FINGERPRINTS

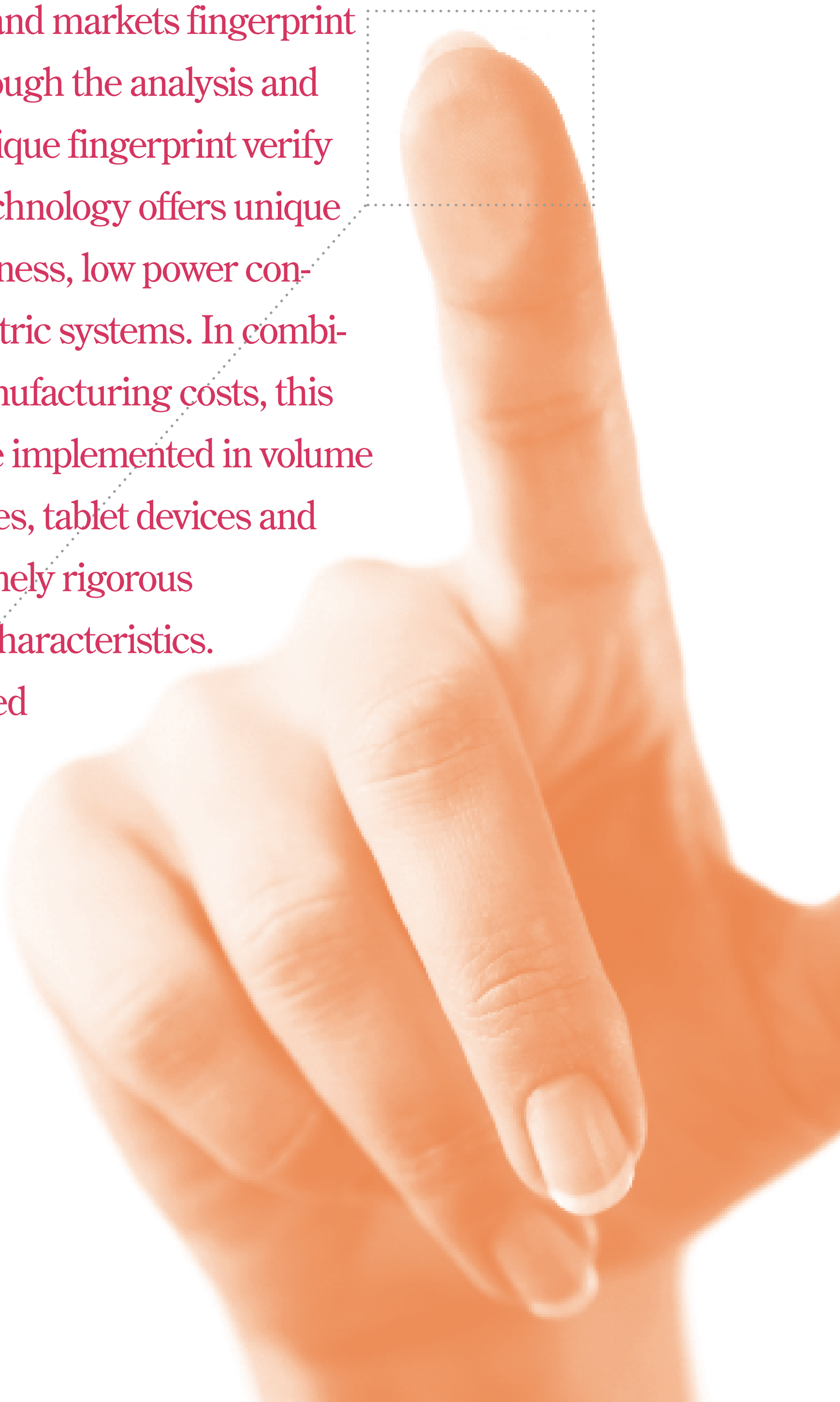
BEYOND KEYS AND PINS

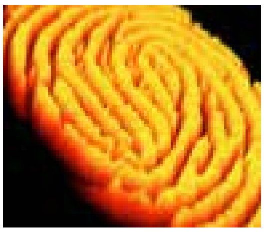
Annual Report 2012

Contents

FPC IN 30 SECONDS

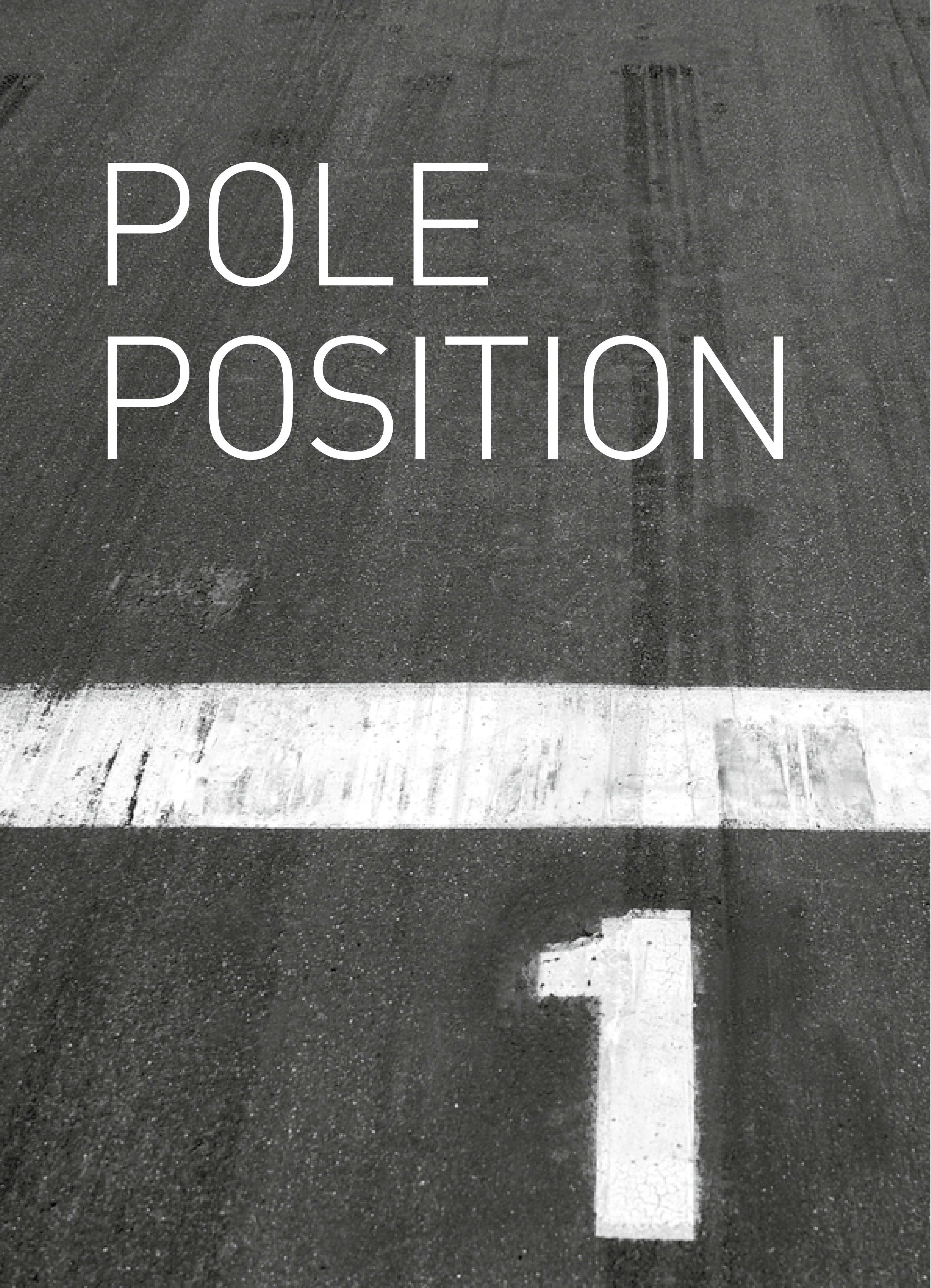
Fingerprint Cards AB (FPC) is a listed high-tech company that develops, produces and markets fingerprint sensors and software that through the analysis and matching of an individual's unique fingerprint verify the person's identity. FPC's technology offers unique image quality, extreme robustness, low power consumption and complete biometric systems. In combination with extremely low manufacturing costs, this allows for the technology to be implemented in volume products such as mobile phones, tablet devices and remote controls, where extremely rigorous demands are placed on such characteristics. The technology has been tested thoroughly in several fields of application.





The FPC sensors are of a capacitive type which not only reads the surface, but also reads three-dimensionally.

POLE POSITION



Security and convenience

Fingerprint secure and intuitive

Rapidly growing market

The smartphone market is expected to at least double from 2012 to 2016

Several independent sources confirm that fingerprint sensors are being incorporated into mobile phones and tablet devices from 2013 onward.

Apple's acquisition of AuthenTec confirms that the starting shot has been fired for the implementation of fingerprint sensors.

Sharply increased customer interest – additional design wins

Pole position

Few players in the market
– Apart from Apple, FPC is one of two players available to the other mobile operating systems in the mobile market, which account for nearly 80% of the total smartphone market

FPC increases its competencies – in management, development, industrial production and sales

Major obstacles to establishment – FPC has key patents/IPOs and is further increasing the pace of development

Financial strength – strong interest, including oversubscribed share issues that raised SEK 130 M*

*Shares issued from December 2012 to March 2013, before issue expenses.

Q1

- Partnership agreement reached with a globally leading module company whose sales target is 20–40 million units between 2012 and 2014.

Q2

- Carnegie appointed as liquidity provider.
- FPC and CrucialTec launched biometric modules aimed at leading customers in the sector.
- Partnership with Miaxis, with a particular focus on the banking sector.
- Göran Malm and Tord Wingren appointed as new members of the Advisory Board.
- FPC and CrucialTec develop a new module with a new silicon, thus opening a new market for FPC.
- FPC launches a slimmer fingerprint sensor, with the highest ESD (electrostatic discharge) tole rance.

FULL-YEAR 2012

- Sales totaled SEK 10.3 M (68.6).
- According to the new calculation method*, a gross loss of SEK 5.7 M (profit: 31.6) was reported. According to the former calculation method, gross profit of SEK 6.8 M (38.7) would have been reported.
- The loss after financial items was SEK 38.2 M (profit: 3.4).
- According to the new calculation method, the gross margin was minus 55% (46%). According to the former calculation method, the gross margin would have been 66% (56%).
- The loss per share was SEK 0.84 (earnings: 0.08).
- Cash and cash equivalents at the year-end amounted to SEK 60 M (23).
- The order backlog at year-end was SEK 19.7 M (6.1).

> “2012 was weak in terms of earnings but laid the foundation for 2013 to be a breakthrough year for FPC’s technology and biometric solutions globally”

*As of 2012, recognition of cost of goods sold has been restated due to the reclassification of costs. The change primarily involves amortization according to plan of capitalized development expenditure, now classified as Cost of goods sold, which results in the figures for gross profit/loss and gross margin being lower than the previous classification of costs.

Q3

- Henrik Storm appointed VP Customer Projects and member of the Executive Management Team.
- Resolution passed at an Extraordinary General Meeting to implement a private placement of warrants for existing staff. The placement was fully subscribed for.

Q4

- Swipe sensor design wins:
  the first in Japan with a mobile-phone manufacturer and
  a mobile-phone manufacturer in China,
  a second in Japan with a mobile-phone manufacturer,
  a third in Japan with a mobile-phone manufacturer
- Office reopened in Taiwan and organization strengthened by two key employees.
- Office opened in San Francisco, USA and Sales Director for North America is hired.
- FPC integrates its authentication technology in Secure Elements for mobile transactions.
- FPC successfully implements a private placement of 4.2 million Class B shares and generating SEK 36.1 M.
- Jörgen Lantto is hired as Executive Vice President, CTO and Director of Strategy.

