# Q2 2018 Summary

<table>
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<tr>
<th>Revenues</th>
<th>Margins &amp; profitability</th>
<th>Highlights</th>
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<td>- <strong>Revenues:</strong> SEK 390 (823) M, a 53% decrease year-over-year</td>
<td>- <strong>Gross profit:</strong> SEK -246 M* (300) M</td>
<td>- Shift towards smaller and cheaper fingerprint sensors negatively impacted revenues and gross margin</td>
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<td>- <strong>Gross Margin:</strong> -63%* (36)</td>
<td>- Performance in the Chinese smartphone market remained weak</td>
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<td>- <strong>Operating profit:</strong> SEK -578** (72) M</td>
<td>- Cost-reduction program proceeding as planned, targeting OPEX below SEK 400 million on an annual basis, and before capitalization of R&amp;D expenses</td>
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<td>- <strong>Operating margin:</strong> -148%** (9)</td>
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<td>- <strong>Operating Cash Flow:</strong> SEK 302 (528) M</td>
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* Gross profit impacted by a non-cash inventory write-down of SEK 305.0 M
** Operating result impacted by restructuring costs of SEK -43.2 M and two non-cash items: an inventory write-down of SEK 305.0 M and a write-down of capitalized R&D projects amounting to SEK 146.6 M.
BUSINESS UPDATE
Focus on cost control and diversification

- Result impacted by intense competition, a product mix shift and a declining Chinese smartphone market vs last year.

- We are lowering our costs further…
  - Second cost reduction program announced June 4 with the aim of reaching an OPEX level below SEK 400 M (on an annual basis, and before capitalization of R&D expenses)
  - Launched fourth-generation fingerprint sensor, expected to be integrated in customer products in late 2018 or early 2019

- … and diversifying our business
  - Expanding our biometric technology portfolio with a focus on in-display and touchless solutions
  - New application areas for biometric solutions
Initial orders for T-Shape™ module received from two major global card manufacturers, to be used in dual-interface (contact and contactless) payment cards

Smartcard ecosystem working together to introduce biometric cards at scale

Positive feedback from ongoing market trials
Market launches and business development in Q2 2018

- 16 mobile devices launched by 7 OEM customers
- Two smartphones (Xiaomi Mi8 and Xiaomi Mi8 SE) launched with Fingerprint's third-generation fingerprint sensor, FPC1291
- ActiveIRIS™ in Aadhaar payment-enabled point-of-sales terminal
- Fingerprint's technology in smart suitcase, cryptocurrency payment card, security USD keys, door locks, etc.
- Fourth-generation sensor, FPC1511, launched. First customer products using the sensor expected in late 2018 or early 2019.
- Initial orders for T-Shape module for biometric smartcards from two major card producers
Summary

- Sales development stabilized compared to Q1 2018, with a sequential increase of 35%.
- Shift towards smaller and cheaper fingerprint sensors continued during the quarter, making up approximately 80% of our fingerprint sensor sales.
- Cost reduction program launched in June, with the objective of reaching an OPEX level below SEK 400 M on an annual basis.
- Cash flow from operating activities improved sequentially and is positive, due to a tax refund and an improved underlying operating result.
- Fingerprints is well-positioned to benefit from the adoption of biometry in new areas: biometric smart cards and automotive/embedded.
Q2 2018 FINANCIAL RESULTS
Q2 2018 Financial performance

Revenues, Operating profit/loss and Gross margin, quarters

- Revenues, SEK M
- Operating profit/loss, SEK M
- Gross margin, %
- Operating margin, %
Operating expenses development

Operating expenses*, MSEK, and in relation to revenues

* Excluding restructuring costs
Working capital development

*Average working capital excluding net cash over 5 quarters/rolling 12 months sales
Q2 2018 Cash flow and Net cash trend

Cash and cash equivalents and cash flow, MSEK

- Cash and cash equivalents
- Cash flow from operating activities
THANK YOU!