

FINGERPRINTS

2019 ANNUAL REPORT

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OVERVIEW

Fingerprints in brief	1
2019 in summary.....	2
Fingerprints as an investment	3
Message from the CEO	4

MARKET AND STRATEGY

Market and trends.....	6
Strategy	8

OPERATIONS

Fingerprints' position.....	10
Product development, products and solutions	12
Value chain	14

PEOPLE AND SUSTAINABILITY

Passion for innovation	16
Sustainability at Fingerprints	20
Risks and risk management.....	26
Auditors' opinion on the sustainability report	28

THE SHARE AND GOVERNANCE

The share	29
Message from the Chairman	33
Corporate Governance Report	34
Board of Directors	42
Group Management	44

FINANCIAL REPORTS

CFO comments.....	46
Statutory Administration Report	47
Group Statements	52
Parent Company Statements	56
Notes	60
Assurance by the Board	78
Audit report.....	79
Ten-year summary and definitions	82

OTHER

GRI index and sustainability information ..	84
Shareholder information	88
Glossary.....	88

FINGERPRINTS IN BRIEF

A LEADING GLOBAL BIOMETRICS COMPANY

Fingerprint Cards AB makes everyday life easier for users throughout the world by offering secure and convenient identification and authentication.

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

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

and performance. The current product range consists largely of fingerprint sensors and customers are primarily manufacturers of smartphones. As the usage of biometric solutions expands, Fingerprints is endeavoring to broaden its offering, adding more biometric modalities, and bringing solutions into new market segments, such as smart cards, vehicles and the Internet of Things (IoT).

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

VISION

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

MISSION

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

HISTORY

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

Product development and innovation are our life-blood, and patent protection is an essential part of our business. With our competence and curiosity, we want to keep Löffberg's legacy alive every day across our whole business, from Silicon Valley to Shanghai.

2019 IN SUMMARY

23%

GROSS MARGIN (0%)

SAMSUNG NEW OEM CUSTOMER

In September, Fingerprints was able to confirm that for the first time the company's technology was to be used in a smartphone model from Samsung. Since then, Fingerprints' sensors have been used in yet another Samsung smartphone model

SEK 1,459 M

REVENUES (SEK 1,535 M)

FIRST VOLUME ORDER FOR BIOMETRIC PAYMENT CARDS

Early in the year, Fingerprints entered into a partnership with Gemalto and secured the world's first volume order of fingerprint sensors for dual interface biometric payment cards

SEK 160 M

CASH FLOW FROM OPERATING ACTIVITIES (SEK 275 M)

ONE BILLION SENSORS SUPPLIED

In May 2019, Fingerprints passed the milestone of having supplied one billion fingerprint sensors since its inception

FIVE-YEAR SUMMARY

SEK M	2019	2018	2017	2016	2015
Revenues, SEK M	1,458.6	1,535.1	2,966.0	6,638.3	2,900.5
Gross profit, SEK M	331.1	2.4	988.9	3,165.3	1,255.3
Gross margin, %	23	0	33	48	43
Operating result, SEK M	-14.4	-771.6	154.6	2,578.5	910.3
Operating margin, %	-1	-50	5	39	31
EBITDA, SEK M	128.7	-505.2	234.0	2,627.1	953.7
Result before tax, SEK M	-17.4	-796.7	141.8	2,613.5	910.0
Net result for the year	-13.6	-630.7	120.3	2,034.7	798.3
Earnings per share, SEK	-0.04	-2.01	0.38	6.40	2.53
Equity/assets ratio, %	80	77	66	64	60
Number of coworkers	261	263	558	438	254

FINGERPRINTS AS AN INVESTMENT

The Fingerprints share is listed on the Mid Cap segment of Nasdaq Stockholm. 3,128 million shares were traded in 2019, corresponding to around ten times the number of outstanding shares of the company, compared with an average of around 0.6 times the outstanding shares for Swedish Mid Cap companies.

Biometrics is an expanding global industry

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

At the same time, interest in adopting biometric solutions in other industries is growing. The area that offers the greatest potential for developing into the next mass market is the segment for biometric payment cards. Lock and access control systems are another interesting field where rapid growth is expected. This is exemplified by the automotive industry, where biometrics can help to deliver personalized features that improve security and convenience.

Read more on pages 6-7

Fingerprints occupies a leading market position

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

Fingerprints is also very well positioned to capture a significant share of new, emerging global markets for biometric solutions. The areas that are prioritized are **Payments** and **Access** (lock and access control systems). Fingerprints' technology is being used in all of the market trials of contactless biometric payment cards announced to date throughout the world, which is testimony to the strength of the company's offerings.

Read more on pages 8-11

Strong innovation capability

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

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

Read more on pages 12-13 and 16-19

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

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

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

Read more on pages 14-15 and 46-51

MESSAGE FROM THE CEO

FOCUS ON STRATEGY EXECUTION

In 2019, Fingerprints made considerable progress against our strategic priorities: building on our strong position in the mobile industry while broadening our business.

HIGHLIGHTS OF THE YEAR – FOCUSED EXECUTION OF THE STRATEGY

We did not achieve all of the targets we had set for 2019 but, when I look back on the past year, it is clear that we made considerable progress against our strategic priorities, which I described in last year's Annual Report: to defend and build on our strong position in the smartphone segment, while broadening our business into new areas. During the year, we strengthened our position as the leading supplier of capacitive fingerprint sensors for smartphones. In parallel, we positioned ourselves for future growth by launching new products and solutions, securing new customers and establishing important strategic partnerships.

In Mobile, the FPC1511, the fourth generation of capacitive sensors, has been a key feature of our successes. This sensor accounted for a considerable part of sales in 2019, and was one of the factors that enabled us to increase our share of the market for capacitive sensors for mobile phones. Fingerprints' share of the market amounted to just over

one-third of the almost 700 million devices delivered with capacitive sensors in 2019.

We could announce during the year that the FPC1511 sensor was being used in two smartphone models from Samsung. This means that Fingerprints' technology is now being used in products from eight of the world's ten largest smartphone manufacturers. We continued to consolidate our position as the leader in capacitive sensors for smartphones by launching new products, such as the FPC1520, a new sensor generation that builds further on our already successful product, the FPC1511. And at the end of the year, we presented the FPC1540, a thin sensor designed for side mounting. This product can be integrated into, for example, the volume controls of a device, or in the power button, such as in the models Redmi K30 and K30 5G from Xiaomi.

An important objective for Fingerprints is to capture a significant share of the market for under-display sensors for smartphones. We did not meet this goal in 2019. However, the

goal stands firm and we are working hard to secure design wins in 2020.

We continued to strengthen our leading position in biometric smartcards in 2019, in part through the launch of the FPC-BEP, Fingerprints' biometric software platform for payments. Fingerprints can now offer a complete hard- and software solution for secure and user-friendly biometric authentication in the payments area.

Already early in the year, Fingerprints secured the world's first volume order of fingerprint sensors for dual interface biometric payment cards from Gemalto (now Thales). Since then, a number of new market trials have been started in various locations around the world to test and fine tune various aspects of the system ahead of forthcoming commercial rollouts. Fingerprints' technology is being used in all of the market trials announced to date of dual interface biometric payment cards throughout the world. Our T-Shape sensor and software platform are also being used in the first commercial launch of biometric credit cards, which was conducted

by Cornèrcard in Switzerland in November 2019, with our partner Thales as the supplier of the card.

STABLE SALES TREND AND STRONG FINANCIAL POSITION

The average selling price (ASP) for capacitive sensors continued to decline in 2019, although at a lower rate than in the preceding year. Revenues decreased five percent, reflecting a more stable situation following a couple of years of revenue declines of around 50 percent. Our goal is naturally to again show growth, both by expanding the product portfolio and broadening the operations into new application areas. The gross margin was 23 percent, which is not satisfactory. Our efforts to strengthen profitability continue, both through new innovation and a strong cost focus. Financial strength is a prerequisite for being able to continue to invest in development initiatives. Cash flow from operating activities in 2019 amounted to SEK 160 M, and cash assets at the end of 2019 increased to SEK 564 M from SEK 540 M a year earlier.

STRONG STARTING POINT IN AN EXPANDING GLOBAL INDUSTRY

The advantages of more secure and more user-friendly authentication through biometrics have been demonstrated in mobile telephony, where Fingerprints' growth opportunities are favorable. The value of the market for smartphone biometrics is expected to increase steadily year to year, and fingerprints will continue to be the most prevalent biometric modality.

We will continue to consolidate our leading position in capacitive sensors by ensuring that we have a comprehensive, competitive product portfolio for all segments. At the same time, we aim to establish a position in the growing market for under-display sensors. It is also important for us to be able to offer a competitive alternative in touchless, which is why we launched our Touchless 2.0 platform in October 2019, based on a combination of face and iris recognition.

Biometrics is now genuinely on the way to penetrating another global mass market: card payments. The market potential is

considerable. About four billion smart payment cards are already produced per year and this number could increase to as many as six to eight billion in a few years. Fingerprints has a fantastic starting point in this market, with well-established cooperation with the leading players along the value chain for biometric smartcards: card manufacturers and their subcontractors, manufacturers of secure elements, payment systems and card issuers.

In early 2020, Thales announced that the company's card, in which Fingerprints' technology is integrated, has been certified by Mastercard. This is a significant step that enables card issuers throughout the world to offer their customers biometric payment cards.

The coronavirus outbreak in early 2020 has had profound consequences, not least for all those affected by the disease. Protecting the health and well-being of our employees, customers and partners, and thus also contributing to decreasing the spread of the virus in the surrounding community, is of paramount importance for Fingerprints. We have, like most other companies, adapted our work



routines and business operations have continued in a good way. At the same time, it is clear that the world is undergoing enormous social, economic and political tensions. Of course, we are also affected. As I have said before, we expect a dampening effect on the company's operations, although we are working hard to mitigate the effects as far as possible. We

will come back with more information in our financial reports.

Let me finish by thanking all of the employees for your hard work and dedication during the year.

Christian Fredrikson
President and CEO

MARKET AND TRENDS

BIOMETRICS – A MARKET FOR THE FUTURE

Through the introduction of new technologies, biometric solutions for smartphones are once again a growth market. At the same time, there is considerable growth potential in new application areas.

BIOMETRIC SOLUTIONS FOR SMARTPHONES A GROWTH MARKET AGAIN

Approximately 80 percent of all smartphones sold, corresponding to about 1.2 billion phones per year, currently have some form of biometric sensor. The technology is generally accepted and appreciated by users throughout the world, who use their biometric data to unlock devices, make payments and gain access to apps.

From when touch fingerprint sensors for mobile phones were introduced in 2013 and until 2018, capacitive sensors dominated the market. The percentage of smartphones equipped with fingerprint sensors increased steadily during this period. At the same time, the competition intensified, which – together with a shift to smaller and simpler sensors – led to declining prices. During 2018, the size of the market in terms of value declined. However, with the introduction of under-display sensors that can be positioned under a smartphone screen, the value of the market for biometric sensors for smartphones again started to increase in 2019, since the ASP for under-display

sensors is currently significantly higher than that for the capacitive variety.

Interest in touchless solutions also increased in 2019, even though the technology – at least apart from Apple – has not yet achieved a definitive breakthrough as an adequate alternative to fingerprint recognition. However, the solutions are improving continuously and we will probably see more smartphones launched with facial recognition and/or iris recognition in 2020 and thereafter.

In parallel, the market for capacitive sensors for smartphones is also developing, although the value of this part of the biometrics market is falling. New segments are being opened up as the sensors become increasingly smaller and more cost-effective. This applies particularly to the very cheapest models, but a side or rear-mounted capacitive sensor can also be an attractive alternative for more advanced handsets.

CONSIDERABLE GROWTH POTENTIAL IN NEW SEGMENTS

Since biometrics can add value in a number of different application areas, the market potential is enormous. There is still growth potential in the mobile industry, in part by increasing the penetration rate and in part through new product innovations.

However, the growth in biometrics is primarily expected to occur in new areas. The area where Fingerprints sees the greatest potential in the years ahead is the segment for biometric smartcards, where the market potential in a few years' time is expected to be as large as 6–8 billion units per year.

This estimate is based on there being currently some 22 billion payment cards in circulation. Assuming that all of these cards are converted to smartcards (cards with chips) and are replaced every third year, there would be a need to produce about 7 billion cards a year. Approximately 4 billion cards are already being produced per year, which represents a potential market that is more than twice as large as the mobile phone market. It is unclear,

however, how quickly biometric cards will penetrate the market, although in this context it may be interesting to look at earlier technology shifts involving payment cards.

The introduction of a chip and pin started around 1995 and it then took about 18 years to reach one billion cards. The next technology upgrade started about ten years later, when contactless cards were launched. On this occasion, it took some eight years to reach a billion cards. In both of these cases, it was necessary to upgrade infrastructure and install new terminals. Biometric cards already work in existing POS terminals, which should enable a quicker rollout this time.

In 2019, additional market trials were conducted to try out different solutions under real conditions, collect feedback from consumers and fine-tune parts of the system ahead of a broader launch. The first commercial launch was also implemented in 2019, when Cornèrcard of Switzerland issued Cornèrcard Biometric Gold on a limited scale to 100 of its customers. Before the market can gain true momentum,

MARKET POTENTIAL FOR FINGERPRINTS' PRODUCTS

Since biometrics can add value in a variety of application areas, the market potential for Fingerprints' products and solutions is enormous.

1.5 BILLION
UNITS



MOBILE

6-8 BILLION
UNITS



PAYMENTS

1.5-2 BILLION
UNITS



ACCESS

however, specifications and standards for biometric payment cards must be certified. These certifications are a key requirement for card issuers being able to budget and plan for initial launches.

In early 2020, Thales announced that the company's card, in which Fingerprints' technology is integrated, had been certified by Mastercard. This first card certification is a significant step that enables card issuers to offer their customers biometric payment cards.

The broad acceptance of biometric sensors in smartphones has paved the way for applying the technology in a number of other areas, not just payment cards. If we look at the entire area that we call Access, we see a potential market that is about as large as the mobile industry, just over 1.5 billion units per year. This area includes such products as cars, door locks, remote and gaming console controls, authentication tokens, computers and access cards. The growth in IoT is accentuating the need for secure and user-friendly systems to verify personal identities, such as entry sys-

tems in airports, hospitals and workplaces. The systems must be user-friendly, cost-effective and, not least, secure, which is driving the need for biometric solutions.

STRATEGY

PRODUCT DEVELOPMENT AND DIVERSIFICATION

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

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

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

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

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



STRATEGIC PRIORITIES	ACHIEVEMENTS IN 2019
<p>MOBILE</p> <p>Defend and capitalize on Fingerprints' strong position</p> <ul style="list-style-type: none"> Defend our market share and increase margins in capacitive fingerprint sensors by ensuring production-cost competitiveness. Capture a major share of the growing market for under-display sensors. Further develop our iris recognition technology to offer a more secure and cost-effective alternative to advanced facial recognition. 	<ul style="list-style-type: none"> Samsung secured as new OEM customer. Increased market share in capacitive fingerprint sensors. Launch of the FPC1520, a new cost-effective capacitive sensor generation. The FPC1540, a thin sensor designed for side mounting, was launched. Launch of Touchless 2.0, a product that combines the user friendliness of face recognition with the high level of security that iris recognition enables.
<p>PAYMENTS</p> <p>Secure a position as the leading supplier of biometric solutions</p> <ul style="list-style-type: none"> Collaborate with players throughout the smart card ecosystem to promote the creation and acceleration of a new global market for biometrics. Secure an undisputed global leadership position within contactless biometric cards, the next mass market for biometrics. 	<ul style="list-style-type: none"> The world's first volume order secured for fingerprint sensors for dual interface payment cards. Participation during the year in all publicly disclosed market trials of contactless biometric payment cards. Fingerprints' T-Shape sensor is a feature of the card, supplied by Thales, which is used in the world's first commercial launch of biometric credit cards: Cornècard Biometric Gold. Mastercard certified NXP's module for biometric payment cards, which features Fingerprints' T-Shape sensor. Partnership entered into with Giesecke + Devrient Mobile Security for developing biometric payment cards. This card was used by Crédit Agricole in a market test in France. Biometric software platform for payments was launched.
<p>ACCESS</p> <p>Grow in prioritized segments of fragmented market</p> <ul style="list-style-type: none"> Maintain our leading position in selected areas of application. Initial focus on biometric solutions for access control systems and vehicles. Capture a significant share of the market for iris recognition in Aadhaar devices in India. 	<ul style="list-style-type: none"> Leading position in biometric door locks. The first volume order received for T-Shape for use outside the payments area; a card used for secure online access and secure data storage offline.

OPERATIONS

WELL POSITIONED IN EXPANDING GLOBAL INDUSTRY

Fingerprints offers a strong product portfolio of biometric system solutions that help create easier and more secure everyday lives for the users. Simultaneously, solutions are being developed in new emerging markets for biometric solutions.

PRODUCTS AND SOLUTIONS

Fingerprints' solutions are suitable for multiple product segments. Apart from smartphones, which is currently the largest application segment for the company's products, Fingerprints' solutions are also found in such applications as smartcards, door locks, vehicles and the IoT.

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

MOBILE

Capacitive fingerprint sensors

Fingerprints was a pioneer in capacitive fingerprint sensors, and was the first company in the world to integrate a touch fingerprint sensor into an Android phone in 2014. The market then expanded extremely rapidly and Fingerprints succeeded in building a dominant position. Over the subsequent years, the competition intensified and the

industry developed into a mature mass market. However, by continuously developing and refining the product portfolio, Fingerprints succeeded in maintaining a leading position with a market share exceeding one third in 2019. This strong position is based on renowned high product quality, security and biometric performance.

Capacitive fingerprint sensors for mobile phones accounted for some 90 percent of sales in 2019, and Fingerprints consolidated its leading position during the year by further strengthening its product portfolio. We launched the FPC1520, a new sensor generation that builds further on our already successful product, the FPC1511. This new sensor generation has the potential to further increase the company's addressable market by making the inclusion of fingerprint sensors possible in even the simplest of smartphone models. The FPC1540, a thin sensor designed for side mounting, was launched in the market in 2019. This product meets the customers' demands for solutions that function well with the most

recent models, such as foldable devices and mobiles with borderless fronts.

We will continue to focus on consolidating our leading position in capacitive sensors by ensuring that we have a comprehensive, competitive product portfolio for all relevant segments.

Under-display

For many years, the capacitive fingerprint sensor dominated the market for biometric solutions for smartphones. Under-display solutions, also referred to as in-display, are an alternative for integrating fingerprint sensors into a smartphone's display. Since the market for under-display sensors is growing rapidly, Fingerprints aims to also secure a position in this market.

Touchless

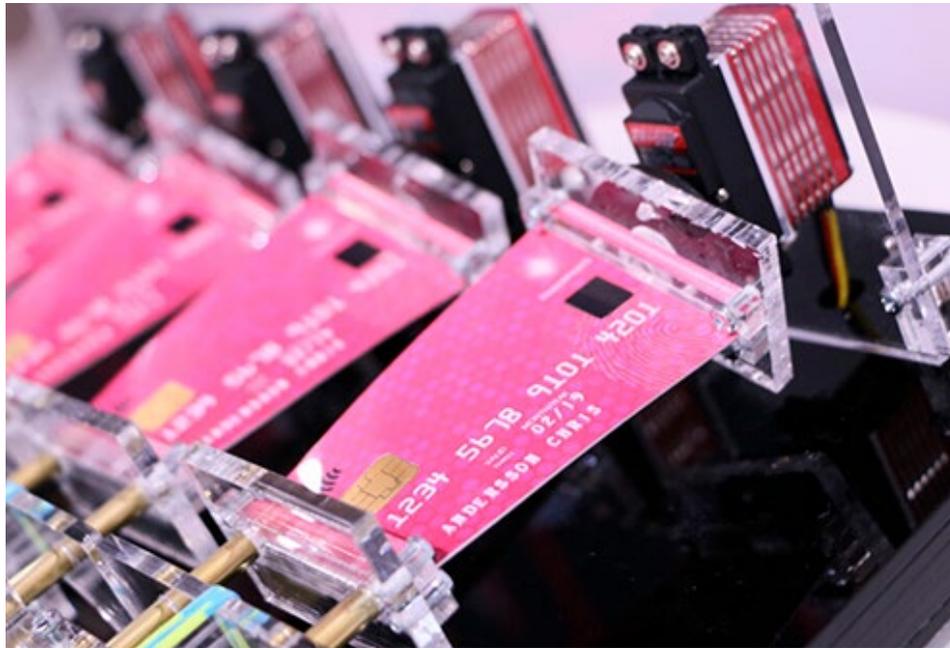
Since Apple launched iPhone X featuring facial recognition a couple of years ago, interest in touchless technologies has increased, even though fingerprint recognition still dominates the market for Android

devices. In October 2019, Fingerprints launched Touchless 2.0, a platform that combines the user-friendliness of facial recognition with the high security level of iris recognition. Touchless 2.0 offers a more secure and more cost-effective alternative to advanced facial recognition, not only for smartphones but also for a range of applications in various industries.

PAYMENTS

T-Shape™ is a capacitive sensor module developed by Fingerprints for optimizing integration in smartcards according to the relevant industry standard and ISO requirements. The module is adapted for efficient mass production and works for both contact and contactless cards. T-Shape™ is the market's most power efficient module, with very good contactless charging characteristics, which is the fundamental criterion for functional biometric contactless cards.

In 2019, Fingerprints continued to strengthen its position as the leading supplier of biometric solutions for smartcards.



In February 2019, Fingerprints secured the world's first volume order for fingerprint sensors for dual interface biometric payment cards from Gemalto (Thales). This

agreement also included licensing of Fingerprints' biometric software platform for payments, the FPC-BEP, which was launched in 2019.

Fingerprints is uniquely positioned in biometrics for payments, perhaps best illustrated by the fact that our technology is being used in all publicly announced market trials to date of contactless biometric payment and credit cards around the world. At the end of the year, Cornèrcard announced the world's first limited commercial launch of biometric credit cards. The card is supplied by Thales and contains Fingerprints' T-Shape sensor and the FPC-BEP.

ACCESS

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

In 2019, Fingerprints secured the first volume order of T-Shape for use outside the payment area. The sensor will be integrated into a card used for secure online access and secure data storage offline.

