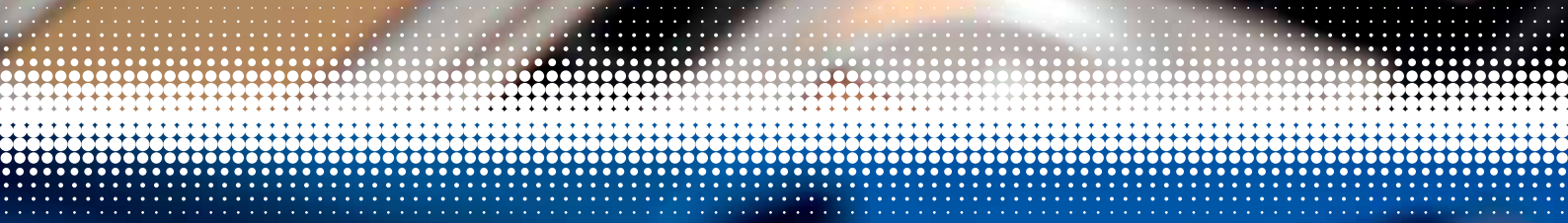




FINGERPRINTS



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### Annual general meeting

The Annual General Meeting will be held on Thursday June 4, 2009, at 17.30 hrs, in room Västerhavet at the Radisson SAS Scandinavia Hotel, Södra Hamngatan 59–65 in Gothenburg. Those shareholders registered in the Euroclear Sweden AB (VPC AB) maintained shareholders' register as at Friday May 29, 2009, are entitled to attend. Notification of attendance should reach the company at this address: Fingerprint Cards AB, P.O. Box 2412, SE-403 16 Gothenburg, or by fax +46 31 13 73 85, or by e-mail: investrel@fingerprints.com no later than Friday May 29 at 16.00 hrs.

### Dividend

The board proposes a dividend of zero (0) SEK to the AGM.

### Date(s) of financial information

Quarterly report for the period: January – March 2009, April 29, 2009  
Quarterly report for the period: January – June 2009, August 14, 2009  
Quarterly report for the period: January – September 2009, October 30, 2009  
Press release on annual accounts for 2009, February 2010  
2009 Annual report, April 2010

## 2008 – A Summary

In January the Company's complete swipe sensor systems technology was chosen by CardLab ApS for an on-card verification approach proposed as the secure bank card of the future. FPC technology was chosen as an extremely low power biometric system that will use battery technology internal to the card.

The European Patent applied for in 2007 was granted for the Company's Sensor Pixel Element design – this is a key part of the Company's ongoing technology refresh and IPR strategy that supports technical excellence.

In April a licence agreement was signed with a distributor for the Canadian market. Motion Micro Solutions Inc. will market and sell the full range of Fingerprint Cards products on the Canadian market.

At the Annual General Meeting in May two new board members were elected. Mr. Géza Fülöp – who has a doctoral degree in theoretical physics from the University of Gothenburg – has worked with ASIC design and holds now a managerial position at Ericsson's Network Management Systems Integration unit. Also elected was Mr. Tommy Trollborg, a former chartered accountant and an active board member in several national and international companies. Former board member Mr Jan Burénus had declined re-election.

A new order worth MSEK 12 was received from Hardware and Software Technologies Co Ltd. (HST), the Company's reseller /distributor in China. HST supplies the technology to solutions for the growing financial and banking sectors in China, and for new Asian markets in access control.

Production of the Company's new area sensor packaging solution commenced in July. The new product and production solution has been developed in collaboration with a highly qualified subcontractor and will radically lower production costs for the sensor.

In parallel with the launch of the new sensor version FPC also launched a new, small, fast and easy to integrate biometric module. This is based on the new sensor version and the small, fast and power efficient new processor ASIC. Increased functionality of the new module opens up new application areas.

At the Extraordinary General Meeting of shareholders in August the board was authorized to carry through new stock issues with pre-emption rights for the existing shareholders as well as with deviation from the shareholders' pre-emption rights. New board member, Mr Christer Bergman, was elected. He is a former CEO of Precise Biometrics AB and is now CEO of IdentiPhi, a biometric company based in Texas, USA.

In mid August the Company announced production interruptions at the subcontractor applying the coating material to the silicon wafers which is the stage that precedes packaging and final assembly of the sensors. The problem was rectified in early October but did cause delays for the ramp-up and tuning of the new production process.

Later, in October a further sensor order valued at MSEK 15 was received from China. Deliveries will start after the year end and involve the newly developed sensor version. The end customers for this order develop products for physical access as well as IT security products for China's banking sector.

The Company's new stock issue finished in December and brought in MSEK 13.7 after issue costs.

Operations for the year showed a loss of MSEK -23.3 (-34.2). Operating income for the financial year, excluding financial items, totalled MSEK 27.5 (20.7) for the group. Net financial items were MSEK 0.8 (1.3). Internal and external technology developments amounted to MSEK 19.4 (15.6). Available liquid funds at the year-end amounted to MSEK 22.6 (33.8).

### Events after the end of the financial year

The new shares resulting from the new issue at the end of 2008 were registered at "Bolagsverket" (Swedish Companies Registration Office) in January 2009. The total number of shares after this new issue amounts to 19 834 793 of which 600 000 of series A and remaining 19 234 793 of series B.

On 2 February 2009 Mr Lennart Carlson gave notice of his decision to terminate his employment with the Company after twelve years as CEO. He has a twelve month notice time period and will remain in his post until a new CEO has been appointed.

In the press release concerning 2008 annual accounts, released on 18 February, the Company stated that the financial goal of attaining a breakeven position should be reached some time during the second half-year of 2009 instead of the first half-year. The reason for this is the delays encountered last autumn in the project concerning the new production solution for the sensor component. The consequence of this is that the planned, radically reduced production costs and the correspondingly improved sales margins will be reached successively during the first half-year of 2009.

Mr Johan Carlström was appointed new CEO of the Company taking up his position as from 6 May 2009. He has 16 years of experience in International Sales in the Telecom and IT industries. His latest employment was in the telecom sector as Global account Manager for US based Ulticom.

## Statement by the President



The end of this year marks an important milestone in the story of Fingerprint Cards – the point where we have consolidated our command of the processes and knowledge around all aspects of biometric chip technology.

Fingerprint Cards was founded on the alliance of a powerful fingerprint technology with a dynamic business model: from this it has grown and diversified. In the more than ten years of the Company's life the worldwide number of manufacturers of silicon chips has shrunk significantly, creating a working market separation between those companies that design, add value to, and market silicon chips for specific uses, and those that manufacture them. This demonstrates that business models such as ours have anticipated the general direction of the chip industry and continue to be well aligned with this. By the end of 2008 we effectively reached a point where our control over design, development, and industrialisation processes for our biometric technologies was firmly in our grasp, putting us firmly on track for volume competitive markets.

One immediate benefit of greater control over manufacturing processes is the realised improvements in competitive position and in sales margin, and these were already being felt by the end of the year, bringing good prospects in readiness for 2009. Our order book and delivery position was healthy, making a fast conversion from the use of older sensor inventory to the newer sensor packaging solution which will be the mainstay of our 2009 supply. This strong delivery position is now driving our expected move towards profitability in the latter half of 2009.

The end customers for our technology continue to be diverse in the products and solution that they have developed and our support of this has ranged from direct development input through to the provision of added value development kits featuring our new sensor solution and biometric ASIC processor. As our customers' products indicate, we have shown that we can provide value through biometrics to many different channels.

Fingerprint Cards has established both direct-to-customer and distributor centric relationships. Many market opportunities are driven

by applications requirements such as financial systems security and accountability – after all, we all like to know who is handling our money – while others are based around electronic product markets such as laptop computers. Much of the strength in our present position is attributable to applications where biometrics are making a big difference and bringing real benefits; in many of these cases end customers are closely linked to development of these applications.

The next major step for us is the move into the mass market for high value electronic products such as laptops and mobile phones. This is a natural step from our improved control over competitive manufacturing – of our area sensor solution in particular – and the revision of our core sensor platform is behind our emerging ability to design and specify for manufacture of different sensor configurations or functionality suited to the demands of these mass markets.

The strong diversification into these new product markets, beginning with the task of moving into the market for mobile phones, requires a new leader; a business minded leader with a proven background and extensive contacts in this product segment. My decision to step down as CEO of Fingerprint Cards gave us the opportunity to recruit such a leader. Johan Carlström, who will take up the position of CEO this spring, has the leadership background we have been looking for.

For me, in recent years, it has been a great privilege to work with the team of committed experts that make up Fingerprint Cards; to see them take an embryonic technology and develop this into an innovative biometric solution and a technology platform from which further technical and market progresses are yet to come.

Gothenburg, April 2009

Lennart Carlsson  
CEO



# Commercial concept

Fingerprint Cards is a technology company that combines a strong intellectual property portfolio with a vigorous approach to the industrialisation of its low-cost technology. Its technology is directed at developers of end-user products or solutions in which fingerprint biometrics provide business value. These developers are reached directly or through the Company's global distributor/reseller network. The market for biometrics continues to grow in depth and diversity as more business solutions see the advantages of using biometric methods and the Company's business model is in a strong position to benefit from this.

## Dual business model

The Company operates a dual business model. The first side of this is a variable IP licensing framework reflected in a licence to Fingerprint Cards' technology with the potential to include customer specific IP to the final biometric product. In this case the customer takes care of production and logistics, paying a royalty per produced unit. This is complemented by the actual sale of components, either directly to customers or through the Company's growing reseller network. The Company has been increasingly successful in the sale of sensors and embedded systems components, and the strategic development of this component delivery concept has included significant technical and production work much of which was concluded by the end of 2008. This work underpins the Company's ability to deliver components at competitive and profitable prices into volume market opportunities and to compete at a wider level.

## Price, Functionality, Quality

For volume markets biometric components and sub-systems have to compete in three areas: price, functionality, and quality. Customers assess value for money against all of these, and the Company's technology model is driven by these for the growing market segments. The Company has a strong competitive position for the quality and the functionality of its technology; its existing customers strongly affirm both of these. With regard to price and sales margin the Company has a continuous commitment to review and implement projects that will deliver better returns. During 2008 major work on improving sensor production was concluded to greatly reduce the

production cost of the area sensor in particular. Other measures were underway at the end of the year to ensure the competitiveness of component sales.

## Technology, functionality, and value

At the core technology level, dealing with image capture and processing, Fingerprint Cards has a leading imaging technology in both area and swipe sensor form factors, supported by an intellectual property portfolio. At the systems level it offers the algorithm methodologies and software for both area and swipe sensors, extending this to identification matching for products where the biometric systems use no identification cards or tokens.

Fingerprint Cards' technology portfolio is reviewed and refreshed at several levels – including production efficiency, business value, and core technology. In 2008 there were significant improvements to production technology processes; a new fingerprint biometric systems module was introduced featuring a new biometric processor with greatly increased business and applications value; and at the deeper technology level upgrade work progressed on the core sensor technology. Migration to a refreshed capacitive sensor platform with greater functionality and versatility to meet a wider customer demand took significant steps forward. An improved pixel sensor array will deliver customer benefits such as higher resolution, dramatically lower power consumption and scalability to varying sensor sizes. Based on this platform a new specific swipe sensor design, directed at the mobile phone segment, could be completed within a relatively short time.