NOTABLE EVENTS AFTER THE REPORTING PERIOD:

- Offices opened in Tokyo, Shanghai and Seoul
- Organization strengthened through:
  Senior Technical Manager in Japan,
  Senior Sales Executive in South Korea
  Magnus Hansson as Senior Sourcing Director responsible for Supply Chain Management
  Jonas Andersson as Director Business Development in secure mobile transactions
- Swipe sensor design wins from ten different manufacturers of various mobile phones and tablet devices
- FPC's technology chosen by world-leading supplier of financial information for its authentication solutions.
- First mass-production order secured for 375,000 swipe sensors for mobile phones in Japan
- FPC obtains working credit of SEK 15 M from Nordea with a guarantee from EKN.
- Chinese order for swipe sensors valued at SEK 20 M secured.
- Private placement of 1,400,000 Series B shares at an average exercise price of SEK 28.81 and 1,600,000 shares at an exercise price of SEK 34 to international institutional investors, totaling SEK 94.7 M
- Extraordinary General Meeting convened to approve a new incentive program for newly recruited key employees.
- Joined FIDO (Fast Identity Online) – an industry initiative for the first open-source industry standard for identification
- FPC connected to GlobalPlatform, a body responsible for the standardization of applications used in secure-chip solutions.
- Forecast for 2013 reiterated: 30 million sold units, sales of SEK 130–190 M, EBITDA 20–35%.

THE ACTION IS HAPPENING NOW

The year 2012 was eventful, where the single most significant event for our part being Apple's acquisition of Authentec, thus confirming that we have the right products. At the same time, we established a unique market position.

In 2012 we laid the foundation

In my "Letter from the CEO" in the 2012 Annual Report, I stated that 2012 would probably be a breakthrough year for the introduction of fingerprint verification systems. With the results in my hand, I can state that there was no breakthrough in terms of orders placed. However, I can definitely state that this is the time for our technology. By far the most significant event confirming this assessment is Apple's acquisition of our US competitor, Authentec. Apple's decision to acquire primarily intellectual property rights and expertise in fingerprint technology is serving as a driver of the other players' willingness to also integrate fingerprint technology into their products. This acquisition also entailed that a supplier for other mobile and tablet producers exited the market, thus working out perfectly for us.

2012 was characterized by a high level of activity, during which we continued to strengthen the foundation for our forthcoming expansionary phase. We strengthened our organization and management, we continued our vital development activities and we opened offices in the US. Following fiscal year-end, we strengthened the Executive Management Group additionally when Jörgen Lantto was hired as Executive Vice President, CTO and Director of Strategy. This meant that we had found an important piece of the puzzle required to secure our ability for strategic development and industrial processes. I am also pleased that a multi-year employee, Henrik Storm, has joined the Executive Management Group, with responsibility for the growing area of customer projects. We also strengthened our presence in our important markets of Japan and South Korea through the opening of new offices.

Institutional investors endorsed our business

To manage the expansion of our operations, we recently implemented two private placements. In my contacts with investors and players in capital markets in conjunction with these, I have noted a marked interest in our business and not least in the prospects it has.

One private placement was completed in December 2012, raising SEK 36.1 M at a subscription price of SEK 8.6 per share. The purchasers were two institutional investors and a Hong Kong-based industrial customer. We completed an additional two private placements in March 2013 that were subscribed by a number of institutional investors. This share issues raised SEK 94.4 M, at the exercise prices of SEK 28 and SEK 34 per share, respectively.

We now stand financially strong, with the funds needed to continue our operational expansion. An organization in the growth phase that we have entered requires key competencies, a strengthening of existing functions and the establishment of new functions. Continued development work is vital, as are business development, increased sales activities and project-driven development. The ability to cope with a dramatically increased order situation is also decisive, in respect of both competencies in industrial processes and in having the financial strength to satisfy requirements for the credit periods demanded by the major global customers.

Trend toward secure payments
Late last year, our authenticating technology was integrated into Secure Elements for mobile transactions. This was a key step for blending into the entire chain required for secure and thus confidence-inspiring payments.

We also developed a slimmer fingerprint sensor, with the highest ESD tolerance, which was launched during the autumn.

We have refined our area sensor, which is essentially the de facto standard in the Chinese banking sector and is being distributed by our Chinese partner, Miaxis.

System solutions also comprise software and related processors – ASIC – for recognition. A new project in this area is under way in cooperation with our partner, CrucialTec, which is opening up new application areas for our sensors.

Customers are also endorsing our products
To date, we have secured 13 design wins (meaning that our sensors are included in a system solution) from several mobile-phone and tablet-device manufacturers since 2012. These primarily involve mobile phones. Our unique position in the market as a supplier of fingerprint sensors adapted for mobile phones and other handheld units is a fantastic door opener. This is particularly noticeable from the fact that we are now contacted to a greater extent than we contact others. And the interest is considerable.

The building work continues
The pace of our business activity has increased even more in the New Year. This is reflected in the number of individually important events. Notable among these was a continued strengthening of the organization in the form of the appointment of a Senior Technical Manager in Japan and a Senior Sales Executive in South Korea. An important link in our industrial ability was the hiring of Magnus Hansson as Senior Sourcing Director responsible for Supply Chain Management. Jonas Andersson, as Director Business Development in secure mobile transactions, increases our cutting-edge expertise even more in a niche that is decisive for the future.

We are securing design wins at an accelerated pace, which is a crucial step towards gaining orders and generating revenue.

We will also be contributing our expertise to develop industry standards for identification (FIDO) and security in surrounding ecosystems (GlobalPlatform).

In other words, I feel confident that we will be able to meet our forecast for 2013: sales of 30 million units, sales revenues of approximately SEK 130-190 M and profitability in terms of EBITDA of 20-35 percent. The tempo is fast and the joy of going to work is tangible. The action is happening now.

Johan Carlström
President and CEO

BEYOND KEYS AND PINS

Vision – FPC aims to be the leading supplier of components and systems for fingerprint verification.

Fingerprint verification will replace other access systems, PIN codes and passwords.

Mission

– Beyond keys and PIN codes – FPC makes life easier through secure identification. Business concept – FPC develops and sells leading biometric products and solutions to companies that develop systems for security and convenience.

Business objectives
By 2014, FPC is to have a 60% share and by 2015, a 50% share of the fingerprint-sensor market for mobile phones with sensors.

Future prospects
Sales for 2013 are expected to land in the interval of SEK 130–190 M, with an EBITDA margin of 20–35%.

Most sales are expected to occur during the latter half of the year, when they are expected to rise sequentially.

Dividend policy
The company's cash flow in the next few years will be used to finance continued expansion. This means that FPC's Board of Directors does not intend to propose any dividend for the next two years. The Board of Directors will examine the established dividend policy annually.

"To provide security solutions appropriate to a mobile society."

Strategies

Product strategy
FPC aims to be a supplier of components and systems for fingerprint verification. FPC is to develop and market components in two product categories – area sensors and swipe sensors.

Development strategy
FPC pursues the proprietary development of key components in the fingerprint sensor, silicone solutions and scanning software.

Systems adaptation, such as implementation in a mobile phone, is performed in close cooperation with customers and other system suppliers.

Patent strategy
FPC pursues an active patent strategy based on careful monitoring of the market in an effort to evaluate new opportunities for filing patents and identifying possible infringement of the company's existing patents.

Production strategy
FPC's production is implemented in close cooperation with selected subsuppliers. Production-critical elements of manufacturing are to be conducted using tools owned by FPC but operated by the subsupplier.

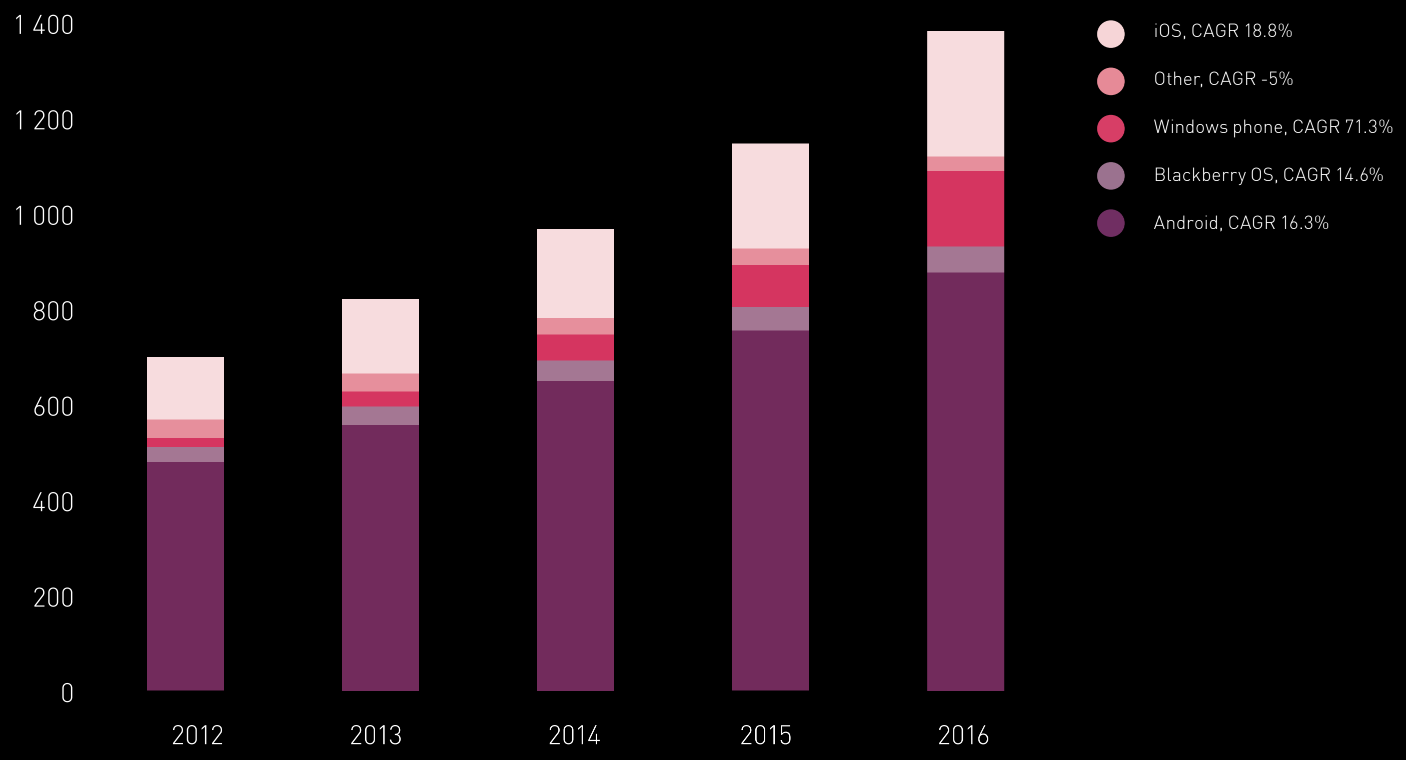
All manufacturing is to be conducted in accordance with forecasts based on information received from customers and distributors.

Market and sales strategy
FPC intends to focus on marketing its products to product developers/system integrators either via distributors or directly. Sales to the producer level will occur in close cooperation with distributors. FPC will also actively pursue sales efforts.

Swipe sensors are to be marketed to product developers/system integrators of mobile phones and other portable applications, such as tablet devices, USB keys and smart cards. As a feature of the launch of swipe sensors, the company will actively participate in development projects together with mobile-phone manufacturers and subsystems suppliers. Geographically, market cultivation is occurring in Asia – primarily in China, Taiwan, South Korea, Singapore and Japan – as well as in the US and Europe.

MOBILITY, SECURITY AND CONVENIENCE ARE DRIVING DEMAND FOR FPC'S PRODUCTS

Increased demands for convenience and the protection of information and money, in combination with the broad introduction of biometric personal data by government agencies, are strong driving forces for FPC.



The number of smartphones continues to soar. The graph also indicates the share of operating systems. Source: IDC.

Mobility

The driving forces are summarized in three words – security, mobility and convenience.

