Control of development projects is performed through ongoing project monitoring and reporting of subprojects. Performance and expenditure are related to plans and budgets and the anticipated remaining project expenses for project completion are reported.

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

Liquidity and cash flow are followed continuously, together with the updating of forecasts and the resultant liquidity planning. The continuous analysis of financial reporting on various levels is central to ensuring that the financial reporting does not contain material errors. Control activities and division of duties among various functions are integral features throughout the financial reporting process.

### **Guidelines for remuneration of Board members**

The Board members are remunerated in accordance with a resolution adopted at the 2015 Annual General Meeting. The Chairman of the Board is paid a fee of SEK 350,000 and other Board members are paid SEK 220,000 per member, making a total of SEK 1,450,000 for six Board members. As of the seventh Board meeting and thereafter up to the time of the next AGM, an additional amount of SEK 10,000 per member is payable per attended meeting, subject to a maximum payment of SEK 100,000 per member. Accordingly, the maximum fixed and variable payment is SEK 2,050,000 for the six elected Board members. No special payment is made for work on committees.

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

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

If tax-related prerequisites for invoicing exist, and on condition that it is cost-neutral for the company, the possibility to invoice director fees from the member's own company will be provided. 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 Remuneration Committee, which is appointed from among Board members, prepares guidelines in respect of pay and other employment terms for the CEO and senior executives and presents the Board with proposals in respect of these issues. The Board determines the salary and other remuneration paid to the CEO. The CEO determines the salary and other remuneration paid to other senior executives in accordance with the Board's guiding principles. The term "other senior executives" refers to the eight individuals who, in addition to the CEO, constitute Group Management. The basic 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 for the CEO and other senior executives may not exceed 40% of their total salary. Pensions are to be based on defined-contribution pension schemes.

### **Articles of Association**

The Articles of Association include established directives concerning 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. The current Articles of Association are available at 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. Fingerprint Cards collaborates with news agencies, investment relations advisors and communication consultants regarding external communication and information. 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. The aim is to ensure that disclosure requirements are complied with in a correct and complete manner.

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 Group Management. The current state of the business and the company's financial situation are addressed at Board meetings. The Board reviews financial reports and decides on publication prior to the publication of financial reports. The Board evaluates its work annually.

Interim, six-month and annual financial statements, with accompanying financial reports, are reviewed by the auditor. Monthly reports are submitted to the Board in the form of a President's report, which includes sections for business functions. The Executive Management Group meets frequently and regularly reviews 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. Against this background, the Board has arrived at the assessment that a separate internal audit function is not required.

Styrelsen  
Göteborg den 31 mars 2016

### **Auditors' report on the Corporate Governance Report**

To the annual meeting of the shareholders of Fingerprint Cards AB (publ), Corp. Reg. No.556154-2381.

It is the Board of Directors that is responsible for the 2015 Corporate Governance Report on pages 86–90 and its preparation in accordance with the Annual Accounts Act.

Based on the Corporate Governance Report, which we have read, and our knowledge of the company and the Group, we believe that there is sufficient basis for our opinion. This means that our statutory review of the Corporate Governance Report has a different focus and is substantially smaller in scope than an audit conducted in accordance with the International Standards on Auditing and other generally accepted auditing standards in Sweden.

In our opinion, the Corporate Governance Report has been prepared and its statutory content is consistent with the other parts of the annual accounts and consolidated financial statements.