## IP licensing

As the volume of low-cost biometric technology delivered continues to rise then the prospects for a pure IP licensing business model improve. Fingerprint Cards holds strong IP rights within the fields for sensor technology, algorithm and matching methodologies. The Company continuously evaluates the prospects and possibilities for business arrangements based on IP licensing, and expects that with the new sensor technology platform the prospects of a strategic partner cooperation to complete the design of a commercial sensor for mobile phones will have improved considerably.

# Market and Sales



The positive market aspects of 2008 can be captured in three key driving factors, evident during the whole year. Major and deep commitments to biometric technologies continued in public and business life; biometric market restructuring continued to indicate economic optimism and strategic strengthening; and the risks to identity and data in a world of personal identity without biometrics continued to cause serious concerns.

## Market scale

There was widespread global market concern about an economic downturn but some market commentators were more optimistic about biometrics markets because much of these are driven by security and regulatory compliance requirements. The main reasons for confidence in this prediction were strongly established commitments in both public and business sectors. The procurement cycle of major public sector programs has been growing continually since 2007, expanding in areas such as border control and electronic passports, and there has been significant civil government movement towards the deeper integration of biometrics. In the UK and in the US, protection against identity theft and impersonation took a step closer with proposals to use government biometric identity checking services in many aspects of government business.

The business sector too has committed to a deeper investment in the changes that will make biometrics a routine part of daily life for many. Commercial giants such as Sun Microsystems increased their involvement in biometric Identity Management. By the end of the year Microsoft announced that biometrics had penetrated to the heart of its corporate development plans and the operating system to replace Windows™ Vista would include the tight integration of a Microsoft Windows Biometric Framework, delivering many integration benefits to the end user and a faster development path to more than three million affiliated software developers worldwide.

## Market structure

Confidence in market opportunities has driven a trend in market positioning. This began in 2007 with a series of acquisitions, but was strongly evident on the Biometric Solutions side in 2008. By the year end the biometric market had developed three major areas of business activity. At the top level, closest to the big government projects sit the systems integrators, followed by emerging large players in Identification Solutions, and with a third grouping of key technology suppliers, such as Fingerprint Cards, providing

innovative and proven technology to a widening range of products and solutions.

## Geography

Driving the market dynamics during the year were specific channels and market drivers such as national or regional regulation, requiring that identity be more carefully managed. The market in China, for financial services security in particular, continued to be a strong growth market with its own very particular requirements for biometric identity authentication. In such segments there are clear problems to solve using fingerprint biometrics for reliable logon to payment systems as part of well-designed security solutions for this segment.

The Chinese market for biometrics was particularly strong for fingerprint technology, and is reported to be more than ninety percent fingerprint, with an overall estimation of worth around 800M USD annually. In other large potential markets, such as India, it was clear during the year that a low cost, environmentally reliable fingerprint technology is a potential success factor as the distributor and developer channels in such countries begin to build and market solutions for biometrics.

## Electronic Product segmentation

There are several reasons why biometrics is well suited to electronic products, with capacitive fingerprint technology taking the lead over other biometrics for accuracy and reliability. The two main driving factors continued to be the convenience of having a biometric in place of a password, and of having some secure means of protecting sensitive or private data. The inconvenience of passwords continued to increase during 2008 as in previous years, and there were many well publicised examples during the year where sensitive data was exposed owing to a lack of reliable access control, and of widely available products to support this for data storage. Even with as many as one in four laptop computers sold featuring biometric fingerprint sensors, the market for USB and memory sticks featuring the technology also continued to grow and show its need for affordable secure solutions.

## Sales and marketing

Most sales are organised through regional resellers. With the addition of Canada the Company now has resellers in thirteen different countries. In regions where the Company is not represented sales are channelled directly to the customer. Examples of such regions having high priority in the search for new resellers are parts of South America and India.





The Company's most important reseller has been for some time Hardware & Software Technologies Co. (HST), headquartered in Taiwan and with three regional sales and development branch offices within China.

The most important volume products for the Company's technology in the Chinese market are biometric logon products delivered to China's banks. HST sells and delivers the Company's technology to security companies developing these end products in which the biometric is integrated, and using the Company's technology HST is the main supplier to the four largest of these security companies. The policy of the largest Chinese banks is that all personnel working with computers shall log on biometrically, and this policy is now spreading to regional banks indicating that this market segment probably has a big potential. Among other product developers in China, using the Company's technology are developers of door locks, safes and safe boxes, biometric keys, USB memories along with products specially designed for China's Post Office and defence industry.

Fingerprint Cards' swipe sensor technology continued to be marketed and delivered to development customers with strong potential for volume market applications. This includes customers such as CardLab which has produced prototype cards in which the complete biometric system is embedded. These fully functioning cards are designed as the debit and credit cards of the future and have been demonstrated to a potential banking customer.

#### **The Company's business situation**

By the close of 2008 a three year period of heavy investments in technology and production was completed. A new and updated processor ASIC has been developed; wafer production was moved to a new foundry; and a completely new product and production solution for the sensor component has been developed. At present the sensor component is the Company's most important volume product. These investments were necessary for market participation and the Company could not have retained a competitive volume delivery position without the commitments successfully undertaken. Cost efficient production is only offered by highly specialised subcontractors and unless they can anticipate high volumes there is no interest in producing. The key for the Company to solve this problem was the volume orders, valued at MSEK 43, that were received from China early 2007. This has been followed by further orders worth MSEK 27 received during 2008.

During late autumn of 2008 the Company carried through a new stock issue which brought MSEK 13.7 after issue costs. The new

issue was taken up to 63% in spite of extremely poor financial market conditions. The motives for the new issue were threefold; to finance the increased need for working capital; to add to enlarged marketing and sales investments; and for the development of a special sensor aimed at the mobile phone market segment. As this new issue was not fully subscribed to the Company must take precautions with its working capital and, above all make sure that stock and trade debtor accounts are kept on a reasonable level. The mobile phone sensor development project will be carried through to the point that the complete technical platform will be validated from which a ready sensor may be completed in a relatively short time. This concluding stage, to bring about a ready commercial sensor, shall be financed by a customer or a strategic partner. Marketing and sales efforts to develop new geographical markets, such as India, will be carried through using already existing personnel resources.

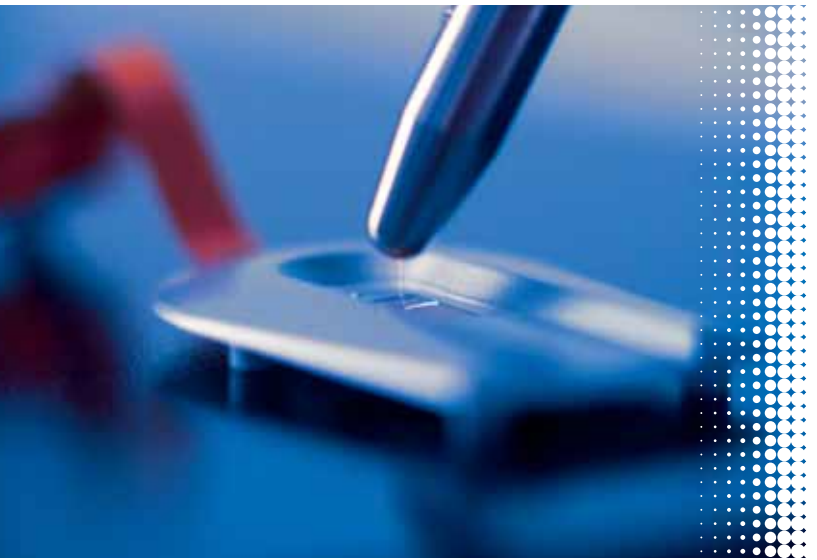
#### **Sales during the year**

Sales in 2008 increased in value by 33% compared with 2007, and amounted to MSEK 27.5. The area sensor accounted for approximately 90% of the total sales value and close to 200 000 units of this sensor were delivered compared with approximately 130 000 the year before. The remaining part of the sales concerned biometric modules, processor ASICs and swipe sensors with matching ASICs all on wafer.

During the fourth quarter deliveries of technology valued at MSEK 8.8 were made representing an increase of 300% against the same quarter in the previous year. Most of the deliveries concerned sensors that were delivered to the Chinese market. Other deliveries concerned a follow up order from a customer in Canada that has developed a bank application, carried through pilot tests and plans for serial production. A follow up delivery was also made to a customer in France for Point of Sale terminals. Deliveries of development kits increased notably and were made to new customers in Italy, Mexico, Poland, South Africa and the Czech Republic. Improved interest was also noted for the Company's module containing the new sensor and processor ASIC thanks to its enhanced functionality making it interesting for developers of Time & Attendance systems. Further on during the fourth quarter the Company received a new order from HST in China valued at MSEK 15 for delivery after the turn of the year.

The order value as at 31 December 2008 amounted to MSEK 30.8. Orders are received in US dollars and the order value is translated to the Swedish Krona at the end of the reporting period.

# Technology and Development



Over the past year, the main part of the activity has been focused on the production of the Company's area sensor, which has led to the development of new product and production solutions. Based on this effort, the Company launched a new packaging solution of the area sensor. The suppliers used in production of this new solution have extensive experience from similar projects and have been engaged early in the development phase, which will enable low cost production, high production quality and short lead times.

## Technology development and production

The main part of the production volume in 2008 was the old and well established, but not cost effective, packaging solution for the area sensor. After some delays production in limited volumes of the new packaging solution was started and the first deliveries to customers were made by the end of the third quarter. A number of technical problems related to production were solved and during the fourth quarter produced volumes were increased markedly as were deliveries to customers. The production yield has also gradually improved and the plan is to successively reach the set targets for both volume and yield during the first quarter of 2009. To ensure the highest quality in the deliveries and to optimise the production costs, the Company has had an intense dialogue with the customers and suppliers regarding details of the quality requirements and the corresponding production processes, which is an activity that will continue in 2009.

## Continuous production cost improvements

In addition to the extensive project aimed at developing the new packaging solution for the area sensor, which is now in the final stage, the Company is continuously investigating new ways to improve the production costs, such as incorporating new suppliers and new production methods into the supply chain. Two such projects, which are expected to further lower the production cost of the Company's area sensor, were launched in 2008. The first trials were carried out at the end of 2008, and the performance will be analysed in detail during the first quarter of 2009. The implementations of the potential

cost reductions in production are expected to be swift, which may allow an improved sales margin during the second half year.

## Technology steps for new application areas

The Company's new system module, FPC-AM2, incorporates the sensor, processor, and all biometric software functionality. This was launched early in the year. The module, based on the newly developed processor ASIC FPC2020, is able to handle up to 500 users in an embedded system. By the end of the year this was upgraded to the FPC-AM3, featuring the newly packaged area sensor. The increased functionality of the module opens up new application areas and provides a straightforward path for customers to evaluate and incorporate the Company's technology into their own products.

## Core technology refreshment

A development project aimed at building the next generation FPC sensor technology progressed during the period. An improved pixel sensor array will deliver the targeted customer benefits for this project. These are higher resolution; dramatically lower power consumption; and scalability to varying sensor sizes and resolutions which will suit many different customer applications requirements. The design has been completed and preparations are underway to validate the new technology on live silicon chips.