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

In November 2019, FPC BM-Lite was launched, a free-standing biometric system developed with the aim of enabling rapid integration into a range of devices and applications, such as door locks, padlocks, crypto wallets and authentication tokens.

OPERATIONS

PRODUCT DEVELOPMENT, PRODUCTS AND SOLUTIONS CENTRAL TO THE BUSINESS

Fingerprints is recognized as an innovative, high-tech and entrepreneurial company, that delivers solutions with a high level of security.

CONTINUOUS PRODUCT DEVELOPMENT IS ESSENTIAL

Fingerprints operates in an industry characterized by very rapid technological progress. Product development is therefore essential for Fingerprints' operations and the results of the product development process will ultimately have a considerable impact on the company's performance. At the end of 2019, the research and development (R&D) organization accounted for approximately 40 percent of the workforce. This means that we have access to specialist competence in biometrics, electronics, materials technology, coding, and production technology.

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



BIOMETRIC SYSTEM DEVELOPMENT ACROSS FOUR DIMENSIONS

Fingerprints' product development is integrated across four dimensions: developing algorithms, software development, development of biometric sensors and packaging. Development is based on reading and recognition of fingerprints, the iris and faces.

1.

Algorithms—reading the unique biometric patterns

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

2.

Software development — for enhanced end-user experience

Software development focuses on Fingerprints' biometric systems solutions in smartphones, for example. This process manages sensor communication with the mobile platform for verification in a secure platform combined with user-friendly functionality.

3.

Hardware development — enhanced functionality

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

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

Fingerprints also develops technology for optical and ultrasound-based fingerprint recognition.

4.

Packaging — physical integration

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

OPERATIONS

VALUE CHAIN

For a long time, Fingerprints has been building mutually value-creating relationships with key players across a complex value chain.

BUSINESS RELATIONSHIPS SPANNING SEVERAL LEVELS

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

MOBILE

Most of Fingerprints' revenues in 2019 were generated from shipments of capacitive fingerprint sensors to mobile phone manufacturers in China. This business is part of the semiconductor industry and features a value chain with a large number of participants and long lead-times.

Semiconductor manufacturers

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

manufacturers. Sensors are manufactured in the form of silicon wafers in standard formats.

Fingerprints' delivery reliability is ensured as a result of high volumes and effective forward planning, since the manufacture of silicon wafers has similarities to the processing industry, where once a production line is started, it is continuous and assumes the lowest volume to maximize the utilization of production capacity, and thus attain the lowest possible unit cost. Accordingly, semiconductor manufacturers primarily select customers that can fill their capacity.

Thanks to high volumes and good planning, Fingerprints has secured very positive relationships with semiconductor manufacturers, thus enhancing potential to manufacture a broader product mix with varying volumes. To ensure delivery reliability at higher volumes and more hardware versions, Fingerprints utilizes dual sourcing for every chip series; i.e. it uses two different producers.

Apart from procurement from semiconductor manufacturers, value is also added through channels including OSAT (Outsourced

Semiconductor Assembly & Test) suppliers, which encapsulate chips for subsequent assembly.

Distributors

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

Module suppliers

The production of smartphones is conducted through the assembly of modules sourced from a range of subcontractors. In the mobile industry, they are largely produced by module providers, with each OEM having selected module provision partners. Module providers account for the assembly and packaging of various components into modules that are ready for assembly in a smartphone.

Fingerprints has established close collaborations with about ten module suppliers,

which can be viewed as both partners and customers, because they set standards, while also serving as collaborative partners in Fingerprints' product customization process.

OEM

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

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

PAYMENTS

The value chain in the smartcards market (all cards with chips, mainly payment cards) differs from the smartphone value chain in many respects.

But there are also fundamental similarities, because both sectors feature mass production by a limited cluster of global manufacturers that are part of complex value chains with multiple players. The dominant card manufacturers are based in Europe.

Subcontractors

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

Manufacturers and issuers

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

Standardization and certification

Payments and cards are a sector character-

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

In early 2020, Thales announced that the company's card, in which Fingerprints' technology is integrated, has been certified by Mastercard.

ACCESS

Since the market for biometrics in access control systems and various types of access solutions is fragmented, the supply chain can appear somewhat different depending on application and industry. Marketing and sales usually occur via module providers and subcontractors, who in turn deliver products that are included in, for example, smart door locks, computers or vehicles. Fingerprints' partners include Gentex, a US supplier of driver assist systems for vehicles.



PEOPLE AND SUSTAINABILITY

PASSION FOR INNOVATION

With passion for innovation and a focus on the end-users' experience, our coworkers create sustainable solutions for secure identification and authentication.

OUR COWORKERS ARE THE KEY TO EVERYTHING

Fingerprints is characterized by a strong team spirit, whereby we celebrate our joint successes and challenge each other to find new solutions and intelligent ways of working. We are proud of our core values – Smart, Brave, Open, United – and assign these a very high priority. Our employees come from various parts of the world and we value the fact that we all contribute different perspectives. Employees with fourteen different nationalities work at our offices in Sweden and Denmark. In addition to diversity in terms of nationality, we also have a breadth of expertise and experience, which gives us a major competitive edge in understanding our customers and continuing to deliver maximum quality.

R&D EXPERTISE WITH BOTH DEPTH AND BREADTH

To succeed in a fast-moving, high-tech market, the capacity for innovation is a basic requirement. Fingerprints' coworkers share a genuine interest in technology and are

driven by the passion to ensure that our future biometric society continues to move in a positive direction.

Research and development (R&D) will always be at the core of Fingerprints. The educational level is high: most have Master of Science degrees and around 25 percent of R&D coworkers have PhDs in their fields. Since mid-2018, the R&D organization has been concentrated in Gothenburg and Copenhagen. 100 engineers work here in such areas as algorithm development, ASIC design, software development, materials science, optical design and new technologies. The R&D organization in Scandinavia cooperates closely with our sales organization and our customer-centric engineers out in our markets. To facilitate teamwork, we have well-developed communication tools that simplify video calls and enable creative cooperation across national borders. Together with engineers in Business Lines and Customer Engineering in Asia, Fingerprints' overall engineering expertise accounted for approximately 70 percent of all the coworkers.

PROXIMITY TO CUSTOMERS AND SUPPLIERS

Since most of our customers and suppliers are in Asia, we strengthened our Operations organization in China during autumn 2019. As a result, most of our Operations team is now based in Asia, which enables even closer cooperation with our customers and suppliers in this market. Our employees have multiyear experience of purchasing, delivery and quality-assurance work and we can already see that the enhanced local presence has led to improvements throughout the supply chain.

In 2019, we continued to build our organization with customer-centric engineers in Asia (Customer Engineering). Thanks to the combination of a cutting-edge R&D Department, a strong sales team, efficient order handling and skilled engineers who can be on-site at customers and business partners, we have favorable potential to efficiently cope with a fast-moving market.

AN ATTRACTIVE WORKPLACE ...

Fingerprints aims to offer a fantastic workplace, both physically and organizationally and in terms of the social work environment. Our attractively located office premises are light and modern, and coworkers have an opportunity to alternate between deskwork and working together with others in one of our various lounge environments. Many also appreciate the opportunity to occasionally be able to take a work break to, for example, challenge colleagues to a game of table tennis or to go for a run together.

We are proud of the high wellness rate in the company (more than 99 percent). Leadership at Fingerprints is characterized by transparency and openness combined with proximity to the operations. Our employees feel involved in what is happening and have a considerable opportunity to influence their work and make their voices heard. To continuously check coworker satisfaction and how work is proceeding, regular coworker dialogues are held between the manager and coworkers.

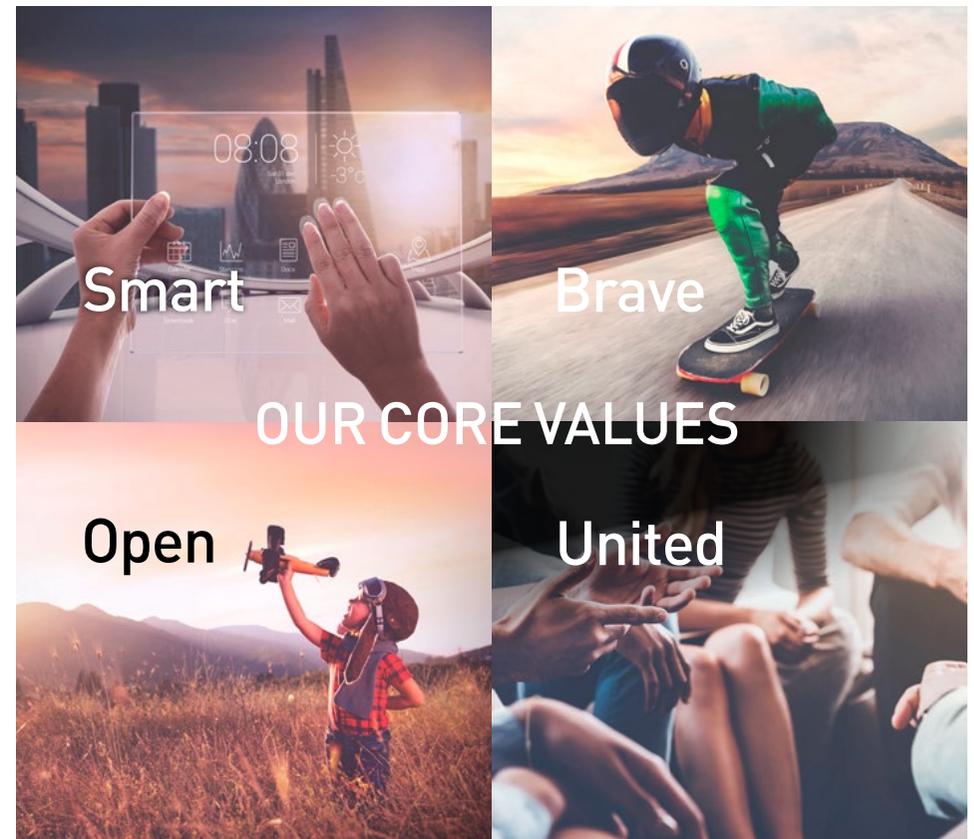
A new method of working with our coworkers' wellbeing in various parts of the world was introduced in 2019. Through weekly "pulse" meetings, coworkers are asked to give continuous feedback on how they regard the current status in the categories of Leadership, Job Satisfaction, Meaningfulness, Autonomy, Work Situation, Participation, Personal Development, Team Spirit and Loyalty. The data that is collected and analyzed every week enables the company to notice trends and act quickly.

Pulse measurements are managed via an app and the results are visible to all coworkers. The tool also includes a feature for giving each other positive feedback, which is part of efforts to continue to build an open and engaged culture. We are particularly proud of our high performance in Leadership (8.2/10), Participation (8.1/10) and Team Spirit (8.2/10), ratings that are all well above the average for other technology companies that use the same measuring instrument. Viewed as a whole, Fingerprints' performance is above average in all

categories in a comparison with other technology companies.

... TO WHICH FORMER CO-WORKERS WILLINGLY RETURN

In 2019, seven people who had previously left positions at Fingerprints returned to us, which we regard as highly gratifying and positive. Being able to attract former co-workers back to us is an excellent testimony to Fingerprints as an employer. Factors that are particularly highlighted as reasons for wanting to return to Fingerprints are the excellent sense of community, high level of expertise, challenging assignments and high level of commitment and pulse at work.



“WHAT IS YOUR ROLE AT FINGERPRINTS AND WHAT DO YOU ENJOY MOST ABOUT WORKING HERE?”



“This is the most interesting and most challenging job I have had. A key part of my work is understanding the customers' requirements, following which, together with the R&D Department, I develop a project plan. The best thing with Fingerprints is that everyone is so open and willing to share knowledge and information.”

*Cecilia Carlsson,
Customer Project Manager, Malmö*



“I'm in charge of projects involving Application Specific Integrated Circuits (ASIC), which is the heart of our sensors. The projects are relatively short, so you receive feedback almost immediately. We continuously solve stimulating problems together at Fingerprints. Things happen all the time and you often don't know what you're going to face when you come to work in the morning. But the people here at Fingerprints are always willing to do what is necessary to succeed.”

*David Carling,
Principal Engineer Digital Design, Gothenburg*



“I'm responsible for ensuring that the products we sell are of a high quality. It is important that we continue to learn from each other, support each other and solve problems together. I'm convinced that Fingerprints will create many more innovations that make the world better.”

*Tian Gan,
Wafer & Product Test Engineer, Gothenburg*



“I manage the teams that develop optical sensors and packaging technologies. In a relatively small company, you have an opportunity to directly impact the end result. What makes Fingerprints very interesting is that you get to work with cutting-edge technology together with skilled colleagues in a dynamic industry.”

*Mats Slottnér,
Head of Optical & Packaging System,
Gothenburg*

261

COWORKERS

225

EMPLOYEES
(OF A TOTAL OF 261)

36

CONSULTANTS
(OF A TOTAL OF 261)

40 years

AVERAGE AGE

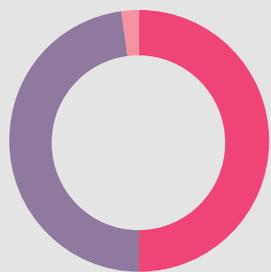
**163 men
62 women**

(EMPLOYEES)

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

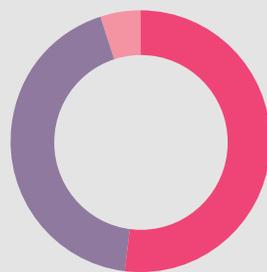
EMPLOYEES BY AGE, GENDER AND REGION

Geographical division, women



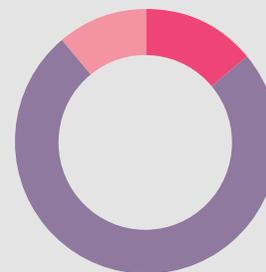
- employees, women in Europe, 50%
- employees, women in Asia, 48%
- employees, women in the Americas, 2%

Geographical division, men



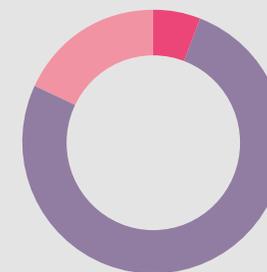
- employees, men in Europe, 52%
- employees, men in Asia, 43%
- employees, men in the Americas, 5%

Age division, women



- employees, women aged under 30, 14%
- employees, women aged 30-50, 75%
- employees, women aged over 50, 11%

Age division, men



- employees, men aged under 30, 6%
- employees, men aged 30-50, 76%
- employees, men aged over 50, 18%

PEOPLE AND SUSTAINABILITY

SUSTAINABILITY AT FINGERPRINTS

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

Christian Fredrikson, President and CEO

SUSTAINABILITY AT FINGERPRINTS

Fingerprints is working on strengthening and drawing attention to the benefits our products create from a sustainability perspective and on reducing the negative impact Fingerprints has through its operations, products and supply chain.

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

Another example of how Fingerprints' operations contribute to the UN Global Sustainable Development Goals is our offering of biometric solutions for smartcards, which enable secure payments. This supports Goal 16 (Peace, Justice and Strong Institutions) by reducing the risk of fraud and enabling more secure authentication and payments. We believe that companies working collectively on sustainability challenges is the best way to achieve long-term results. To this end, Fingerprints has been a member of Eurosmart since 2017, which is a sector organization for businesses active in smart security, such as digital identities, data security, cyber security, Internet of Things (IoT), payment solutions and interface controls.

HANDS-ON SUSTAINABILITY FRAMEWORK

Sustainability work in Fingerprints is carried out close to the business within the company's sustainability framework, which comprises a vision, core values and all of

the company's policies, including its Code of Conduct and sustainability targets.

The sustainability framework comprises four areas, which cover our entire business and are also set out in our Code of Conduct:

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

Fingerprints has defined a number of core sustainability targets that are connected with the four focus areas (see pages 24 – 25). The continuous implementation of the targets represents the core of the company's sustainability work and is part of Fingerprints company-wide balanced scorecard, which helps sustainability aspects secure equal status with the company's other objectives. The targets have been broken down by feature and business area to determine how they can contribute to sustainability goals. These enhance both commitment and participation. The visibility and integrity of sustainability goals also

facilitate Fingerprints' managers following up on work where relevant.

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

Solutions that contribute to sustainable development

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

RESOURCES

INTELLECTUAL CAPITAL

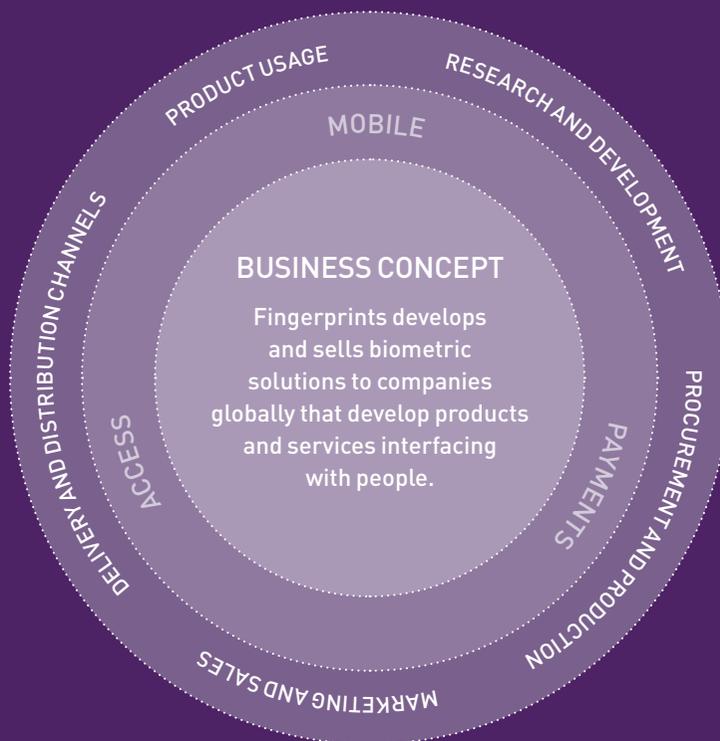
261 coworkers, of whom 100 in R&D.
Patent portfolio

FINANCIAL CAPITAL

Cash and cash equivalents	SEK 564 M
Development costs	SEK 111 M
Selling costs	SEK 147 M

SOCIAL AND RELATIONSHIP CAPITAL

- Customers
- Coworkers
- Shareholders
- Partners
- Suppliers
- Users
- Regulators
- Communities
- NGOs
- Academia



PERFORMANCE

FINANCIAL

Customers, sales	SEK 1,459 M
Suppliers, manufacturing costs	SEK 1,128 M
Employees, personnel costs	SEK 256 M
Public sector, income tax	SEK +4 M
Shareholders, dividends and buy-backs	SEK 0 M

SOCIAL

FOR END-USERS

Greater integrity and security. 57 smartphone models launched with Fingerprints' solutions.

FOR WIDER SOCIETY

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

FOR COWORKERS

Jobs are also created with Fingerprints' subcontractors.

STAKEHOLDER AND MATERIALITY ANALYSIS

In 2017, Fingerprints did its first work on a structured stakeholder and materiality analysis. The materiality analysis is the foundation for the sustainability goals for 2018–2020 presented on pages 24–25.

These goals also linked to the UN Global Sustainable Development Goals.

All business lines and features were involved and the stakeholder analysis was approved by management.

Fingerprints has defined the following groups as stakeholders and identified dedicated activities for each stakeholder group.

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

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

Fingerprints considers the following as the most material sustainability segments.

SOCIAL ASPECTS

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

ENVIRONMENTAL ASPECTS

- CO₂ emissions
- Environmental impact of providers
- Recycling
- Utilization of materials

ECONOMIC ASPECTS

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



” In 2019, Fingerprints passed the milestone of having supplied one billion fingerprint sensors.

SUSTAINABILITY GOAL	DESCRIPTION OF GOAL FOR 2019	ACHIEVEMENTS IN 2019 WITH COMMENTS	DESCRIPTION OF GOAL FOR 2020	GOAL 2020
 <p>TRUSTED AND TRANSPARENT BUSINESS CONDUCT</p>				
Acceptance and compliance with the Code of Conduct (Corporate Responsibility) 	A. Code of Conduct to be confirmed by all coworkers.	A. All employees have confirmed the Code of Conduct. Code of Conduct is part of onboarding for new employees and consultants.	A. Written confirmation of Code of Conduct by all coworkers.	A. Annually by 100% of all coworkers.
	B. In addition to the introductory training for new employees, refresher training is to be conducted for all employees every other year.	B1. In the autumn of 2019, training was conducted in the organization regarding safety and compliance, where Code of Conduct is an integral part.	B. Percentage of employees who have completed the Company's Safety Training, of which Code of Conduct is an integral part.	B. 100% of all coworkers.
  <p>ENVIRONMENTAL PROTECTION AND EFFICIENT USE OF RESOURCES</p>				
Reduce CO₂ emissions 	A. Continuously reduce directly generated carbon emissions ¹ . B. Achieve CDP (Carbon Disclosure Project) level C.	A. Scope 2: 5-ton aggregate reduction or minus 15% in CO ₂ equivalents achieved. This reduction was achieved by actively selecting providers with renewable energy, and by reduced office space. • Greenhouse gas emissions – Unit: ton CO ₂ -eq 2019: 29; 2018: 34 • Energy – Unit: MWh 2019: 1,408; 2018: 1,427 B. Did not achieve CDP level C.	A. Reduce CO ₂ emissions pursuant to scope 2 with 2017 as base year (including all offices).	A. 20% reduction achieved.
			B. Work continuously to reduce CO ₂ emissions from scope 3 by identifying practical activities at the supplier level, business travel and product usage.	B. Specific activities defined and 70 % of activities fully implemented with measurable effects.
Utilization of resources in production 	A: At least 95% of sensors produced are to be usable ² .	97.2 % utilization on average during 2019. Fingerprints continuously measures how much of the silicon wafer for fingerprint sensors is utilized.	Work continuously on improving the utilization of materials.	97,5% of silicon wafers are utilized.

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

Explanatory notes

¹ CO₂ emissions in Scope 2 cover the offices in Sweden and Denmark. The GHG Protocol Corporate Accounting & Reporting Standard, market-based approach was used to measure Scope 2.