FPC's assessment is that the use of biometric identity information, including fingerprints, will be increase sharply in the not-too-distant future. This assessment is based on several factors, underlying trends and driving forces. In this presentation, FPC outlines the key factors and their potential implications for future growth.

Demand for biometrics driven by two main sectors:

– the commercial sector, to secure and facilitate consumer use of digital services such as access to information and payments, and

– the public sector in connection with public functions such as border controls and allowance systems.

Increase in smartphones and tablet devices

Global populations are becoming increasingly mobile. The number of subscriptions worldwide is expected to increase from 6.3 billion to approximately 9 billion by 2018.

The penetration of mobile broadband is also growing, from 1.5 billion connections since its launch in 2003, to 6.5 billion by 2018. At the same time, WiFi usage is growing sharply.

The number of smartphones continues to soar. The number of smartphones delivered in 2012 totaled 700 billion. According to IDC's forecast, the number will practically double by 2016 to nearly 1,400 million smartphones out of a total of 2,200 million mobile phones.

Apple's iOS will probably have a market share of 19.1%, with other operating systems accounting for the remaining 80.9% – refer to graph on page 10.

The number of tablet devices is expected to track laptop deliveries in 2016, meaning approximately 350 million tablet devices and 350 million laptops.

Migration from desktop to handheld computers for web access

The spread of smartphones – essentially hand-held computers – is increasing in line with falling prices. A smartphone is the first computer for many people, particularly in emerging nations. FPC believes that the proliferation of these devices will sharpen the focus on the security aspect, particularly in regard to mobile payments and transactions.

The IT company, Cisco Systems, anticipates a twofold increase in online units, rising from 7.5 billion in 2010 to 15 billion in 2015. According to Gartner's report, Top Ten Strategic Technology Trends for 2013, mobile devices will surpass computers as the most-used browser platform in 2013 and, by 2015, the number of tablet devices will constitute half of all portable computers (laptops will account for the other half).

More than one unit per user

Every user uses several different units for Internet access – computer/laptop, smartphone and tablet device.

In pace with the increasing use of personal communication devices, cloud services are also on the rise. Sensitive information is increasingly stored on external servers accessible online. Acceptance of cloud-based services is being consolidated through the use of cloud-connected services, including social media such as Facebook and Twitter. Personal data can be stored, for example, on Apple's iCloud, Dropbox and by several other service providers.

Increased integration of private and workplace usage

As a result of the consumerization trend, new fields of application for online services are frequently first introduced to the consumer arena, before being spread to B2B. This entails storing everything – both work-related and personal information – at the same location. People also prefer to use the same equipment, such as laptop, smartphone or tablet device, for both work-related and personal purposes. At the workplace, equipment is frequently used as a terminal connected to the intranet, which requires some form of secure login.

In a survey conducted by Forrester during the latter half of 2012, two-thirds of public relations officers and communicators in the US and Europe use a personally selected computer or mobile phone. The same survey also indicates that 46% of employees use laptops that are not approved by their employers.

Due to the use of the same equipment both privately and at workplaces, FPC expects that the security issue will become increasingly pivotal to preventing unauthorized access to personal and corporate information. According to Forrester, policies are being introduced for employees under what is known as a BYOD program (Bring Your Own Device), concerning which computers/smartphones/tablet devices they may use and how they may be used.

> "The number of subscriptions worldwide is expected to increase from 6.3 billion to approximately 9 billion by 2018."

Security

Biometrics – the safest verification method to date

The need to protect data is already relevant today. Security is currently being implemented with the assistance of several methods, such as password generators, PIN codes and passwords. However, the risk remains that these methods cannot be linked to a specific user. Biometric identification of a user is one method through which a specific individual is required to use his/her own signature to log in. Biometrics comprises solutions that scan a person's physiology for authentication – a reliable check of the claimed identity.

Fingerprint technologies account for most of FPC's market size and growth

Fingerprints are the most diverse method of biometric identification. According to the Biometric Research Group, the market for biometrics is estimated to total USD 7 billion in 2012 (September 2012). This market is expected to increase to USD 16.5 billion in 2017, with fingerprint systems and technologies accounting for a clear majority. The market value in 2012 was USD 5 billion and is expected to increase to nearly USD 15 billion in 2015.

Goode Intelligence's market report, published in June 2011, also forecasts robust growth in the market for mobile phone biometrics until 2015. Fingerprint sensors, in particular, will account for the growth.

The mobile phone is replacing wallets

Increased usage of mobile phones for online banking is driving acceptance

Mobile phones are gaining considerably broadened functionalities. According to Gartner's report, mobile payments will grow by 20% annually from 2012 to 2016. According to Forrester, one factor that will support increased acceptance is the anticipated sharp increase in the use of smartphones for online banking in the US. One third of bank customers who are online customers currently use their mobile phones.

This portion of users will probably double by 2017, driven by what is referred to as the Y and Z generations, meaning those born in the 1980s and 90s.

In pace with increased usage, the percentage of use involving various transactions is also increasing.

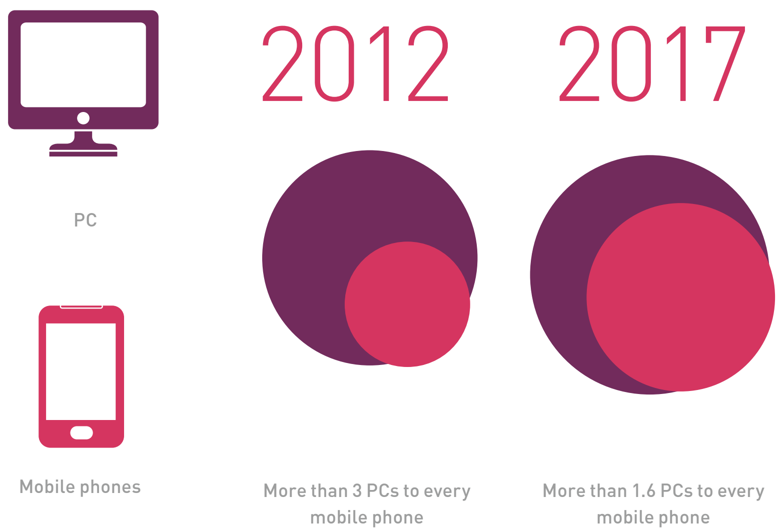
USD 40 billion through NFC payments 2014 [1)]

The potential to use a mobile phone at checkouts or, for example, in public transport has improved, thanks to NFC (Near Field Communication), a communication standard for contactless exchange of data over short distances (typically about 10 cm). A chip in the mobile phone is held against a payment terminal instead of inserting a credit card in a card terminal. Mobile payments are referred to as "Tap and Pay" in the industry.

A number of mobile-phone manufacturers, including Blackberry, HTC, Huawei, LG, Lenovo, Motorola, Nokia, Samsung and Sony, have NFC-equipped mobile phones.

Initial NFC development will probably be slow, according to a Gartner report from May 2012, due partly to the level of user acceptance and partly to the more extensive system design required for adapting payment systems. NFC payments will probably not reach mass markets before 2015. Meanwhile, NFC transactions will be driven by increased usage in ticketing systems.

Additional players have created transaction systems for mobile payments. Google has collaborated with companies such as Master Card to create the service, Google Wallet, an app to which users can connect their credit/debit cards. This system also has a complete transactions system for stores with payment terminals connected to the cash-counter. The use of Google Wallet is already possible in the US. In China, mobile payments are expected to commence, with the nation's sole bank-card issuer – CUP (China Union Pay) – set to manage the transactions. Other players with mobile-phone payment solutions include Wywallet, Swish, Izettle and DIBS Mobile Payment Window.

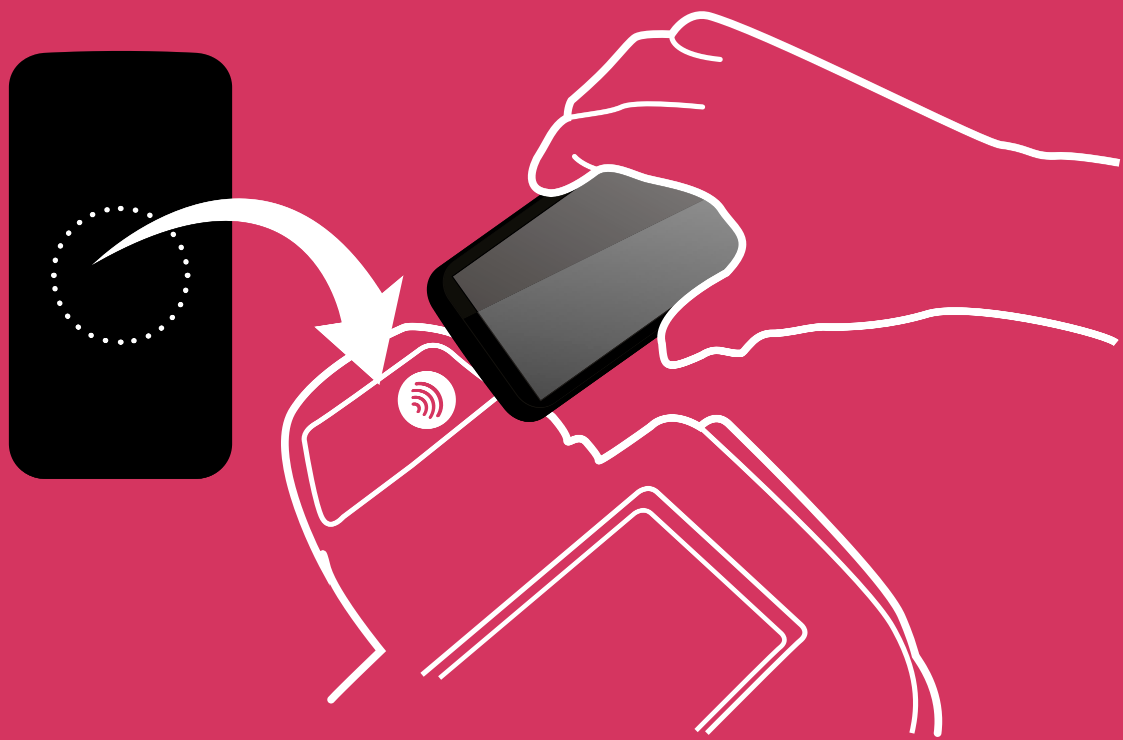


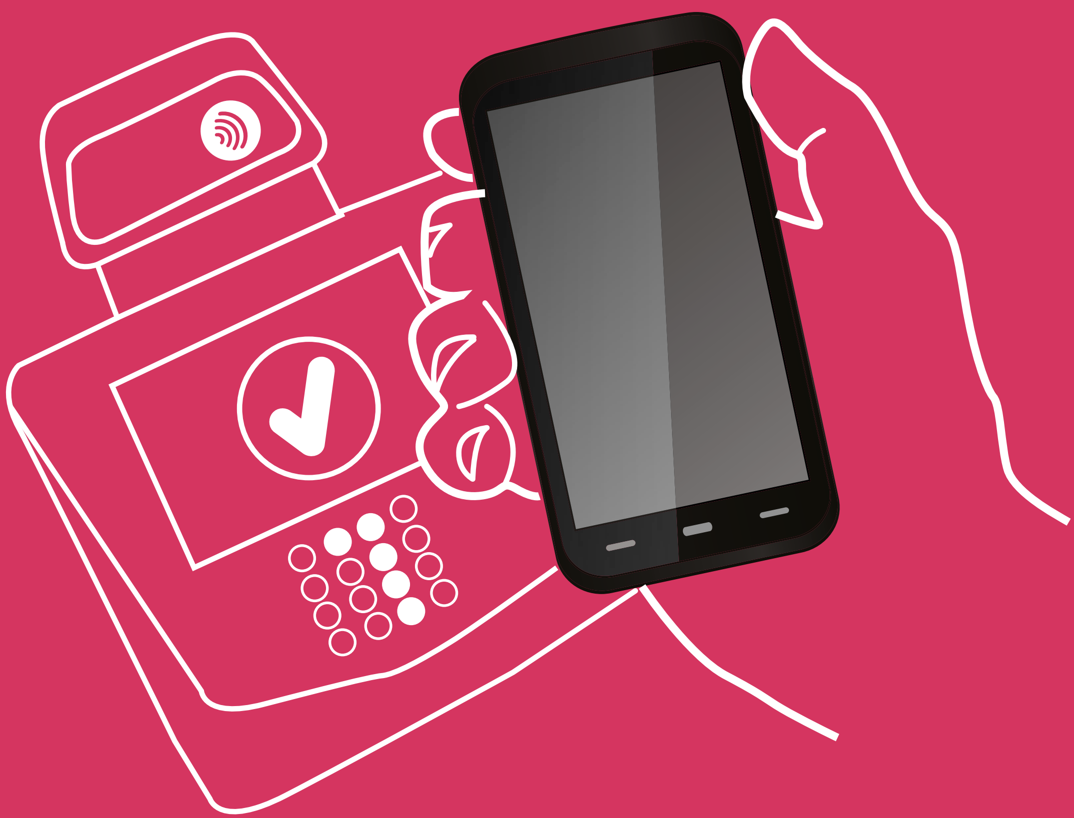
Mobile phones are increasingly used as a channel for performing bank errands.