## Swipe sensor developments

Refreshment of the core sensor platform strongly supports prospects for Fingerprint Cards swipe sensor technology. At present this is delivered to customers with strong mass market prospects, and is supported on a project basis. Continuation of swipe sensor development into 2009 will involve the Company's increasing internal knowledge and competence to develop a new sensor design based on the new sensor platform. An example of this is a specialised swipe sensor for the mobile phone market which will be commercialised by the appropriate development partner. This approach is wholly consistent with the Company's core commercial concept.

# Intellectual property strategy and approach

Intellectual property is central to the Company's strategy so a close eye is kept on the market for possible infringement of the patents listed; this includes control of any patent rights arising through co-operative work. FPC core technology is now very well supported by patents granted, and a robust strategy is proposed for the protection of future property in value-added technology development. Project design work for customers' technical solutions will be embedded in different 'IP-blocks' to which the sensor or algorithm is integrated, making it impossible for customers to copy and further develop designs without the Company's involvement.

## Sensor patent, architecture

The sensor architecture covers the method of real time programming of sensor matrix function. This solution for the sensor architecture allows each pixel element to be set into different modes of operation while obtaining the fingerprint image. By alternating the operation mode of the pixel elements the image measurement technique and image readout procedure can be optimised to obtain best image quality for the identification and verification of the fingerprint. The PCT, US and European patent applications for sensor architecture have been granted by 2004.

## Sensor patent, pixel element

The main claims of this application focus on the physical design of the pixel elements in the sensor ASIC and the readout conversion. The design of the sensor pixel element and associated conversion principle results in an extremely sensitive sensor amplifier with low internal noise generation. The advantages are that the dynamic profile of a fingerprint can be measured with high sensitivity, accurate contrast resolution, and at a high readout speed. It also becomes possible to coat the sensor with a thick, protective coating, and this is a great advantage in the sensor package integration, when the environmental and durability requirements are demanding. These fundamental design features make possible a robust and user-friendly biometric solution. The Company has received a positive result in the international examination report on its PCT application.

Based on this applications have been filed in US, Japan, and the European Patent Office. In 2008 the European Patent Office granted the Pixel Element patent.

## Algorithm patent

The software used in registration and verification contains mathematical descriptions – known as algorithms – by which millions of operations can be carried out in a split second. In order for this to be done in the most secure and effective manner the algorithm code has also been written for the Company's own microprocessors. The algorithms are based on details in the entire fingerprint pattern using a method adapted from the science of image processing, but one original to this application. A patent application for these algorithms was filed at the Swedish Patent and Registration Office and was granted in November 2000. An international PCT application has also been filed. In 2005 the European Patent Office granted the algorithm patent. An application filed in the USA during 2004 was also granted in 2005.

## Swipe sensor methodology patent

The granted European and US patents for the swipe sensor methodology describe a system based on a sensor that reads partial images from a moving fingerprint, and where the sensor surface is considerably smaller than the fingerprint itself. The information extracted from each partial fingerprint image is read for later verification then erased from memory. This method makes it possible to store the individual's biometric identity without building up the complete image of the fingerprint. Following a positive result in the international examination report from the PCT the Company has filed patent applications in Japan.

## Packaging patent

The approved packaging patent describes a way to use the same coating for protection of the sensor surface and the bond wires used for the electrical interconnection with respect to ESD, environmental conditions and mechanical abrasion.

**Sensor patent, architecture:** Sweden: No. 511543, valid until Feb 2018. EP: No. 1 055 188, valid until Feb 2019. Registered in Germany and France. USA: No. 6,778,686, valid until Feb 2019. Japan: Application No. 2000-531806.

**Sensor patent, pixel element:** PCT: Application No. PCT/SE2004/000985. EP: No. 1766547, valid until June 2024. Registered in Germany, UK and France. USA: Application No. 11/629 328. Japan: Application No. 2007-516421.

**Algorithm patent:** Sweden: No. 514 091, valid until August 2019. EP: No 1 208 528 valid until August 2020. Registered in Germany and France. USA: No. 7 003 142, valid until March 2022.

**Swipe sensor methodology patent:** EP: No. 1 330 185, valid until March 2022. Registered in Sweden, UK, Italy, Germany, and France. USA: No. 7 330 571, valid until October 2024. Japan: Application No. 2004-524625.

**Packaging patent:** Sweden: No. 519304, valid until May 2021.

# Outlook

In readiness for the beginning of 2009 the Company reached a position where important decisions and milestones for competitiveness and profitability have been achieved. During the coming year the Company will make deliveries to its customers based on the improved results of the changes to production methods that were prepared and concluded in 2008.

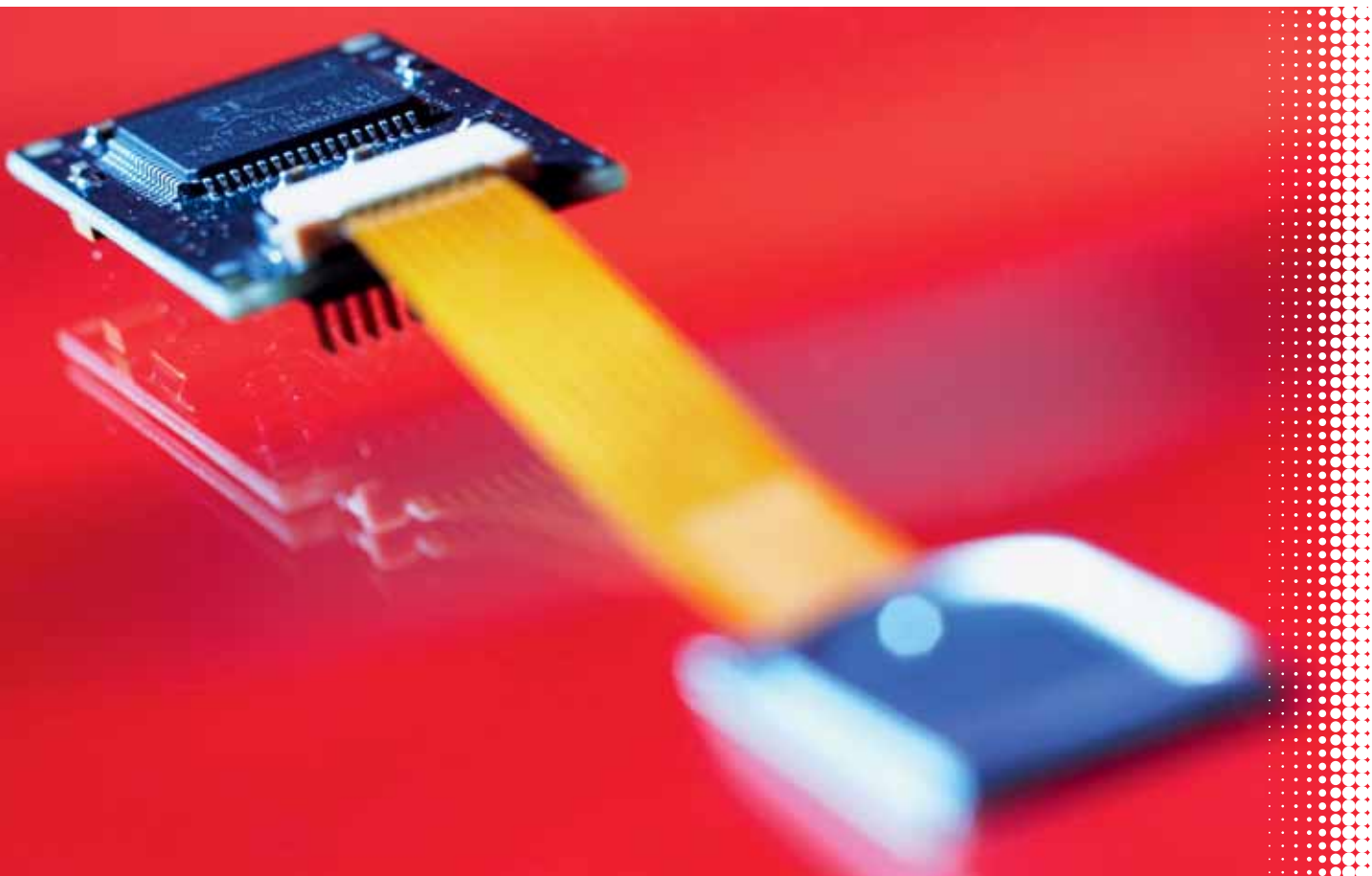
The year ahead will benefit from the Company's growing structural strength. The Company is not a manufacturer of silicon chips but it has been engaged in a programmatic effort leading up to 2009 to increase and consolidate the control that it exercises over all levels of its business model. The controls essential to this effort include development and ownership of Intellectual Property, where new IP supports new business development in 2009. The greater internalisation of engineering knowledge and competence increased in preparation for 2009 where growing customer diversity and specialisation is anticipated, for the consumer electronics markets in particular. The refreshment of product offering was also achieved in readiness for 2009, ensuring a healthy choice of core and value-added technology to the development market for biometrics. The increased control over those manufacturing issues influencing

volume profitability, namely the silicon manufacture and packaging processes, is driving better margins. The positive changes brought by all of these activities in 2008 also serve to underline Fingerprint Cards' commitment to continuous improvements, and throughout 2009 these activities will meet with the aim of delivering further competitive and sales benefits.

## Financial goal

The Company's financial goal, which was to attain a breakeven point during the first half of 2009, was amended at the beginning of the year to be a breakeven point during the second half of 2009. The simple reason for this is the project delay met during the fourth quarter of 2008 in development of the new production solution for packaging of the sensor component.

Sensor deliveries, production volume, and profitability are connected by the question of production yield. Optimisation of this yield delivers improved margins. The plan is to achieve gradually a sales margin of a full 30% during the first half-year and successively a sales margin of up to 40% during the second half-year. The latter will be reached as a result of continuous improvements targeted at



further reducing production costs. These measures have no cost overhead but do require time to complete.

From the end of 2008 the Company's foreign exchange exposure has been reduced. At all production stages for the sensor component – wafer (silicon), coating and packaging – the Company will henceforth be invoiced in US dollars and will invoice sales in the same currency. During the first three quarters of 2008 the Company was faced with problems from the low value of US Dollar sales while production costs were met in SEK and EURO, but 2009 financial health will not suffer from these penalties imposed by factors outside of the Company's control.

#### **General Market prospects**

An important issue is any effect the ongoing worldwide economic recession might have on sales. The Company's largest market is China and, in cooperation with the Company's reseller in China, Company sales personnel have had direct contact with the biggest end-user customers to review their planning for 2009. The Company's continued understanding is that these customers for biometrics believe in strongly increasing volumes and in particular for the

market segment concerning biometric products delivered to the Chinese banks. China's banking and financial system is reported to be solid and constitutes a strengthening factor for the country. Based on the collective market information the Company has, from China and other geographical markets, the Company plans for considerably higher production and sales turnover for 2009 compared to the previous year.