² Utilization of materials in production is for wafers.

³ Employees are defined as all individuals with a direct and valid employment contract with Fingerprints. Coworkers are defined as all employees and consultants with consulting assignments occupying at least 50% of their total working-hours.

⁴ Benchmark data produced by Netsurvey.

⁵ Equal opportunities information is for all employees.

⁶ Information on sickness absence is for Sweden only.

SUSTAINABILITY GOAL	DESCRIPTION OF GOAL FOR 2019	ACHIEVED IN 2019 WITH COMMENTS	DESCRIPTION OF GOAL FOR 2020	GOAL 2020
 <p>RESPECTING AND REWARDING PEOPLE</p>				
 <p>Advance positioning as an attractive employer</p>	<p>A. Maintain or improve achievements on the outcome of 80 (2016 base year) in the coworker satisfaction Netsurvey of Commitment index. The Commitment Index^{3,4} shows total employee satisfaction.</p> <p>B. Retain or improve the Net Promoter Score 43 (2016 base year). The Net Promoter score illustrates willingness to recommend your workplace to friends and acquaintances, and is measured on a scale from -100 to +100.</p>	<p>In the spring of 2020, the company switched to measuring employee engagement on a weekly basis via so-called pulse measurements. The goal was to have a positive trend regarding the company's overall "temperature" for employee well-being, and better than the benchmark for other tech companies using the same measurement. We have had a positive trend during the year, moving from a temperature of 7.7 to a temperature as of December 31 of 7.8 (out of a maximum of 10). The result exceeds the benchmark (7.3).</p> <p>B. Net promoter scores (eNPS) have gone from -16 to -4 during the year. We have been actively working with employee ambassadorship and have re-hired a number of employees who were previously employed at Fingerprints.</p>	<p>Modification of goal: Work actively in the working groups with the results of the pulse measurements to increase motivation and commitment among the employees.</p>	<p>Modification of target: Overall temperature and eNPS should show a positive trend compared to 2019. Overall temperature and eNPS should be better than benchmark.</p>
 <p>Equal opportunities</p>	<p>Reach 25% women of all employees at all levels of the company in 2020⁵.</p>	<p>28% of the company's coworkers are women. 21% of managers are women. All applicants have been treated equally and decisions have been made based on how well a candidate meets predetermined criteria.</p>	<p>Define and implement plans that support a diversified workforce with equal opportunities regardless of gender.</p>	<p>Reach 25% women of all employees at all levels in 2020.</p>
 <p>Health and safety</p>	<p>A No serious work-related accidents.</p> <p>B No more than 1% of coworkers affected by work-related long-term sickness absence⁶.</p> <p>C Perceived stress levels at a maintained or improved level compared to benchmark, with 2016 baseline index of 15 in perceived stress levels.</p>	<p>A No serious accidents occurred.</p> <p>B Fewer than 1% of coworkers have been affected by long-term sickness absence.</p> <p>C. In 2019, the company switched to weekly so-called pulse measurements where, among other things, we measure the perceived general work situation, which includes questions about stress. In 2019 we have gone from a temperature of 7 to a temperature of 7.5 (out of a maximum of 10).</p>	<p>Continue to work systematically with work environment issues and health promotion measures.</p>	<p>A. No serious work-related accidents.</p> <p>B No more than 1% of coworkers affected by work-related long-term sickness absence.</p> <p>C Modification of goal: Perceived stress levels at a maintained or better level compared to 2019. Temperature in the "work situation" category should be higher than 7.5.</p>
 <p>SMARTER AND SAFER SOLUTIONS</p>				
 <p>Customer satisfaction</p>	<p>Customer satisfaction survey executed in 2019, as well as development of methodologies for gathering customer and end user needs.</p>	<p>The Customer satisfaction survey was conducted during the year. CSI (customer satisfaction index) based on in-depth interviews was to 4.38 [4.38]. The NPS also increased compared with 2018.</p>	<p>Drive active improvement work in key corporate functions with the objective of increasing the CSI.</p>	<p>The CSI should be above benchmark (benchmark is 4.12) for corresponding peer companies and the sector.</p>

RISKS AND RISK MANAGEMENT

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

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

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

NAME OF RISK	HOW FINGERPRINTS IS IMPACTED	RISK CONTROL AND RISK MANAGEMENT
OTHER RISKS		
Corruption	Financial consequences and loss of reputation.	Further implement Fingerprints' Code of Conduct in Management system. All coworkers shall complete Code of Conduct E-learning where anti-corruption is included. Assess anti-corruption policy and update where needed. Conduct more in-depth training activities for target audience. Take steps to develop internal audit practices.
Conflict minerals	Impact of rumors and financial consequences.	Annual inspection of our suppliers. Assess suppliers through Responsible Minerals Initiative CMRT.
Limitations on planned business development	Entrance barriers, laws and regulatory barriers for new segments.	Structured stakeholder analysis to understand stakeholder requirements and expectations. Work with existing partners to reduce industry barriers for biometrics in general as well as for Fingerprints. Actively seek new partnerships to reduce entrance barriers.
Biometrics and integrity	Impact on demand if public confidence in biometric solutions diminishes.	Application of TEE (Trusted Execution Environment) to ensure that data be accessed through operating systems and apps. Communicate transparently about the secure usage of our solutions and be transparent about risks and Fingerprints risk mitigating activities. Project to ensure GDPR compliance completed in May 2018.
Discrimination and limited diversity	Negative effect of limited diversity, negative impact on attractiveness as employer.	Gender diversity in total has significantly affected the still uneven balance in seniority. Identify and support female and non-Swedish talents with progress plans.
Talent attraction and retention	Negative impact on competitiveness in terms of attracting talent and retaining talent.	Actively work on hiring and transferring skills to new market segments. Implement new performance management process with personal objectives and defined career paths. Work actively on coworker motivation and leadership and formulate targets to measure progress.
Environmental Impact	Negative environmental impact from Fingerprints production, suppliers, own operations and products usage. Loss of customers, brands and markets.	Work actively on environmental goals within CO ₂ emissions and on the environmental performance of suppliers.
Reduced risk of fraud	FPC's biometric solutions can reduce risk of fraud when used to facilitate financial payments.	Actively working with developing procedures to measure fraud reduction from smartcards with biometric solutions.
Access to citizen and residential rights	FPC Delta ID is Aadhaar certified and can contribute to access to citizen rights in that project. FPC's biometric solutions provide a safer option for identification that can be used broadly for access to citizen or residential rights such as social security.	Work on issuing Aadhaar-certified products to the market.

Auditor's opinion regarding the Statutory Sustainability Report

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

Engagement and responsibility

It is the Board of Directors who is responsible for the sustainability report for the year 2019 on the pages 16-27 and that it is prepared in accordance with the Annual Accounts Act.

The scope of the examination

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

Opinion

A statutory sustainability report has been prepared.

Gothenburg, 24 April 2020
MOORE KLN AB

Ulf Lindesson
Authorized Public Accountant

THE SHARE

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

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

As of 31 December 2019, the share capital of Fingerprint Cards AB amounted to SEK 12,975,667, divided between 6,000,000 class A shares and 307,967,675 class B shares, each with a quotient value of SEK 0.04. Class A shares carry ten votes and class B shares carry one vote, the total number of votes amounts to 367,967,675.

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

At year-end, the ten largest shareholders had total holdings corresponding to 35.4 percent of the votes. Foreign shareholders had holdings corresponding to 36.1 percent of the share capital. For more information on ownership see pages 30-31 of this Annual Report.

SHARE PRICE TREND

During 2019, the closing price of Fingerprints' class B share increased by 86 percent to SEK 18.88 kronor (10.13). During the same period, the OMX Industrial Goods index increased by 45 percent. In 2019, Fingerprints' class B share set a high of SEK 22.43 and a low of SEK 10.18. At year-end 2019, Fingerprints' market capitalization was approximately SEK 5,927 M (3,118).

FINGERPRINTS' SHARE TURNOVER

In 2019, 3,128 (1,760) million class B shares were traded. An average of 12.5 (7.0) million class B shares were traded per day.

SHAREHOLDERS

At the end of 2019, there were 61,888 (65,544) shareholders, which is a 5.6 percent decrease compared to the same time of the previous year. Institutional shareholders held 18.9 (10.6) percent of the share capital, Swedish individuals 48.7 (53.7) percent, other shareholders 22.8 (22.7) percent and anonymous shareholders held 9.6 (12.9) percent.

OPTIONS PROGRAMS

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

DIVIDEND POLICY

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

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

DIVIDEND

The Board of Directors' proposes that no dividend be paid for the financial year 2019.

SHARE REPURCHASES

The Board of Directors proposes that the 2020 AGM authorize the Board to repurchase, on one or several occasions up until the next AGM, as many Class B shares in the Company as may be purchased without the Company's holding at any time exceeding ten percent of the total number of outstanding shares in the Company. The acquisitions shall take place on Nasdaq Stockholm and only at a price per share within the share price interval registered at that time, which means the difference

between the highest buying price and the lowest selling price. Payment for the shares shall be made in cash.

It is also proposed that the Board of Directors be authorized to resolve, on one or several occasions up until the next AGM, to transfer the Company's Class B shares, deviating from the shareholders' preferential rights. The purpose of the authorizations is to promote efficient capital usage in the Company and to create flexibility in the Company's ability to seize attractive business opportunities by wholly or partly financing acquisitions of companies or business operations through the transfer of own shares. The Board's complete proposals for resolution will be presented in the convening notice to the AGM.

INFORMATION DISCLOSURE

Fingerprints is not presenting a forecast for 2020.

Shareholders 10 largest at 31 December 2019

	Class A shares	Class B shares	Capital	Votes
Johan Carlström , incl companies	6,000,000	14,500,000	6.5%	20.2%
Avanza Pension		15,243,847	4.9%	4.1%
GO ETF Solutions LLP		13,552,671	4.3%	3.7%
ETF Managers Group LLC		9,273,011	3.0%	2.5%
BlackRock		5,255,567	1.7%	1.4%
Svenska Handelsbanken AB for PB		4,566,500	1.5%	1.2%
XACT Funds		2,120,284	0.7%	0.6%
Swedbank Insurance		1,998,330	0.6%	0.5%
Argenta Asset Management SA		1,937,671	0.6%	0.5%
Dimensional Fund Advisors		1,911,664	0.6%	0.5%
Other		237,608,130	75.7%	64.6%
Total	6,000,000	307,967,675	100.0%	100.0%

Shares classes 2019-12-31

	Votes	No of shares	No of votes	Participating interest, %	Voting share, %
Class A	10	6,000,000	60,000,000	1.9%	16.3%
Class B	1	307,967,675	307,967,675	98.1%	83.7%
Total		313,967,675	367,967,675	100%	100%

Allocation of holdings	No of shares	Capital	Votes	No of known shareholders	Proportion of known shareholders
1-1,000	11,777,764	3.8%	3.2%	46,038	74.4%
1,001-5,000	25,462,503	8.1%	6.9%	10,387	16.8%
5,001-10,000	18,078,962	5.8%	4.9%	2,401	3.9%
10,001-20,000	21,134,067	6.7%	5.7%	1,445	2.3%
20,001-	207,766,022	66.1%	71.1%	1,616	2.6%
Anonymous ownership	29,748,357	9.6%	8.1%		
Total	313,967,675	100.0%	100.0%	61,888	100.0%

Shareholder type

	No of shares	Capital	Votes
Swedish Private Individuals	152,966,918	48.7%	41.6%
Other	71,755,838	22.8%	34.2%
Swedish Institutional Owners	14,142,466	4.5%	3.8%
Foreign Institutional Owners	45,354,096	14.4%	12.3%
Anonymous ownership	29,748,357	9.6%	8.1%
Total	313,967,675	100.0%	100.0%

FINANCIAL ANALYSTS

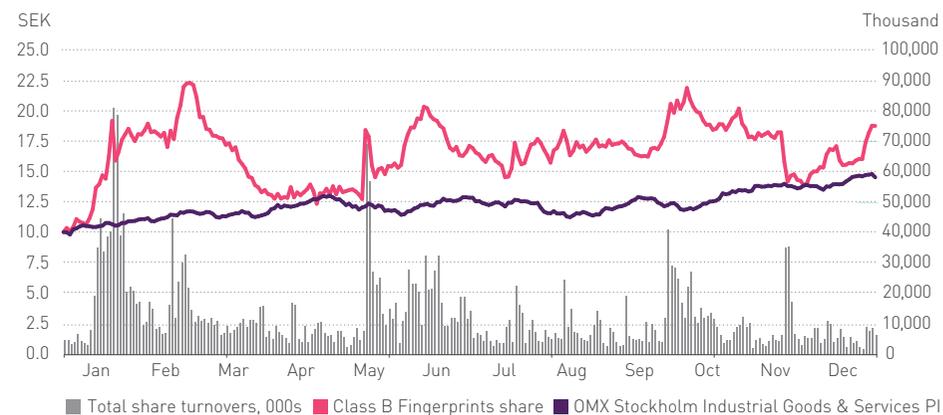
In 2019, Fingerprints was covered by the following analysts:

- Handelsbanken Markets, Daniel Djurberg (Light Coverage)
- Nordea, Jörgen Wetterberg
- Redeye, Viktor Westman
- UBS, François-Xavier Bouvignies

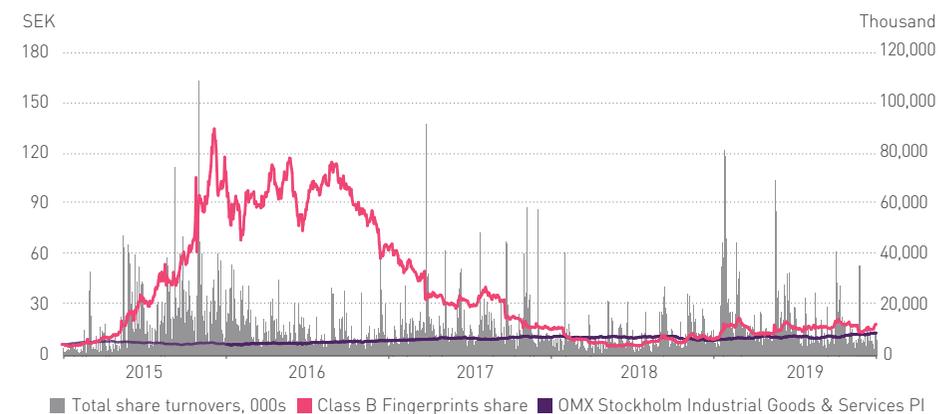
Share capital development

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

SHARE PRICE DEVELOPMENT 2019



SHARE PRICE DEVELOPMENT 2015-2019





The Board of Directors 2019

MESSAGE FROM THE CHAIRMAN

GROWTH THROUGH INNOVATION AND PRODUCT DEVELOPMENT

Dear shareholder,

2019 was characterized by considerable macroeconomic uncertainty, not least in respect of trade wars, Brexit and geopolitical tensions. The outbreak of the coronavirus in 2020 added a further risk factor. At the same time, we saw major upheavals in Fingerprints' product markets, where the dominant position of capacitive fingerprint sensors in the mobile industry is being challenged by new, alternative technologies.

It is through innovation and product development that Fingerprints will defend and build further upon its leading position in smartphones and simultaneously position itself for future growth in new fields. These issues dominated the Board of Directors' agenda during an intensive 2019.

Fingerprints' overriding objective is to create long-term shareholder value, and

the Board of Directors works actively, together with the Management Team, to develop the company's strategic agenda. Special Board meetings are held each spring and autumn with the focus on strategy, at which we follow up target fulfillment, adopt strategic priorities and take overriding allocation decisions.

Fingerprints is active in an industry in which the pace of change is very high, and financial strength is a prerequisite for being able to continue to play a leading role in the development of new products and markets for biometrics. Accordingly, the company's financial position has also been a key topic for the Board's work. We have a positive cash flow, and cash assets increased to SEK 564 M at the end of 2019, which means that the company can continue to invest in development initiatives using internally generated funds.

The opportunities in our industry have never been clearer. Biometric solutions for smartphones are once again a growth market. At the same time, there is now potential for the addition of a completely new mass market for Fingerprints' products: biometric payment cards. In early 2020, Mastercard certified a biometric card from Thales, in which Fingerprints' biometric solution is included. This makes it possible for card issuers to implement commercial launches on a larger scale. The payments area is an excellent example of how our technology can add value for society and consumers in the form of increased security and more user-friendly products. We will see more application areas emerge in the years ahead, and the Board's objective is that Fingerprints will continue to participate in and spearhead development.

I would like to thank all of my colleagues on the Board of Directors for their good cooperation during the year. From the Board of Directors, I would also like to thank the Management Team and the employees for their hard and dedicated work. I myself and the other Members of Board are looking forward, together with you, to continue to work to give the company the best possible prerequisites for creating long-term value for employees, owners, and customers.

Johan Carlström
Chairman of the Board

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

SEGREGATION OF DUTIES

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

SHAREHOLDERS

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

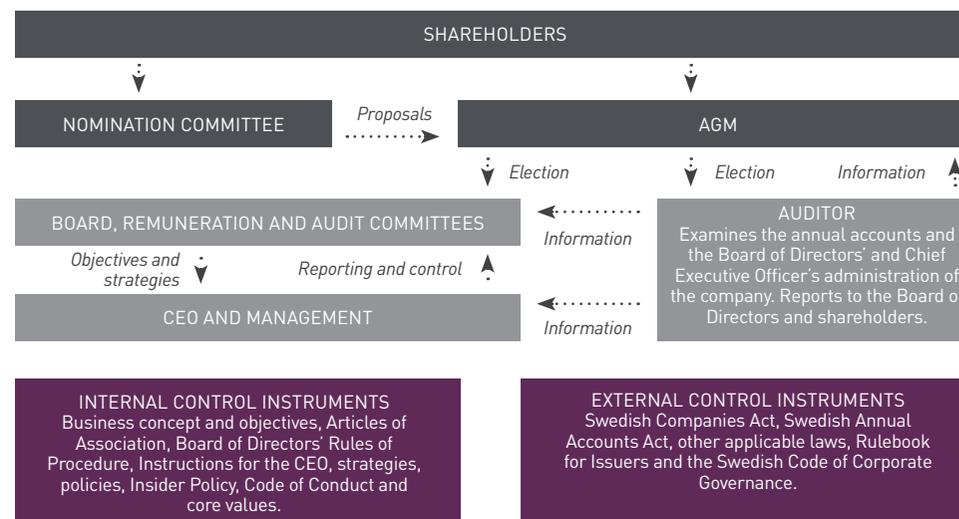
At year-end 2019, the company had 61,888 (65,544) known shareholders, which was a decrease of six percent compared with the same date in the previous year.

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

interest in the company and equal entitlements to dividends. At year-end, the ten largest shareholders held 35.4 percent of the vote. For more information on ownership, see pages 29-30 of this Annual Report.

ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) approves the Income Statement and Balance Sheet for the previous financial year for the Parent Company and the group. The AGM also resolves on dividend and discharging the Directors and CEO from liability, elects



the Board of Directors and the Chairman of the Board, and approves their fees, elects the auditor, and resolves on audit fees, and also deals with other statutory matters. Resolutions are taken on the Nomination Committee and guidelines for remunerating senior executives, and other proposals from the Board of Directors and shareholders.

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

Invitations to an Extraordinary General Meeting (EGM), where an amendment to the

Articles of Association is to be considered, are to be issued at the earliest six, and at the latest four, weeks prior to the Meeting. Notifications of other EGMs are to be issued at the earliest six, and the latest three, weeks prior to the Meeting.

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

Shareholders who wish to have a matter considered at the AGM shall provide a written proposal to investrel@fingerprints.com or to Bolagssekreteraren, Fingerprint Cards

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

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

AGM 2019

The AGM for the 2018 fiscal year was held in Gothenburg on 22 May 2019. The invitation to the AGM was published on 16 April 2019. 154 shareholders, accounting for 24.4 percent of

the votes and 11.5 percent of the number of shares, were represented at the Meeting.

THE AGM PASSED RESOLUTIONS ON:

- Adopting the accounts for 2018 fiscal year.
- Approving the appropriation of profits with the earnings carried forward.
- Discharging the Board of Directors and CEO from liability for 2018 fiscal year.
- That the number of Directors must be eight, with no deputies.
- Election of Directors, Chairman of the Board and auditor.
- Approval of Directors' fees and fees to auditors.
- Nomination Committee instructions.
- Remuneration guidelines for senior executives.
- Authorization of the Board of Directors to repurchase and transfer treasury shares.

Additionally, the AGM resolved to authorize the Board of Directors to, up until the next AGM, on one or more occasions, waiving shareholders' preferential rights, take decisions regarding new issues of Class B shares, warrants

and/or convertibles that carry entitlement to Class B shares reflecting at most ten percent of the total number of outstanding shares in the Company as of the day before the notice of the AGM 2019.

More information on the AGM 2019 is available at Fingerprint Cards' website: www.fingerprints.com.

ANNUAL GENERAL MEETING 2020

The AGM will be held at 3 p.m. CEST on Tuesday, 26 May 2020 at IVA Konferenscenter, Grev Turegatan 16 in Stockholm. For more information on the AGM 2020, see the website, www.fingerprints.com, where the necessary documentation for the Meeting is available.

NOMINATION COMMITTEE

The AGM 2019 resolved that the Company is to have a Nomination Committee comprising four (4) members. During the year, the Chairman of the Board is to convene a meeting of the three (3) largest shareholders of the Company in terms of voting power and ask them to each appoint one representative who, in addition to the Chairman of the Board, will constitute members of the Nomination Committee. Should one of the three largest shareholders choose to waive their right to appoint a representative of the Nomination Committee, the shareholder who is next in

line in terms of size is to be given an opportunity to appoint a member of the Nomination Committee. The Nomination Committee may also decide, if this is regarded as appropriate, to appoint an additional representative of a group of major shareholders as a co-opted member of the Nomination Committee.

The Chairman of the Board is to convene the first meeting of the Nomination Committee. The member representing the largest shareholder in terms of voting power is to be appointed Chairman of the Nomination Committee, unless the members agree otherwise. The term of office of those appointed to the Nomination Committee extends until such time as a new Nomination Committee is appointed. The composition of the Nomination Committee is to be disclosed no later than six months before the AGM.