Sources: Forrester Mobile Banking 2012 – 2017

[1)] Yankee Group

FPC's area sensor is essentially the de facto standard in the Chinese banking sector and is used for logins and digital signatures for bank employees.





20% annual growth in mobile payments [1]. Increasing numbers of players establishing mobile-payment systems.

→50% increase in IT security

In pace with the increased use of online payments and transfers, there has been a marked increase in security requirements from government agencies and banks. According to Ernst & Young's 2012 banking survey, banks regard IT security as one of the most prioritized areas. According to Gartner, banks will increase their investments in IT security by 50% until 2017, in comparison with 2012.

Government agencies require more secure authentication

Identity theft and impersonation involving paper-based identity documents, such as passports, ID cards and driving licenses, is accounting for an increased element of terrorism and crime. Nowadays, and to an ever-increasing degree, this form of theft involves electronic identities. Biometric security solutions have emerged in response to this problem and represent a growing product segment for the electronic verification of identity.

eID and ePassport

eID and ePassport are intensifying the drive to prevent identity theft, combined with a number of ID projects, such as China's directive for new IDs, effective as of 2013; India's ID standard, which is being implemented in line with the completion of the population census and the registration of citizens' irises and fingerprints; the International Civil Aviation Organization's specification of requirements; visa-exempt nationalities traveling to the US; the Schengen Information System (SIS II) and EURODAC (a database of the fingerprints of asylum seekers to the EU). In all the above cases, the ID documents also contain biometric information in the form of fingerprints.

FPC believes that the increased demand for and usage of fingerprints will enhance familiarity and thus acceptance of is use.

Greater need for identification devices

The issuance of E-ID documents is in turn driving the need for technology devices to verify identity. According to calculations conducted by closely associated sources with insight into Chinese authorities, the sensors' requirement for the scanning of fingerprints represents approximately 10% of the total number of eIDs issued. Thus, in the case of China, the volumes will be substantial. A total of 500 million issued eIDs entails 50 million sensors, primarily area sensors.

The more stringent authentication requirements imposed by public authorities and organizations are also driving demand. China, for example, has introduced regulations in its financial sector that demand far more extensive use of biometrics for increased IT security. In most cases, this involves biometric applications for logins to computers and networks, but the technology is also used for physical access-control systems. The deployment of biometrics also substantially improves security, while also making transactions traceable.

Biometrics is established – Apple acquires Authentec

In 2012, Apple acquired FPC's competitor, Authentec, for USD 356 million (approx. SEK 2.3 billion). Apple will probably seek to secure Authentec's patents for fingerprint-sensor solutions. In 2010, Apple implemented a similar transaction when the company acquired Siri Inc. with patents on biometric voice-recognition, which was introduced in Apple's iPhone in 2011. The Authentec acquisition means that the customers – particularly other mobile-phone manufacturers – who previously engaged Authentec no longer have access to Authentec's solutions. According to several mobile-phone and financial analysts, Apple will probably introduce a fingerprint sensor in future iPhone or iPad models. Those who have openly expressed these predictions include Goode Intelligence and the Taiwanese fund management company, KGI Securities.

Substantial transaction volumes in emerging nations

In many emerging nations, cash accounts for more than 90% of transactions, since a large share of the population does not have a bank account. Many mobile-phone operators are now launching mobile-wallet services that permit the transfer of money among people, or payment by mobile phone. In practice, mobile phones and mobile-phone networks are frequently the only modern infrastructure available. In an interview with the Swedish news agency TT, Ericsson's M-Commerce stated that mobile payments and money transfers will be the most popular mobile application globally in the years ahead. Ericsson refers to surveys indicating that mobile phones will be used for payments and transfers worth USD 800 billion during 2016. The business analysis company, Berg Insight, expects that in two years' time, by 2015, there will be more than 700 million users of mobile-payment services in emerging economies, up from a little more t[illegible] 2010.

Increasing numbers of players are establishing mobile-payment systems, for which mobile payments are expected to grow 20% annually (Gartner).

Convenience

Increased functionality in mobile units
Mobile units will gradually replace keys, wallets, remote controls, PIN codes and passwords.

Increased convenience in authentication
In conjunction with the growth of network-based services, the volume of PIN codes and/or password keys is also on the increase, thus making it increasingly difficult for an individual to handle. At the same time, various forms of password generators are deemed to offer good security. However, in most cases they remain bound to separate services/applications. The advantage of biometric solutions is that, like a key or PIN, they are always bound to the user.

Biometrics makes authentication simpler and faster, and also offers the potential to raise the level of rights and privileges in terms of access. It is less complicated to provide access to sensitive information on networks protected by biometrics compared with a network protected by passwords.

The prints from different fingers could, for example, be used as shortcuts to, smart-TV remote controls with an integrated fingerprint sensor.

Diffusion of services
Smart TV – a new technology amalgamation
FPC sees new application opportunities with the launch of smart TV, a service that incorporates a computer to enable a direct Internet connection. The smart TV concept is expected to gain ground in pace with the rapid change in behavior of TV viewers, and the increasing shift from fixed TV schedules, as TV programs become available online, parallel to an increase in the offering of other programs and feature films.

Finger-top scanners are applied in remote control devices for various primary functions: navigation on the TV screen by finger movements, user identification and as short cuts. Identification may involve payments, such as for Pay-per-View programs, or access restrictions associated with parental control in order to limit access to the TV offering or to certain hours.

Personal adjustments in vehicles
Individual identification raises accessibility and permits adjustment for in-vehicle applications. A fingerprint sensor could either be applied to the vehicle keys or in the vehicle so that seating, rear-view mirrors, radio stations, etc. are adjusted in line with predefined preferences.

Cost savings
Another driver for the implementation of biometric-authentication systems is the cost savings for companies in the form of reduced administration for the issuance of passwords.

Technological advances create new solutions

Accelerated product development focused on user-friendliness

The shortened product-development cycle means, for example, that it now takes six to 12 months for HTC to develop a product from concept to the market launch, compared with 12 to 18 months two years ago. The concept of Moore's Law is also reflected in the trend, meaning that the number of transistors on a microchip doubles every second year.

Meanwhile, product development is increasingly focused on adapting products to offer user friendliness rather than the opposite. The computer is not just an administrative tool on a work desk but is increasingly becoming a personal, handheld accessory that continuously accompanies the owner.

Shorter product and consumer lifecycle boosting sales

Mobile phones represent the most widespread personal telecommunication device, and the turnover is high. The average production lifecycle for a mobile phone model is currently 3 – 5 quarters. The trend indicates that this period is shortening, since competition remains stiff among mobile-phone manufacturers. Competition is leading to new models, featuring new functions, being launched at an ever-faster pace alongside declining mobile-phone prices, and consumers are tending to replace their phones more frequently. Currently, a mobile phone is used for about 18 months. Another trend driving volume is that an increasing number of mobile-phone users have more than one subscription and thus own a number of phones.

Lower unit costs driving applications

Technological progress in both hardware and software has reduced prices for biometric technology for authentication to an acceptable level for a broad-based commercial market. The performance of computers, networks and database systems has also increased, making biometric systems faster and easier to use. Verification of fingerprints is the most promising of the biometrics technologies, thanks to its ability to offer excellent performance at a competitive price.

Fingerprint sensor – two phases in mobile applications

The development of mobile applications with fingerprint sensors points to two phases. The initial phase is expected to occur locally on the mobile device, to facilitate logins and various local functions. The latter phase entails systems integration for identification purposes; for example, in the course of payments and access control. Fingerprints will then be matched, not only locally on the telephone, but also against an external database.

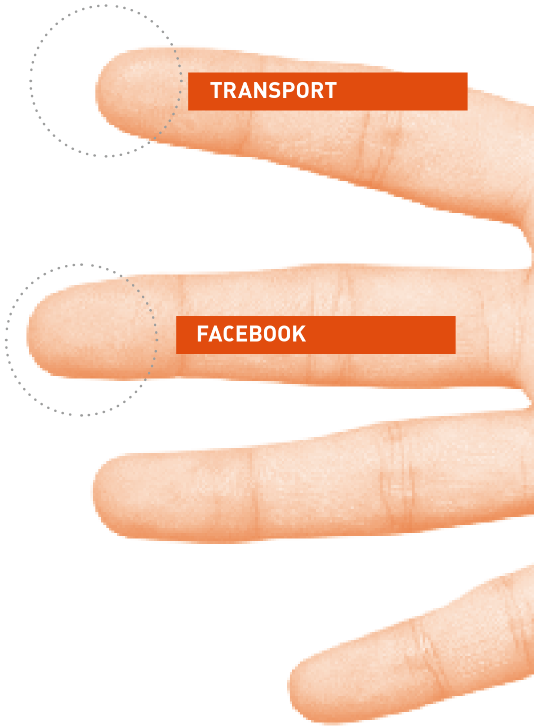
FPC believes that local applications will already be implemented on a large scale during 2013. Applications for external identification are dependent on larger system solutions in which several parties contribute. As mentioned above, this encompasses, for example, the growth of NFC, which industry analysts believe will reach the mass market in 2015.

A comparison can be made with other technology shifts that initially appeared difficult to predict in terms of timing, such as Apple's introduction of the smartphone, which proved to be a technology shift that rapidly changed the entire map for mobile-phone offerings.

Stronger market position through software adaptation

FPC has learned that several players in the mobile market are bundling their software systems with ready-to-use algorithmic adaptations of FPC's swipe sensor. This is being implemented in joint ventures through which FPC performs software porting for the fingerprint sensor. It entails close collaboration among several players: mobile-platform developers, OEM mobile-phone manufacturers and manufacturers of secure-element chips – separate chips of the highest security threshold, known in industry jargon as unhackable chips. These software adaptations are placing FPC in a unique position to launch swipe sensors.

> "The average production lifecycle for a mobile phone model is currently 3 – 5 quarters."



FPC's markets

Swipe sensor

Marketing of the swipe sensor is mainly targeted at leading mobile-platform developers, mobile-phone manufacturers on a global level and leading subsuppliers, referred to as tier 2 suppliers, who deliver system modules for mobile phones, tablet devices, laptops and remote controls.

Customers are primarily located in China, Taiwan, South Korea, Japan and the US.

Read more about design wins and customer projects on page 21.

Area sensor

FPC's area sensor currently accounts for the overwhelming share of sales. To date, area sensor sales have occurred notably in China for applications in authentication devices in the banking and finance sector. FPC's components are featured in most of the major Chinese banks and provincial banks, amounting to a total of more than 50 banking groups. They are used primarily for the authentication of bank employees to permit them to conduct bank transactions and regular banking operations. The number of banking personnel who daily use the area sensor is estimated to exceed one million.

Area sensors are also used by Chinese embassies.