#### **Leadership**

Fingerprint Cards is a technology leader; an innovator in the field of fingerprint sensor and embedded biometric systems technology. During 2009 there will be further evidence of this as the Company's refreshed sensor pixel platform delivers further potential to the diversification and cost reduction of biometric products. The technical advantages that the new sensor technology platform shall bring enhances considerably the Company's prospects of entering the interesting volume segments for consumer electronics. The newly appointed CEO has proven experience from these product segments as well as the qualifications needed for making use of the business potential at hand.



# Products and Applications

Fingerprint Cards supplies components, systems, and licences to its geographical distributor and reseller partners who in turn sell these to product developers who understand the many different applications calling for biometrics. In some cases the Company also enters directly into project work with larger prospective customers where a greater understanding of the technology is required, and where the outcome is likely to be a purely licensing based arrangement.

Products and Applications provide two different ways of understanding the opportunity for biometric technologies to get to market. The Product route is defined by market segments, such as consumer electronics, where the functionality in the product has a strong (if evolving) definition. Some good examples of such products are enterprise laptop computers, 'smart' mobile phones, physical access control readers, and personal safes.

The Applications route is defined by a business need; one met by a biometric solution. This solution can define its deployment of biometrics in different ways. For example, a hospital requiring practitioners to account accurately for prescription drugs might choose to replace a falsifiable paper signature with a secret digital signature using biometrics, or it might quite simply use a biometric lock on the drugs storage facility. Fingerprint Cards has a number of customers developing such solutions. The design of the solution and the route for biometrics to meet the business need is therefore likely to be varied and equally likely to evolve with the business customer. Applications with proven potential to drive biometric requirements during 2008 continued to be Time & Attendance, Financial Services accountability, and Healthcare accountability.

During 2008 it was increasingly clear that access to innovative markets is important. The Company's development partners worldwide have been innovators in their own areas of solutions and products, but the Asian and Indian marketplaces continued to be highly receptive to the introduction of new products and ideas. These markets have lower entry barriers to the introduction of low cost biometric solutions. Asian market opportunities saw the Company's customers reaching markets as diverse as USB token data security, IT logon, Time & Attendance, Automotive security, and standalone battery operated door lock systems.

Innovation is also closing in on mass market opportunities such as customer banking, where this is dependent upon magnetic stripe card solutions. Development partners such as CardLab have been showing the way forward with on-card biometric verification. This uses the most advanced, but proven biometric and battery power

technologies to deliver a secure card solution that will fit within the current lifecycle of a bank card. In the USA, Germany and France developers brought FPC technology into use for POS (Point of Sale) terminals, where the biometric substitutes for a PIN code.

The traditional functions: for biometrics of access control security and of convenience, were added to in 2008 by the number of products and deployments clustered around the need to make a strong connection between an individual (identity) and an action or event. The first market segment to realise the applications value of this association between an individual and an event was Time & Attendance, where the two main problems are administrative overheads (lost badges and cards that need replacement), and cumulative small acts of payroll fraud (mis-reporting of hours worked). From a simple cost point of view, biometric products offer significant business savings in both of these areas. In India, where several industries are operating large workforces then the Company's customers have identified regional opportunities for fingerprint biometric Time & Attendance to reduce petty fraud and better management of human resources.

The most established application for biometrics is physical access control where buildings and assets are protected. The uses for this are as diverse as door-lock products where the use of cards is removed; products for the home such as personal safes where valuables or weapons can be kept; automotive applications such as recreational vehicle access; and security transportation where a completely secure solution includes the control of the driver personnel. In 2008 the Company saw such developments from China, Sweden, Korea, the USA, Singapore, and Taiwan.

Mobile systems reliant upon local, portable power supplies and standalone systems functionality have benefited from Fingerprint Cards' embedded systems technology. In India the technology is being used in mobile units for student identification, in China the postal and logistics businesses are introducing mobile readers, and in Italy medical equipment is being managed to protect it from misuse. Replacement of the personal signature is beginning to emerge, with biometrics proving a more reliable tool in signing for valuable goods.

By the end of 2008 the Company had seen a healthy increase in interest globally and across a variety of product developers for its systems modules, featuring the newly packaged sensor technology and new functionality from its ASIC biometric processor. Throughout 2009 the Company will continue to stay in strong contact with its local distributors and project customers, and will be looking to diversify its supply to growing products markets and to local, regional solutions providers.

# Organisation

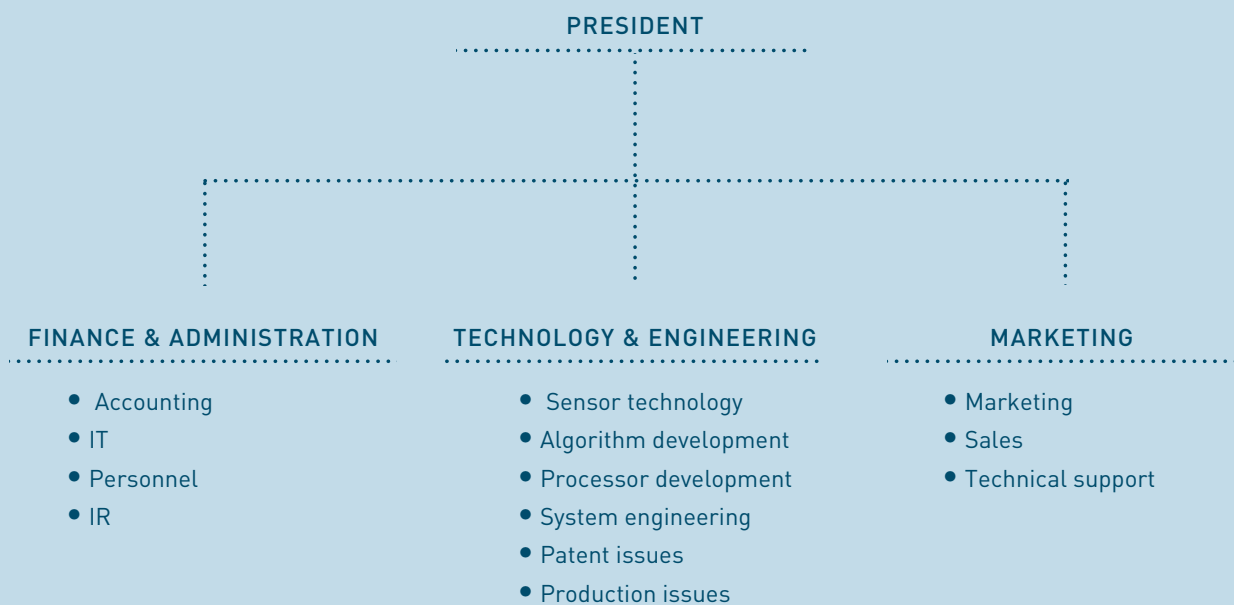
Shortly after the end of the year the Company's CEO and President Mr Lennart Carlson announced his intention to stand down after twelve years with the Company. The Company has appointed a new CEO having a solid marketing and sales background, Mr Johan Carlström. Mr Carlson will stay with the Company during his 12 month notice period, acting as a support resource for the new CEO and the organization during the transition. Following the new employments made during 2007 the organisation was unchanged during 2008.

Ultimate responsibility for the daily operation lies with the President, supported by an in-house management team that works to an established reporting and meetings structure. The main role of this team is to exchange information and make timely decisions on important issues related to technology development and the conduct of business operations. The Company administration works closely with the President. The Chief Financial Officer holds responsibility for administration, personnel, treasury, financial reporting to the board and reporting to the authorities. The President manages all investor relations matters.

The VP Sales & Marketing looks after direct marketing and sales activities, and leads a team giving technical support and assisting customers in projects integrating the technology to particular end products. The Sales & Marketing organisation is structured into three geographical areas – Asia, EMEA, and the Rest of World – and

these are aided by a technical support team who work directly with customers on development issues. Marketing activities during the year favoured direct customer approaches but exhibition attendance was increased from the previous year, working in collaboration with the Company's regional distributors. Direct marketing activities involved the launch of the Company's new product solution for the area sensor and a news letter was distributed to the Company's extensive customer and prospects data base. The sales organisation complemented and supported the Company's distributor and reseller network, which is capable of handling regional customers more effectively. The marketing team worked hard during the year to create closer working relationships by direct support not only to distributor/resellers, but to their end customers. The Marketing team uses these extensive customer contacts to inform and support its strategic planning and forecasting activities.

The highly qualified technology team in Gothenburg, with many years expertise in biometric systems, is led by a VP Technology & Engineering who is also responsible for the management of external expertise in a number of countries. Competent personnel are retained for development of the algorithm, ASICs, and the sensors, as well as for managing production, quality control, and delivery work. For larger projects involving the further development of FPC IP then project teams are assembled from FPC and customer personnel.



# Share data and Ownership structure

Shares in Fingerprint Cards were floated on the New Market list of the Stockholm Stock Exchange on May 8, 1998. Since April 19, 2000 the shares have been traded on its Nordic List. One round lot comprises 500 shares. The Company publishes quarterly reports and other share market information and otherwise complies with the rules and practices applying to share market companies in accordance with the Stockholm Stock Exchange.

## The Shares

As at December 31, 2008, Fingerprint Cards share capital totalled SEK 2,430,546 allocated among 12,152,733 shares made up of 300,000 shares in Series A and 11,852,733 shares in series B, each with a quota value of SEK 0.20. All shares confer an equal right to a

share in corporate profits, while the Articles of Association contain a pre-exemption clause relating to the A shares.

During the period 24 November – 8 December 2008 the Company has carried through with a new stock issue having preferential rights for the Company's existing shareholders. The new issue brought the Company MSEK 16.9 before issue costs. With the new issue the number of shares in Fingerprint Cards will increase by 300 000 shares of series A and 7 382 060 shares of series B and the total number of shares will amount to 19 834 793. The new shares were registered at "Bolagsverket" (Swedish Companies Registration Office) on 13 January 2009.

As at December 30, 2008, the B share was traded to the price of SEK 2.58.

## Allocation of the share capital as at december 31, 2008

Type of share	No. of shares	No. of votes	Share of capital in %	Share of capital in %
Series A	300 000	3 000 000	2,5	20,2
Series B	11 852 733	11 852 733	97,5	79,8
<b>Total</b>	<b>12 152 733</b>	<b>14 852 733</b>	<b>100,0</b>	<b>100,0</b>

## Changes in share capital

Year	Event	Quota value, SEK	Changes in shares	Total No. of shares	Increase in share capital	Total share capital
1997	Split 500:1	0,20	249 500	250 000	0	50 000
1997	Bond issue	0,20	250 000	500 000	50 000	100 000
1997	New share issue	0,20	2 000 000	2 500 000	400 000	500 000
1997	New share issue	0,20	370 000	2 870 000	74 000	574 000
1998	New share issue	0,20	2 000 000	4 870 000	400 000	974 000
2000	New share issue	0,20	540 000	5 410 000	108 000	1 082 000
2000	New share issue	0,20	938 258	6 348 258	187 651	1 269 651
2005	New share issue	0,20	3 000 000	9 348 258	600 000	1 869 651
2006/2007	New share issue	0,20	2 804 475	12 152 733	560 895	2 430 546

## Owner structure as at december 30, 2008

Shareholder	No. of A-shares	No. of B-shares	Total No. of shares	No. of votes	Capital in %	Votes in in %
Technoimagia Sweden AB	300 000	7 200	307 200	3 007 200	2,5	20,2
Lennart Carlsson		686 350	686 350	686 350	5,6	4,6
Non-Swedish owners		3 580 046	3 580 046	3 580 046	29,5	24,1
of which Max Bank A/S		425 000	425 000	425 000	3,5	2,9
other non-Swedish owners		3 155 046	3 155 046	3 155 046	26,0	21,2
Others		7 579 137	7 579 137	7 579 137	62,4	51,1
<b>Total</b>	<b>300 000</b>	<b>11 852 733</b>	<b>12 152 733</b>	<b>14 852 733</b>	<b>100,0</b>	<b>100,0</b>

Number of shareholders as at December 30, 2008: 7,125



# Administration report

The Board and President of Fingerprint Cards AB (publ), company registration number 556154-2381, hereby present the annual accounts and consolidated accounts for the fiscal year 2008. The Company constitutes the parent company of the wholly owned subsidiary Fingerprint Security System Databarare AB, company registration number 556239-5938.