The Nomination Committee is to be constituted based on the largest shareholders in terms of voting power registered for the holder or known in some other manner as per the last banking day in August. If one or several of the shareholder/s who has/have appointed members of the Nomination Committee no longer belong to the three largest shareholders, their representative/s is/are to step down, whereupon the/those shareholder/s who has/have been added to three largest shareholders will be entitled to appoint a new representative. However,

marginal changes that have occurred in the number of voting rights need not be taken into account, assuming that no special circumstances prevail.

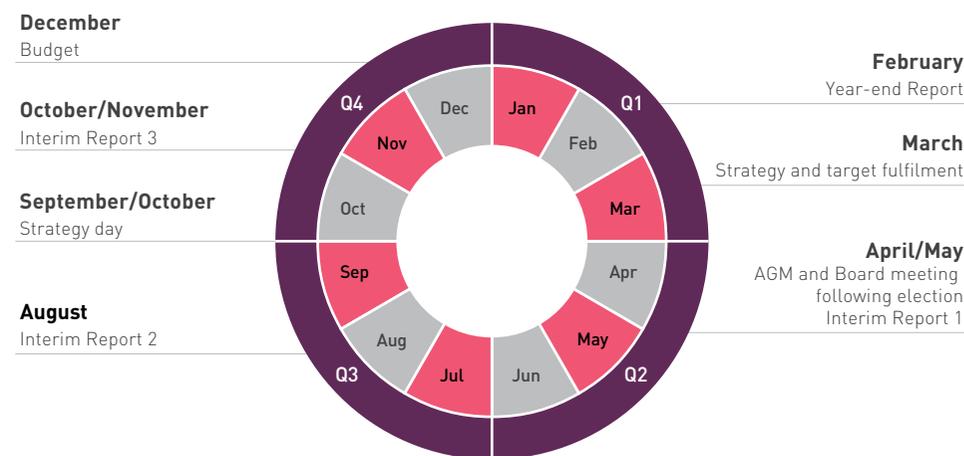
If a member steps down from the Nomination Committee before its work has been completed, the Nomination Committee is to urge the shareholder who appointed such a member to appoint a new representative to the Nomination Committee without undue delay. Should this shareholder refrain from appointing a new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

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

The Nomination Committee is to draft proposals on the following issues for resolution by the 2020 AGM:

- proposal concerning Chairman of the Meeting
- proposal concerning Members of the Board

Board of Directors' work



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

- proposal concerning Chairman of the Board
 - proposal concerning auditor
 - proposal concerning remuneration of Board members
 - proposal concerning remuneration of the auditor
 - proposal concerning guidelines for appointing the Nomination Committee
- Fingerprints' Nomination Committee had the following members for the AGM 2020:
- Johan Carlström (Chairman of the Board), member of the Nomination Committee
 - Dimitrij Titov (appointed by Velociraptor LTD), chairman of the Nomination Committee
 - Elisabet Jamal Bergström (appointed by SEB Investment Management AB), member of the Nomination Committee

The Chairman of the Board tasked Fingerprint Cards AB's Legal Counsel with contacting the other major shareholders in terms of votes, but they declined to participate. The majority of the Nomination Committee, including the chairman, are members of the Company's Board of Directors, which means that the Company is deviating from the Swedish Code of Corporate Governance.

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

WORK OF THE NOMINATION COMMITTEE FOR THE AGM 2020

For the AGM 2020, the Nomination Committee held four meetings, maintained regular intervening contact on various Nomination Committee matters and held meetings with candidates for Directorships. A Board evaluation was conducted through the Directors responding to a number of questions. The responses were compiled and reviewed by the Chairman of the Board, and discussed within the Board of Directors. Subsequently, in order to make an accurate assessment on matters regarding the composition of the Board of Directors, the Nomination Committee read and reviewed the Board evaluation and the work of the Board of Directors, as well as the Chairman of the Board's report on the company's operations, objectives and strategies, jointly with the Chairman of the Board. The Nomination Committee also analyzed the competence and experience of the Directors, and their gender division, and compared them with identified needs. The Nomination Committee's opinion is that the Directors possess considerable breadth and extensive experience of activities including business operations, technology, the financial markets, telecom and IT, and of the semiconductor industry. The Board of Directors currently consists of seven men and one woman. The Nomination Committee strives to

achieve an even gender balance on the Board of Directors. The Nomination Committee applies point 4.1 of the Code as its Diversity Policy, and continuously strives to satisfy the Code's standards for diversity, breadth and gender balance on the Board of Directors. The Nomination Committee also had several contacts with the Audit Committee regarding the Audit Committee's recommendations on the election of an auditor.

BOARD OF DIRECTORS AND CEO

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

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

The AGM 2019 resolved to re-elect Johan Carlström, Ted Elvhage, Urban Fagerstedt, Alexander Kotsinas, Tomas Mikaelsson, Dimitrij Titov and Juan Vallejo as Directors, and to elect Sofia Bertling as new Director. Johan Carlström was elected as Chairman of the Board.

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

The Board of Directors is responsible for Fingerprints' organization and administration, in the interests of both the company and its shareholders. The Board must regularly evaluate Fingerprints' financial situation and ensure that Fingerprints is organized so that its accounting, management of funds and the company's other accounting circumstances are controlled satisfactorily. The Board appoints the CEO and decides on issues regarding strategic direction of operations and the company's overall organization.

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

The Board also approves policies and instructions for operating activities. Operating activities are managed by the CEO. The CEO regularly provides the Board with information on events that are significant to the company's

progress, results, financial position, liquidity or other information of such significance that the Board should be informed of. The Directors are presented on pages 42-43.

WORK OF THE BOARD OF DIRECTORS IN 2019

Pursuant to the current Articles of Association, the Board of Directors must meet on at least four scheduled occasions and one statutory meeting per year. Additional meetings can be held as required. In 2019, there were 11 Board meetings.

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

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

REMUNERATION COMMITTEE

The Remuneration Committee evaluates and consults on matters regarding remuneration and employment terms, and makes proposals and guidelines for remuneration of the CEO and senior executives for approval by the AGM. The Remuneration Committee must ensure that remuneration is commensurate with prevailing market conditions for corresponding executives in other companies, and accordingly, that the company's offering to its employees is competitive. The CEO's remuneration is approved by the Board.

Remuneration of other senior executives is decided by the CEO after consulting with the Remuneration Committee. In 2019, the Remuneration Committee's members were the Directors Juan Vallejo (Chairman), Sofia Bertling, and Ted Elvhage. During the fiscal year 2019, the Remuneration Committee met on three occasions.

AUDIT COMMITTEE

The Audit Committee's duty is to support the Board on ensuring high quality and efficiency within internal controls, financial reporting and external audits. This includes reviewing interim reports and annual financial statements prior to publication, and considering all critical accounting issues and judgments regarding assessments of risk. The Audit Committee meets the external auditor at least

once per year and reviews and monitors the auditors' impartiality and independence, and identifies particularly whether the auditor is supporting the company on other services than auditing, and also provides support on proposals for AGM resolution and election of auditors.

In 2019, the Audit Committee's members were the Directors Alexander Kotsinas (Chairman), Johan Carlström and Dimitrij Titov. During the fiscal year 2019, the Audit Committee met on four occasions.

AUDITOR

The Articles of Association stipulate that Fingerprints must have one or two auditors with or without deputies, or one or two registered public accounting firms. The AGM 2019 re-elected Moore Stephens KLN AB (now MOORE KLN AB) as auditor until the AGM 2020. MOORE KLN AB appointed Ulf Lindesson as Auditor in Charge. The duty of the auditor is to examine the company's annual accounts and accounting records, and the Board of Directors' and Chief Executive officer's administration on behalf of the shareholders. The auditor also conducts a summary review of one quarterly financial statement and issues opinions regarding the Board of Directors' reporting in connection with such events as new share issues and decisions on warrant

programs. Each year, the Board of Directors meets the auditor for a report on whether the company's organizational resources are structured so that bookkeeping, the management of funds and other circumstances can be controlled satisfactorily. The auditor has continuous contact with the Audit Committee and participates in at least one of the Audit Committee's meetings during the financial year. The auditor attended the 2019 AGM on May 22.

INTERNAL CONTROLS AND RISK MANAGEMENT

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

The Board of Directors is responsible for the company's internal controls, whose overall purpose is to ensure protection of the company's assets, and thus its owners' investments.

The Board of Directors has adopted attestation instructions, a finance policy and other policy documents comprising instructions and procedures for operations that must be monitored regularly and reported. The attestation instructions include instructions regarding company signatories

as well as roles and authorizations regarding decision making and the approval of agreements, investments, expenses and other expenditure. The Finance Policy sets mandates for investments, management of liquidity, currency hedging and credit issuance on sales. Sales are subject to credit insurance as far as possible, when this is viable and where credit insurance is granted only if there are good grounds to expect the borrower to fulfill its commitments.

CONTROL ENVIRONMENT

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

RISK ASSESSMENT

Risk assessment is an ongoing process encompassing the identification and management of risks that can impact operations and financial reporting. The primary risk

within the auspices of financial reporting consists of material misstatement in accounting. Risk management is a part of operational processes and various methodologies are applied to ensure that risks are managed pursuant to regulation, instructions and procedures with the aim of making accurate disclosures.

CONTROL ACTIVITIES

Control activities are designed to manage the risks that the Board and company management consider material to internal controls of financial reporting.

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

more important because without security, functionality is compromised.

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

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

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

embedded throughout the financial reporting process.

REMUNERATION GUIDELINES FOR THE BOARD OF DIRECTORS

The AGM 2019 resolved on a total fixed Directors' fee of SEK 2,515,000, of which SEK 625,000 to the Chairman of the Board and SEK 270,000 per Director to the other Directors.

Fees for committee work of SEK 370,000 would be payable, to be allocated as follows: Audit Committee: SEK 115,000 to the Chairman and SEK 60,000 to the other members. Remuneration Committee: SEK 65,000 to the Chairman and SEK 35,000 to the other members.

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

REMUNERATION GUIDELINES FOR SENIOR EXECUTIVES

The AGM 2019 approved the proposal that a Remuneration Committee, which is appointed from among Board members, is to prepare guidelines in respect of pay and other employment terms for the President and senior executives and present the Board with proposals in respect of these issues. The Board decides on pay and

The Board – function, attendance and remuneration

Name	Function	Elected	Committee	Independent i relation to		Attendance meetings 2019	Board remuneration 2019/20 (Tkr)	Committee remuneration 2019/20 (Tkr)
				The Company	Larger shareholders			
Johan Carlström	Chairman of the Board	2018-05-29	Audit Committee	Yes	No	11/11	625	60
Urban Fagerstedt	Board member	2009-06-04		Yes	Yes	10/11	270	–
Tomas Mikaelson	Board member	2016-05-04		Yes	Yes	11/11	270	–
Alexander Kotsinas	Board member	2017-04-20	Audit Committee	Yes	Yes	11/11	270	115
Dimitrij Titov	Board member	2017-04-20	Audit Committee	Yes	Yes	11/11	270	60
Ted Elvhage	Board member	2018-05-29	Remuneration Committee	Yes	Yes	10/11	270	35
Juan Vallejo	Board member	2018-05-29	Remuneration Committee	Yes	Yes	11/11	270	65
Sofia Bertling	Board member	2019-05-22	Remuneration Committee	Yes	Yes	7/7	270	35

other remuneration of the President. The President is to determine the salary and other remuneration payable to other senior executives in accordance with the Board's guiding principles. The term "other senior executives" refers to the individuals who, in addition to the President, constitute the Executive Management Group. The basic remuneration levels are to be market-based. Remuneration comprises a fixed basic salary, variable remuneration calculated according to predetermined targets, other benefits, and pension. The distribution between fixed salary and variable remuneration is to be proportionate to the executive's responsibilities and authorities. The variable remuneration payable to the President and other senior executives may not exceed one hundred percent (100%) of their fixed annual salary. Pension terms and conditions are to be based on defined-contribution pension schemes. The period of notice from the Company is not to exceed six (6) months. During the period of notice of no longer than six (6) months, full salary and employment benefits are payable. If employment is terminated by the Company, severance pay is payable in an amount corresponding to not more than twelve (12) monthly salaries. Decisions regarding share and share-price-based incentive programs are to be made by the AGM. In certain cases,

the Board of Directors is to be entitled to disapply the guidelines if special circumstances prevail.

ARTICLES OF ASSOCIATION

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

INFORMATION AND COMMUNICATION

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

MONITORING

Compliance with the Rules of Procedure, instructions, policies and procedures are monitored by the Board of Directors and Group Management. Board meetings consider the current business conditions and the company's financial position. The Board of Directors reviews financial statements, and decides on publication of financial reports. The Board of Directors appraises its own work, and the CEO's work, yearly. At least one interim or half-year report, and all annual financial reports with the associated financial statements, are audited. The CEO provides monthly reports to the Board of Directors, involving all parts of operational functions. Management meets frequently and monitors business development, financial performance and position, and significant events. The Board of Directors meets the auditor during the year to review the audit of internal controls and other assignments. Forecasting and budgeting work is conducted continuously with a rolling, forward-looking forecast based on updated information on sales, procurement, operating expenses and product development and technology development.

Board of Directors, Gothenburg, 22 April, 2020

Auditor's statement on the Corporate Governance Report

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

Engagement and responsibility

It is the Board of Directors who is responsible for the corporate governance statement for the year 2019 on pages 34-41 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

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

Opinion

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

Gothenburg, 24 April, 2020
MOORE KLN AB

Ulf Lindesson
Authorized Public Accountant

BOARD OF DIRECTORS



JOHAN CARLSTRÖM

Chairman of the Board since 2018.
Member of the Board since 2018.
Born: 1963.

Employment and other Board assignments:
Private investments in own companies. Owner Velociraptor Ltd.

Education: Economics programme at Uppsala University and Stockholms University.

Background: CEO of Fingerprint Cards AB, 2009-2015. Member of the Board Fingerprint Cards AB, 2013-14. Salesperson, business developer and entrepreneur during 20 years in the Telecom & IT business.

Shareholding in Fingerprints: 6,000,000 Class A shares through Velociraptor Ltd. and 14,500,000 Class B shares*.

Independent in relation to the Company and its Executive Management but dependent in relation to the Company's major shareholders.



SOFIA BERTLING

Board member since 2019.
Born: 1970.

Employment and other Board assignments:
Chairman of the Board and CEO of ReachIT Consulting AB. Board member Magis Salutem AB.

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

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

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

Independent in relation to the Company and its Executive Management and the Company's major shareholders.



TED ELVHAGE

Board member since 2018.
Born: 1968.

Employment and other Board assignments:
Private investments in own companies. Coowner and Chairman of the Board of Keiretsu Forum Nordics AB. Owner and member of the Board of Stockholms Affärsänglar Management AB, E14 Invest AB, Gradientech AB and Wonder Technology Solutions AB.

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

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

Shareholding in Fingerprints: 872,270 Class B shares*.

Independent in relation to the Company and its Executive Management and the Company's major shareholders.



URBAN FAGERSTEDT

Board member since 2009.
Born: 1953.

Employment and other Board assignments:
Owner and Chairman of the Board of Fagerstedt Dynamics Radio AB, Fagerstedt Finance AB and Fagerstedt Dynamics UK Ltd. Board member of Cuptronic AB and Crowdsoft AB.

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

Background: Vice President and General Manager of Design unit Radio Networks in Ericsson AB, Vice president R&D, Huawei Technologies Sweden AB.

Shareholding in Fingerprints: 57,000 Class B shares*.

Independent in relation to the Company and its Executive Management and the Company's major shareholders.

* As of 31 December, 2019.



ALEXANDER KOTSINAS

Board member since 2017.
Born: 1967.

Employment and other Board assignments: CFO at BioGaia AB, Board member of Delta Projects AB.

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

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

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

Independent in relation to the Company and its Executive Management and the Company's major shareholders.



TOMAS MIKAELSSON

Board member since 2016.
Born: 1956.

Employment and other Board assignments: Member of the Board and CEO of ZetiQ AB, Member of the Board of Sourcingprovider Sweden AB, and Member of the Board of Scientific Freedom AB.

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

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

Shareholding in Fingerprints: 28,000 Class B shares*.

Independent in relation to the Company and its Executive Management and the Company's major shareholders.



DIMITRIJ TITOV

Board member since 2017.
Born: 1962.

Employment and other Board assignments: Lawyer and Partner, Advokatfirman Titov & Partners. Chairman of the Board of the Italian Chamber of Commerce in Sweden, Italienska Handelskammarens Service AB, Din Studio Sverige AB and Phantome de Genolier AB. Member of the Board of Vrtcl Gaming Group Sweden AB and Järnlotet Förvaltning AB.

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

Background: 32 years of experience as a business lawyer. Lawyer and Partner at Advokatfirman Fylgia 1995-2018, with main focus on M&A, corporate law and international agreements in the industry. Current Chairman of the Nomination Committee of Fingerprint Cards AB (publ).

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

Independent in relation to the Company and its Executive Management and the Company's major shareholders.



JUAN VALLEJO

Board member since 2018.
Born: 1957.

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

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

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

Shareholding in Fingerprints: 250,000 Class B shares*.

Independent in relation to the Company and its Executive Management and the Company's major shareholders.

* As of 31 December, 2019.

GROUP MANAGEMENT



CHRISTIAN FREDRIKSON

President and CEO since 2016.
Born: 1964.

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

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

Other assignments: Board member of Remedy Entertainment Ltd, board member of Stena AB. Member of the foundation for Åbo Akademi.

Shareholding in Fingerprints: 516,750 Class B shares*.



PER SUNDQVIST

CFO since 2018.
Born: 1966.

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

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

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



CHARLES BURGEAT

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

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

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

Shareholding in Fingerprints: 0*.



PONTUS JÄGEMALM

CTO Since 2019. Previously Senior VP Research & Development 2009-2018.
Born: 1971.

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

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

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

* As of 31 December, 2019.



TED HANSSON

Senior VP Business Line Mobile since 2017.
Born: 1976.

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

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

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



FREDRIK RAMBERG

Senior VP Research & Development since 2019.
Born: 1983.

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

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

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



THOMAS REX

Senior VP Special Projects since 2020.
Born: 1963.

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

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

Other assignments: Chairman of the Board of Accneer AB.

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



MICHEL ROIG

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

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

Previous assignments: Previously VP Sales & Customer Support Business Line Smartcards, Automotive & Embedded, all positions in Fingerprints. VP & General Manager UK & Nordics Aava Mibile Oy, VP Head of Sales & Marketing Terranet, several positions in the Mobile and electronics industry including Flextronics and Ericsson.

Shareholding in Fingerprints: 500 Class B shares*.

* As of 31 December, 2019.

THE CFO COMMENTS

EFFICIENT BUSINESS MODEL

We are continuing to pursue our prioritized product development projects at full force while maintaining a strong focus on cash flow and cost and efficiency improvements.

Following two consecutive years of substantial revenue declines, the sales trend stabilized in 2019. However, the average selling price (ASP) for our products continued to decline, albeit at a slower pace than in the preceding year, which explains why the revenues we are reporting are 5 percent lower than in 2018. At the same time, Fingerprints fared well in relation to the competition in capacitive fingerprint sensors for smartphones, and the new products we launched during the year contributed to further strengthening our market position. Despite declining ASPs, we reported a gross margin which approximately matched the figure for the preceding year, excluding the inventory write-downs and restructuring costs we reported in 2018. However, we are not satisfied with this performance, and we are continuing to focus on pressing production costs in capacitive sensors while broadening the operations to new customer and product segments and new areas of use.

We have more than halved our operating expenses since last year, from SEK 701 M

(excluding restructuring costs of SEK 73 M) to SEK 346 M. Operating expenses in relation to sales were reduced to 24 percent from 46 percent. Meanwhile, we are continuing to pursue our prioritized product development projects at full force while maintaining a strong focus on cash flow and cost and efficiency improvements.

A key aim of the efficiency efforts is to optimize the supply chain, which is complex, with many players involved. Working capital in relation to sales improved significantly during the year, which had a highly favorable impact on cash flow. Short decision-making routes and closeness to our customers are important factors in managing the intense competitive pressure and a fast-moving market. During the year, we thus strengthened our local supply chain organization for the control of operations in Asia, which accounts for the vast majority of our sales.

I expect this change to lead to additional efficiency gains deriving from both purchasing and the management of inventories and accounts receivable in the future.

Our operations are research intensive at

the same time as the competitive pressure in the industry is very high. Accordingly, financial strength is essential to retain and strengthen our competitiveness in respect of the development and commercialization of new product concepts. Fingerprints' financial position is currently healthy. Cash amounted to SEK 564 M at year-end, compared with SEK 540 M a year earlier. We have no long-term liabilities and our cash flow remains favorable, amounting to SEK 160 M on a full-year basis and SEK 82 M in the fourth quarter.



” A key aim of the efficiency efforts is to optimize the supply chain, which is complex, with many players involved.

Per Sundqvist, CFO

STATUTORY ADMINISTRATION REPORT

The Board of Directors and the Chief Executive Officer (CEO) of Fingerprint Cards AB hereby present the Annual Accounts for the 2019 fiscal year.

FINGERPRINTS' OPERATIONS

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

GROUP AND PARENT COMPANY

The annual accounts cover the fiscal year January 1-December 31, 2019. Fingerprint Cards AB (Publ) (corporate ID No. 556154-2381) is the Parent Company of a Group including ten subsidiaries. All staff in Sweden

are employees of the Parent Company. These companies' operations consist of marketing and customer support. The registered office of the Parent Company is in the Municipality of Gothenburg in the County of Västra Götaland, Sweden. The company's shares are listed on Nasdaq Stockholm since 2000.

SIGNIFICANT EVENTS DURING THE YEAR

Revenues for 2019 were SEK 1,459 M (1,535), a decrease of 5 percent on 2018. This decrease is due to the fact that the average sales price of the company's products fell, which is partly a result of customer- and product mix changes.

Several products launched in 2019 from the world's largest and most recognized smartphone brands featured Fingerprint's fingerprint recognition technology. During the year, it was announced that Fingerprints' technology is used in two smartphone models from Samsung. Fingerprint has earlier delivered sensors for a Samsung notebook, but this is the first time that the company's products are used in a Samsung smartphone.