A growing application is in U-keys, which are incorporated in a USB contact in the computer for identification in connection with online banking errands. In 2010, more than 50 million U-keys without a fingerprint sensor were sold. At the close of the third quarter 2012 and during the first quarter of 2013, FPC secured orders from HST valued in excess of SEK 40 million for FPC's areas sensors. The sensors will primarily be integrated into U-Keys.

In addition to China, FPC's other sales of area sensors were shipped to a large number of customers in various countries in Asia, Europe and, to a certain extent, North and South America. In most cases, the sales volumes were minor.

Potential for area-sensor market

With the utilization of the area sensor by Chinese banks as a reference, FPC plans to market it within closely related Chinese industries in which the employee's and/or the user's authentication raises the need for security. These are primarily the insurance industry, securities trading, automotive industry and the public sector.

New area sensor markets in which FPC plans to intensify sales include India, South Korea, Japan and Brazil.

Competitors

Alternative authentication methods

Other methods – ID documents, pin codes, digital passwords, conventional keys, user name, passwords, RFID cards, etc. – continue to account for the largest share of authentication processes. A common feature of all these methods is that they are not linked to the individual and can be exposed to identity theft.

Few direct competitors

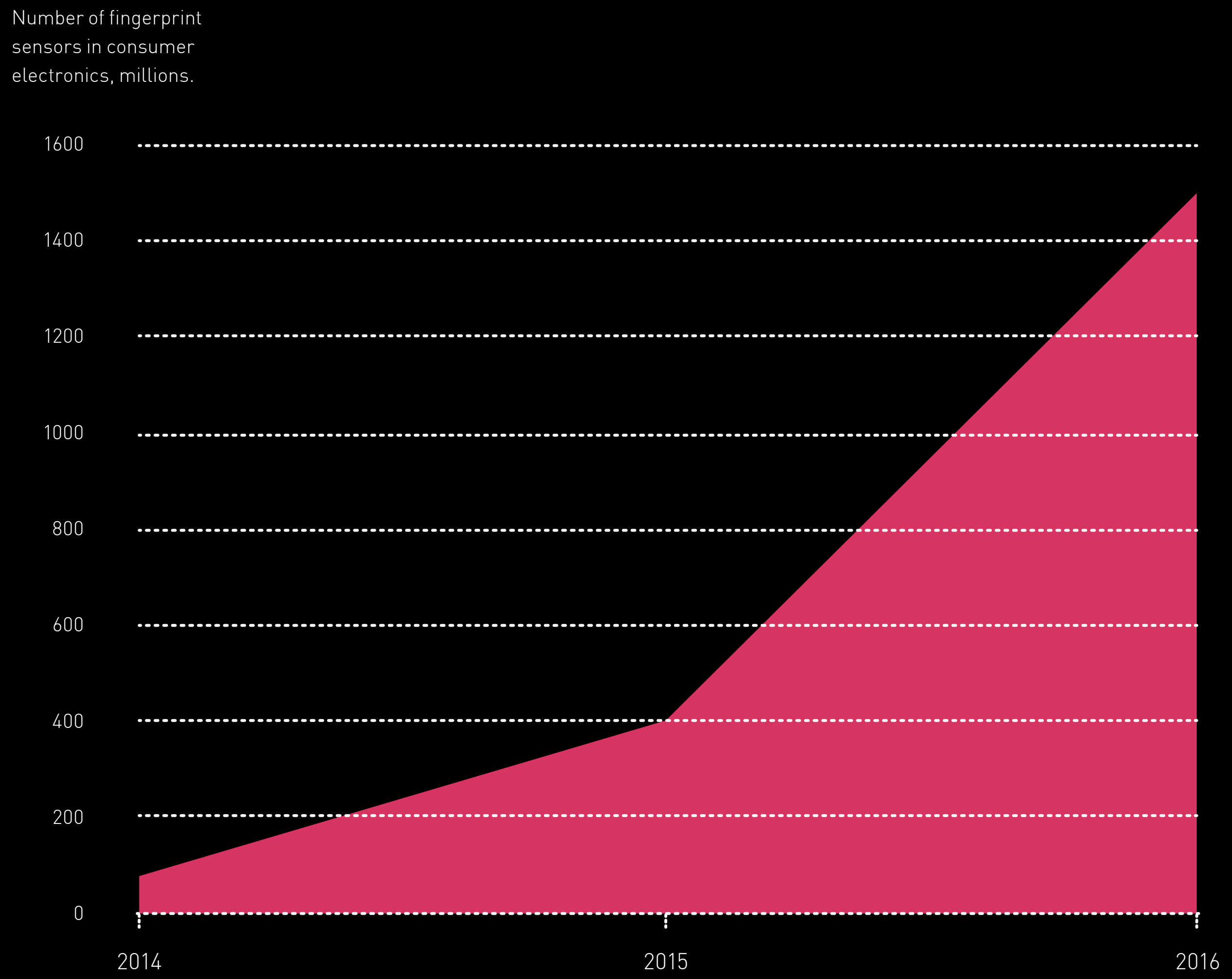
The biometrics market is fragmented, with a large number of players, and can be divided into three categories: components, systems/solutions and algorithm suppliers. Only the US company, Validity, can currently be regarded as an immediate competitor of FPC in the mobile-phone market.

Validity

Validity is a US privately owned player that markets a number of swipe-sensor models. The company's swipe-sensor has a very strong position in the laptop market. Information about its revenue and earnings are not available.

From a critical power-consumption perspective, FPC's swipe sensors perform excellently in comparison and thus are far more suitable for handheld devices. In October 2012, Validity implemented a Series E Round capital procurement of USD 20 M, aimed at continued development of its sensors for mobile phones and tablet devices.

Only the US company, Validity, can currently be regarded as an immediate competitor of FPC in the mobile-phone market.



FPC's scenario

FPC bases its forecast on the driving forces and growth figures, and the company's current contacts with customers and other players in the market.

Read more about FPC's business model on page 24.

SPECIALISTS IN FINGERPRINT BIOMETRICS

FPC is a dedicated niche player that utilizes in-depth expertise in biometrics and market insight in an effort to commercialize its products in the global market.

Focus on critical parts of the processing chain

FPC focuses on the business-critical parts of the processing chain – development, production processes, marketing and sales.

All product development is conducted in-house, primarily at the head office in Gothenburg. Systems adaptation/Applications development is also performed in cooperation with customers.

High technology on a micro-scale

FPC's technological uniqueness derives from the design of silicon chips and their software – algorithms for reading fingerprints.

A matrix on top of the silicon chip is equipped with image points that can read the finger's capacitive characteristics (electrical conductivity) at each image point. The design of FPC's silicon chip is highly sophisticated and totally unique. The capacitance (dielectric) sensors in FPC's products not only sense the surface but also provide three-dimensional images of the depth. This impedes and prevents manipulation, such as through the use of a one-dimensional image of a fingerprint.

The three-dimensional image of the fingerprint is sent from the silicon chip to a biometric processor that is controlled by an algorithm to match and verify the fingerprint.

Patents – protection of proprietary technology

FPC's patents cover many of the principal competitive advantages. The sensor architecture incorporates real-time programming, low-noise pixel design, matching algorithms, the swipe sensor's method of analyzing biometric-identity image frames and the methodology of the sensors' bundling solutions.

Development – the core of FPC's operations

FPC strives to continuously develop hardware and software. Development programs are pursued in line with an R&D policy. This policy encompasses the manner in which development is to be conducted and managed, ensures that it is market-driven and abides by established development plans. The policy also indicates preventive measures for securing competencies. Should FPC be required to secure its specialized competencies, this will be implemented in close collaboration with experts who are at the leading edge of their field globally. (Refer also to page 26 about FPC's virtual organization.)

During 2012, a thinner and more ESD-tolerant area sensor was created. At year-end 2012, broadening of the product portfolio began through accelerated development of several new applications. The silicon design is followed by the corresponding development of algorithms and software. Solutions are bundled through third-party collaborations, either in the context of customer projects or with CrucialTec.

Silicone manufacture in partnership with established world players

FPC collaborates with specialized, certified and well-established subsuppliers in the manufacture of sensors and processors. Currently, FPC's silicone is primarily manufactured through the Chinese company, SMIC (Semiconductor Manufacturing International Corporation, listed on the NYSE).

Support offices
Due to the sharp increase in demand, it has become essential to have technical support close to the market. Consequently, FPC has service offices in Shanghai (China), Taipei (Taiwan), Tokyo and Seoul.

Broad product range – fingerprint sensors for various applications
FPC has a uniquely broad product range with two types of sensors for reading fingerprints: swipe sensors and area sensors.

Swipe sensors read a fingerprint through the stroke of a user's finger on the sensor. The fingerprint is scanned as a frame from the sensor. With its small scanning surface and extremely low power consumption, the swipe sensor is well suited to applications on which stringent requirements are placed for compactness, such as mobile phones.

In addition to fingerprint biometrics, it can also be used as a navigation touchpad for a screen.

The FPC 1080A swipe sensor was launched in 2011. Benefits include compact design and power efficiency, combined with excellent performance and a cost level adapted to large-scale serial production.

The Area sensor reads a complete fingerprint when the user places his/her finger on the sensor.

The advantages of area sensors include high image quality, robust design and user-friendliness. The current version of FPC's area sensor, the FPC1011F3, is a newly manufactured, thinner version with the highest ESD tolerance that was introduced in 2012.

Modules and components
FPC also sells modules equipped with an area sensor and a processor integrated into a functional unit that permits a large number of users in a large number of application areas.

In addition to the main components, meaning the sensors, the company sells other components of the technology, such as the biometric processor and algorithmic software.

The wafer component (unseparated silicon chips with several unpackaged sensor chips) is also sold separately.

Test kits
Developer and test kits of FPC's components are also sold, in order to facilitate customer evaluations and opportunities for proprietary production of prototypes/pilot series.

AREA SENSOR
FPC1011F scans an full fingerprint through the users' placement of a finger on the sensor

SWIPE SENSOR
the FPC1080A scans a fingerprint through a swipe of the user's finger on the sensor

BIOMETRIC MODULE
the FPC-AM3 comprises the area sensor FPC1011F, which is connected to the FPC2020 biometric processor

BIOMETRIC PROCESSOR
the FPC2020 ASIC with proprietarily developed algorithmic software for registration, identification and verification.

WAFER
(unseparated silicone chip)

THREE-DIMENSIONAL SCANNING
the sensors in FPC's products are of a capacitive type that not only scans the surface, but also three-dimensionally

Several design wins

FPC's swipe sensors are primarily launched for developers and manufacturers of mobile phones and tablet devices for implementation in future-generation models. FPC secured four design wins for the swipe sensor in 2012. A further seven design wins were secured between the close of the year and April 15, 2013.

Samsung Galaxy accessory

WWTT's subsidiary, FingerQ, has products such as Samsung Galaxy mobile-phone cases with a built-in swipe sensor.

JOINT VENTURES BRING FPC CLOSER TO THE MARKET

FPC's unique knowledge is sharpened through adaptation to the products of other players. FPC maintains a focus on its sphere of expertise while significantly increasing the degree of commercialization through strategic partnerships.

CrucialTech's biometric touchpad

FPC has a partnership with the South Korean company, CrucialTec. FPC is responsible for the design and creation of fingerprint sensors – silicone-based ASIC (Application Specific Integrated Circuits) and their associated algorithms – that are incorporated in CrucialTec's biometric touchpad modules, which the company sells for use in mobile phones, tablet devices and remote controls.

CrucialTec is a provider of total solutions for input units such as the Mobile Trackpad (MTP). CrucialTec has a 95% market share as a supplier of products to Korea-based global customers and leading mobile-phone manufacturers worldwide, such as RIM, Motorola, Sony, HTC, Sharp and many others. CrucialTec is broadening its range of MTP products by introducing biometric modules such as the BTP (Biometric Track Pad).

CrucialTec offers a "Biometric Trackpad" – a combination of a biometric touchpad with identification, through which a fingerprint can be registered locally on a mobile phone in place of a PIN code.