## Operations in general

Fingerprint Cards has developed electronic systems that determine personal identity by analysing the unique fingertip patterns of individuals. The systems comprise microchips with algorithms that scan, store and compare fingertip patterns without the help of any PC processor. Two types of capacitive sensors have been developed, an extremely small swipe sensor and a flatbed sensor. Processor ASICs and algorithms have been developed for each type of sensor. By virtue of its smallness, low power consumption and the possibility of very low production costs, the technology can be integrated in volume products such as smart cards and mobile (cell) phones, where the requirements for such features are extremely high. Other applications for the technology include access control systems for buildings and products for log on to computers and IT networks.

## Significant events during the fiscal year

By the close of 2008 a three year period of heavy investments in technology and production was completed: a new and updated processor ASIC was developed; wafer production was moved to a new foundry; and a completely new product and production solution for the sensor component was developed.

By the fourth quarter substantial volume production with the new solution got started in the Philippines by a highly specialized US subcontractor. This was later than planned as the process was interrupted during the year at the subcontractor stage applying the protective coating to the silicon wafers.

During the fourth quarter deliveries of technology valued at MSEK 8.8 were made representing an increase of 300% against the same quarter in the previous year. Most of the deliveries concerned sensors that were delivered to the Chinese market. Deliveries of development kits increased notably and were made to new customers in Italy, Mexico, Poland, South Africa and the Czech Republic.

During the year deliveries of the block order, worth MSEK 43 and received from HST in 2007, were completed and part deliveries of the order worth MSEK 12 received early in the third quarter 2008, were made. The most important volume products for the Company's technology in the Chinese market are biometric logon products delivered to China's banks. A total order value of MSEK 27 was received for the Chinese market during the year.

For the swipe sensor technology the Company delivered sensors and processor ASICs along with matching software to card solutions developer CardLab which has produced prototype cards in which the complete biometric system is embedded. These fully functioning cards are designed as the debit and credit cards of the future and have been demonstrated to a potential customer.

During late autumn of 2008 the Company carried through a delayed new stock issue which brought MSEK 13.7 after issue costs. The new issue was taken up to 63% in spite of extremely poor financial market conditions. The motives for the new issue were threefold; to finance the increased need for working capital; to add to enlarged

marketing and sales investments; and for the development of a special sensor aimed at the mobile phone market segment.

The Company's financial goal, to attain a breakeven point during the first half of 2009, was amended to a breakeven during the second half of the year. The simple reason for this is the project delay met in development of the new production solution for packaging of the sensor component.

## Expectations of future developments

From the end of 2008 the Company's foreign exchange exposure has been reduced. At all production stages for the sensor component – wafer (silicon), coating and packaging – the Company will henceforth be invoiced in US dollars and will invoice sales in the same currency. Projects underway and aimed at further reduction of the production costs have the potential to raise the sales profit margin as high as 40% during the latter half of 2009.

An important issue is any effect the ongoing worldwide economic recession might have on company sales. The Company's continued understanding via its Asian distributor partner is that end customers for biometrics in that region believe in strongly increasing volumes and in particular for the market segment concerning biometric products delivered to the Chinese banks.

As the Company's new share issue was not fully subscribed to the Company will take precautions with its working capital, above all to make sure that stock and trade debtor accounts are kept on a reasonable level.

## Research and development operations

As well as the development of new product and production solutions the main part of the activity was focused on increasing the production of the area sensor. Based on this effort, the Company launched a new area sensor packaging solution. The suppliers used in production of this have extensive experience from similar projects and have been engaged early in the development phase, which will enable low cost production, high production quality and short lead times.

Investigation continued into new ways to improve production costs, such as incorporating new suppliers and new production methods into the supply chain. Two such projects, which are expected to further lower the production cost of the Company's area sensor, were launched in 2008. The first trials were carried out at the end of 2008, and the performance will be analysed in detail during the first quarter of 2009. The implementations of the potential cost reductions in production are expected to be swift, which may allow an improved sales margin during the second half of 2009.

The Company's new system module incorporates the sensor, processor, and all biometric software functionality. This was launched at the beginning of the year. This module, based on the newly developed processor ASIC FPC2020, can handle up to 500 users in an embedded system. The increased functionality of the module opens up new application areas and provides a straightforward path for customers to evaluate and incorporate the Company's technology into their own products.

The development project aimed at building the next generation sensor technology has progressed during the period. An improved pixel sensor array will deliver the targeted customer benefits for this project. The design has been completed and preparations are in process for validating the new technology on live silicon chips.

A project with high visibility in the biometrics market is that by Card-Lab to develop a secure card in the format of a credit card, primarily aimed at the banking sector. This is based on the Company's sensor and processor ASIC which runs FPC fingerprint matching software. To date a number of prototypes have been manufactured and demonstrated to customers, with positive results.

#### **Financial position**

Equity, as of December 31, 2008, amounted to MSEK 58.1 (67.1). The consolidated equity/assets ratio was 84.3% (90.7). Consolidated available liquid assets including current investments as at December 31, 2008, totaled MSEK 22.6 (33.8). Other current receivables amounted to MSEK 9.9 (5.6). The consolidated working capital amounted as at 31 December to MSEK 37.1(50.4).

The parent company's available liquid assets up to 31 December 2008, short term investments included, amounted to MSEK 22.6 (33.7). A new share issue concluded in the fourth quarter brought MSEK 13.7 after issue costs.

#### **Fixed assets, capital expenditure and depreciation**

During the financial year investments in equipment amounted to MSEK 0.1 (0.2) and development cost has been set up as an asset during the period with MSEK 7.7 (5.3). During the fourth quarter investments in equipment amounted to MSEK 0 (0) and development cost has been set up as an asset with MSEK 2.9 (1.1).

Development costs have been depreciated according to plan by 15% and equipment was depreciated by 20% annually.

#### **International Financial Reporting Standards (IFRS)**

With effect from 2005 Fingerprint Cards AB has been applying IFRS in its consolidated financial statements in compliance with an EU directive that applies to all listed companies in the EU.

#### **Significant events after the expiry of the financial year**

Company CEO Mr Lennart Carlson gave notice of his intention to terminate his employment after 12 years as the Company's CEO.

In the press release on last year's accounts, released on 18 February 2009, the Company stated that the financial goal of attaining half-year of 2009 instead of the first half-year.

A new CEO was appointed, Mr Johan Carlström. He has solid experiences from marketing and sales within the IT and Telecom industries and takes up his position from 6 May 2009. Mr Carlson will stay with the Company during his 12 month notice period acting as a support resource for the organisation.

#### **Essential risk and uncertainty factors**

Beyond the usual business risks the following risk areas could be identified for the Company and its business situation.

##### **Dependence on key personnel**

Biometrics is still a relatively new area, showing high growth and requiring high technical knowledge and skill from employed personnel. The Company has a number of key persons important to the successful development of Fingerprint Cards' operations. Should such key persons leave Fingerprint Cards it could, at least in the short term, have a negative impact on the operations. A number of employees possess unique knowledge of the Company's technology and have a long experience of its business. A loss of one or several

of such key employees could for a transition period disturb operations. Replacing highly qualified members of the staff could take considerable time and could be costly.

##### **Loss of larger customers**

A large part of the Company sales goes to the Chinese market where the Company has an established reseller who has built up a strong position for the Company's technology during a long period. A loss of such an important reseller could incur a severe disruption of the Company's operations.

##### **Suppliers**

Fingerprint Cards has no production of its own. To be able to manufacture, sell and deliver products the Company depends on subcontractors and that these suppliers deliver contracted volumes, at the right time and to the specified quality. Faulty or unforthcoming deliveries from the Company's suppliers can lead to delayed deliveries from Fingerprint Cards to its customers, or that such deliveries contain faulty products and this could have negative effects on the Company's operations, results or its financial position.

The Company's production of components takes place at subcontractors. Such production is both planned and ordered long in advance, up to six months before delivery is made. Binding orders with delivery plans from customers are not generally received that long in advance. Unsuccessful prognoses concerning sales and deliveries to customers can lead to overly large stock accumulation that could cause the Company liquidity problems.

##### **Essential development projects**

The Company has run for some time an essential development project aimed at developing a new packaging solution for the area sensor; one designed for very high production volumes, and with a radically reduced production cost. This project is run in collaboration with a highly qualified subcontractor with extensive experience of this kind of production. Production commenced in the third quarter of 2008 when also minor deliveries to customers were made. A number of production issues were worked out during the fourth quarter and the produced volumes and deliveries to customers were increased significantly. Consequently, the risk associated with severe and unforeseen disruption in the industrialisation phase should have decreased considerably; However, as volume production has only been running for a short period, the risks cannot be omitted. Having a well-run and smooth production is essential for the Company's future competitiveness and extensive disruptions in this process would have a negative impact on the Company's business situation.

##### **Need for additional capital**

It cannot be excluded that further capital infusion might be needed to finance Fingerprint Cards' operation and continued expansion. This might have to be done in a less favourable market situation and at terms that are less favourable when compared to the present situation. External financing under such conditions could bring negative effects on Fingerprint Cards' operations or on the shareholders' rights. Should the Company obtain financing through issue of new shares or other share related instruments this could cause dilution effects for the Company's shareholders while debt-financing, should such be available to the Company, could involve restricting terms which could limit the Company's flexibility. It cannot be guaranteed that capital can be raised when a need arises or on terms that are acceptable to the Company.

### Corporate Governance

At the AGM 2008 Fingerprint Cards did not practice the Code of Corporate Governance and hence no Nomination Committee was elected. Following consultations with the major shareholders the Board of Directors has therefore put together a Nomination Committee whose composition is shown on the Company's web site. The tasks of the Committee in advance of the AGM 2009 are:

- To propose a Chairman for the AGM
- To propose candidates for the post of chairperson and other members of the board, along with proposing fees and other remuneration to each member of the board
- To make proposal on remuneration of the company auditor
- To make proposals on guidelines for appointment of future Nomination Committees

### The board and its work

The Company Board consists of five members with solid experience of entrepreneurial and board activities in listed companies. The President is part of the Board, which held eleven meetings during the year. Special instructions for the President describe the allocation of work and authority between the latter and the Board. In addition, the Board has adopted an operations code for its work. This code specifies such matters as the overall tasks of the Board with regard to corporate organisation and economic administration. Furthermore, it describes those matters that are to be discussed at the Board meetings and which reports are to be presented to the Board. Financial results and the financial position are regularly compared with budgets set by the Board.