Fingerprints continued to invest in developing new products. Its product portfolio gained more breadth and depth in terms of application segments, technical performance and functionality; during the year, the company launched the FPC1520, a new sensor generation that builds further on the already

successful product, FPC1511. FPC1540, a thin side-mounted sensor, was also launched in 2019. This sensor works very well with the latest smartphone designs including borderless and foldable phones. Touchless 2.0 is yet another product which was introduced during the year. By combining iris- and face recognition, this solution offers end users a high level of security without compromising with user friendliness. Touchless 2.0 offers a more secure and cost-effective alternative to advanced face recognition, not just for smartphones, but for a range of applications in different industries.

At the beginning of the year, Fingerprints signed an agreement with Gemalto (Thales), securing the world's first volume order for fingerprint sensors for dual-interface payment cards. This initial order comprises a few hundred thousand sensors to be delivered during 2019 and 2020 and is not financially significant in relation to Fingerprints' total revenues. However, this is the first volume order in the biometric smartcard industry, which strengthens Fingerprints' view that the global market for biometric payment cards is about to materialize.

Fingerprints' products in this area are world-leading in terms of security, user-friendliness and performance. The company's T-Shape sensor and biometric software platform for payments are being used in the world's first commercial launch of biometric

credit cards. This launch was conducted by Cornèrcard in Switzerland in November 2019, with our partner Thales as the provider of the card. At the beginning of 2020, Thales announced that the company's card, in which Fingerprints' technology is integrated, has been certified by Mastercard. This is a significant step that now enables card issuers throughout the world to offer their customers biometric payment cards.

EARNINGS TREND

The Group's revenues for 2019 decreased by 5 percent to SEK 1,459 M (1,535). The net result for 2019 was a loss of SEK 14 M (loss: 631). Revenues were impacted by the fact that the average sales price of the company's products decreased.

Gross profit for the year was SEK 331 M (2) and the gross margin increased to 23 percent (0). The comparison figure for 2018 was negatively impacted by inventory write-downs of SEK 303 M and restructuring costs of SEK 73 M.

The operating result for the year was a loss of SEK 14 M (loss: 772). Currency effects are recognized in the operating result under the Other external income and expenses item.

The result before tax for the year was a loss of SEK 17 M (loss: 797), while a positive income tax item of SEK 4 M was reported (positive: 166). Overall, the Group's full-year result increased to a loss of SEK 14 M

(loss: 631). The Group reported a loss per share for 2019 of SEK 0.04 (loss: 2.01).

FINANCIAL POSITION

The positive comprehensive income for the year increased shareholders' equity to SEK 1,799 (1,776) M. The equity/asset ratio rose to 80 percent (77).

Non-current assets increased slightly to SEK 1,195 M (1,161). The non-current asset share of total assets increased by three percentage points. Inventories decreased to SEK 253 M (348) and outstanding accounts receivable to SEK 197 M (233).

Accounts payable at year-end amounted to SEK 235 M (256) and other current liabilities to SEK 135 M (236). Apart from SEK 30 M in leasing obligations pertaining to office space, Fingerprints has no interest-bearing liabilities. Cash and cash equivalents in cash and bank balances amounted to SEK 564 M (540) at year-end.

INVESTMENTS, DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

Total net investments in 2019 increased to SEK 183 M (163). Of this total, investments in capitalized development and intangible assets accounted for SEK 182 M (81), and property, plant and equipment for SEK 1 M (3). Total plan depreciation and amortization increased to SEK -143 M (-118) in 2019. Of this

total, plan amortization of intangible assets accounted for SEK -109 M (-100) and plan depreciation of property, plant and equipment for SEK -34 M (-18).

Accordingly, the carrying amounts of intangible assets in 2019 rose to SEK 1,128 M (1,103) and property, plant and equipment decreased to SEK 16 M (30).

CASH FLOW

The operating loss had a negative impact on cash flow of SEK 17 M (negative: 797). Cash flow from changes in working capital components was affected by a reduction of SEK 39 M (243) in capital tied-up in operating receivables and a decrease in inventories by SEK 88 M (decrease: 4). Cash flow contributed by operating activities decreased to SEK 160 M (275).

Cash flow from investing activities was a negative SEK 115 M (negative: 163).

Cash flow from financing activities was a negative SEK 20 M (negative: 508).

The total net change in cash and cash equivalents for full-year 2019 was a positive SEK 25 M (negative: 396). Net cash amounted to SEK 534 M at year-end 2019, compared with SEK 540 M at year-end 2018. Interest-bearing liabilities in 2019 consist of leasing liabilities for office premises amounting to SEK 30 million, reported according to IFRS 16 starting in 2019.

FINANCE POLICY

Fingerprints' Finance Policy regulates and clarifies responsibilities, and states guidelines in specific areas within financing, credit insurance, investment and currency management with the aim of supporting operations, managing financial risks and controlling their impact on financial position, results of operations and cash flow. The most important net currency flow is in USD, whereupon a significant portion of Fingerprint's finance activities were in formulation a strategy for selling USD and purchasing SEK. The increased net surplus from the sale, which is denominated in USD, and increased operating expenses that are predominantly in SEK, generates a continuous need to convert USD to SEK. Materials procurement, manufacture and sales are basically denominated in USD only. Almost all liquidity is deposited with banks in Sweden. Fluctuations in other exchange rates have an insignificant impact on earnings. Currency hedging with derivatives and hedging instruments is not permitted pursuant to the Finance Policy. See note 25 for more information on financial risks.

ORGANIZATION AND COWORKERS

In 2019, the total number of coworkers, including employees and consultants, declined to 261 at year-end, from 263 at the beginning of the year.

There were 225 (220) employees as of December 31, 2019, comprising 163 (171) men and 62 (49) women. Accordingly, including employees and consultants, Fingerprints had a total of 261 (263) coworkers at December 31, 2019.

RESEARCH AND DEVELOPMENT OPERATIONS

Through continuous initiatives to enhance biometric technology, Fingerprints has attained leadership in fingerprint-recognition technology.

At the end of 2019, the research and development organization accounted for approximately 40 percent of the workforce. Together with engineers in Business Lines and Customer Engineering in Asia, Fingerprints' overall engineering expertise accounted for approximately 70 percent of all of the coworkers. Expenditure for technology development is partly recognized as a cost in the Consolidated Statement of Comprehensive Income (Parent Company Income Statement) under the development costs heading, and partly through capitalization in the Consolidated Statement of Financial Position (Parent Company Balance Sheet), and capitalized development expenditure, under intangible assets. Capitalization is done after an assessment of factors such as each project's commercial, financial and technical potential, its future

value for the Group, disposal over rights to the product/solution, the potential for completing development, and the presence of a market for the product. The rate of amortization is determined on the basis of the technical and commercial lifespan of the product or solution related to the extant market. Accordingly, the amortization term varies between products and projects.

In 2019, the Group's expenditure for technology development and patents declined to SEK 199 M (324), of which SEK 88 M (80) was capitalized in the Consolidated Statement of Financial Position and the remaining SEK 111 M (244) was expensed in the Consolidated Statement of Comprehensive Income.

SUSTAINABILITY REPORT

In accordance with chapter 6 §11 of the Swedish Annual Accounts Act, Fingerprints has decided to prepare a statutory Sustainability Report as a separate document from the annual accounts.

Fingerprints' Sustainability Report, which constitutes Fingerprints' statutory Sustainability Report, has been prepared pursuant to GRI Standards, Core option, and satisfies the Swedish Annual Accounts Act's requirements for sustainability reporting. The Report is presented on pages 16-27. The scope of the Sustainability Report is stated in the GRI index on pages 84-87.

OWNERSHIP STRUCTURE

The number of shareholders declined to 61,888 at year-end 2019 from 65,544 at the beginning of the year. At year-end 2019, Velociraptor Ltd. held all 6,000,000 class A shares.

EXPECTATIONS REGARDING FUTURE PERFORMANCE

Fingerprints is not issuing a forecast for 2020. As previously communicated, the company expects the coronavirus outbreak to have a dampening effect on the operations of the company.

The company has organized its operations to ensure sufficient focus on new growth areas and to enable the company to successfully compete on an expanding global biometrics market. While we see significant potential for our sensors in new application segments, which will create future growth, it will take some time before we achieve significant business volumes outside our core business in smartphones.

SEASONAL VARIATIONS

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

phone volumes, and the second quarter is usually the weakest.

For component vendors to mobile phone manufacturers such as Fingerprints, volumes in the third quarter tend to be the year's highest. However, in 2019, Fingerprints' revenues in the fourth quarter were eight percent higher than in the third quarter.

REMUNERATION OF THE BOARD OF DIRECTORS

The AGM 2019 resolved on total fixed Directors' fees of SEK 2,515,000, of which SEK 625,000 to the Chairman of the Board and SEK 270,000 per Member to the other Members of the Board. Fees for work on committees will be payable in an amount of SEK 370,000, to be distributed as follows:

Audit Committee: SEK 115,000 to the Chairman and SEK 60,000 to the other members. Remuneration Committee: SEK 65,000 to the Chairman and SEK 35,000 to the other members.

THE BOARD OF DIRECTORS' PROPOSAL FOR EXECUTIVE REMUNERATION GUIDELINES

The Board of Directors of Fingerprint Cards AB has decided to submit to the 2020 general meeting the following proposal regarding principles of remuneration for Fingerprint Card AB's Executive Management. The Executive Management is defined as the Chief Executive Officer and other members of the management team. The purpose of these guidelines is to clarify the compensation as decided.

Owner	Shares and capital, %		Votes at year-end, %	
	2019	2018	2019	2018
Velociraptor LTD	1.9	1.9	16.3	16.3

Share class	Number of shares			Number of votes
	2019	2018	2019	2018
A	6,000,000	6,000,000	60,000,000	60,000,000
B	307,967,675	307,967,675	307,967,675	307,967,675
Total	313,967,675	313,967,675	367,967,675	367,967,675

Shareholdings of at least one-tenth of the voting rights for all shares at December 31, 2019:

Velociraptor LTD	16.3 %
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The guidelines are forward-looking, i.e. they are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the annual general meeting. The annual general meeting has the right to agree on additional remunerations outside of these guidelines.

REMUNERATION COMMITTEE

The remuneration committee evaluates and considers matters regarding remuneration and employment terms and prepares proposals for guidelines for compensation to the CEO and executive management. The board of directors shall evaluate a proposal for new guidelines at least every fourth year and submit it to the AGM. The guidelines shall be in force until new guidelines are adopted by the general meeting. The Remuneration Committee should ensure that remuneration is commensurate with prevailing market conditions for corresponding executives in other companies, and accordingly, that the company's offering to its employees is competitive. The CEO's compensation is approved by the Board of Directors. Compensation to other senior executives is decided by the CEO after consulting with the Remuneration Committee. The members of the remuneration committee are independent of the company and its exe-

cutive management. The CEO and other members of the executive management do not participate in the board of directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

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

Fingerprint Cards aims to attract, engage, develop and retain the right people to drive our business result in line with the company's business strategy. In order to support this, the design and implementation of our remuneration structure shall be performance based; affordable; sustainable; market driven and clear. Compensation shall reflect the scope and complexity of each role, as well as the actual performance of the individual. Fingerprint Cards does not tolerate any form of discrimination and we perform annual reviews to make sure we do not have any salary misalignments based on any discriminating factors such as gender, transgender identity or expression, ethnicity, religion or other belief, disability, sexual orientation and age.

Variable remuneration covered by these guidelines shall aim at promoting Fingerprint Card's business strategy and long-term interests, including its sustainability.

For more information regarding the company's business strategy, please see pages 8-9 in the annual report.

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

REMUNERATION PRINCIPLES

Performance based

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

Competitive and sustainable

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

Market driven

Our salaries shall reflect the scope and complexity of the work. It is our objective to compare our base salaries with relevant

market data for the applicable country. Each country forms its own market.

The remuneration principles are also applicable to the rest of the employees at Fingerprint Cards.

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

TOTAL REMUNERATION

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

Short Term Incentives (STI)

Short Term Incentives shall be linked to [predetermined and measurable] criteria. The Short-Term Incentives include company measures such as Revenue, Operating

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

The satisfaction of criteria for awarding STI shall be measured over a period of one or several years. The variable cash remuneration may amount to not more than 100 percent of the total fixed base salary during the measurement period.

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

Pension

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

Insurances

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

TERMINATION OF EMPLOYMENT

Upon termination of an employment, the notice period may not exceed six months. During the notice period, the executive will continue to receive full base salary and other employment benefits. Upon termination by the company, severance payment could be paid and may not exceed twelve months' base salary. When termination is made by the executive, the notice period may not exceed six months, without any right to severance pay.

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

THE BOARD OF DIRECTOR'S RIGHT TO DEVIATE FROM THE PRINCIPLE OF REMUNERATION

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

preparing the board of directors' resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

POST BALANCE SHEET DATE EVENTS

On March 19, 2020, the Company disclosed that the Board of Directors, based on the authorization from the Annual General Meeting on May 22, 2019, has resolved that the Company shall acquire own shares.

The reason for the repurchase of shares is, among other things, to adapt and improve the Company's capital structure by reducing the capital, thereby creating additional shareholder value.

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

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

The Board met on eleven occasions in 2019. A more detailed description of corporate governance in 2019, including regulations, general meetings, the Nomination

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

2020 ANNUAL GENERAL MEETING (AGM)

The AGM will be held at 3 p.m. on Tuesday, May 26, 2020 at IVA Konferenscenter, Grev Turegatan 16 in Stockholm.

PROPOSAL FOR APPROPRIATION OF THE COMPANY'S PROFITS

The following funds are at the disposal of the AGM.

Share premium reserve	79,059,431
Accumulated profit or loss	1,512,273,121
Net profit for the year	39,491,029
Total	1,630,823,581

The Board of Directors proposes that net profit for the year and unrestricted reserves, as well as the accumulated profit or loss, are appropriated as follows: Carried forward: SEK 1,630,823,581.

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

STATEMENT OF COMPREHENSIVE INCOME

GROUP

SEKM	Note	2019	2018
Revenues	2, 3	1,458.6	1,535.1
Cost of goods sold	5, 10	-1,127.5	-1,532.7
Gross profit		331.1	2.4
Selling expenses		-147.0	-189.2
Administrative expenses	9	-87.0	-201.8
Development costs	11	-110.7	-243.6
Other operating income	6	6.7	11.8
Other operating expenses	7	-7.5	-151.2
Operating profit/loss	3, 8, 10, 26, 27	-14.4	-771.6
Financial income	12	0.6	0.1
Financial expenses	12	-3.6	-25.2
Profit/loss before tax		-17.4	-796.7
Tax	14	3.8	166.0
Net profit/loss for the year		-13.6	-630.7
Earnings per share	15		
before dilution (SEK)		-0.04	-2.01
after dilution (SEK)		-0.04	-2.01
Other comprehensive income			
Net profit/loss for the year		-13.6	-630.7
Translation differences for the year on translation of foreign operations		37.0	75.4
Other comprehensive income		37.0	75.4
Comprehensive income for the year		23.4	-555.3
Attributable to:			
Equity holders of the Parent Company		23.4	-555.3
		23.4	-555.3

REVENUE, OPERATING RESULT AND GROSS MARGIN

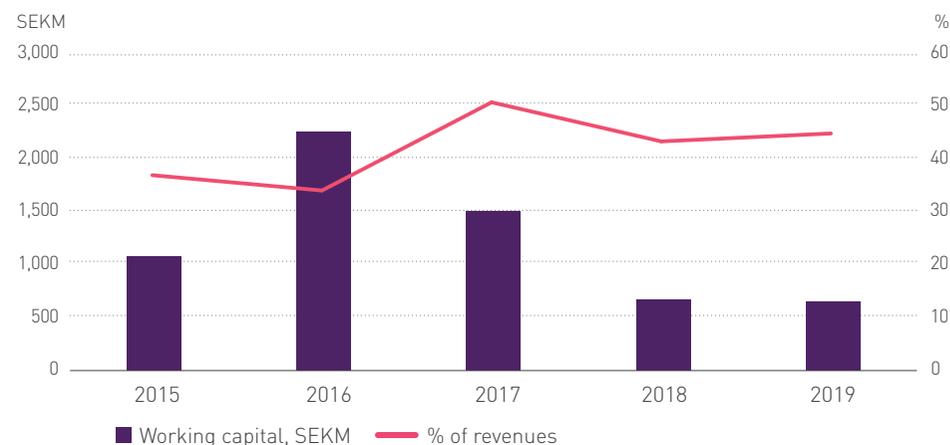


STATEMENT OF FINANCIAL POSITION

GROUP

SEK M	Note	31 Dec 2019	31 Dec 2018
Assets			
Intangible assets	16	1,127.8	1,102.7
Property, plant and equipment	17	15.8	30.2
Right-of-use assets	26	32.9	–
Financial assets	14	18.3	27.8
Total non-current assets		1,194.8	1,160.7
Current assets			
Inventories	18	253.4	347.5
Accounts receivable	19,25	197.3	232.7
Other receivables		15.4	19.8
Prepaid expenses and deferred income	20	12.3	18.0
Cash and cash equivalents	19, 21	563.9	540.5
Total current assets		1,042.3	1,158.5
Total assets		2,237.1	2,319.2
Shareholder's equity			
Share capital	15	13.0	12.9
Other paid-up capital		854.3	854.4
Translation reserve		97.5	60.5
Retained earnings including net profit for the year		834.1	847.7
Total Shareholder's equity		1,798.9	1,775.5
Non-current liabilities			
Deferred tax liability	14	38.6	51.9
Long-term loans	22,26	11.8	–
Total non-current liabilities		50.4	51.9
Current liabilities			
Short-term portion of long-term loans	22,26	17.9	–
Accounts payable	22	235.2	256.2
Current tax liability	14	0.8	1.3
Other current liabilities	23	9.8	27.1
Accrued expenses and deferred income	24	124.1	207.2
Total current liabilities		387.8	491.8
Total shareholder's equity and liabilities		2,237.1	2,319.2

WORKING CAPITAL



STATEMENT OF CHANGES IN EQUITY

GROUP

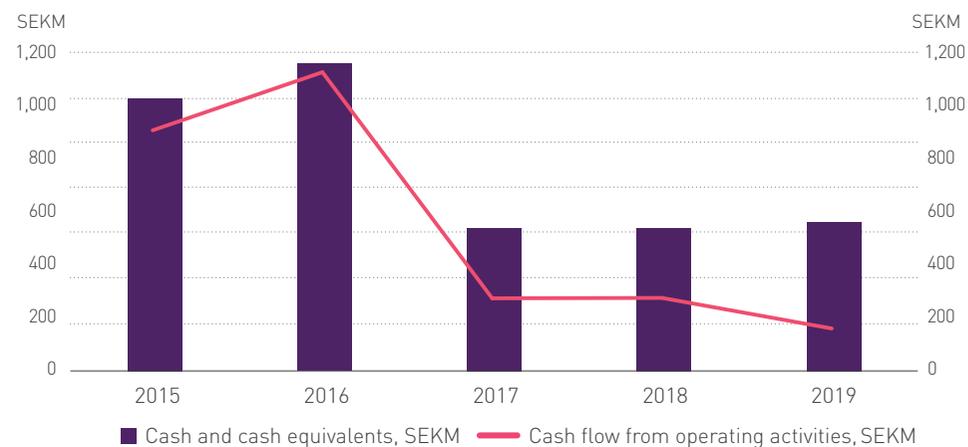
SEK M	Share capital	Other paid-up capital	Translation reserve	Retained earnings including profit for the year	Total Shareholders' capital
Retained earnings including net profit for the year					
Opening shareholders' equity 1 January 2018	12.9	854.4	-14.9	1,478.4	2,330.8
Net profit for the year				-630.7	-630.7
Other comprehensive income for the year			75.4		75.4
Closing shareholders' equity 31 December 2018	12.9	854.4	60.5	847.7	1,775.5
Opening shareholders' equity 1 January 2019	12.9	854.4	60.5	847.7	1,775.5
Net profit for the year				-13.6	-13.6
Other comprehensive income for the year			37.0		37.0
Adjustments previous years	0.1	-0.1			0.0
Closing shareholders' equity 31 December 2019	13.0	854.3	97.5	834.1	1,798.9

STATEMENT OF CASH FLOWS

GROUP

SEK M	Not	2019	2018
Operating activities	29		
Profit/loss before tax		-17.4	-796.7
Adjustment for non-cash items		147.9	595.0
Income tax paid		3.3	232.0
Cash flow from operating activities before changes in working capital		133.8	30.3
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in inventories		88.4	-4.1
Increase (-)/Decrease (+) in operating receivables		38.9	243.0
Increase (+)/Decrease (-) in operating liabilities		-100.7	5.4
Cash flow from operating activities	3	160.4	274.6
Investing activities			
Purchase and internal development of intangible assets	16	-94.1	-81.3
Acquisition of subsidiaries	4	-20.7	-79.3
Sales of property, plant and equipment	17	0.1	1.6
Purchase of property, plant and equipment	17	-0.7	-3.6
Cash flow from investing activities	3	-115.4	-162.6
Financing activities			
Repayment of loans	22	-	-507.7
Repayment of lease liabilities		-19.7	-
Cash flow from financing activities	3	-19.7	-507.7
Cash flow for the year		25.3	-395.7
Cash and cash equivalents at beginning of the year		540.5	920.2
Effect of translation differences on cash and cash equivalents		-1.9	16.0
Cash and cash equivalents at end of year	29	563.9	540.5

CASH AND CASH EQUIVALENTS AND CASH FLOW



INCOME STATEMENT

PARENT COMPANY

SEK M	Note	2019	2018
Revenues	2,3	1,454.3	1,527.4
Cost of goods sold	5, 10	-1,087.9	-1,496.6
Gross profit		366.4	30.8
Selling expenses		-147.0	-188.0
Administrative expenses	9	-97.0	-214.1
Development costs	11	-121.0	-243.0
Other operating income	6	5.3	10.5
Other operating expenses	7	-7.5	-151.2
Operating profit	3,8,10,26,27	-0.8	-755.0
Financial income	12	47.2	68.9
Interest expenses etc	12	-3.2	-25.1
Profit after financial items		43.2	-711.2
Appropriations	13	8.0	716.0
Profit before tax		51.2	4.8
Income tax	14	-11.7	-3.2
Net profit for the year		39.5	1.6