Infineon – secure and convenient NFC transactions in mobile phones and tablet devicesr

FPC has adapted its swipe-sensor algorithms to the German company Infineon's high-security microprocessor, referred to as a Secure Element. It will feature a plug-and-play solution for providers of mobile NFC solutions and enable secure access and transactions in mobile phones and tablet devices.

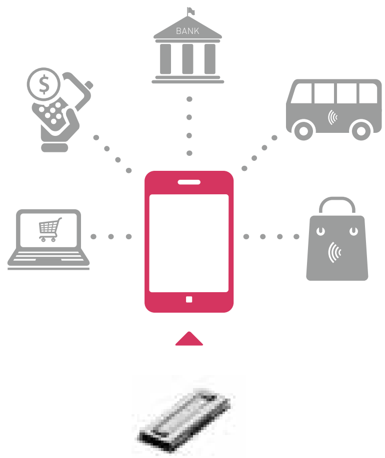
The adaptation of the biometric algorithms allows for the critical authentication processes to be implemented securely within the environment of the Secure Element (which has limited memory capacity and processor power) while maintaining performance levels. FPC is also adding its newly developed Android applications for mobile payments, thus providing mobile users with a user-friendly solution for mobile payments.

Key component of an ecosystem

Together with the market, FPC anticipates the coming of an ecosystem for payments and money transfers. FPC's sensors and associated algorithms form the core of this ecosystem, which comprises several interacting components, subsystems and players. FPC's focus is to adapt the silicone chip and algorithms to the environment of the local system.

Security with biometric fingerprints provides the basis for the secure storage of the registered fingerprint in its entirety.

Efforts have been accelerated together with other leading industry players to create the infrastructure and industry standards requisite to offering consumers a simple and secure method of identifying themselves. Alongside this development, FPC is cooperating with its customers to integrate fingerprint sensors in mobile phones.



Definite confirmation for area sensors
In China, FPC's area sensors are regarded as the de facto standard for components in several applications. The area sensors are also included in a broad spectrum of applications throughout the world.

Secure transactions – for bank employees
The largest volume and thus FPC's largest source of business derives from identification-system components utilized for secure transactions conducted by bank employees.

Secure transactions – for bank customers
A bank in China provides a U-Key device with a fingerprint sensor that is inserted into computer USB ports for secure verification of identity during online bank transactions.

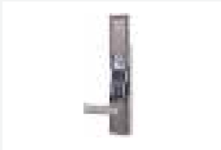
Time reporting
Personal identification facilitates and secures time reporting when personnel log in and out of the workplace. Such applications are used in Sweden, South Africa, China, Germany and other countries.

Access control
Personal-identification applications are available to facilitate access or passage, such as for door locks (Sweden, South Korea, China and Taiwan), baggage (China), safes (Taiwan), weapons cabinets (US), medical equipment (Italy) and cash transports (Sweden and China).

IT security
Sensors are used to increase IT security for access to USB memory units (Japan, South Korea and other countries) and for keyboards (Belgium and other countries).

On-site payment registration
Sensors are also used to enhance point-of-sale payment registration in restaurants, banks, post offices and stores, to identify the person who enters a sale in the cash terminal (China, France, India and others).

For further information concerning the market for biometric systems, refer to pages 10 – 19.

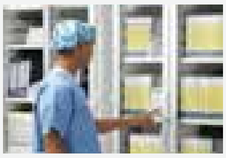

US company Uaccess sells the Ibutton doorlock.


Keyboard used by public authorities for high-level security identification.


Exclusive leather briefcase with safety lock sold in China.


The electronic time-punch clock is widely used in Brazil.


For the identification of subsidized users at road tolls in South Korea.


Medicine cabinet that can solely be opened by registered users, sold to hospitals in the US.

BUSINESS MODELS

FPC works with three business models – component sales, project sales and licensing. Sales are conducted via distributors and direct sales, focusing primarily on product developers/system integrators and OEMs.

Strategically, FPC has elected to focus on the key business components, meaning development, marketing and sales. It is crucial to be able to commercialize products and services as successfully as possible.

Marketing

Marketing is aimed at product developers/ system integrators.

Marketing is conducted via various channels. The company's website represents a key channel, offering complete technical information and the potential to order test kits for evaluation and trial production. Trade shows are another significant marketing channel in providing new contacts. Distributors participate at local shows, to which FPC contributes personnel and marketing materials. FPC itself participates at various industry fairs.

Sales at several levels

FPC cooperates with distributors in order to broaden its sales. Via distributors, customers are reached at various levels, meaning the distributors' direct customers and their customers in turn. FPC ensures that it maintains continuous contact with distributors and meets them several times a year, and also conducts joint customer visits.

Taiwan, China and Korea, together with Japan, North America and the Nordic countries, constitute the most important global markets in FPC's investments in the mobile market.

During 2012 and early 2013, FPC strengthened its own market presence in Asia and the US. Regional offices for both technical support and sales were opened in Shanghai, Taipei, San Francisco, Tokyo and Seoul.

Sales in cooperation with other companies

FPC also conducts sales through joint-venture agreements with other suppliers, in which partner company's products feature FPC's sensors as a subcomponent.

Strengthened management team

FPC's Executive Management was strengthened in 2012 through the addition of Henrik Storm, who is responsible for joint customer projects that constitute the key route to securing design wins and the development of joint-venture agreements, and in January 2013 with the addition of Jörgen Lantto, who is the Head of Strategy and Product Management.

Three revenue sources

FPC's business model is based on three revenue sources – components, project sales and licensing.

Component sales consist largely of area and swipe sensors, but could also solely comprise the sale of wafers (silicone chips for area or swipe sensors on a wafer) or FPC's proprietary processes. Sales are conducted directly by FPC or via distributors. Manufacture is implemented on the basis of forecast volumes and component sales are order driven.

Project sales entail that FPC raises the processing level by customizing an area or swipe sensor or its core – the wafer – in cooperation with the client using component or software modification.

Project sales may also result in design wins, meaning that the customized sensor is specified in a mobile-phone design for a certain model.

Licensing may also be undertaken for component design and/or software programming. Sales are conducted directly by FPC.

FPC discloses orders of significant value or those deriving from new key customers and/or markets.

Components account for the largest share of area sensor sales.

Gross margin at a healthy level

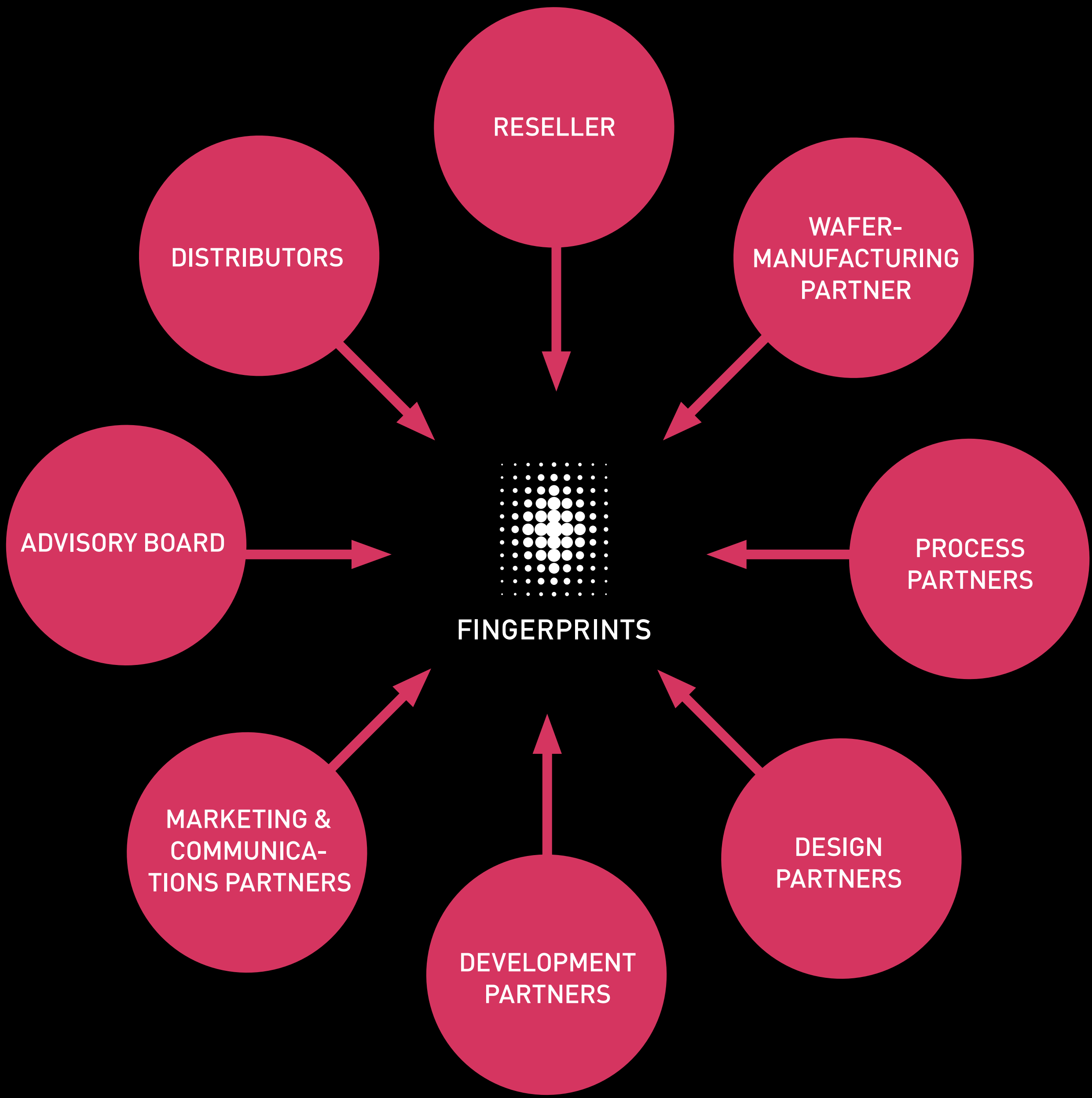
In addition to their technical performance, FPC's components are also designed for large-scale rational production. In pace with rising sales volumes, more favorable purchasing power and improved production, the gross margin for area sensors – after cost of goods sold – has been more than 50%.

The swipe sensor's gross margin is expected to rise and stabilize over time, resembling the trend witnessed for the area sensor.

Costs of sales, administration and development represent fixed costs. FPC is in the midst of an intensive development phase and prospective customers are showing great interest.

For further information concerning market size and potential, refer to pages 18 19.

GOTHENBURG, SHANGHAI, TAIPEI, SEOUL, TOKYO, MANILA, SAN FRANCISCO



Virtual organization

Additional skilled resources are continuously co-opted to operations on a project basis. By this means, FPC's personnel and competencies are supplemented in a flexible and optimal manner.

FPC also has long-term business partners at the production and reseller levels. The skills and efficiency of the partners are decisive for FPC's business and are thus selected in line with well-defined profiles.

ORGANIZATION AND PERSONNEL

While FPC's product characteristics and quality are of major significance, it is above all FPC's employees – their competencies, expertise, collaborative abilities, values, attitudes and performance – that create success.

FPC's organization is highly specialized. The company has specialists in biometrics, electronics, materials science, programming, production technology, marketing and sales. The workforce's educational level is high, with many engineers, including three who hold PhDs in engineering.

The business-creating functions have the following competencies: business development, marketing and sales, which are supported by skills in accounting and administration.

Operating structure

Of FPC's 20 employees, seven – including the CEO – focus on sales and marketing. The development department consists of 11 people. In addition, two employees work with accounts and administration. FPC's Executive Management Group comprises the CEO, CTO, Head of Strategy/Product Management, VP Marketing and Sales, VP Customer Projects and CFO.

Organization strengthened several times during the year

FPC has recruited a number of competencies to the company to meet the rising interest and generate new business opportunities. The position of VP Customer Projects has been filled by Henrik Storm, an FPC employee for eight years, who also joined the Executive Management Group.

