

FINGERPRINT CARDS

Q2 2018

JULY 19, 2018



FINGERPRINTS

Q2 2018 Summary

Revenues	Margins & profitability	Highlights
<ul style="list-style-type: none"> Revenues: SEK 390 (823) M, a 53% decrease year-over-year 	<ul style="list-style-type: none"> Gross profit: SEK -246 M* (300) M Gross Margin: -63%* (36) Operating profit: SEK -578** (72) M Operating margin: -148%** (9) Operating Cash Flow: SEK 302 (528) M 	<ul style="list-style-type: none"> Shift towards smaller and cheaper fingerprint sensors negatively impacted revenues and gross margin Performance in the Chinese smartphone market remained weak Cost-reduction program proceeding as planned, targeting OPEX below SEK 400 million on an annual basis, and before capitalization of R&D expenses

* 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 .



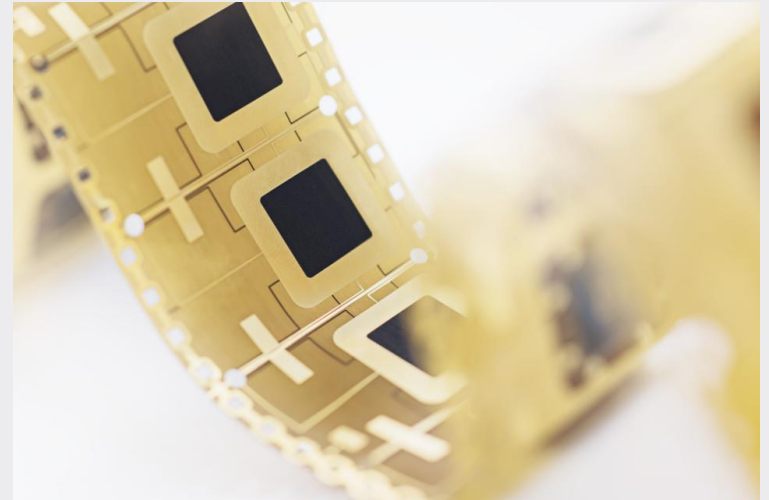
BUSINESS UPDATE

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 T-Shape™ orders received

- ① Initial orders for T-Shape™ module received from two major global card manufacturers, to be used in dual-interface (contact and contactless) payment cards
- ① Smartcard ecosystem working together to introduce biometric cards at scale
- ① 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 Fingerprints third-generation fingerprint sensor, FPC1291
- ⊗ ActiveIRIS™ in Aadhaar payment-enabled point-of-sales terminal
- ⊗ Fingerprints 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

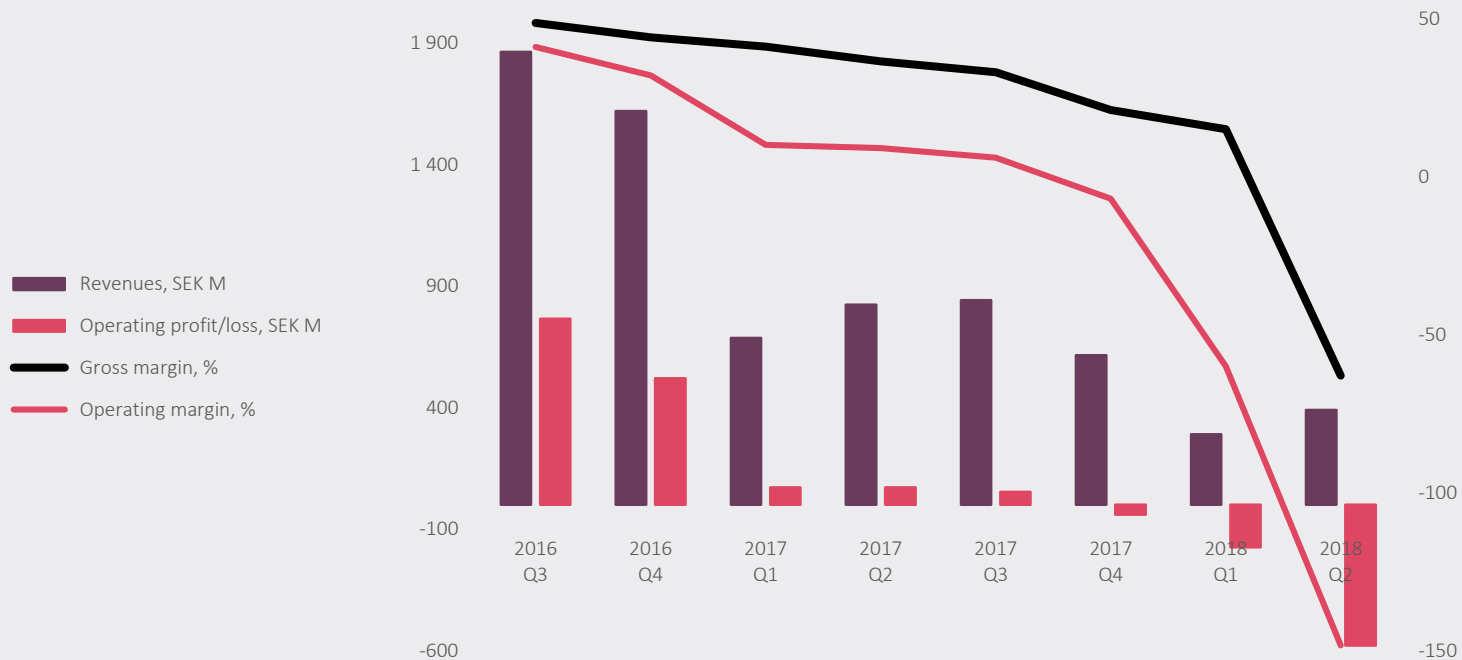
- ① Sales development stabilized compared to Q1 2018, with a sequential increase of 35%
- ① Shift towards smaller and cheaper fingerprint sensors continued during the quarter, making up approximately 80% of our fingerprint sensor sales
- ① Cost reduction program launched in June, with the objective of reaching an OPEX level below SEK 400 M on an annual basis
- ① Cash flow from operating activities improved sequentially and is positive, due to a tax refund and an improved underlying operating result.
- ① Fingerprints is well-positioned to benefit from the adoption of biometry in new areas: biometric smart cards and automotive/embedded