BALANCE SHEET

PARENT COMPANY

SEK M	Note	31 Dec 2019	31 Dec 2018
Assets			
Non-current assets			
Intangible assets	16	122.0	96.9
Property, plant and equipment	17	11.2	23.4
Shares and participations in subsidiaries	28	438.0	417.3
Non-current receivables from group companies	27	559.0	538.3
Other non-current receivables		–	–
Deferred tax assets	14	18.2	29.9
Total non-current assets		1,148.5	1,105.8
Current assets			
Inventories	18	253.4	347.5
Receivables from group companies	27	39.3	23.4
Accounts receivable	19,25	196.9	232.3
Tax receivables	14	3.1	9.7
Other receivables		7.8	8.1
Accrued expenses and deferred income	20	12.6	13.7
Cash and bank balances	19, 21	518.1	496.2
Total current assets		1,031.2	1,130.9
Total assets		2,179.7	2,236.7

SEK M	Note	31 Dec 2019	31 Dec 2018
Shareholders' equity			
Restricted equity			
Share capital		13.0	13.0
Statutory reserve		41.4	41.4
Fund for development expenditure		112.4	84.1
Non-restricted equity			
Share premium reserve		79.1	79.1
Accumulated profit or loss		1,512.2	1,538.9
Profit for the year		39.5	1.6
Total shareholders' equity		1,797.6	1,758.1
Untaxed reserves			
	13	–	8.0
Long-term liabilities			
Long-term loans	22	–	–
Total non-current liabilities		–	–
Current liabilities			
Accounts payable	22	234.1	254.7
Liabilities to group companies	27	27.5	16.4
Current tax liabilities	14	–	–
Other current liabilities	23	7.3	4.0
Accrued expenses and deferred income	24	113.2	195.5
Total current liabilities		382.1	470.6
Total equity and liabilities		2,179.7	2,236.7

STATEMENT OF CHANGES IN EQUITY

PARENT COMPANY

SEK M	Restricted equity			Non-restricted equity			Total share- holders' equity
	Share capital	Statutory reserve	Fund for develop- ment expenditure	Share premium reserve	Accumulated profit or loss	Net profit for the year	
Opening shareholders' equity, 1 January 2018	12.9	41.5	209.1	79.2	1,355.9	58.0	1,756.6
Net profit for the year						1.6	1.6
Changes in fund for work performed by the company for its own use and capitalized			82.3		-82.3		0.0
Amortization of work performed by the company for its own use and capitalized			-207.3		207.3		0.0
Appropriation of profit					58.0	-58.0	0.0
Cancellation of shares						0.0
Adjustment previous years	0.1	-0.1		-0.1			-0.1
Closing shareholders' equity, 31 December 2018	13.0	41.4	84.1	79.1	1,538.9	1.6	1,758.1
Opening shareholders' equity, 1 January 2019	13.0	41.4	84.1	79.1	1,538.9	1.6	1,758.1
Net profit for the year						39.5	39.5
Changes in fund for work performed by the company for its own use and capitalized			28.3		-28.3		0.0
Amortization of work performed by the company for its own use and capitalized							0.0
Appropriation of profit					1.6	-1.6	0.0
Closing shareholders' equity, 31 December 2019	13.0	41.4	112.4	79.1	1,512.2	39.5	1,797.6

CASH FLOW STATEMENT

PARENT COMPANY

SEK M	Note	2019	2018
Operating activities	29		
Profit before tax		51.2	4.8
Adjustment for non-cash items		54.9	-219.9
Cash flow from operating activities before changes in working capital		106.1	-215.1
Income tax paid		6.6	236.8
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in inventories		94.1	-4.2
Increase (-)/Decrease (+) in operating receivables		20.9	248.4
Increase (+)/Decrease (-) in operating liabilities		-88.5	2.9
Cash flow from operating activities		139.2	268.8
Investing activities			
Purchase and internal development of intangible assets	16	-94.2	-81.3
Purchase of property, plant and equipment	17	-0.6	-0.8
Acquisitions of subsidiaries		-20.7	-79.3
Sales of property, plant and equipment	17	0.1	1.6
Cash flow from investing activities		-115.4	-159.8
Financing activities			
Repayment of loans	22	-	-507.7
Cash flow from financing activities		0.0	-507.7
Cash flow for the year		23.8	-398.7
Cash and cash equivalents at beginning of year		496.2	878.9
Effect of translation differences on cash and cash equivalents		-1.9	16.0
Cash and cash equivalents at end of year	29	518.1	496.2

NOTES TO THE FINANCIAL REPORTS

NOTE 1 CRITICAL ACCOUNTING POLICIES

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

Basis of presentation

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

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

The annual accounts and consolidated accounts were approved for publication by the Board and the President on 22 April 2020. The Consolidated Statement of Comprehensive Income and Statement of Financial Position and the Parent Company Income Statement and Balance Sheet will be adopted by the Annual General Meeting (AGM) on 26 May 2020.

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

Consolidation principles

Subsidiaries

The consolidated accounts comprise Fingerprint Cards AB (publ) (the Parent Company) and its subsidiaries (the Group). Subsidiaries are companies that are under the controlling influence of the Parent Company. A controlling influence is secured when the Parent Company has control over the investment, is exposed or entitled to a variable return from its holding in the company and can exercise control over the investment to influence the return. All subsidiaries are wholly owned through direct or indirect ownership, and accordingly, are considered to lie under the group's control.

Transactions eliminated on consolidation

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

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

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

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

Receivables and liabilities in foreign currency

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

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

Critical estimates and judgements

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

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

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

New accounting policies

New accounting policies for 2019

IFRS 16 Leases

IFRS 16 Leases has replaced IAS 17 and IFRIC 4 and is applied as of 2019. The standard requires that assets and liabilities attributable to contracts that fulfill the definition of a lease be recognized in the balance sheet as a right-of-use asset and a financial liability. In its role as lessee, Fingerprints conducted a detailed review and analysis of the Group's leases, which mainly pertain to the premises where the Group's operations are conducted. An incremental borrowing rate has been established to 0,6 percent and the right-of-use term has been established per contract, taking into account extension clauses where it has been considered reasonably certain that these will be utilized. Fingerprints has chosen to apply the exemptions permitted for low-value leases and for leases with terms of less than 12 months. Since Fingerprints has chosen to apply the modified retrospective approach in connection with the transition to IFRS 16, comparative figures for 2018 are based on the previously applied policies and are not restated.

New accounting policies 2019 and later

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

NOTE 1 CRITICAL ACCOUNTING POLICIES, CONT.

Parent Company accounting policies

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

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

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

New accounting policies

Those amendments applying for the financial year beginning 1 January 2019 did not have any material effect on the financial statements.

Subsidiaries

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

Leased assets

In the Parent Company, all lease arrangements are recognized as operating leases.

Intangible assets generated by the company

When development costs for intangible assets generated by the company are capitalized, the corresponding amount is transferred from retained earnings to the fund for development expenditure in restricted equity. This reserve is dissolved against retained earnings as the development expenditure is amortized. If the useful life of an intangible asset generated by the company cannot be measured reliably, this period is set at five years.

Untaxed reserves

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

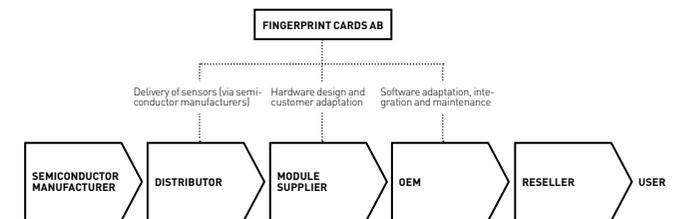
Classification and presentation formats

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

NOTE 2 REVENUES

Accounting policy

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



Revenues	Group		Parent Company	
	2019	2018	2018	2018
SEK M				
Sale of goods	1,458.6	1,535.1	1,454.3	1,527.4

NOTE 3 OPERATING SEGMENTS

Accounting policy

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

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

Comprehensive income statement	Fingerprints sensors		Total	
	2019	2018	2019	2018
SEK M				
Revenues from external customers	1,458.6	1,535.1	1,458.6	1,535.1
Operating profit	-14.4	-771.6	-14.4	-771.6
Profit before tax	-17.4	-796.7	-17.4	-796.7

Assets/liabilities and cash flow by segment	Fingerprints sensors		Total	
	2019	2018	2019	2018
SEK M				
Assets	2,237.1	2,319.2	2,237.1	2,319.2
Liabilities	-387.8	-491.8	-387.8	-491.8
Cash flow from operating activities	160.4	274.6	160.4	274.6
Cash flow from investing activities	-115.4	-162.6	-115.4	-162.6
Cash flow from financing activities	-19.7	-507.7	-19.7	-507.7

Geographical regions	Revenue from external customers		Non-current assets*	
	2019	2018	2019	2018
SEK M				
Sweden	0.3	2.8	156.5	120.4
Asia	1,438.0	1,499.9	10.1	3.7
EMEA	11.4	5.0	3.6	2.8
South and North America	8.9	27.4	1,006.4	1,006.0
Total	1,458.6	1,535.1	1,176.6	1,132.9

* Non-current assets excluding financial instruments

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

NOTE 4 BUSINESS COMBINATIONS

Accounting policy

The acquisition method has been applied, which means that an acquisition of a subsidiary is treated as a transaction through which the Group indirectly acquires the subsidiary's assets and takes over its liabilities and contingent liabilities. The consolidated cost is determined by conducting an acquisition analysis in conjunction with the acquisition. The analysis determines the cost of the participations or operations and the fair value of the acquired identifiable assets and the assumed liabilities and contingent liabilities on the acquisition date. The cost of the subsidiaries' shares and operations comprises the total of the fair value of the paid assets or liabilities arising or taken over on the acquisition date. For business combinations where the cost exceeds the fair value of the acquired assets and liabilities and contingent liabilities taken over that are recognized separately, the difference is recognized as goodwill. Subsidiaries are consolidated effective the acquisition date until the date when the controlling influence ceases.

During 2019, no acquisitions were made. On 7 June 2017, Fingerprint Cards acquired all the shares of Delta ID Inc. through its subsidiary India Acquisition Holding Inc.

In 2017, Fingerprints had a cash outflow of SEK 836 M for the acquisition of Delta ID Inc. This acquisition means Fingerprints is extending its technology portfolio into biometric security solutions based on the human eye.

From the acquisition date 7 June 2017 onwards, Delta ID contributed SEK 10 M of revenues, and reduced operating profit by SEK 15 M. If the acquisition had been executed at the beginning of the year, its contribution to revenues would have been SEK 16 M.

The goodwill item consists of Delta ID's ability to regenerate

existing technology to remain competitive, and to apply the technology in other sectors to drive future growth. The goodwill item also consists of Delta ID's network for creating new customer relationships, and also of existing know-how.

Group	2019	2018
SEK M		
Intangible assets	-	-
Total non-current assets	-	-
Current assets	-	-
Total current assets	-	-
Deferred tax liability	-	-
Total deferred tax liability	-	-
Total fair value acquired assets and liabilities taken over, net	-	-
Consolidated goodwill	-	-
Total purchase consideration	-	-
Additional cash and cash equivalents in acquired group company	-	-
Adjustment working capital	-	-
Opening balance remaining portion to pay	20.7	102.6
Translation difference	-	-2.6
Remaining portion of purchase consideration payable as of 31 December 2019 and 31 December 2018*	-	-20.7
Cash flow from acquisition of Group Companies/operations	20.7	79.3

* The liability restated at the closing day rate.

NOTE 5 COST OF GOODS SOLD

Constituent items in cost of goods sold	Group		Parent Company	
	2019	2018	2019	2018
SEK M				
Materials	-997.1	-1,410.5	-997.1	-1,410.5
Amortization of capitalized development	-65.1	-59.1	-65.1	-58.5
Amortization of other intangible assets	-39.6	-36.3	-	-
Procurement and production overheads	-25.7	-26.8	-25.7	-27.6
Cost of goods sold	-1,127.5	-1,532.7	-1,087.9	-1,496.6

NOTE 6 OTHER OPERATING INCOME

SEK M	Group		Parent Company	
	2019	2018	2019	2018
Exchange rate gains on operating receivables and liabilities	-	10.2	-	10.3
Gains on sale of property, plant and equipment	-	0.2	-	0.2
Grants received	1.4	-	-	-
Leased offices	5.3	1.4	5.3	-
	6.7	11.8	5.3	10.5

NOTE 7 OTHER OPERATING EXPENSES

SEK M	Group		Parent Company	
	2019	2018	2019	2018
Exchange rate losses on operating receivables and liabilities	-1.8	-	-1.8	-
Write-down of capitalized development	-	-148.6	-	-148.6
Other expenses	-5.7	-2.6	-5.7	-2.6
	-7.5	-151.2	-7.5	-151.2

NOTE 8 EMPLOYEES, PERSONNEL COSTS AND REMUNERATION OF SENIOR EXECUTIVES**Accounting policy****Pension benefits to employees**

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

Severance pay

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

Short-term remuneration

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

Remuneration guidelines for senior executives

The AGM 2019 approved the proposal that the Remuneration Committee internal to the Board of Directors should consult on guidelines regarding salary and other employment terms for the Chief Executive Officer and other senior executives, and submit proposals to the Board of Directors for decision on such matters. The Board of Directors takes decisions on salary and other benefits for the Chief Executive Officer. The Chief Executive Officer takes decisions on salary and other benefits to other senior executives pursuant to the Board of Directors' guidelines. Other senior executives mean individuals that are members of Group Management together with the Chief Executive Officer. Fundamental compensation levels should be on market terms. Compensation should consist of fixed basic salary, variable salary computed in accordance with established objectives set in advance, and other benefits, pensions and financial instruments in the form of performance-related shares.

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

but ion pension solutions. The notice period from the company's side should not exceed six months. During the notice period of a maximum of six months, full salary and employment benefits are due. Upon termination by the company, severance pay may be payable up to an amount corresponding to a maximum of 12 months' salary. The notice period for the Chief Executive Officer is six months on termination by the employee or the company. Decisions on share and share price related incentive programs are taken by the AGM. The Board shall be entitled to depart from these guidelines if there are special reasons for this in an individual case.

Expenses for employee benefits	Group		Parent Company	
	2019	2018	2019	2018
Salaries and benefits, etc.	199.2	286.4	77.4	146.8
Pension costs, defined contribution plans	24.1	37.6	16.1	27.7
Other social security contributions	32.9	57.2	26.7	50.2
	256.2	381.2	120.2	224.7

Gender balance in management	Group		Parent Company	
	31 Dec 2019 Share of women	31 Dec 2018 Share of women	31 Dec 2019 Share of women	31 Dec 2018 Share of women
Board of Directors	13%	0%	13%	0%
Other senior executives	0%	0%	0%	0%

Average number of employees

Group	Group						Parent Company					
	2019			2018			2019			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
Sweden	64	25	89	127	52	179	64	25	89	127	52	179
Denmark	22	4	26	34	3	37	-	-	-	-	-	-
Japan	2	0	2	3	0	3	-	-	-	-	-	-
China	45	22	67	46	19	65	-	-	-	-	-	-
Korea	5	0	5	8	0	8	-	-	-	-	-	-
Taiwan	10	1	11	9	1	10	-	-	-	-	-	-
US	8	1	9	11	1	12	-	-	-	-	-	-
Total group	156	53	209	238	76	314	64	25	89	127	52	179

There were 225 [220] employees as of 31 December 2019, of which 163 [171] men and 62 [49] women.

Salaries and other benefits allocated between senior executives and other employees, and social security contributions

SEK M	Group						Parent Company					
	2019			2018			2019			2018		
	Senior executives	Other employees	Total	Senior executives	Other employees	Total	Senior executives	Other employees	Total	Senior executives	Other employees	Total
Salaries and other benefits	19.4	179.8	199.2	21.7	264.7	286.4	16.3	61.1	77.4	19.5	127.3	146.8
Of which Chief Executive Officer	6.9	–	6.9	6.8	–	6.8	6.9	–	6.9	6.8	–	6.8
Of which Sweden	16.3	61.1	77.4	19.5	127.2	146.7	16.3	61.1	77.4	19.5	127.3	146.8
Of which foreign countries	3.1	118.6	121.7	2.2	137.5	139.7	–	–	–	–	–	–
Total salaries and benefits	19.4	179.8	199.2	21.7	264.7	286.4	16.3	61.1	77.4	19.5	127.3	146.8
Of which bonus	4.8	13.2	18.0	3.0	10.6	13.6	4.2	1.7	5.9	2.7	2.7	5.4
Social security contributions total	10.9	46.1	57.0	10.8	84.0	94.8	9.7	33.1	42.8	10.0	67.9	77.9
Of which pension costs												
Chief Executive Officer	2.1	–	2.1	2.1	–	2.1	2.1	–	2.1	–	–	2.1
Of which pension costs, others	2.7	19.3	22.0	2.6	32.9	35.5	2.4	11.6	14.0	2.4	23.2	25.6

Salaries and other benefits to senior executives	2019				2018			
	Basic salary, Directors' fee	Bonus, variable compensation	Pension	Total	Basic salary, Directors' fee	Bonus, variable compensation	Pension	Total
Group and Parent Company								
Chairman of the Board								
Johan Carlström, from June 2018	0.7	–	–	0.7	0.4	–	–	0.4
Jan Wäreby, until May 2018	0.0	–	–	0.0	0.4	–	–	0.4
Directors								
Alexander Kotsinas	0.4	–	–	0.4	0.5	–	–	0.5
Ann-Sofie Nordh, until May 2018	0.0	–	–	0.0	0.2	–	–	0.2
Carl Johan von Plomgren, until May 2018	0.0	–	–	0.0	0.2	–	–	0.2
Dimitrij Titov	0.3	–	–	0.3	0.4	–	–	0.4
Juan Vallejo, from May 2018	0.3	–	–	0.3	0.2	–	–	0.2
Sofia Bertling, from June 2019	0.2	–	–	0.2	0.0	–	–	0.0
Ted Elvhage, from June 2018	0.3	–	–	0.3	0.2	–	–	0.2
Tomas Mikaelsson	0.3	–	–	0.3	0.3	–	–	0.3
Urban Fagerstedt	0.3	–	–	0.3	0.3	–	–	0.3
Åsa Hedin, until May 2018	0.0	–	–	0.0	0.2	–	–	0.2
Chief Executive Officer								
Christian Fredrikson	4.9	2.0	2.1	9.0	5.6	1.2	2.1	8.9
Other senior executives (6 people)	9.7	2.8	2.7	15.2	13.1	1.8	2.6	17.5
Total from Group and Parent Company	17.4	4.8	4.8	27.0	22.0	3.0	4.7	29.7

NOTE 9 FEES AND REIMBURSEMENT OF AUDITORS

SEK M	Group		Parent Company	
	2019	2018	2019	2018
Audit fee, Moore Stephens	-2.1	-2.0	-2.1	-2.0
Audit fee, KPMG	0.0	-0.3	0.0	-0.3
Audit fee, other	0.0	-0.1	0.0	-
Other services	-0.7	-0.3	-0.5	-0.3
Total fees	-2.8	-2.7	-2.6	-2.6

NOTE 10 OPERATING EXPENSES BY COST CLASS

SEK M	Group		Parent Company	
	2019	2018	2019	2018
Cost of materials	-997.1	-1 410.5	-997.1	-1 410.5
Personnel costs	-256.2	-381.2	-120.2	-224.7
Depreciation, amortization and impairment	-143.1	-266.4	-81.0	-226.4
Other operating expenses	-76.5	-248.6	-256.8	-420.8
Operating expenses	-1,472.9	-2,306.7	-1,455.1	-2,282.4

NOTE 11 DEVELOPMENT EXPENDITURE

The Group's expenses for technology development and patents amounted to SEK 199.3 M (323.9) of which SEK 88.5 M (80.3) or 44% (25%) has been capitalized in the Consolidated Statement of Financial Position and the remaining SEK 110.8 M (243.6) has been expensed. The corresponding expenses for technology development and patents for the Parent Company amounted to SEK 209.5 M (323.3), of which SEK 88.5 M (80.3 or 42% (25%) has been capitalized in the Parent Company's Balance Sheet, and the remaining SEK 121.0 M (243.0) has been expensed in the Parent Company's Income Statement.