Gothenburg, March 31, 2016  
KPMG AB, Johan Kratz, Authorized Public Accountant

# Board of Directors



**Urban Fagerstedt**

*Chairman of the Board  
Elected to the Board in 2009.*



**Katarina Bonde**

*Elected to the Board in 2015.*



**Alexander Kotsinas**

*Elected to the Board in 2013.*



**Lars Söderfjell**

*Elected to the Board in 2015.*



**Carl-Johan von Plomgren**

*Elected to the Board in 2015.*



**Jan Wäreby**

*Elected to the Board in 2015.*

<b>Committees</b>	Remuneration Committee	Audit Committee	Audit Committee	Remuneration Committee	Audit Committee	Remuneration Committee
<b>Other assignments</b>	Owner and Chairman of the Board of Fagerstedt Dynamics AB. Partner and Board member of Cuptronic AB.	Chairman of the Board of Propellerhead Software AB, Board member of Micro Systemation AB (publ), Image Systems AB, Mycronic AB (publ), Avega Group AB, Nordax Bank AB (publ) and Jarl Securities AB.	Chairman of the Board of Nordia Innovation AB and Allgotech AB, Board member of Qasmia Pharmaceutical AB, Linum AB, Delta Projects AB, Sweden Carnica Group AB and Scint-X AB.	Board member of Sunfloro AB.	Co-opted Board member of Villeroy & Boch Gustavsberg AB, Villeroy & Boch Gustavsberg AS (Norway), Villeroy & Boch Gustavsberg AS (Denmark) and Villeroy & Boch Gustavsberg OY.	Chairman of the Board of L M Ericsson International AB.
<b>Employment</b>	Vice CEO R&D, Huawei Technologies Sweden AB.		Partner in the private equity company Nexttobe AB.	Chief Equity Strategist at Swedbank.	Sales Director Northern Europe & Chief Compliance Officer, Villeroy & Boch Gustavsberg.	Senior Vice CEO and Head of Group Function Sales & Marketing at Ericsson.
<b>Year of birth and education</b>	1953. MSc Electronics Engineering, Lund Institute of Engineering.	1958. Master of Engineering from the Royal Institute of Technology in Stockholm.	1967. Master of Science in Engineering, Royal Institute of Technology, Stockholm. Bachelor's degree in Business Administration, Stockholm School of Economics.	1965. M.Sc. graduate in Business Management from the Stockholm School of Economics.	1961. Graduate in Law, Stockholm University.	1956. Master of Science in engineering, Chalmers Institute of Technology, Gothenburg.
<b>Background</b>	Vice CEO and General Manager of Ericsson AB's Radio Networks design unit.	Has had Board appointments in Sweden and the US, in such positions as 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.	Formerly, vice president and CFO at Q-Med and at the mobile phone operator Tre, vice president of Investor AB as well as positions at Ericsson.	Long-standing experience of senior executive positions in the fields of equity research and asset management from companies including Myrberg Fondkommission, Danske Bank, Handelsbanken and ABG Sundal Collier.	Considerable professional experience from senior positions in the IT industry during the years 1987-2001, gained from such as Dell, Compaq and WM-data, and, 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 the equivalents in Denmark, LWF, and Finland, FLIP, as well as Ecogaisma of Latvia.	During 2001-2011, Board member of Sony Ericsson Mobile Communications AB, Senior Vice CEO and Head of Group Function Sales & Marketing at Ericsson, 2011-2014, Senior Vice CEO and Head of Business Unit Multimedia, and Executive Vice CEO and Head of Sales and Marketing at Sony Ericsson Mobile Communications.
<b>Shareholding in FPC:</b>	1,200,000 Class A shares via partnership in Sunfloro AB.  Dependent in relation to the company's major shareholders and independent in relation to the company and executive management.	-  Independent in relation to the company's major shareholders and in relation to the company and executive management.	-  Independent in relation to the company's major shareholders and in relation to the company and executive management.	1,200,000 Class A shares via partnership in Sunfloro AB.  Independent in relation to the company and executive management and dependent in relation to the company's major shareholders.	21,965 Class B shares (directly owned and via related parties).  Independent in relation to the company, executive management and the company's major shareholders.	21,965 Class B shares (directly owned and via related parties).  Independent in relation to the company, executive management and the company's major shareholders.

## Executive Management Group



### Jörgen Lantto

*CEO since 2015, Executive VP CTO, since 2013.*

**Born:** 1963.

**Education:** Technical college engineer.

**Previous assignments:** CTO ST-Ericsson 2009-2012; 22 years at Ericsson, CEO of Alice Systems and co-founder of Northstream.

**Shareholding in FPC:** 941 395 Class B shares, including 14,095 shares in an endowment policy.



### 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. Head of Finance at Hewlett-Packard in the Nordic region and Baltic countries, 2008-2013. Prior to that, he was employed by Microsoft in positions including CFO for Western Europe, 2004-2007.

**Shareholding in FPC:** 4,500 Class B shares and 5,000 warrants



### Pontus Jägemalm

*Senior VP Research & Development since 2009.*

**Born:** 1971.

**Education:** Master of engineering and Degree of Doctor of Engineering Physics, Chalmers University of Technology.

**Shareholding in FPC:** 313,025 Class B shares\*.



### Thomas Rex

*Executive VP Sales and Marketing since 2013.*

**Born:** 1963.

**Education:** MSc Electronics Engineering, Lund Institute of Engineering.

**Previous assignments:** Vice CEO Sales Asia/Oceania, Ericsson Mobile Platforms; Vice CEO Sales, Nanoradio.

**Shareholding in FPC:** 800,000 Class B shares\*.



### Niklas Strid

*VP Customer Projects since 2014.*

**Born:** 1972.

**Education:** M.Sc. Electronics Engineering, Lund Institute of Engineering, MSCEE.

**Previous assignments:** Senior Project Manager, Program Manager Ericsson BU Modems, ST-Ericsson.

**Shareholding in FPC:** 10,000 warrants\*



### Jonas Spannel

*VP Sourcing and Supply 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 FPC:** 30,000 warrants\*



### Jan Johannesson

*VP Strategic Planning & Portfolio Management since 2013.*

**Born:** 1969.

**Education:** M.Sc. 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 FPC:** 850 Class B shares, 60,000 warrants



### Henrik Sundell

*Legal Counsel since 2015.*

**Born:** 1964.

**Education:** Graduate in Law, Stockholm University.

**Previous assignments:** Active in law firms in Stockholm. Assignment as company lawyer and chief legal advisor for various companies including AGA, Ericsson and DeLaval.