A large, faint fingerprint graphic is centered in the background of the slide. The fingerprint lines are rendered in a light teal color, matching the background, and are arranged in a circular pattern.

Q2 2018 FINANCIAL RESULTS

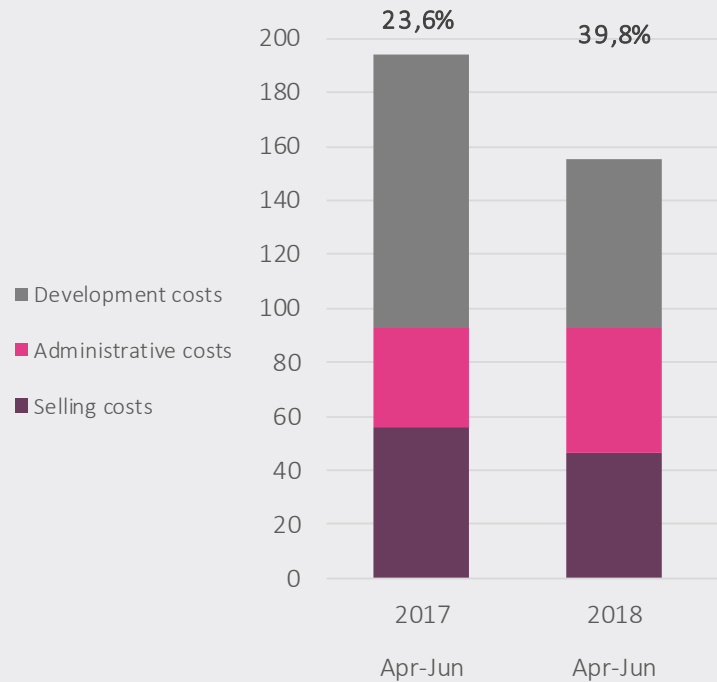
Q2 2018 Financial performance

Revenues, Operating profit/loss and Gross margin, quarters