Jörgen Lantto was employed as the CTO responsible for FPC's technology and product strategies and is also a member of FPC's Executive Management Group as of the first quarter of 2013. The company's procurement function and production management was strengthened by Magnus Hansson, who is responsible for FPC's purchasing, production-control methods and process advancement in order to ensure cost-efficient and reliable access to the company's components and products.

Advisory Board

The organization also receives support from an Advisory Board representing in-depth expertise and industry know-how in strategic areas. The Advisory Board comprises: Göran Malm, with a background that includes Head of General Electric (GE) Asia and Dell Computer; and Tord Wingren, VP & Site Manager for Huawei in Lund and co-founder and CEO of Nanoradio AB, European head of Samsung and CEO of Ericsson Mobile Platforms.

Key lodestars: Project control and cooperation

The company's lodestars are the importance of project control and the realization that joint efforts are the key to creating results. This entails that FPC cooperates across organizational boundaries.

Skills development is crucial

As a result of many years of R&D work, FPC and its workforce have gained specialist know-how in the company's defined core areas – biometrics, electronics and production processes. FPC will continue to prioritize skills development through, for example, participation in international conferences and meetings and supplementary training programs.

Work environment and health

Health risks at FPC are negligible. FPC focuses on preventive health programs for its personnel and sickness absenteeism over the course of 2012 remained very low, at 0.5%.

Personnel data

At March 24, 2013, FPC had 21 employees (18). All positions are full-time and all employees have fixed salaries.

The average age in 2012 was 42 (41) years. The average period of employment was 4 years (4).

In addition to the permanent employees, there were a number of consultants with full-time or part-time contracts at the end of 2012, corresponding to 15 full-time employees.

Contents

THE SHARE

FPC's Class B share has been listed on the Small Caps list of Nasdaq OMX Stockholm since 2000. FPC was initially floated on the "New Markets" list of the Stockholm Stock Exchange in 1998. The share's ISIN code is SE0000422107. It is part of the IT, Electronic Equipment & Instruments sector. The company is traded under the ticker FING B. A trading lot is one share. Share capital in FPC at December 31, 2012 amounted to SEK 8,721,917 distributed among 1,200,000 Class A shares and 46,608,135 Class B shares, each with a quotient value of SEK 0.20. Class A shares carry ten voting rights each, while Class B shares carry one vote each. All shares provide equal entitlement to participation in the company and are freely transferable. Class A shares represent 20.47% of the votes and 2.51% of the capital in FPC.

New share issue

On December 12, 2012, a private placement of 4.2 million Class B shares was implemented, corresponding to 9.9% of the number of Class B shares outstanding in the company prior to the placement. The private placement contributed just over SEK 36.1 M before deductions for issue expenses.

This share issue was targeted at a few institutional investors in Sweden and internationally. The Hong Kong listed company World Wide Touch Technology (WWTT, also known under the name World Fair) subscribed for 2.8 million shares, or 5.9% of the shares outstanding in FPC after the new share issue. The subscription price for the newly issued shares was SEK 8.60 per share, corresponding to the closing price on Tuesday, December 11, 2012. The new share issue increased the number of Series B shares by approximately 4.2 million. The number of shares outstanding in the company rose from 43,609,586 shares to a total of 47,808,135 shares, and the share capital increased by SEK 839,710 to SEK 9,561,627.

The proceeds from the private placement enable FPC to capitalize on new opportunities by increasing the number of employees, consultants and development projects.

Share price performance

During 2012, the price of FPC's Class B share rose by 24.7% to close at SEK 12.35 (9.28) at year-end. During the same period, the OMX Industrial Goods & Services index declined 20%. At its peak during the year, FPC's Class B share reached SEK 14.1 and its lowest price was SEK 2.66. At year-end 2012, FPC's market capitalization was about SEK 580 M (394).

Trading volume

Over the course of the year, 68.3 million Class B shares were sold at a value of SEK 565 M, corresponding to an annual trading turnover of 185%. On average, 310,944 Class B shares were traded at a value of SEK 2,253,000 per trading day.

Shareholders

In terms of percentage shareholdings, Swedish legal entities accounted for 25%, Swedish private shareholders for 50% and non-Swedish owners for 25%.

Major changes in ownership

The company gained a number of Swedish and international institutional investors in conjunction with the private placement.

Liquidity Provider

FPC signed an agreement with Carnegie Investment Bank through which Carnegie acts as FPC's liquidity provider for the company's shares as of April 2, 2012, within the framework of the NASDAQ OMX Stockholm's (Stock Exchange) system for liquidity providers. The aim of having a liquidity provider is to promote share liquidity.

Warrants program

FPC has implemented a number of warrants programs. Refer to the table on page 30.

Dividend policy

The company's cash flow in the next few years will be used to finance continued expansion. This means that FPC's Board of Directors does not intend to propose any dividend for the next two years. The Board of Directors will examine the established dividend policy annually.

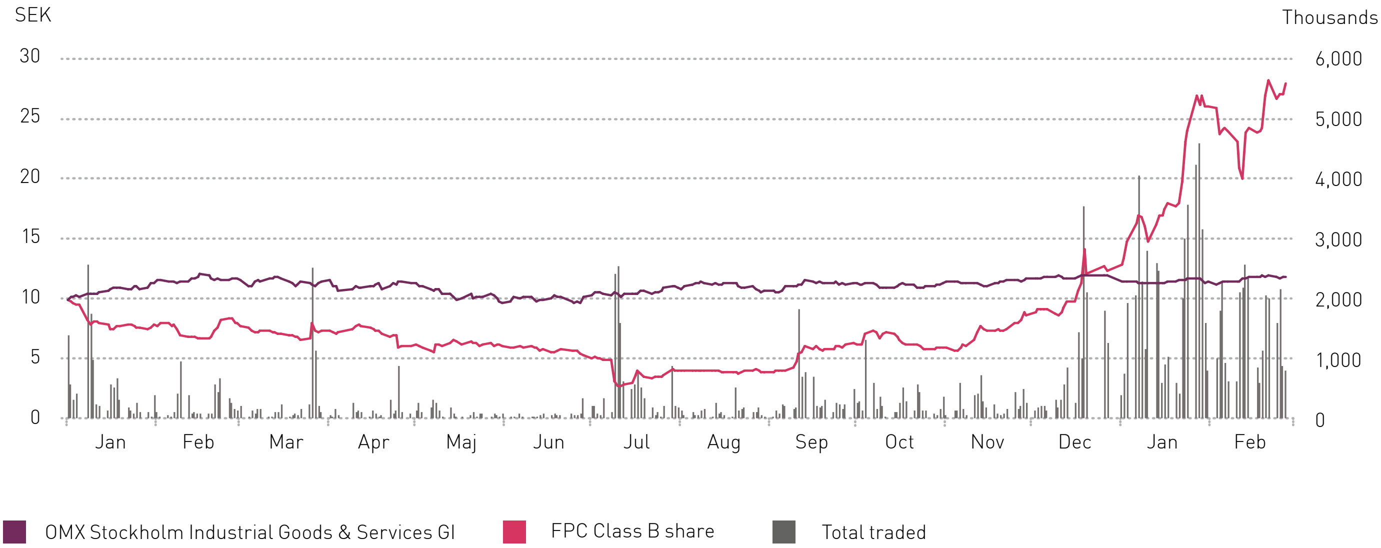
Dividend

For the 2012 fiscal year, the Board proposes to the Annual General Meeting that no dividend be paid (SEK 0 in 2011).

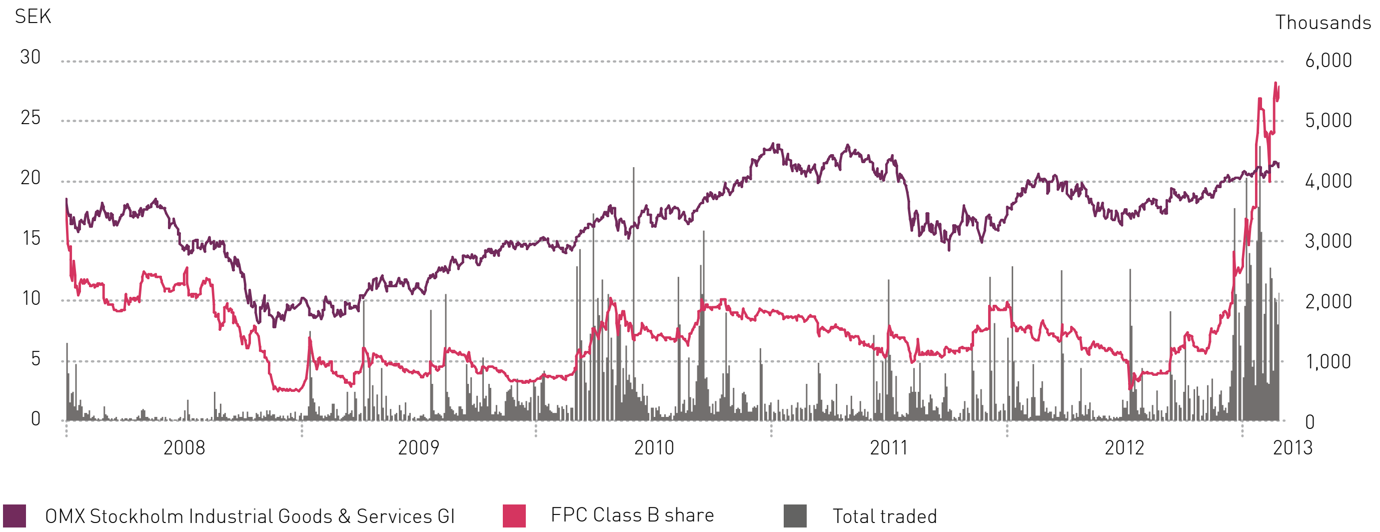
The largest shareholders at Dec 28, 2012	Class of share	Holdings	Votes	Votes, %
Sunfloro AB	A	1,080,000	10,800,000	18.43
Försäkringsaktiebolaget, Avanza pension	B	4,179,080	4,179,080	7.13
Nordnet pensionsförsäkring ab	B	1,459,406	1,459,406	2.49
Tixtan limited	A	120,000	1,200,000	2.05
Robur försäkring	B	998,232	998,232	1.70
Svenska Handelsbanken Copenhagen	B	816,750	816,750	1.39
Försäkrings AB Skandia	B	717,373	717,373	1.22
Netfonds ASA, NQI	B	586,367	586,367	1.00
Hansen, Tommy	B	554,000	554,000	0.95
Johannsen, Jörn	B	432,817	432,817	0.74
JP Morgan Bank	B	368,100	368,100	0.63
Danica Pension	B	300,000	300,000	0.51
SEB Life International Assurance	B	292,800	292,800	0.50
CBLDN-CIP-IGNI S	B	269,000	269,000	0.46
E Verden Af Maling APS	B	259,500	259,500	0.44
Handelsbanken Liv	B	254,000	254,000	0.43
Total 15 largest shareholders	A+B	12,687,425	23,487,425	40.08
Other*	B	35,120,710	35,120,710	59.92
Total	A+B	47,808,135	58,608,135	100.00

*The private placement of December 12, 2012 is included under "Other." Euroclear reports the new shares as provisional share s as of December 28, 2012.