### Proposed allocation regarding the Company's loss

The following amounts in the parent company are at the disposal of the Annual General Meeting, SEK:

Accumulated loss (SEK)	-164 382 245
Loss for the year (SEK)	- 23 288 990
.....	.....
Total accumulated loss (SEK)	- 187 671 235

The Board and President propose that statutory reserve be reduced by SEK 187 671 235 to cover total accumulated loss. The Board and the President propose that no dividend will be paid for the financial year. The annual accounts and consolidated accounts in respect of 2008 for Fingerprint Cards AB (publ) were approved for publication by the Board in its decision of 9 April 2009. It is proposed that the annual accounts and consolidated accounts be adopted by the Annual General Meeting to be held on 4 June 2009.

The Board of Directors and the President certify that the consolidated accounts has been prepared in accordance with the international set of accounting standards IFRS, which have been approved by EU, and give a true and fair view of the position and profit or loss of the Group. The annual financial report has been prepared in accordance with generally accepted accounting principles and gives a true and fair view of the position and profit or loss of the Parent Company. The administration report for the Group and Parent Company gives a fair review of the development and performance of the business, position and profit or loss of the Group and the Parent Company and describes the principal risks and uncertainties the Parent Company and the Group face.

Gothenburg, April 9, 2009

**Perc Brodén**  
Chairman

**Lennart Carlson**  
CEO & President

**Tommy Trollborg**

**Géza Fülöp**

**Christer Bergman**

My auditor's report was submitted on April 9, 2009

**Jan Malm**  
Authorised Public Accountant

# Income statement

Amount in TSEK	Note	THE GROUP		THE PARENT COMPANY	
		2008	2007	2008	2007
Net sales	3	27 455	20 743	27 455	20 743
Cost of sold goods		-28 473	-33 294	-28 473	-33 294
<b>Gross profit/loss</b>		<b>-1 018</b>	<b>-12 551</b>	<b>-1 018</b>	<b>-12 551</b>
Market		-4 837	-4 969	-4 837	-4 969
Administration		-6 542	-7 605	-6 562	-7 625
Research and development	7	-11 704	-10 324	-11 704	-10 324
<b>Operating profit/loss</b>	3,4,5,6,8	<b>-24 101</b>	<b>-35 449</b>	<b>-24 121</b>	<b>-35 469</b>
<b>Profit/loss from financial items</b>					
Financial income	9	1 044	1 723	1 044	1 723
Financial costs	9	-211	-447	-211	-447
<b>Profit/loss after financial items</b>		<b>-23 269</b>	<b>-34 173</b>	<b>-23 289</b>	<b>-34 193</b>
Tax on profit for the year	10	0	0	0	0
<b>Profit/loss for the year</b>		<b>-23 269</b>	<b>-34 173</b>	<b>-23 289</b>	<b>-34 193</b>
Attributable to					
Parent company's shareholders		-23 269	-34 173		
Minority interest		-	-		
Earnings per share, SEK					
Before dilution		-1,92	-2,82		
After dilution		-1,92	-2,82		

# Cash flow statement

Amount in TSEK	THE GROUP		THE PARENT COMPANY	
	2008	2007	2008	2007
<b>Source of funds</b>				
Operating Profit/loss	-23 269	-34 173	-23 289	-34 193
<b>Adjustments for items not included in the cash flow</b>				
Depreciation	3 477	2 755	3 477	2 755
Disbursements of tangible assets	-2 036	7 051	-2 036	7 051
Share options to employees	519	396	519	396
Other items not included in the cash flow	-359	-136	-359	-136
	<b>-21 669</b>	<b>-24 107</b>	<b>-21 689</b>	<b>-24 127</b>
Taxes paid	-390	-390	-390	-390
<b>Cash flow from current operations before changes in working capital</b>	<b>-22 059</b>	<b>-24 497</b>	<b>-22 079</b>	<b>-24 517</b>
<b>Change in working capital</b>				
Increase (-)/Decrease (+) of inventory	4 630	-8 473	4 630	-8 473
Increase (-)/ Decrease (+) in current receivables	-3 587	1 710	-3 587	1 710
Increase (+)/ Decrease (-) in current liabilities	3 950	-608	4 050	-583
<b>Cash flow from current operations</b>	<b>-17 066</b>	<b>-31 869</b>	<b>-16 986</b>	<b>-31 864</b>
<b>Capital expenditure operations</b>				
Investment in intangible assets	-7 692	-5 270	-7 692	-5 270
Investment in tangible assets	-122	-198	-122	-198
<b>Cash flow from capital expenditure operations</b>	<b>-7 814</b>	<b>-5 468</b>	<b>-7 814</b>	<b>-5 468</b>
<b>Financial operations</b>				
Group contribution			20	
Issue of new shares and other owner contributions	13 732	0	13 732	0
<b>Total application of funds</b>	<b>13 732</b>	<b>0</b>	<b>13 732</b>	<b>0</b>
<b>Cash flow for the year</b>	<b>-11 148</b>	<b>-37 337</b>	<b>-11 048</b>	<b>-37 332</b>
Liquid funds and current investments at the start of the year	33 805	71 142	33 689	71 021
Liquid funds and current investments at the end of the year	22 657	33 805	22 641	33 689

Liquid funds are: cash and bank and current investments.

# Balance sheet

Amount in TSEK	Note	THE GROUP		THE PARENT COMPANY	
		20081231	20071231	20081231	20071231
<b>Assets</b>					
<b>Intangible assets</b>					
Capitalised expenditure for development	11	20 750	16 412	20 750	16 412
<b>Tangible assets</b>					
Equipment, fixtures and fittings	12	292	292	292	292
<b>Financial assets</b>					
Participations in group companies	13	0	0	0	0
<b>Total fixed assets</b>		<b>21 042</b>	<b>16 704</b>	<b>21 042</b>	<b>16 704</b>
<b>Current assets</b>					
Inventory	14	15 401	17 996	15 401	17 996
Accounts receivables – trade		8 374	3 970	8 374	3 970
Other receivables		773	780	773	780
Prepaid expenses and accrued income	15	726	787	726	787
Current investments	16	0	28 736	0	28 736
Cash and bank balances		22 657	5 069	22 641	4 953
<b>Total current assets</b>		<b>47 932</b>	<b>57 338</b>	<b>47 916</b>	<b>57 222</b>
<b>Total assets</b>		<b>68 974</b>	<b>74 043</b>	<b>68 958</b>	<b>73 926</b>

Amount in TSEK	Note	THE GROUP		THE PARENT COMPANY	
		20081231	20071231	20081231	20071231
<b>Equity and liabilities</b>					
<b>Equity</b>					
Share capital		2 431	2 431	2 431	2 431
Other contributed capital/Statutory reserves		229 761	229 761	229 121	229 121
Share premium reserve		13 732	0	13 732	0
Profit/loss brought forward		-164 515	-130 861	-164 382	-130 728
Profit/loss for the year		-23 269	-34 173	-23 289	-34 193
<b>Total equity</b>		<b>58 139</b>	<b>67 157</b>	<b>57 613</b>	<b>66 631</b>
<b>Current liabilities</b>					
Accounts payable – trade		7 857	4 315	7 857	4 315
Liabilities to group companies		0	0	510	410
Other liabilities		1 109	910	1 109	910
Accrued expenses and prepaid income	17	1 870	1 661	1 870	1 661
<b>Total current liabilities</b>		<b>10 835</b>	<b>6 885</b>	<b>11 345</b>	<b>7 295</b>
<b>Total equity and liabilities</b>		<b>68 974</b>	<b>74 043</b>	<b>68 958</b>	<b>73 926</b>
<b>Pledged assets and contingent liabilities</b>					
Amount in SEK					
Pledged assets		None	None	None	None
Contingent liabilities		None	None	None	None

## Changes in equity

The Group	Share capital	Other capital contribution	Profit/loss brought forward including profit/ loss for the year	Total
At the start of the year 2007	2 224	255 518	-156 808	100 934
Profit/loss for the year			-34 173	-34 173
Total change in assets excl transactions with the company's shareholders	2 224	255 518	-190 982	66 761
New share issue	206	-25 757	25 551	0
On-going new share issue			396	396
<b>At the end of the year 2007</b>	<b>2 431</b>	<b>229 761</b>	<b>-165 034</b>	<b>67 157</b>
At the start of the year 2008	2 431	229 761	-165 034	67 157
Profit/loss for the year			-23 269	-23 269
Total change in assets excl transactions with the company's shareholders	2 431	229 761	-188 303	43 888
New share issue <sup>1)</sup>			13 732	13 732
Share options to employees			519	519
<b>At the end of the year 2008</b>	<b>2 431</b>	<b>229 761</b>	<b>-174 052</b>	<b>58 139</b>

Parent company	RESTRICTED EQUITY			NON-RESTRICTED EQUITY		Total
	Share capital	Restricted reserves	On-going new share issue	Non-restricted reserves	Profit/loss for the year	
At the start of the year 2007	2 224	229 121	25 757	-136 938	-19 758	100 407
2005 loss brought forward				-19 758	19 758	
Effects of Group contribution				20		20
Profit/loss for the year					-34 193	-34 193
Total change in assets excl transactions with the company's shareholders	2 224	229 121	25 757	-156 676	-34 193	66 234
Profit/loss for the year	206		-25 757	25 551		0
Total change in assets excl transactions				396		396
<b>At the end of the year 2007</b>	<b>2 431</b>	<b>229 121</b>	<b>0</b>	<b>-130 728</b>	<b>-34 193</b>	<b>66 631</b>
At the start of the year 2008	2 431	229 121	0	-130 728	-34 193	66 631
2006 loss brought forward				-34 193	34 193	
Effects of Group contribution				20		20
Profit/loss for the year					-23 289	-23 289
Total change in assets excl transactions with the company's shareholders	2 431	229 121	0	-164 901	-23 289	43 362
New share issue <sup>1)</sup>				13 732		13 732
Share options to employees				519		519
<b>At the end of the year 2008</b>	<b>2 431</b>	<b>229 121</b>	<b>0</b>	<b>-150 650</b>	<b>-23 289</b>	<b>57 613</b>

1) New issue costs balanced against equity totaled TSEK 3 169.

### Restricted reserves

It is not permitted to reduce restricted reserve by distribution of profit.

### Other capital contribution/share premium reserve

From 1 January 2006 premium reserve is included in non-restricted equity.

### Non-restricted equity

#### Retained earnings

This item consists of the previous year's non-restricted equity and after payment of dividend, if any. 2006 years premium reserve is booked against retained earnings. Together with the profit/loss for the year and non-restricted equity, this makes up the amount that is available for distribution to shareholders.



# Notes and supplementary disclosures

## NOTE 1

### Accounting principles' compliance with standards and statutory requirements

The consolidated financial statements are made up in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (ISAB) and the interpretative recommendations issued by the International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the European Commission for application within the EU. The Swedish Financial Accounting Standards Council's recommendation RR 30 Complementary Accounting Rules for The Group has been applied.

The parent company applies the same accounting principles as the Group and the accounts are made up in accordance with RFR 2.1, The Swedish Financial Reporting Board.