**Shareholding in FPC:** 10,000 warrants\*



### Mikael Jönsson

*VP Product Management since 2015.*

**Born:** 1967.

**Education:** M.Sc. Electronics Engineering, Lund Institute of Engineering, M.Sc.EE.

**Previous assignments:** Head of Product Technologies Ericsson BU Modems, Sr Manager ST-Ericsson.

**Shareholding in FPC:** 500 Class B shares and 1,000 warrants

\*Holding at March 15, 2016.

## Shareholder information

### FPC's website for investors

At [www.fingerprints.com](http://www.fingerprints.com), there is up-to-date company, share and insider information, reports and a press-release archive, and opportunities to subscribe for reports and press releases.

### The Annual Report is available via FPC's website.

For the sake of the environment and expenses, FPC has chosen not to distribute a paper 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 January-March 2016	April 28, 2016
Interim report April-June	July 22, 2016
Interim report July-September	October 27, 2016
Year-end report	February 2017

### 2016 AGM

The AGM to address the annual accounts for 2015 will be held on May 4, 2016.

### Registration

Shareholders wishing to attend the AGM must be entered in the share register maintained by Euroclear Sweden AB by Wednesday, April 28, 2016, and notify the company of their intention to attend the Meeting not later than on April 28, at 4.00 p.m. at the following address:

Fingerprint Cards AB, Box 2412,  
SE-403 16 Gothenburg, or by e-mail: [investrel@fingerprints.com](mailto:investrel@fingerprints.com).

### Contact information

Fingerprint Cards AB (publ)  
Box 2412,  
SE-403 16 Gothenburg  
Street address:  
Kungssportsplatsen 2, Gothenburg

Telephone: +46 31-60 78 20

Fax: +46 31 13 73 85

E-mail: [investrel@fingerprints.com](mailto:investrel@fingerprints.com)

Website: [www.fingerprints.com](http://www.fingerprints.com)

# Glossary

## Algorithm

A systematic procedure for how to conduct a calculation or solve a problem in a given number of steps. In FPC's specific case, the method refers to the comparison of two fingerprints with each other.

## ASIC (Application Specific Integrated Circuit)

An integrated circuit in the form of a silicon chip that is designed to conduct specific functions - in FPC's case, the measurement of a fingerprint.

## Authentication

Control process for a particular entity; in conjunction with logging on, for example. The word is synonymous with verification.

## Biometric system

A pattern recognition system that identifies or verifies a person by studying a physiological character of the person, in FPC's case a fingerprint pattern.

## 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 FPC's technology as a built-in part of this new product/these new products.

## Fabless

Fabless refers to the business method used for outsourcing the manufacture of chips, which is used by semiconductor companies. Fabless companies focus on development and marketing/sales of their 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.

## Matching

The process of comparing an image of a fingerprint with a pre-processed template, and assessing whether or not they are similar.

## 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.

## Touch sensors

A sensor that scans the fingerprint directly when the finger top touches the sensor surface; compare with swipe sensor.

## Template

An arrangement of unique data that represents a certain fingerprint.

## 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.

## Wafer

A thin circular slice of silicon containing a number of integrated circuits, such as sensor chips.

## Vertical markets

The term used by FPC for other sectors and industrial segments in which the company's technology can be applied.

## Visibility

The market awareness gained by FPC through contact with customers and which provides information that forms the foundation for assessments of future demand.

## Smartphone

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.

## Tablet

A thin handheld touch-screen computer of the multi-touch type, which is controlled with the aid of finger tops and is intended to be held in a hand.

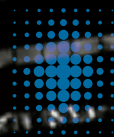
## Smartcard

A pocket-size card with embedded circuits that can process information, and receive input data that is processed and delivered as output data.

## The Internet of Things

The Internet of Things is a term used for devices that are linked to the Internet and can thus communicate with/be controlled via the Internet.

# BEYOND KEYS AND PINS



FINGERPRINTS

Fingerprint Cards AB (publ.), Box 2412, SE-403 16 Gothenburg, [www.fingerprints.com](http://www.fingerprints.com)