NOTE 12 FINANCIAL INCOME/EXPENSE

SEK M	Group		Parent Company	
	2019	2018	2019	2018
Dividend from group companies	-	-	-	1.4
Exchange rate gains financial receivables and liabilities	-	-	20.8	43.8
Interest income attributable to group companies	-	-	25.9	23.7
Other interest income	0.6	0.1	0.5	0.0
Financial income	0.6	0.1	47.2	68.9
Exchange rate losses financial receivables and liabilities	-2.6	-10.3	-2.6	-10.3
Other interest expenses	-0.8	-10.4	-0.6	-10.2
Other financial expenses	-0.2	-4.5	-	-4.6
Financial expenses	-3.6	-25.2	-3.2	-25.1

NOTE 13 APPROPRIATIONS

SEK M	Parent Company	
	2019	2018
Appropriations		
Change in depreciation and amortization above plan	8.0	0.0
Change in tax allocation reserve	0.0	716.0
Appropriations	8.0	716.0
Untaxed reserves		
Accumulated depreciation and amortization above plan	0.0	8.0
Accumulated allocation reserve	0.0	0.0
Untaxed reserves	0.0	8.0

NOTE 14 TAXES

Accounting policy

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

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

Estimates and judgements

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

SEK M	Group		Parent Company	
	2019	2018	2019	2018
Current tax expense	-2.8	-4.9	-	-0.3
Deferred tax expense	6.6	170.9	-11.7	-2.9
Total reported tax expense	3.8	166.0	-11.7	-3.2

Reconciliation of effective tax

SEK M	Group				Parent Company			
	2019	%	2018	%	2019	%	2018	%
Profit before tax	-17.4		-796.7		51.2		4.8	
Theoretical tax at applicable tax rate for parent company	3.7	-21.4	175.3	-22.0	-10.9	-21.4	-1.1	-22.0
Non-deductible expenses	-0.4	2.3	-2.2	0.3	-0.4	-0.8	-2.2	-44.9
Non-deductible revenues	0.0	0.0	0.3	0.0	0.0	0.0	0.3	6.4
Differences in tax rates for foreign subsidiaries	4.9	-28.2	-5.5	0.7	-	-	-	-
Restatement of deferred tax	-4.8	27.6	0.0	0.0	-0.3	-	-	-
Tax attributable to previous year	0.4	-2.3	-1.9	0.2	-	-	-0.3	-6.2
Reported effective tax	3.8	-22.1	166.0	-20.8	-11.7	-22.8	-3.2	-66.7

Unreported deferred tax assets

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

SEK M	Group		Parent Company	
	2019-12-31	2018-12-31	2019-12-31	2018-12-31
Deductible deficits	12.4	12.4	-	-

Deferred tax assets and tax liabilities are divided as follows:

Deferred tax assets SEK M	Group		Parent Company	
	2019	2018	2019	2018
Deferred tax assets to be settled after more than 12 months	18.3	27.8	18.2	29.9
Total deferred tax assets	18.3	27.8	18.2	29.9

Deferred tax liabilities SEK M	Group		Parent Company	
	2019	2018	2019	2018
Deferred tax liabilities to be settled after more 12 months	38.6	51.9	-	-
Total deferred tax liabilities	38.6	51.9	-	-

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

Group and Parent Company

Deferred tax assets, SEK M	Current assets	Total
As of 1 January, 2018	32.8	32.8
Reported in Income Statement	-5.0	-5.0
As of 31 December, 2018	27.8	27.8
Reported in Income Statement	-9.5	-9.5
As of 31 December, 2019	18.3	18.3

Group

Deferred tax liabilities, SEK M	Övrigt	Totalt
As of 1 January, 2018	222.6	222.6
Reported in Income Statement	-170.7	-170.7
As of 31 December, 2018	51.9	51.9
Reported in Income Statement	-13.3	-13.3
As of 31 December, 2019	38.6	38.6

NOTE 15 SHAREHOLDERS' EQUITY AND NUMBER OF SHARES

Accounting policy

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

When measuring earnings per share after dilution, earnings and the average number of shares outstanding are adjusted for potential dilution effects that arise during reporting periods from warrants issued to employees.

SEK	Before dilution		After dilution	
	2019	2018	2019	2018
Earnings per share	-0.04	-2.01	-0.04	-2.01

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

SEK M	2019	2018
Net profit for the year attributable to equity holders of the parent company	-13.6	-630.7

Weighted average of number of outstanding shares before and after dilution

Number of shares	2019	2018
Class A shares at beginning of the year	6,000,000	6,000,000
Total number of class A shares	6,000,000	6,000,000
Class B shares at beginning of the year	307,967,675	307,967,675
Total number of class B shares	307,967,675	307,967,675
Total number of outstanding shares	313,967,675	313,967,675
Weighted average number of ordinary shares in the year before dilution	313,967,675	313,967,675
Weighted average number of ordinary shares in the year before dilution	313,967,675	313,967,675
Quotient value, SEK per share	0.04	0.04

As of 31 December 2019, registered share capital amounted to 313,967,675 common shares (313 967 675). Holders of common shares are entitled to receive dividends, and entitles the holder to vote at the shareholders' meetings, with one vote per share.

NOTE 16 INTANGIBLE ASSETS

Accounting policy

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

Research and development

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

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

Patents

Acquired patents are capitalized as intangible assets.

Goodwill

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

Amortization and impairment

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

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

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

Estimated useful lives are:

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

Useful lives are reviewed yearly.

Estimates and judgements

Capitalized development expenditure

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

Impairment of goodwill and other intangible assets

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

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

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

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

The discount rate has been estimated based on the operation's estimated weighted average cost of capital (WACC). The WACC before tax has been estimated at 14.1%.

NOTE 16 INTANGIBLE ASSETS, CONT.

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

SEK M	Group								Parent Company					
	Goodwill		Capitalized development expenditure		Patents & other acquired intangible assets		Intangible assets		Capitalized development expenditure		Patents & other acquired intangible assets		Intangible assets	
	2019-12-31	2018-12-31	2019-12-31	2018-12-31	2019-12-31	2018-12-31	2019-12-31	2018-12-31	2019-12-31	2018-12-31	2019-12-31	2018-12-31	2019-12-31	2018-12-31
Accumulated cost														
Opening balance	811.4	744.6	470.3	393.2	293.0	271.0	1,574.7	1,408.8	464.6	387.3	40.0	38.8	504.6	426.1
Internally developed assets	-	-	88.0	77.1	-	-	88.0	77.1	88.0	77.3	-	-	88.0	77.3
Purchases	-	-	-	-	6.6	1.2	6.6	1.2	-	-	6.2	1.2	6.2	1.2
Translation difference	31.3	66.8	-	-	9.8	20.8	41.1	87.6	-	-	-	-	-	-
Closing balance	842.7	811.4	558.3	470.3	309.4	293.0	1,710.4	1,574.7	552.6	464.6	46.2	40.0	598.8	504.6
Accumulated amortization														
Opening balance	0.0	-	-220.7	-161.6	-83.6	-39.9	-304.3	-201.5	-215.0	-156.5	-25.0	-20.5	-240.0	-177.0
Amortization for the year	-	-	-65.1	-59.1	-43.8	-40.8	-108.9	-99.9	-65.1	-58.5	-4.1	-4.5	-69.2	-63.0
Translation difference	-	-	-	-	-1.7	-2.9	-1.7	-2.9	-	-	-	-	-	-
Closing balance	-	-	-285.8	-220.7	-129.1	-83.6	-414.9	-304.3	-280.1	-215.0	-29.1	-25.0	-309.2	-240.0
Accumulated impairment														
Opening balance	0.0	-	-167.7	-19.1	-	-	-167.7	-19.1	-167.7	-19.0	-	-	-167.7	-19.0
Impairment for the year	-	-	0.0	-148.6	-	-	0.0	-148.6	0.0	-148.7	-	-	0.0	-148.7
Closing balance	-	-	-167.7	-167.7	-	-	-167.7	-167.7	-167.7	-167.7	-	-	-167.7	-167.7
Carrying amount														
At beginning of year	811.4	744.6	81.9	212.5	209.4	231.1	1,102.7	1,188.2	81.9	211.8	15.0	18.3	96.9	230.1
At end of year	842.7	811.4	104.8	81.9	180.3	209.4	1,127.8	1,102.7	104.8	81.9	17.1	15.0	122.0	96.9
Amortization is included in the following lines in the Statement of Comprehensive income	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Cost of goods sold	-	-	-65.1	-59.1	-39.7	-36.3	-104.8	-95.4	-65.1	-58.5	-	-	-65.1	-58.5
Development costs	-	-	-	-	-4.1	-4.5	-4.1	-4.5	-	-	-4.1	-4.5	-4.1	-4.5

NOTE 17 PROPERTY, PLANT AND EQUIPMENT

Accounting policy

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

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

Depreciation and impairment

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

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

Estimated useful lives:

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

Estimates and judgements

Impairment of property, plant and equipment

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

	Group		Parent Company	
	Machinery and equipment		Machinery and equipment	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Accumulated cost, SEK M				
Opening balance	73.1	79.2	59.4	67.0
Acquisitions	0.8	0.0	0.0	0.0
Sales/retirements	-4.5	-9.7	-4.1	-8.4
Purchases	0.6	3.6	0.6	0.8
Closing balance	70.0	73.1	56.0	59.4
Accumulated depreciation				
Opening balance	-42.9	-32.6	-36.0	-27.8
Acquisitions	0.0	-	0.0	-
Reversed depreciation on sales and retirements	3.3	7.6	2.9	6.5
Depreciation for the year	-14.6	-17.9	-11.7	-14.7
Closing balance	-54.2	-42.9	-44.8	-36.0
Carrying amounts				
At beginning of year	30.2	46.6	23.4	39.2
At end of year	15.8	30.2	11.2	23.4

	Group		Parent Company	
	2019	2018	2019	2018
Depreciation is included in the following lines in the Statement of Comprehensive income				
Cost of goods sold	-2.8	-2.8	-2.8	-2.8
Administrative expenses	-11.8	-12.2	-8.9	-10.8
Selling expenses	0.0	-0.1	0.0	-0.1
Development expenses	0.0	-2.8	0.0	-1.0
Total	-14.6	-17.9	-11.7	-14.7

NOTE 18 INVENTORIES

Accounting policy

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

Estimates and judgements

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

SEK M	Group		Parent Company	
	2019-12-31	2018-12-31	2019-12-31	2018-12-31
Raw material inventory	215,2	262,8	215,2	262,8
Products in process	2,4	31,5	2,4	31,5
Finished goods	35,8	53,2	35,8	53,2
Total	253,4	347,5	253,4	347,5

Impairment of inventories amounts to SEK 0 M (302,8) in 2019.

NOTE 19 FINANCIAL ASSETS

Accounting policy

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

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

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

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

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

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

NOTE 19 FINANCIAL ASSETS, CONT.

Fair value and book value of financial assets by balance sheet item and category

SEK M	Group				Parent Company			
	31 Dec 2019		31 Dec 2018		31 Dec 2019		2018-12-31	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
FINANCIAL ASSETS								
Current financial assets								
Financial assets at amortized cost								
Accounts receivable	197.3	197,3	232.7	232.7	196.9	196,9	232.3	232.3
Cash and cash equivalents	563.9	563,9	540.5	540.5	518.1	518,1	496.2	496.2
Financial assets, total	761.2	761,2	773.2	773.2	715.1	715,1	728.5	728.5
By category								
Financial assets at amortized cost	761.2	773.2	773.2	773.2	715.1	715,1	728.5	728.5
Loan receivables and accounts receivable	-	-	-	-	-	-	-	-
Financial assets, total	761.2	773.2	773.2	773.2	715.1	715,1	728.5	728.5

SEK M	Group		Parent Company	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Total accounts receivable	197,7	232,7	197,3	232,3
Reserve for doubtful debt	-0,4	0,0	-0,4	0,0
Carrying amount	197,3	232,7	196,9	232,3

The expense for bad debt and doubtful debt for the Group amounted to SEK 0.4 M (0.0).

NOTE 20 PREPAID EXPENSES AND ACCRUED INCOME

SEK M	Group		Parent Company	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Premises	1.0	3.4	2.9	2.8
Insurance expenses	2.8	3.5	2.4	1.1
License costs	3.6	3.4	3.6	3.3
Other operating expenses	4.9	7.7	3.7	6.5
	12.3	18.0	12.6	13.7

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

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

Mkr	Group		Parent Company	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Cash and bank balances	563.9	540.5	518.1	496.2
Total recognized in the Statement of Financial Position/ Balance sheet	563.9	540.5	518.1	496.2

NOTE 22 FINANCIAL LIABILITIES

Accounting policy

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

As of 31 December 2019, there were no liabilities measured at fair value. Financial liabilities, such as Accounts payable are measured at amortized cost.

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

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

Book value of financial liabilities by balance sheet items and category

SEK M	Group				Parent Company			
	31 Dec 2019		31 Dec 2018		31 Dec 2019		31 Dec 2018	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
Non-current financial liabilities								
Long-term loans	11.8	11.8	-	-	-	-	-	-
Current financial liabilities								
Short-term portion of long-term loans	17.9	17.9	-	-	-	-	-	-
Remaining portion of purchase consideration for acquisition of subsidiary	0.0	0.0	20.7	20.7	-	-	-	-
Accounts payable	235.2	235.2	256.2	256.2	234.1	234.1	254.7	254.7
Financial liabilities, total	264.9	264.9	276.9	276.9	234.1	234.1	254.7	254.7
By category								
Financial liabilities at amortized cost	264.9	264.9	276.9	276.9	234.1	234.1	254.7	254.7
Financial liabilities, total	264.9	264.9	276.9	276.9	234.1	234.1	254.7	254.7

Maturity analyses, financial liabilities, SEK M	Group				Parent Company			
	0-3 months	3 months-1 year	1-2 years	2-3 years	0-3 months	3 months-1 year	1-2 years	2-3 år
Accounts payable	235.2	0.0	0.0	0.0	234.1	0.0	0.0	0.0
Leasing liabilities	4.5	13.4	8.3	3.5	0.0	0.0	0.0	0.0
Total	239.7	13.4	8.3	3.5	234.1	0.0	0.0	0.0

NOTE 23 OTHER CURRENT LIABILITIES

SEK M	Group		Parent Company	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Employee withholding tax	3.0	5.3	2.0	3.5
Remaining portion of purchase consideration for acquisition of subsidiary	0.0	20.7	–	–
Other	6.8	1.1	12.8	0.5
Total	9.8	27.1	14.8	4.0

NOTE 24 ACCRUED EXPENSES AND DEFERRED INCOME

SEK M	Group		Parent Company	
	2019-12-31	2018-12-31	2019-12-31	2018-12-31
Salaries	29.5	28.0	19.8	16.7
Social security contributions	5.9	12.7	5.5	12.6
Material and production expenses	0.9	1.8	0.9	1.8
Directors' fees and company expenses	1.7	0.1	1.7	0.1
Commissions	69.9	139.6	69.9	139.6
Audit	1.3	0.7	0.8	0.7
Restructuring expenses	13.0	22.9	13.0	22.9
Other overheads	1.9	1.4	1.6	1.1
Total	124.1	207.2	113.2	195.5

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

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

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

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

Financing risk

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

Liquidity risk

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

The aim is that the Group should be able to meet its financial commitments and have the necessary contingency well in advance. It should be possible to offset upturns and downturns without incurring significant unforeseen costs. Available liquidity in the Group at year end amounted to SEK 563.9 M (540.5). In accordance with the Finance Policy, there should always be sufficient cash and cash equivalents and confirmed credit lines to cover short-term liquidity requirements.

The company's financial liabilities consist of supplier credits, totaling SEK 235.2 M (256.2) at year-end, with a short maturity of within one to two months.

Market risk

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

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

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

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

Currency risk

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

According to the Finance Policy, exchange risks should not be hedged. USD-denominated net surpluses are exchanged to SEK on a continuous basis. Net profit for the year includes exchange rate differences of SEK -1.8 M (10.2) in operating profit and SEK -2.6 M (-10.3) in the financial net.

Transaction exposure

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

SEK M	Net flows
2019	
USD-exposure expressed in SEK and total	1,254.3
2018	
USD-exposure expressed in SEK and total	1,190.6

Transaction exposure has not been hedged.

Sensitivity analysis

A 10% appreciation of the Swedish krona against other currencies as of 31 December 2018, would imply shareholders' equity and net profit for the period changing by SEK 147 M (71). The sensitivity analysis is based on all other factors remaining unchanged.

Credit risk

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

Age analysis, accounts receivable

	Group		Parent Company	
	2019 Carrying amount	2018 Carrying amount	2019 Carrying amount	2018 Carrying amount
SEK M				
Non-overdue accounts receivable	166.1	201.1	165.7	200.7
Overdue accounts receivable 0 – 30 days	31.2	28.0	31.2	28.0
Overdue accounts receivable 30 – 90 days	0.0	2.2	0.0	2.2
Overdue accounts receivable > 90 days	0.4	1.4	0.4	1.4
Reserve for doubtful debt	-0.4	0.0	-0.4	0.0
Total	197.3	232.7	196.9	232.3

	Group						Parent Company					
	2019			2018			2019			2018		
Sales per year	Number of customers	% of total number of customers	% of value	Number of customers	% of total number of customers	% of value	Number of customers	% of total number of customers	% of value	Number of customers	% of total number of customers	% of value
< SEK 1 M	89	84%	0.7%	80	78%	0.5%	86	84%	0.6%	75	79%	0.4%
SEK 1 – 10 M	8	8%	2.2%	10	10%	1.4%	7	7%	2.1%	8	8%	1.1%
> SEK 10 M	9	8%	97.1%	12	12%	98.1%	9	9%	97.3%	12	13%	98.5%
Total	106	100%	100%	102	100%	100%	102	100%	100%	95	100%	100%

NOTE 26 LEASES

Accounting policy

Information regarding existing accounting policies and classifications are presented in Note 1 Critical Accounting Policies. Statement regarding leasing liabilities are presented in Statement of financial position and in Note 22 Financial Liabilities.

Right-of-use assets

The transition effect on the balance sheet, SEK M

Operational leasing 2018-12-31	69.0
Discount effect	-1.7
Leasing recognized as restructuring 2018	-20.9
Short-term leasing and leasing of low value	-3.7
Leasing liabilities according to IFRS 16 2019-01-01	42.7
Pre-paid leasing 2019-01-01	4.8
Right-of-use assets according to IFRS 16 2019-01-01	47.5

Lease agreements, in balance sheet, SEK M	Group	
	2019	2018
Right-of-use assets 2019-01-01	47.5	0.0
Added right-of-use assets	3.2	0.0
Depreciation	-17.8	0.0
Right-of-use assets 2019-12-31	32.9	0.0

Lease agreements, in income statement, SEK M	Group	
	2019	2018
Depreciation use-of rights assets	-19.7	0.0
Interest costs leasing liabilities	-0.2	0.0
Expenses for short-term leases and leases of low value	-5.3	0.0
Total leasing expenses	-25.2	0.0

Operating leases

Operating leases consist of lease contracts for premises. The largest contracts terminate in 2019 until 2022. There is a possibility to prolong and negotiate. These agreements are subject to ongoing indexation against the CPI or equivalent. As from 2019 leases are reported according to IFRS 16, therefore the tables below has no value for 2019.

Lease arrangements where the company is the lessee SEK M	Group		Parent Company	
	2019-12-31	2018-12-31	2019-12-31	2018-12-31
Irrevocable lease payments amount to:				
Within one year	-	26.4	14.4	18.8
Between one year and five years	-	42.6	20.7	38.8
Total	-	69.0	35.1	57.6

Lease payment made for operating leases in the year, SEK M	Group		Parent Company	
	2019	2018	2019	2018
Minimum lease payments	-	35.0	15.1	26.0
Total lease expenses	-	35.0	15.1	26.0

NOTE 27 TRANSACTIONS WITH RELATED PARTIES

Purchases of goods and services, SEK M	Group		Parent Company	
	2019	2018	2019	2018
Purchases of group-wide services from subsidiaries	-	-	-192.1	-211.4
Total	-	-	-192.1	-211.4

Receivables and liabilities at the end of the period, SEK M	Group		Parent Company	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Long-term loans to subsidiaries	-	-	559.0	538.3
Receivables from subsidiaries	-	-	39.3	23.4
Liabilities to subsidiaries	-	-	-27.5	-16.4

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

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

NOTE 28 SHARES AND PARTICIPATIONS IN SUBSIDIARIES

SEK M	Parent Company Shares in subsidiaries	
	2019-12-31	2018-12-31
Accumulated cost		
Opening balance	446.1	366.8
Other investments	20.7	79.3
Closing balance, book value	466.8	446.1
Accumulated impairment		
Opening balance	-28.8	-28.8
Impairment for the year	-	-
Closing balance	-28.8	-28.8
Carrying amounts		
At beginning of year	417.3	338.0
At end of year	438.0	417.3

The increase in 2019 consist of the last payments acquisition of subsidiary in the US.

NOTE 28 SHARES AND PARTICIPATIONS IN SUBSIDIARIES, CONT.

The Parent Company's holdings in subsidiaries	Subsidiary, reg office country	Share-holders equity	Net profit	Participating interest 2019	Participating interest 2018
Anacatum Design AB	Sweden	5.5	-	100%	100%
Fingerprint Card Korea Co.,Ltd.	Korea	5.6	0.8	100%	100%
Fingerprint Cards ApS	Denmark	20.8	3.0	100%	100%
Fingerprint Cards (Shanghai) Co., Ltd	China	11.5	2.8	100%	100%
Fingerprint Cards Inc	US	7.1	0.3	100%	100%
Fingerprint Cards Taiwan Ltd	Taiwan	2.3	0.9	100%	100%
Fingerprint Security System Databärare AB	Sweden	2.2	0.4	100%	100%
India Acquisition Holding Inc	US	394.4	-	100%	100%
Delta ID Inc*	US	334.3	-52.3	100%	100%
Fingerprint Cards Japan K.K.	Japan	1.9	0.3	100%	100%

* Indirect holding through subsidiary

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

Subsidiary / Corporate identity number	Participations, number	Proportion, %	31 Dec 2019	31 Dec 2019
Anacatum Design AB, 556779-5371	24,466,668	100	1.0	1.0
Fingerprint Card Korea Co.,Ltd.	20,000	100	0.7	0.7
Fingerprint Cards ApS	800	100	0.1	0.1
Fingerprint Cards (Shanghai) Co., Ltd	-	100	2.4	2.4
Fingerprint Cards Inc	100	100	0.1	0.1
Fingerprint Cards Taiwan Ltd	-	100	0.1	0.1
Fingerprint Security System Databärare AB, 556239-5938	1,000	100	0.7	0.7
India Acquisition Holding Inc	1,000	100	431.8	411.1
Fingerprint Cards Japan K.K.	100	100	1.1	1.1
Carrying amount, 31 December			438.0	417.3

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

- Fingerprint Inc. in the US:
This company was incorporated in 2014. Operations consist of marketing and technical customer support on the US market. All staff in the US are employees of the American company.
- Fingerprint Cards Taiwan Ltd. in Taiwan:
This company was incorporated in 2016. Operations consist of marketing and customer support on the Taiwanese market. All staff in Taiwan are employees of the Taiwanese company.
- Fingerprint Security System Databärare AB:
This company has been a subsidiary since 1998. This company conducts limited operations and has no employees.
- India Acquisition Holding Inc:
Incorporated to serve as a holding company for Delta ID Inc.
- Fingerprint Cards Japan K.K.:
This company was incorporated at the end of 2017, has limited operations and had no employees in the year. From 2018 onwards, operations consist of marketing and customer support on the Japanese market, and staff in Japan are employees of the Japanese company.