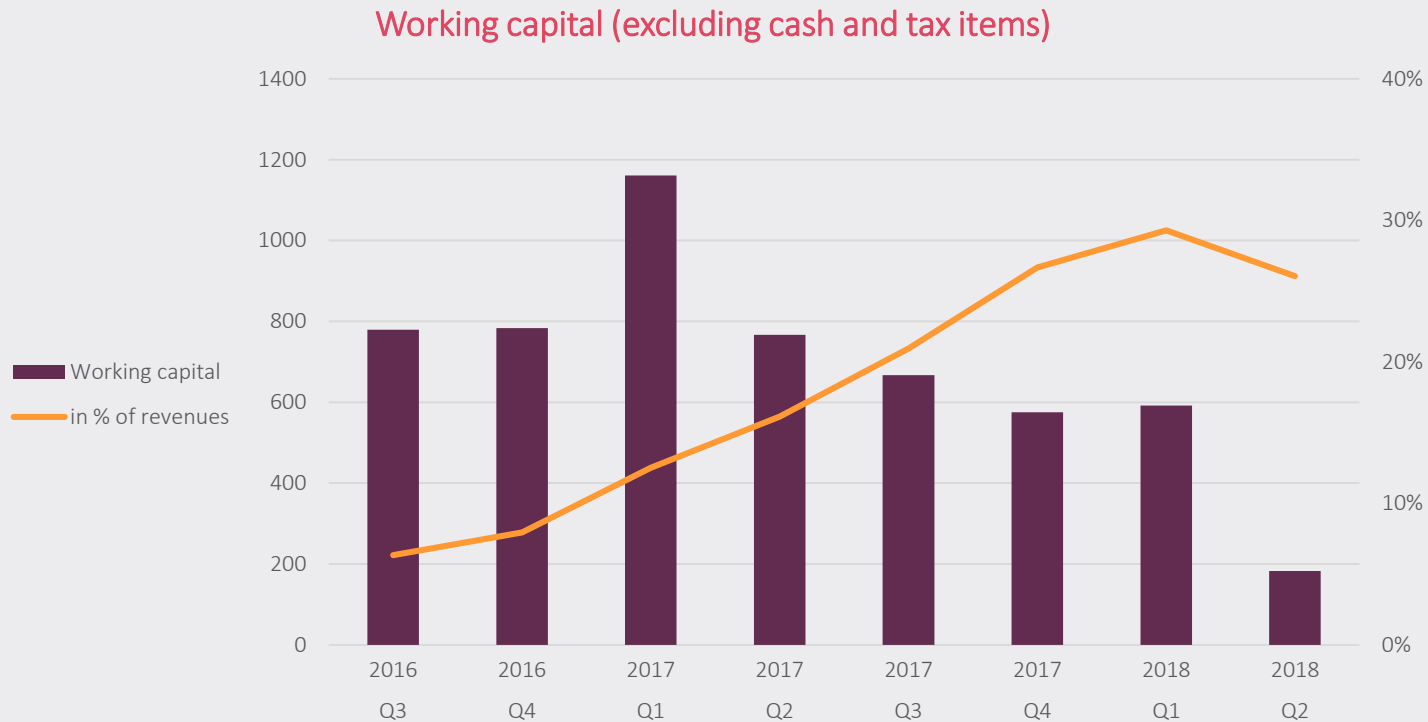
Operating expenses development

Operating expenses*, MSEK, and in relation to revenues



* Excluding restructuring costs

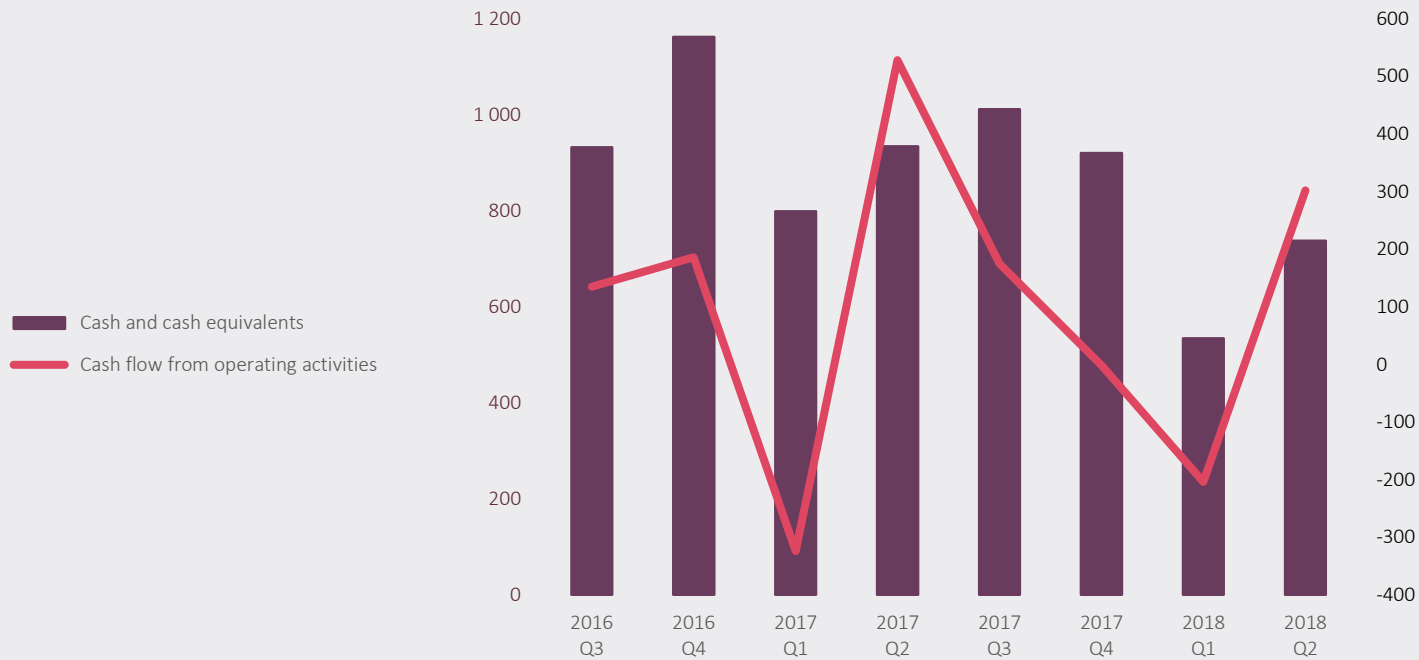
Working capital development



*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





THANK YOU!



FINGERPRINTS