### Principles applied in the making of the parent company's financial statements and those of the Group

The parent company's operative currency is the Swedish krona, which is also the reporting currency of the parent company and the Group. This means that the financial reports of the parent company and the Group are made up in Swedish kronor.

Assets and liabilities are stated at their historic acquisition value, except for certain financial assets. The financial assets that are valued at fair value are classified as financial assets valued at fair value via the income statement.

### Classifications

Fixed assets, long-term liabilities and provisions consist in all essentials solely of amounts that are expected to be recovered or paid more than 12 months after the closing date. Current assets and short-term liabilities consist in all essentials solely of amounts that are expected to be recovered or paid within 12 months of the closing date.

### Reporting by segment

The primary criterion for classification of the Group's segments is geographic areas. The secondary criterion is their line of business.

### Consolidated financial statements

The consolidated financial statements relate to the parent company and those companies in which the parent company directly or indirectly controls more than half the votes, or exercises control in some other way.

The consolidated financial statements are made up using the acquisition method.

### Income

Sales of products are stated after the Group has transferred to the buyer the critical risks and utility associated with ownership of the sold goods, and has no remaining right or possibility to retain actual control over the sold goods.

Revenue recognition from services is recorded when the economic outcome of accomplished service can be reliably calculated and where the economic benefits will fall to the Company's share.

### Intangible fixed assets

Research costs are taken into the profit and loss account when they

occur. Development costs are capitalised to the extent they are expected to generate financial benefits in the future. The stated value includes expenditure on material, direct labour, and indirect costs that can be attributed to the asset. Other development expenditure is taken into the profit and loss account as a cost when it is occurred. Development costs capitalised in the balance sheet are stated at their acquisition value less accumulated depreciation and write-downs.

### Tangible fixed assets

Tangible fixed assets are stated at their historical acquisition cost after deduction of accumulated depreciation and any write-downs.

### Depreciation according to plan and write-downs

Depreciation according to plan is based on original acquisition values and estimated useful economic life.

Depreciation according to plan has been undertaken as follows:

Capitalised expenditure for R&D and similar	15 %
Equipment, tools, fixtures and fittings	20 %
Personal computers	20 %

### Group contributions and shareholder contributions legal entities

Group contributions and shareholder contributions are stated in accordance with the interpretations by the emerging issues task force of the Swedish Financial Reporting Board. Shareholder contributions are taken direct against equity by the donor to the extent that no write-down in value is required. Group contributions are stated on the basis of their financial implications. This means that Group contributions paid in order to minimise the Group's total tax payments are taken direct against retained earnings after deduction of their actual tax effect.

### Taxes

Total tax as stated in the profit and loss account comprises current tax and deferred tax. Current tax is the tax to be paid or received for the year in question. This also includes any adjustment to current tax for previous periods. Deferred tax is calculated using the balance sheet method on the basis of temporary differences between stated values and values for tax purposes of assets and liabilities, applying the tax rates and rules that have been approved or announced as of the closing date. Temporary differences are not taken into account in goodwill arising upon consolidation, nor in differences attributable to interests in subsidiary and associate companies that are not expected to become liable to taxation in the foreseeable future.

Deferred tax assets in respect of tax-deductible temporary differences and loss allowances are stated only to the extent that they are likely to be utilised and entail lower tax payments in the future.

### Financial instruments

Financial instruments are valued and stated in the consolidated financial statements in accordance with IAS 39.

### Financial assets

Money at bank, loan receivables and accounts receivable are valued at the amortised cost. Placements are valued regularly at market value; changes in market value are taken into the income statement.

Monetary financial assets denominated in foreign currencies are re-valued at closing day rates.

#### **Financial liabilities**

Financial liabilities are valued initially at the value of funds received after deduction of any transaction costs. Normally, the liabilities are valued regularly at their amortised cost using the effective interest method. Monetary financial liabilities denominated in foreign currencies are re-valued at closing day rates.

#### **Computation of fair value**

The fair value of financial instruments that are traded on an active market is based on listed market prices.

#### **Leasing**

Leasing of assets over which the lessor in all essentials retains ownership is classified as operational leasing and the leasing charge is stated as a linear cost over the period of the lease. All leasing agreements are stated as operational.

### **NOTE 2**

#### **Financial risk management**

The Group's financial activities and management of financial risks are carried out on the basis of the financial policy established by the Board and are characterised by a low level of risk. The aim is to minimize the Group's capital costs by using suitable means of financing and to effectively manage and control the Group's financial risks.

#### **Currency risk**

Transaction exposure. The Group's sales are US dollar 98% and in SEK 2% while cost of goods sold is in EUR. Operating expenses are mainly in SEK. Currency fluctuations are not hedged by means of currency forwards or options.

#### **Credit risks**

The Group's financial assets amounts to 32.5 MSEK (39.3) of which 22.6 MSEK (5.1) is money at bank. Loss on bad debts has over the years been low and this is also true of 2008. The risk is limited by pre-payments and by obtaining credit reports on customers.

#### **Actual value**

##### **The group**

The book value of financial assets and liabilities agrees with actual value and amounts to 32.5 MSEK (39.3) and 10.8 MSEK (6.9) respectively. No forward cover has taken place for currencies components in the above amounts.

##### **The parent company**

The book value of financial assets and liabilities agrees with actual value and amounts to 32.5 MSEK (39.2) and 11.3 MSEK (7.3) respectively. No forward cover has taken place for currencies components in the above amounts.

### NOTE 3

#### Reporting by segment

The Group's primary criterion for dividing the business into segments is based on geographical territories. EMEA (Europe, Middle East and Africa), Asia and America. The information presented regarding net sales is stated on the basis of where Fingerprint Cards' customers are located.

	EMEA		ASIA		AMERICA		GROUP TOTAL	
Information about primary segmentation	2008	2007	2008	2007	2008	2007	2008	2007
Net sales	1 635	1 087	25 410	18 256	410	1 399	27 455	20 743
Costs	-1 984	-1 461	-30 830	-24 523	-497	-1 879	-33 311	-27 863
Not allocated costs							-18 246	-28 328
Operating result	-349	-373	-5 420	-6 267	-87	-480	-24 102	-35 449
Net financial items							833	1 276
Tax								
<b>Profit for the year</b>							<b>-23 269</b>	<b>-34 173</b>

#### Information about secondary segmentation

The Group's secondary ground for division into segments is based on products and services.

	PRODUCTS		LICENCES		SERVICES		GROUP TOTAL	
	2008	2007	2008	2007	2008	2007	2 008	2007
Net sales	26 848	20 068	415	341	192	0	27 455	20 409
Assets	67 457	44 550	1 035	757	482	0	68 974	45 307
Not allocated assets							0	28 736
Investments	7 658	5 377	156	91	0	0	7 814	5 468

### NOTE 4

#### Employees and personnel expenses

Parent Company and the Group	2008		2007	
	Average no. of employees	Of whom men	Average no. of employees	Of whom men
Sweden	13	13	12	12
Total for the Parent Company and the Group	13	13	12	12

Number of employees at the end of the year was 13 of whom all were men.

#### Salaries and other remuneration and social security expenses

	2008		2007	
	Salaries and remuneration	Social security expense	Salaries and remuneration	Social security expense
The Parent Company and the Group	8 335	4 588	8 118	4 220
of which pension expenses		1 481*		1 366*

\* Of the pension expenses for the Parent Company SEK 350,000 [350,000] relates to the President, to whom the Company's outstanding pension obligations amount to 0. [0]

## Salaries and other remunerations allocated among the President, board members and other employees of the Parent Company and the Group

	2008		2007	
	President and board members	Other employees	President and board members	Other employees
Sweden	1 847	6 488	1 864	6 254
Including bonuses etc.	0	0	0	0

## Salaries and other remunerations allocated among the President, board and other officers

Remuneration of the chairman and members of the board is paid according to the resolution by the general meeting of shareholders. There has not been any remuneration for work related to committees. Remuneration to the President and other officers of the Company consists of basic salary and pension. The other officers of the Company referred to are the three persons who, together with the President, represent the group management.

	Basic salary/ directors remuneration	Variable remuneration	Other benefits	Pension cost	Total
Chairman of the board	80	0	0	0	80
Members of the board	110	0	0	0	110
President	1 657	0	0	350	2 007
Other officers of the company	2 051	0	0	427	2 478

A total fee of SEK 190 000 was paid to the Chairman and other Board members during the year.

## Notices of termination and servance pay

The President's post is subject to twenty-four-months' notice of termination if notice is given from the Company and twelve months if notice given by the President, during which salary and other benefits are payable at an unchanged level. For other members of the executive management the notice of termination is between six and twelve months during which salary and other benefits are payable at an unchanged level.

## Condition of pensions

The President has an individual company pension paid for by Fingerprint Cards where the premiums amount to a maximum of SEK 350,000 a year. For other members of the executive management the equivalent pension premiums amount to between eleven and twenty-one percent of the salary depending on age and the level of salary. Fingerprint Cards offers premium-based pensions only. Pension premiums refer to premiums affecting the 2008 result.

## Share-based payment

At the Annual General Meeting held on May 31, 2007, it was decided to issue 370,000 share options to employees, out of which 180,000 share options have been subscribed for by the employees and 190,000 share options have been subscribed for by the Company's subsidiary, Fingerprint Security System Databärare AB, for future transfer to new employees. The personnel cost for the share options held by the Company's subsidiary will be accounted for when transfer to new employees takes place. The strike price was set at SEK 38 and subscription of shares shall take place starting 1 June 2010 and ending 30 November 2010. The share capital will be diluted by a maximum of 3.04 per cent and the votes by 2.49 per cent. The personnel cost for the share options, as at December 31, amounted to MSEK 0.5 (0.4). The equity has been increased by the same amount.

## Compensation issues – decision process

Considering the Company's size the board has concluded that the company currently has no need for a compensation or an audit committee. Base salary and benefits for the President are negotiated and decided by the chairman of the board. The President negotiates and decides base salary and benefits for all other employees.

## Skill and level of education

Of the Company personnel of thirteen, everyone holds an academic degree.

**Absence due to illness, 20080101–20081231**

During the period 20080101–20081231 the total absence due to illness was 80 (104) hours. Compared to the total working hours for the period, 26,572 (25,528) hours, the absence due to illness was 0,3 % (0.4). Absence due to illness that does not exceed a continuous period of 60 days, divided by gender. All absences due to illness concern men.

Absence due to illness that does not exceed a continuous period of 60 days, divided by age group	30–49	50–
Hours of absence or illness in relation to working hours by age group	0,2%	0,1%

Absence due to illness that exceed a continuous period of 60 days.

There has not been any absence due to illness that exceeds a continuous period of 60 days.

**NOTE 5****Depreciation/write-down of tangible, intangible and financial fixed assets.**

Developments costs that have been set up as assets are depreciated according to plan by 15%.