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

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

SEK M	Group		Parent Company	
	2019-12-31	2018-12-31	2019-12-31	2018-12-31
The following components are included in cash and cash equivalents:	563.9	540.5	518.1	496.2
Total in Statement of Financial Position	563.9	540.5	518.1	496.2
Total in Statement of Cash Flow	563.9	540.5	518.1	496.2

Adjustments for non-cash items

SEK M	Group		Parent Company	
	2019	2018	2019	2018
Interest not received	2.6	-	0.0	-12.2
Depreciation and amortization	143.2	266.4	81.0	226.4
Impairment in inventories	0.0	302.8	0.0	302.8
Changes in allocation reserve	-	-	-	-716.0
Depreciation and amortization above plan	-	-	-8.0	0.0
Currency revaluation	2.1	25.8	-18.1	-20.9
Total	147.9	595.0	54.9	-219.9

NOTE 30 INFORMATION ON PARENT COMPANY

Fingerprint Cards AB (publ) (the Parent Company), corporate ID no. 556154-2381, is a limited liability company, with its registered office in Gothenburg, Västra Götaland, Sweden. The Parent Company's shares are listed on Nasdaq Stockholm. The address of the head office is Box 2412, SE-403 16 Gothenburg, Sweden and the visiting address is Kungsgatan 20, Gothenburg, Sweden. The consolidated accounts for 2019 comprise the Parent Company and its subsidiaries, jointly designated "the Group".

NOTE 31 POST BALANCE SHEET DATE EVENTS

On March 19, 2020, the Company disclosed that the Board of Directors, based on the authorization from the Annual General Meeting on May 22, 2019, has resolved that the company shall acquire own shares. The reason for the repurchase of shares is, among other things, to adapt and improve the Company's capital structure by reducing the capital, thereby creating additional shareholder value.

NOTE 32 ASSETS PLEDGED

Parent Company, SEK M	31 Dec 2019	31 Dec 2018
Assets pledged for operating credit; bank balances	0	0

NOTE 33 PROPOSED APPROPRIATIONS OF PROFIT

Proposal for appropriations of the company's profits:

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

Share premium reserve	79,059,431
Accumulated profit or loss	1,512,273,121
Net profit for the year	39,491,029
Total	1,630,823,581

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

Carried forward	1,630,823,581
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ASSURANCE BY THE BOARD

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

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

and the companies included in the Group. As stated above, the annual accounts and consolidated accounts were approved for issuance by the Board of Directors on 22 April, 2020. The Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position and the Parent Company Income Statement and Parent Company Balance Sheet will be subject to adoption by the Annual General Meeting 26 May, 2020.

Gothenburg 22 April, 2020

Johan Carlström
Chairman of the Board

Sofia Bertling
Board member

Ted Elvhage
Board member

Urban Fagerstedt
Board member

Alexander Kotsinas
Board member

Tomas Mikaelsson
Board member

Dimitrij Titov
Board member

Juan Vallejo
Board member

Christian Fredrikson
Chief Executive Officer

Our Audit Report was presented on 24 April, 2020
MOORE KLN AB

Ulf Lindesson
Authorized Public Accountant

AUDIT REPORT

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

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Fingerprint Cards AB (publ) for the year 2019. The annual accounts and consolidated accounts of the company are included on pages 47- 78 in this document. In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts. We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the statement of comprehensive income and statement of financial position for the group. Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

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

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

Key Audit Matters

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

Revenue recognition

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

Description of key audit matter

The group and the mother company's revenue for 2019 amounts to SEK 1,5 billion and comes from contracts with customers regarding delivery of goods. The invoices is recognised at the time when a customer take control of a promised asset and the company fulfil a performance obligation.

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

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

Response in the audit

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

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

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

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

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

Description of key audit matter

The carrying value of goodwill and other intangible assets such as acquired technology, patents and customer relationships as well as capitalised development costs per 31 December 2019 amounts to SEK 1.1 billion at group level, which represents 50% of the group's total assets. A considerable share of the intangible assets is attributable to the acquisition of Delta ID Inc in 2017. The carrying value of capitalised development costs on the parent company balance sheet is SEK 0.1 billion. The impact 2017 year's acquisition of Delta ID Inc is seen indirectly in the carrying value of the shares in subsidiaries, which is SEK 0.4 billion. Goodwill should be subject to an annual impairment test. Other intangible assets should be tested whenever an indication of impairment is identified. The valuation of intangible assets is complex and involves significant levels of judgments regarding future developments. The expected residual value of assets is determined with reference to forecasted discounted cash flows based on estimated discount rates, revenues and long-term growth rates, which are inherently subjective and may be influenced by management. Similar calculation is performed whenever there is an indication that the parent company's shares in a subsidiary may be impaired.

Response in the audit

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

that there are no impairment indications. We have selected samples of capitalised costs for testing and vouched them to supporting documents. Moreover, we have verified that the disclosures in the annual report in all material respects are in accordance with the requirements of the applicable accounting standards.

Inventory valuation

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

Description of key audit matter

Amounts to SEK 0.3 billion, which represents approximately 11% of the group's total assets. The inventory balance consists of raw materials, work in progress and finished goods. The market for these products is constantly evolving and highly competitive. New products are continuously being marketed. The assessment of whether the inventory may be sold for more than the initial cost is complex and involves significant levels of judgment regarding whether the products may be sold as components in current or future constellations. There is a risk that the evaluation of the need for inventory write-off may be over- or underestimated.

Response in the audit

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

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-46 and 82-88. The Board of Directors and the Managing Director are responsible for this other information. Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information. In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the

information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated. If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error. In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting.

The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so. The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic

decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

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

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Fingerprint Cards AB (publ.) for the year 2019 and the proposed appropriations of the company's profit or loss. We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

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

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

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and main-

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

MOORE KLN AB, Lilla Bommen 4A, 411 04 Göteborg, was appointed auditor of Fingerprint Cards AB (publ) by the general meeting of the shareholders on the 22th May, 2019 and has been the company's auditor since 29th May, 2018.

Gothenburg, 24 April, 2020
MOORE KLN AB

Ulf Lindesson
Authorized Public Accountant

TEN-YEAR SUMMARY

Income Statement	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenues, SEK M	1,458.6	1,535.1	2,966.0	6,638.3	2,900.5	233.6	95.4	10.3	68.6	60.9
Gross profit, SEK M	331.1	2.4	988.9	3,165.3	1,255.3	71.6	39.2	-5.7	-37.0	20.4
Gross margin, %	23	0	33	48	43	31	41	-55	-46	33
Operating profit, SEK M	-14.4	-771.6	154.6	2,578.5	910.3	-145.2	-34.0	-38.7	2.7	1.6
Operating margin, %	-1	-50	5	39	31	-62	-36	-375	5	2.6
Profit for the year, SEK M	-13.6	-630.7	120.3	2,034.7	798.3	-144.0	-32.9	-38.1	3.4	2.0
Profit margin, %	-1	-41	4	31	28	-62	-35	-375	5	3.3
Depreciation and amortization, SEK M	-141.3	-117.8	-79.4	-48.6	-43.4	-32.1	-12.6	-10.8	-4.9	-6.4
Impairment, SEK M	0.0	-148.6	-	-	-	-29.5	-	-	-	-
EBITDA, SEK M	128.7	-505.2	234.0	2,627.1	953.7	-83.6	-21.4	-27.9	8.2	8.3
Financial position – Balance Sheet	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Intangible assets, SEK M	1,127.8	1,102.7	1,188.3	71.4	49.7	69.8	54.3	29.1	28.2	22.9
Property, plant and equipment, SEK M	15.8	30.2	46.6	29.2	20.6	18.8	5.4	4.8	4.2	3.7
Financial assets, SEK M	18.3	27.8	-	-	1.0	-	-	-	0.9	-
Inventories, SEK M	253.4	347.5	646.1	672.7	153.0	98.8	19.9	11.4	4.3	7.9
Accounts receivable, SEK M	197.3	232.7	437.5	1,132.1	617.9	115.8	31.1	6.2	53.0	17.2
Other receivables + prepaid expenses, SEK M	27.7	37.8	313.1	435.4	36.6	19.5	10.1	3.1	3.2	3.8
Cash and cash equivalents + investments in securities, SEK M	563.9	540.5	920.2	1,162.2	1,031.3	101.9	211.7	60.6	23.0	30.8
Shareholders' equity, SEK M	1,798.9	1,775.5	2,330.8	2,226.1	1,146.8	301.1	289.7	101.9	106.3	78.0
Deferred tax, SEK M	38.6	51.9	189.8	136.3	-	-	-	-	1.2	-
Non-current liabilities, SEK M	11.8	-	221.9	-	-	0.2	0.4	0.7	-	-
Current liabilities, SEK M	387.8	491.8	809.3	1,140.6	763.2	123.3	42.3	12.7	9.3	8.3
Working capital, SEK M	654.5	666.7	1,507.6	2,261.8	1,075.6	212.7	230.5	68.6	74.2	51.4
Total assets, SEK M	2,237.1	2,319.2	3,551.8	3,503.0	1,910.1	424.6	332.5	115.3	116.8	86.3
Inventory turnover rate, days	96	117	120	43	29	132	94	181	74	103
Average credit period days	53	79	95	47	46	113	99	1,035	184	80
Return on capital employed, %	-1	-43	6	117	126	-48	-12	-44	3	2.6
Return on equity, %	-1	-39	5	121	110	-48	-12	-44	3	2.6
Return on total capital, %	-1	-33	4	75	78	-34	-10	-38	3	2.3
Equity/assets ratio, %	80	77	66	64	60	71	87	87	91	90

Definitions

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

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

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

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

Capital employed Total assets minus non-interest bearing liabilities.

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

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

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Cash flow										
Cash flow from operating activities, SEK M	160.4	274.6	376.9	1,130.3	910.4	-174.2	-28.8	14.5	-22.2	-0.6
Cash flow from investing activities, SEK M	-115.4	-162.6	-1,071.0	-78.3	-26.0	-90.6	-38.3	-11.4	-11.7	-20.4
Cash flow from financing activities, SEK M	-19.7	-507.7	481.7	-955.7	47.4	155.0	220.5	34.5	24.9	1.8
Cash flow for the year, SEK M	25.3	-395.7	-212.4	96.3	931.8	-109.8	151.1	37.6	-7.8	-19.3
The share										
Earnings per share, SEK	-0.04	-2.01	0.38	6.40	2.53	-0.49	-0.12	-0.17	0.02	0.01
Earnings per share after dilution, SEK	-0.04	-2.01	0.38	6.33	2.48	-0.49	-0.12	-0.17	0.02	0.01
Cash and cash equivalents + investments at year-end / share, SEK	1.80	1.72	2.93	3.70	3.26	0.35	0.83	0.17	0.11	0.16
Equity per share, SEK	5.73	5.66	7.42	7.11	3.63	1.03	1.06	0.47	0.49	0.39
Equity per share after dilution, SEK	5.73	5.66	7.42	7.09	3.57	0.97	1.04	0.47	0.50	0.39
Cash flow from operating activities per average number of shares, SEK	0.51	0.87	1.20	3.56	2.86	-0.61	-0.11	0.14	-0.10	0.00
Number of shares at end of the year, 000	313,967	313,967	313,967	313,967	316,196	292,106	270,806	239,041	218,048	198,348
Average number of shares during the year, 000	313,967	313,967	313,967	317,726	315,349	287,574	254,470	228,841	216,943	210,719
Number of shares after dilution, 000	313,967	313,967	313,967	321,408	321,372	310,306	276,441	230,362	216,943	210,719
Dividend per share, SEK	-	-	-	-	-	-	-	-	-	-
Share price at end of the year, SEK	18.88	10.13	15.81	62.85	118.20	7.00	10.90	2.50	1.90	1.80
Market capitalization at end of the year, SEK M	5,928	3,180	4,964	19,733	37,374	2,033	2,938	559	406	355
Number of employees at year-end	225	220	415	306	150	104	48	19	19	19

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

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

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

Gross margin Gross profit as a percentage of net sales.

Gross profit Revenues less cost of goods sold.

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

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

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

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

Operating margin Operating profit as a percentage of revenues.

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

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

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

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

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

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

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

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

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

GRI INDEX AND SUSTAINABILITY INFORMATION

Fingerprints' sustainability report is the yearly reporting of how we create value for the customer, the end-user and the society in general. The sustainability report also describe how we work with ethics as well as our environmental and social impact. The report is found in its entirety on pages 16-27. The sustainability report, prepared in accordance with

Global Reporting Initiatives Standards, Core option, pertains to the fiscal year 2019. The report satisfies the standards on sustainability reporting stipulated by the Swedish Annual Accounts Act and the auditor's statement that a sustainability report has been prepared is found on page 28.

GRI INDEX – GENERAL DISCLOSURE

Title	Page	Comment	Fulfillment
ORGANIZATIONAL PROFILE	PAGE	COMMENT	FULFILLMENT
102-1 Name of the organization		Cover/Fingerprint Cards AB.	Achieved
102-2 Activities, brands, products, and services	10-11	Products and solutions/Fingerprints' range does not include any products prohibited on any market.	Achieved
102-3 Location of headquarters		Rear cover	Achieved
102-4 Location of operations		Cover inside/Fingerprints in brief	Achieved
102-5 Ownership and legal form	29-31	Cover inside/Fingerprints in brief The share	Achieved
102-6 Markets served	10-11	Products and solutions	Achieved
102-7 Scale of the organization	47-50	Statutory Administration Report	Achieved
102-8 Information on employees and other workers	19	Human resource/ • All data as of 31 December 2019 • Employees; individuals with a direct employment contract • Coworkers; employees and consultants on assignment with at least of 50% of an FTE position • Fingerprints' operations are not affected by seasonality	Achieved
102-9 Supply chain	14-15	Value chain	Achieved
102-10 Significant changes to the organization and its supply chain	4-5	Message from the CEO	Achieved
102-11 Precautionary Principle or approach	20-25	Sustainability • Fingerprints' Code of Conduct and Environmental Policy apply the Precautionary Principle.. • Fingerprints' sustainability framework has specific environmental goals linked to the Precautionary Principle.	Achieved
102-12 External initiatives	20	Sustainability	Achieved
102-13 Membership of associations	20	Sustainability/Fingerprints is a member of Eurosmart.	Achieved

GRI INDEX – GENERAL DISCLOSURES

Title	Page	Comment	Fulfillment
STRATEGY	PAGE	COMMENT	FULFILLMENT
102-14 Statement from senior decision-maker	20	Sustainability	Achieved
ETHICS AND INTEGRITY			
102-16 Values, principles, standards, and norms of behavior	20-25 17	Sustainability/Sustainability Framework, Corporate Responsibility. Personnel/Fingerprints has four core values: Smart, Brave, United and Open..	Achieved
GOVERNANCE			
102-18 Governance structure	34-41 20	Corporate Governance Report • Governance of Fingerprints as a company. Sustainability • Governance of sustainability is through the Sustainability Forum. • Corporate responsibility governs all Policies and the Code of Conduct.	Achieved
STAKEHOLDER ENGAGEMENT			
102-40 List of stakeholder groups	22	Sustainability	Achieved
102-41 Collective bargaining agreements		Fingerprints does not apply collective bargaining agreements but encourages its employees to join trade unions.	Achieved
102-42 Identifying and selecting stakeholders	22	Sustainability	Achieved
102-43 Approach to stakeholder engagement	22	Sustainability • Fingerprints' management system is certified according to ISO 9001 and ISO 14001. • Our materiality analysis is included in our management system and is followed up annually.	Achieved
102-44 Key topics and concerns raised	22 26-27	Sustainability • Stakeholder dialogue and risk analysis are the foundation for producing the materiality analysis. Risks and risk management • Material issues that involve risks to operations are dealt with pursuant to Fingerprints' risk management procedures.	Achieved

GRI INDEX – GENERAL DISCLOSURE

REPORTING PRACTICE	PAGE	COMMENT	FULFILLMENT
102-45 Entities included in the consolidated financial statements	24-25	Sustainability section • Procedures for gathering sustainability information are in development. Accordingly, specific sustainability data is for the Scandinavian offices only. See the sustainability section for specific detail.	Achieved
102-46 Defining report content and topic boundaries	20-25	Sustainability section • Procedures for gathering sustainability information are in development. • Report contents and its boundaries are presented jointly with sustainability goals.	Achieved
102-47 List of material topics	22 26-27	Sustainability section • Materiality analysis. Risks and risk management • Other Risks.	Achieved
102-48 Restatements of information		No restatements made since the previous year.	Achieved
102-49 Changes in reporting		No restatements made on the previous year affecting the company's sustainability reporting.	Achieved
102-50 Reporting period		1 January–31 December 2019.	Achieved
102-51 Date of most recent report		Reporting is yearly.	Achieved
102-52 Reporting cycle		Reporting is yearly.	Achieved
102-53 Contact point for questions regarding the report		Stefan Pettersson, Head of Investor Relations. Email: investrel@fingerprints.com	Achieved
102-54 Claims of reporting in accordance with the GRI Standards		GRI Standards, Core-nivå.	Achieved
102-55 GRI contentindex	84-87	See this index.	Achieved
102-56 External assurance		Fingerprints does not apply external examination of the sustainability information in its Annual Report. Certain information has been examined as part of certification according to ISO 14001, ISO 9001 and reporting to the CDP.	Achieved
MANAGEMENT APPROACH			
103-1 Explanation of the material topic and its Boundary	22 26-27	Sustainability section • Stakeholder analysis. • Materiality analysis Risks and risk management • Other Sustainability Risks, see in-depth review of each identified risk.	Achieved
103-2 The management approach and its components	20-25 26-27	Generally; Policies have been produced for material segments under Corporate Responsibility (including a speak-up policy for escalating sensitive issues) and specific targets related to each material segment are under sustainability targets. Sustainability section • Stakeholder analysis. • Materiality analysis. • Corporate Responsibility. • Sustainability Framework. • Sustainability targets Risks and risk management • Other Sustainability Risks, see in-depth review of each identified risk.	Achieved
103-3 Evaluation of the management approach	79-81	Auditor's report.	Achieved

GRI INDEX – SPECIFIC DISCLOSURES

ECONOMIC	PAGE	COMMENT	FULFILLMENT
Anti-corruption			
205-1 Operations assessed for risks related to corruption.	26-27	Risks and risk management • A risk assessment for corruption is conducted at an overall level.	Partial
205-2 Communication and training about anti-corruption policies and procedures.	24	Sustainability section • All employees have confirmed the Code of Conduct. Code of Conduct is part of onboarding for new employees and consultants. In the autumn of 2019, mandatory training efforts were conducted in the organization regarding safety and compliance, where Code of Conduct was an integral part.	Achieved
205-3 Confirmed incidents of corruption and actions taken.		Fingerprints did not have any corruption incidents in 2019.	Achieved
ENVIRONMENT			
Materials			
Industry-specific targets for measuring spoilage levels in production.	24	Sustainability section Measures spoilage of silicon wafers and employs a target of continuous improvement.	
Emissions			
305-2 Energy indirect (Scope 2) GhG emissions.	24	Sustainability section The sustainability targets state a reduction of CO2 emissions pursuant to scope 2. The methodology is described in the following notes.	Achieved
Supplier environmental assessments			
308-2 Negative environmental impacts in the supply chain and actions taken.	24	Sustainability section	Partial
SOCIAL IMPACT			
Occupational Health and Safety			
403-1 Workers representation in formal joint management-worker health and safety committees.		Sustainability section Health & safety councils and health & safety representatives were appointed at all Swedish offices in 2017.	Partial
403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities.	25	Sustainability section • Under health & safety.	Achieved
Diversity and Equal Opportunity			
405-1 Diversity of governance bodies and employees.	19 42-45	Personnel Fingerprints does not record the minority origin of its staff, and accordingly does not disclose this item, only gender, age group, and region. Board of Directors/Group Management	Partial
Human rights assessment			
412-1 Operations that have been subject to human rights reviews or impact assessments.		Fingerprints judges that the impact of human rights can primarily be on purchasing raw materials for plants if conflict minerals are utilized. Also through biometric integrity being protected in the usage of Fingerprints' products. Impact has not been analyzed by country.	Partial

SHAREHOLDER INFORMATION

Fingerprint's IR website

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

Reporting dates

- Interim Report January–March 2020, 4 May 2020
- Interim Report January–June 2020, 13 August 2020
- Interim Report January–September 2020, 12 November 2020

Annual General Meeting

The Annual General Meeting (AGM) will be held at 3 p.m. on Tuesday, 26 May 2020 at IVA Konferenscenter, Grev Turegatan 16, Stockholm, Sweden.

Shareholders who wish to participate in the AGM should firstly be included in the share register maintained by Euroclear Sweden AB as of Tuesday 19 May 2020, and secondly notify the company of their participation by no later than 4 p.m. on 19 May 2020, either via fingerprints.com/agm2020, by telephone +46 (0)771-246 400, or by mail to Computershare AB, "Fingerprint Cards AB AGM", Box 5267, 102 46 Stockholm.

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GLOSSARY

Algorithm

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

Authentication

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

Biometric system

A pattern recognition system that identifies or verifies an individual by studying a physiological characteristic of that individual, such as a fingerprint.

Chip

A piece of silicon that an integrated circuit is embedded in, such as a sensor chip. Normally, a silicon wafer is divided into a number of chips, with each chip being essentially identical.

Design win

Decision by a customer (OEM or ODM) to start developing one or several commercial products using Fingerprints' technology integrated into one or more of its products.

Identification

Comparison of compiled biometric data with all stored templates for the purpose of identifying one of these templates (and thus an individual) from many.

Internet of Things

Internet-connected devices that are linked to the Internet and can thus communicate with/be controlled via the Internet.

Matching

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

Modality

Type of biometric feature, such as fingerprint sensors and iris sensors.

ODM

Original Design Manufacturer, a company that develops and manufactures products sold under the trademarks of other companies.

OEM

Original Equipment Manufacturers—companies that manufacture the end product that is sold on an open market.

Smart card

Plastic card with an embedded chip containing information about the card and its owner.

Smartphone/tablet

A combined mobile phone and handheld computer linked to the Internet via mobile broadband. A smartphone has a complete mobile operating system that is transferable between multiple devices enabling the user to easily install mobile apps, which are small third-party programs that increase the phone's functionality.

Template

An arrangement of unique data that represents a specific fingerprint.

Touch sensor

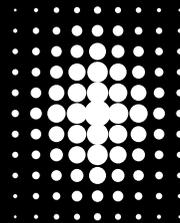
A sensor that scans a fingerprint directly when a fingertip touches the sensor surface; compare to swipe sensor.

Verification

The comparison of compiled biometric data with a given template for the purpose of verifying that the two match. This enables the authentication of an individual with a high degree of certainty.

Wafer

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



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