	THE GROUP		THE PARENT COMPANY	
	2008	2007	2008	2007
Capitalised expenditure for R&D and similar	-3 354	-2 552	-3 354	-2 552
Equipment, tools fixtures and fittings	-123	-203	-123	-203
	<b>-3 477</b>	<b>-2 755</b>	<b>-3 477</b>	<b>-2 755</b>

**NOTE 6****Auditors' fees and remuneration**

	THE GROUP		THE PARENT COMPANY	
	2008	2007	2008	2007
KPMG AB				
Auditor's fee	126	143	126	143
	<b>126</b>	<b>143</b>	<b>126</b>	<b>143</b>

Auditor's fee refer to the audit of the annual report, the accounting records as well as a review of the CEO and the Board of Directors' administration of the Company, other tasks that are the responsibility of the Company's auditors, and other advice or assistance resulting from observations in such audits or performance of other tasks. All other work is reported as "remuneration other assignments".

**NOTE 7****Development costs**

During the year the internal and external technology development expenses amounted to TSEK 19.396 (15.594).

Development costs has been set up as an asset during the year with TSEK 7.692 (5.270).

**NOTE 8****Operational leasing**

Operational leasing where the company is lessee (rent of office premises).

	THE GROUP		THE PARENT COMPANY	
	2008	2007	2008	2007
Due for payment within one year	1 423	1 344	1 423	1 344
Due for payment within 2–5 years	356	336	356	336
Due for payment after more than 5 years	0	0	0	0
	<b>1 779</b>	<b>1 680</b>	<b>1 779</b>	<b>1 680</b>

**NOTE 9****Financial items**

	THE GROUP		THE PARENT COMPANY	
	2008	2007	2008	2007
Interest income	1 044	1 723	1 044	1 723
<b>Total</b>	<b>1 044</b>	<b>1 723</b>	<b>1 044</b>	<b>1 723</b>
Interest costs	-3	-1	-3	-1
Exchange differences	-208	-446	-208	-446
<b>Total</b>	<b>-211</b>	<b>-447</b>	<b>-211</b>	<b>-447</b>

**NOTE 10****Tax**

	THE GROUP		THE PARENT COMPANY	
	2008	2007	2008	2007
<b>Profit/loss before tax</b>				
Profit/loss before tax	-23 269	-34 173	-23 289	-34 193
Tax at prevailing tax rate, 28%	6 515	9 568	6 521	9 574
Non-deductible expenses	4	18	4	18
Changes in loss carried forward without corresponding set up of deferred tax	-6 519	-9 586	-6 525	-9 592
<b>Accounted effective tax</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Fingerprint Cards deficit allowance for tax purposes has been set at MSEK 139.2. The deficit tax allowance for 2008 is estimated to MSEK 23.2. No deferred tax benefits have been reported based on the above losses.

**NOTE 11****Capitalised R&D expenses etc.**

	THE GROUP		THE PARENT COMPANY	
	20081231	20071231	20081231	20071231
<b>Accumulated acquisitions value</b>				
At the start of the year	33 694	28 424	33 694	28 424
Capitalisations for the year	7 692	5 270	7 692	5 270
At the end of the year	41 386	33 694	41 386	33 694
<b>Accumulated depreciation according to plan</b>				
At the start of the year	-17 282	-14 731	-17 282	-14 731
Depreciation according to plan for the year	-3 354	-2 552	-3 354	-2 552
At the end of the year	-20 636	-17 282	-20 636	-17 282
<b>Closing residual value according to plan</b>	<b>20 750</b>	<b>16 412</b>	<b>20 750</b>	<b>16 412</b>

**NOTE 12****Equipment, tools, fixtures and fittings**

	THE GROUP		THE PARENT COMPANY	
<b>Accumulated acquisitions value</b>	<b>20081231</b>	<b>20071231</b>	<b>20081231</b>	<b>20071231</b>
At the start of the year	2 875	2 677	2 875	2 677
New acquisitions	122	198	122	198
At the end of the year	2 997	2 875	2 997	2 875
<b>Accumulated depreciation according to plan</b>				
At the start of the year	-2 583	-2 380	-2 583	-2 380
Depreciation according to plan for the year	-123	-203	-123	-203
At the end of the year	-2 706	-2 583	-2 706	-2 583
<b>Closing residual value according to plan</b>	<b>292</b>	<b>292</b>	<b>292</b>	<b>292</b>

**NOTE 13****Participations in group companies**

	THE GROUP		THE PARENT COMPANY	
<b>Accumulated acquisitions value</b>	<b>20081231</b>	<b>20071231</b>	<b>20081231</b>	<b>20071231</b>
At the start of the year	0	0	6 000	6 000
At the end of the year	0	0	6 000	6 000
<b>Accumulated write-downs</b>				
At the start of the year	0	0	-6 000	-6 000
At the end of the year	0	0	-6 000	-6 000
<b>Closing book value</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Spec. of Parent Company holdings of participations in group companies		No. of participations	Share in %	Book value
Fingerprint Security 556239-5938		1 000	100,0	0

The parent company's purchase from group companies amounted to SEK 20,000 (20,000). No sales has been recorded to the group companies.

**NOTE 14**  
**Inventory**

	THE GROUP		THE PARENT COMPANY	
	20081231	20071231	20081231	20071231
Work in process	9 239	11 929	9 239	11 929
Finished goods	6 163	6 067	6 163	6 067
	<b>15 401</b>	<b>17 996</b>	<b>15 401</b>	<b>17 996</b>

**NOTE 15**  
**Prepaid expenses and accrued income**

	THE GROUP		THE PARENT COMPANY	
	20081231	20071231	20081231	20071231
Accrued interest income	0	145	0	145
Pension premiums	122	211	122	211
Rent	356	336	356	336
Miscellaneous	248	96	248	96
	<b>726</b>	<b>787</b>	<b>726</b>	<b>787</b>

**NOTE 16**  
**Current investments**  
**Parent company and the Group**

Classification of securities	Market value or	Book value	Market value or	Book value
	equal. 20081231	20081231	equal. 20071231	20071231
Commercial papers	0	0	28 736	28 736
	<b>0</b>	<b>0</b>	<b>28 736</b>	<b>28 736</b>

**NOTE 17**  
**Accrued expenses and prepaid income**

	THE GROUP		THE PARENT COMPANY	
	20081231	20071231	20081231	20071231
Accrued salaries and social security costs	709	819	709	819
Other items	1 161	841	1 161	841
	<b>1 870</b>	<b>1 661</b>	<b>1 870</b>	<b>1 661</b>



# Audit Report

**To the annual meeting of the shareholders of Fingerprint Cards AB**  
Corporate identity number 556154-2381

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Fingerprint Cards AB for the year 2008. The annual accounts are presented in the printed version of this document on pages 17–32. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of International Financial Reporting Standards IFRS as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain high but not absolute assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and the consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the

managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards IFRS as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the loss of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Göteborg April 9, 2009  
KPMG AB

Jan Malm  
Authorized Public Accountant

## Five – year summary, the group

	2008	2007	2006	2005	2004
Turnover for the year (MSEK)	27,5	20,7	11,1	2,7	2,9
Profit/loss for the year (MSEK)	-23,3	-34,2	-19,7	-17,5	-21,6
Liquid assets incl. investments, year end (MSEK)	22,7	33,8	71,1	40,0	31,0
Equity, year end (MSEK)	58,1	67,2	100,9	58,7	53,7
Balance sheet, year end (MSEK)	69,0	74,0	108,4	61	56,4
Capital to asset ratio (%)	84,2	90,7	93,1	96,2	95,2
No of employeés, year end	13	12	11	11	12
Profit/loss per share (SEK)	-1,92	-2,81	-1,77	-1,87	-3,40
Profit/loss per share after full dilution (SEK)	-1,92	-2,81	-1,77	-1,87	-3,40
Liquid assets incl. investments per share, year end (SEK)	1,86	2,78	6,39	4,28	4,88
Equity per share, year end (SEK)	4,78	5,53	9,07	6,28	8,46
No of shares, year end (thousands)	12 152,7	12 152,7	11 122,4	9 348,3	6 348,3
No of shares, average, year end (thousands)	12 152,7	12 152,7	9 495,8	6 848,3	6 348,3
No of shares after full conversion (thousands)	12 522,7	12 522,7	9 495,8	7 073,3	6 698,3
Share price, year end (SEK)	2,58	13,20	16,20	12,00	13,30
Market capitalisation, year end (MSEK)*	56	160	180	112	84

\* Market capitalisation includes 9,682,060 paid subscription shares.

# Board of directors

## BOARD OF DIRECTORS



### Perc Brodén

Chairman of the Board since 2005, appointed 2000  
**Born:** 1944 **Occupation:** Senior Advisor  
**Education:** Graduate in Business Administration  
**Shareholding in Fingerprint Cards AB:** 16,000 B-shares **Other board positions:** Chairman of Parelle AB, Sveriges Urmakareförbunds Skola AB and Tankbar IM AB. Board member of Perc Brodén AB and i Ideella föreningen Fack 2000 Kedjor i samverkan.



### Lennart Carlson

Member of the Board since 1997, President in Fingerprint Cards AB **Born:** 1946  
**Education:** Masters degree in political science and economics. **Shareholding in Fingerprint Cards AB:** 686,350 B-shares **Other board positions:** President and member of the board in Finansforum I Göteborg AB and Fingerprint Security System Databärare AB.



### Géza Fülöp

Member of the Board since 2008 **Born:** 1964  
**Occupation:** Manager, Network Management Ericsson AB **Education:** Ph.D. Theoretical Physics  
**Shareholding in Fingerprint Cards AB:** 1,500 B-shares **Other board positions:** None



### Tommy Trollborg

Member of the Board since 2008 **Born:** 1939  
**Occupation:** Senior Advisor **Education:** Graduate from Handelshögskolan in Stockholm  
**Shareholding in Fingerprint Cards AB:** 5,000 B-shares **Other board positions:** Chairman of Transferator AB (publ) and Åkers Krutbruk Protection AB. Board member of Promobilia International AG, Stiftelsen Promobilia and WSAB Oy.



### Christer Bergman

Member of the Board since 2008 **Born:** 1955  
**Occupation:** President of IdentiPhi Inc.  
**Education:** Master of Engineering, Master of Science **Shareholding in Fingerprint Cards AB:** 3,500 B-shares **Other board positions:** Chairman of Swecard International SA, WCC Group B.V. and IdentiPhi Inc.

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## EXECUTIVE MANAGEMENT



### Lennart Carlson

President, born 1946

Employed since 1997. Masters degree in political science and economics from Gothenburg University. International business experience UK. Entrepreneurial experience from several industries. Founder and owner of Finansforum AB.

Shareholding in Fingerprint Cards AB: 686 350 B-shares.



### Peter Svensson

VP Technology & Engineering, born 1963

Employed since 1999. Master of Science (Electronics) from Chalmers University. Technical development manager Sigma. Previously manager algorithm and processor development at Fingerprint Cards AB.

Shareholding in Fingerprint Cards AB: 20 000 share options



### Lars Lundgren Jr

VP Marketing & Sales, born 1962

Employed since 2001. Formerly regional manager at Merant Ltd and partner in several IT-companies.

Shareholding in Fingerprint Cards AB: 20 000 share options.



### Anders Sävfält

Chief Accounting Officer, born 1953

Employed since 2005. graduate in Business Administration from Gothenburg University. Previously CAO within the Frontec group.

Shareholding in Fingerprint Cards AB: 20 000 share options.

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## THE AUDITOR

### Jan Malm

Born 1960

Ordinary auditor since 2003, KPMG AB



**FINGERPRINTS**

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