Price trend 2012



Price trend 2008 – 2012



Warrants program

Designation	Adopted	No. of warrants	No. subscribed	No. remaining	Subscription price	Maturity	Dilution %	Dilution % No. of votes
TO1	2010-03-03	-	-	-	-	2012-08-31	0.00	0.00
TO2	2010-11-09	958,000	958,000	853,000	15.74	2013-05-11	1.48	1.24
TO3	2011-11-17	2,000,000	2,000,000	1,760,000	13.64	2014-02-18	3.00	2.53
TO4	2012-09-05	4,818,000	4,818,000	4,818,000	9.72	2015-10-06	7.81	6.65
TO5	2013-03-04	1,300,000	1,300,000	1,300,000	52.35	2016-03-05	2.23	1.88

Distribution by category of size

Holdings	No. of shareholders	No. of AK A	No. of AK B	Holdings (%)	Votes (%)
1 - 500	3,787	-	694,079	1.59%	1.28%
501 - 1,000	1,427	-	1,164,788	2.67%	2.14%
1,001 - 5,000	1,982	-	4,932,965	11.31%	9.07%
5,001 - 10,000	502	-	3,818,499	8.76%	7.02%
10,001 - 15,000	166	-	2,147,947	4.93%	3.95%
15,001 - 20,000	121	-	2,175,358	4.99%	4.00%
20,001 -	301	1,200,000	27,475,950	65.76%	72.55%
Total	**8,286**	**1,200,000**	**42,409,586**	**100.00%**	**100.01%**

Share capital trend

Year	Event	Quotient value, SEK	Total no. of shares	Increase in share capital	Change in no. of shares	Total share capital
1997	Split 500:1	0.2	250,000	0	249,500	50,000
1997	Rights issue	0.2	500,000	50,000	250,000	100,000
1997	New share issue	0.2	2,500,000	400,000	2,000,000	500,000
1997	New share issue	0.2	2,870,000	74,000	370,000	574,000
1998	New share issue	0.2	4,870,000	400,000	2,000,000	974,000
2000	New share issue	0.2	5,410,000	108,000	540,000	1,082,000
2000	New share issue	0.2	6,348,258	187,651	938,258	1,269,651
2005	New share issue	0.2	9,348,258	600,000	3,000,000	1,869,651
2006	New share issue	0.2	12,152,733	560,895	2,804,475	2,430,546
2009	New share issue	0.2	19,834,793	1,536,412	7,682,060	3,966,958
2009	New share issue	0.2	39,669,586	3,966,959	19,834,793	7,933,916
2011	New share issue	0.2	3,940,000	43,609,586	788,000	8,721,917
2012	New share issue	0.2	4,198,549	47,808,135	839,710	9,561,927

Shareholder by category, Dec 28, 2012

	Holdings (%)	Votes (%)
Financial companies	17.9%	14.3%
Social security funds	0.1%	0.1%
Interest organizations	0.0%	0.0%
Other Swedish legal entities	8.5%	24.7%
Shareholders residing outside Sweden	24.2%	21.4%
Swedish private shareholders	49.3%	39.5%
Total	100.0%	100.0%

Composition of share capital at Dec 28, 2012

Classes of share	Votes	No. of shares	No. of votes	Share of equity, %	Share of votes, %
Class A	10	1,200,000	12,000,000	2.51	20.47
Class B	1	46,608,135	46,608,135	97.49	79.53
Total		**47,808,135**	**58,608,135**	**100**	**100**

ADMINISTRATION REPORT

GROUP AND PARENT COMPANY

The Annual Report encompasses the fiscal year January 1 – December 31, 2012. Fingerprint Cards AB (publ), (Corporate Registration Number 556154-2381), comprises the Parent Company of a group that includes one subsidiary. The subsidiary Fingerprint Security System Databärare AB serves as a holding company for the incentive-program warrants issued by the Parent Company that are not held by employees of FPC. During 2012, the subsidiary acquired the warrants in conjunction with an incentive program implemented during 2012. All of the Group's other operations in 2012 were conducted by the Parent Company. All personnel are employed in the Parent Company. The Parent Company has its registered offices in the Municipality of Gothenburg, County of Västra Götaland, Sweden. The company and has been listed on NASDAQ OMX Nordic, Small Cap, since 1998.

General information about operations

Fingerprint Cards AB (FPC) develops, produces and markets biometric components that, through the analysis and matching of an individual's unique fingerprints, verify the person's identity. The technology consists of biometric sensors, processors, algorithms and modules that can be used separately or combined. The competitive advantages offered by Fingerprint Cards' technology include unique image quality, extreme robustness, low power consumption and complete biometric systems. With these advantages and the ability to achieve extremely low manufacturing costs, the technology can be implemented in volume products, such as smart cards and mobile phones, where extremely rigorous demands are placed on these characteristics. The company's technology can also be used in IT and Internet security, access control, etc.

Significant events during the year

Following two consecutive years of net profit, consolidated earnings declined in 2012 due to lower sales. The calculation of gross margin was restated as of 2012. Production overheads and depreciation of capitalized development expenditure are now recognized under "Cost of goods sold," which has resulted in the measurement in terms of percentage points being lower than in the earlier calculation method. In 2012, development projects relating to the swipe-sensor were implemented, resulting in several design wins from Asian companies in the latter part of the year. The number of employees remains unchanged at 19 (19), but the number of consultants hired for Sales, Marketing and Technological Development in Sweden and abroad increased. In 2012, an Extraordinary General Meeting approved a warrant-based incentive program. The incentive program is designed for existing employees in the Group.

In December 2012, a private placement share was conducted that provided the Group with SEK 36.1 M before issue expenses.

Development of the company's operations, earnings and financial position

The Group's net sales for 2012 declined to SEK 10.3 M (68.6).

As of 2012, cost of goods sold has been restated due to the reclassification of costs. The change primarily involves amortization according to plan of capitalized development expenditure, now classified as cost of goods sold, thus resulting in the figures for gross profit/loss and gross margin being lower than the previous classification of costs. To provide transparent information, the figures for both calculation methods are reported for 2012, along with the comparative figures for the year-earlier period in 2011.

According to the new calculation method applied as of 2012, the company reported a gross loss of SEK 5.7 M (profit: 31.6) for full-year 2012. According to the new calculation method applied as of 2012, the gross margin was minus 55% (+46) for full-year 2012. According to the former calculation method that was applied until 2011, gross profit would have been SEK 6.8 M (38.7) for full-year 2012. According to the former calculation method that was applied until 2011, the gross margin would have been 66% (56) for full-year 2012.

The company posted a loss after financial items of SEK 9.8 M (profit: 0.7) and a loss of SEK 38.1 M (profit: 3.4) for full-year 2012. At December 31, 2012, the order backlog was SEK 19.7 M (6.1).

Investments

Investments in capitalized development expenditure amounted to SEK 10.4 M (9.4). Investments in machinery and equipment amounted to SEK 1.8 M (1.3) for the full year. Depreciation/amortization for the year amounted to SEK 10.7 M (4.9).

Cash flow

Cash flow from operating activities for the full year was SEK 14.5 M (neg: 22.2), including changes in working capital. Cash flow to investments amounted to a negative SEK 11.4 M (neg: 11.7). Cash flow from financing activities amounted to SEK 34.5 M (24.9) for the full year. Combined, the net change in cash and cash equivalents for the year amounted to SEK 37.6 M (neg: 7.8).

Shareholders' equity and financing

Shareholders' equity at year-end increased to SEK 101.9 M (106.3), while the consolidated equity/assets fell to 88% (91). Cash and cash equivalents at year-end increased to SEK 60.6 M (23.0), with working capital at year-end falling to SEK 68.6 M (74.1).

In December 2012, a private placement of 4.2 million Class B shares was carried out, corresponding to 9.9% of the number of Class B shares prior to the placement. The private placement contributed just over SEK 36.1 M before deductions for issue expenses. This share issue was targeted at a few institutional investors in Sweden and internationally. The Hong Kong listed company World Wide Touch Technology (WWTT, also known under the name, World Fair) subscribed for 2.8 million shares, or 5.9% of the shares outstanding in the company after the new share issue. The subscription price for the newly issued shares was SEK 8.60 per share, corresponding to the closing price on Tuesday, December 11, 2012. Following the issue, the number of shares outstanding in the company increased by approximately 4.2 million Class B shares from 43,609,586 shares to a total of 47,808,135 shares, and the share capital increased by SEK 839,710 to SEK 9,561,627. The proceeds from the new issue enable FPC to capitalize on new opportunities by increasing the number of employees, consultants and development projects. The private placement was decided on by the Board of Directors of FPC with the support of authorization from the 2012 Annual General Meeting. This authorization, which permits disapplication of the preferential rights of existing shareholders, entitles the Board, during the period until the next Annual General Meeting, to decide on the issuance of not more than 9,000,000 new shares with the aim of financing and enabling accelerated expansion and development of the company, its market and its products.

Finance policy

FPC's financial policy regulates and clarifies responsibility and describes the general rules and guidelines relating to specific areas in an effort to support operations and to reduce financial risk and its impact on the company's financial position, earnings and cash flow. The estimated net flow based on planned volumes and price lists is hedged to 90%. The principal net currency flow is in USD, and, thus, a key aspect of FPC's work is to hedge future contracts for sales in USD and purchases of SEK.

Research and development operations

Fingerprint pursues development operations in the technology and products that its operations offer the market. Development programs are aimed at the further enhancement of fingerprint sensors, in terms of the technology, chemistry, packaging, industrialization, software, algorithms, processors and production processes. In the Group's organization, 50% of resources are devoted to development programs. In addition to the internal resources, a large range of external resources are used, varying from project to project.

Development activities in 2012 continued at a high pace and focused on the further enhancement of the swipe-sensor product and its adaptation to mobile phones, tablet devices, etc.

Development expenditure is capitalized in the consolidated statement of financial position and in the balance sheet for the Parent Company as "Capitalized development costs" within intangible fixed assets. Capitalization occurs following assessments of the projects' commercial and technical potential, the future value for the Group, the disposal of the product/solution, the ability to complete the development and the existence of a market for the product. Amortization rates are determined on the basis of the technical and commercial lifetime of the particular product and the existing market, which varies from product to product and from project to project. Since 2009, the amortization rate has been three to four years for products and four to five years for platform development. Expenses for research and development in the Group and Parent Company during 2012 amounted to SEK 19.3 M (11.9), of which SEK 10.4 M (9.4) was capitalized in the consolidated statement of financial position and in the Parent Company's balance sheet, respectively, and the remaining SEK 8.9 M (2.5) was expensed in the consolidated statement of comprehensive income and in the Parent Company's income statement, respectively. Capitalized development expenditure as a proportion of total operating expenses in 2012 was 24% (26).

Ownership structure

During 2012, no major change representing at least one tenth of the voting rights occurred. In 2012, the Sunfloro AB consortium continued to hold all Class A shares. The change in Sunfloro AB's ownership between 2011 and 2012 resulted from the private placement conducted in 2012. As a result, Sunfloro's shareholding in terms of the number of shares and voting rights decreased, since Sunfloro's holding was not included in the share issue.

Shareholder	Percentage of shares and votes at year-end			
	Capital, %		Votes, %	
	2012	2011	2012	2011
Sunfloro AB	2.26	2.48	18.43	19.85

Class of share	No. of shares	No. of votes
A	1,200,000	12,000,000
B	46,608,135	46,608,135
Total	47,808,135	58,608,135
Shareholdings of at least one tenth of the voting rights for all shares at December 31, 2012		
Sunfloro AB	18.43 %	

Incentive programs

Fingerprint Cards has three warrant programs that total 14.56% of the total number of shares and 12.02% of the total number of votes in the company.

- TO2 An Extraordinary General Meeting on November 9, 2010 approved the issue of 958,000 warrants with a term extending to May 11, 2013. Of the program, 853,000 warrants are held by FPC's employees. The rest have been nullified. The exercise price is SEK 15.74. On full subscription with the support of all warrants in the program, 853,000 new Class B shares can be issued, corresponding to 1.92% of the total number of shares and 1.54% of the total voting rights, which will also raise the share capital by SEK 170,600. The program is designated TO2.
- TO3 An Extraordinary General Meeting on November 17, 2011 approved the issue of 2,000,000 warrants with a term extending to December 18, 2014. Of the program, 1,760,000 warrants are held by FPC's employees. The rest have been nullified.
- The exercise price is SEK 13.64. On full subscription with the support of all warrants in the program, 1,760,000 new Class B shares can be issued, corresponding to 3.88% of the total number of shares and 3.13% of the total number of voting rights, which will also raise the share capital by SEK 352,000. The program is designated TO3.
- TO4 An Extraordinary General Meeting on September 5, 2012 approved the issue of 4,818,000 warrants with a term extending to October 6, 2015. All of the warrants under the program are held by FPC's employees. The exercise price is SEK 9.72. On full subscription with the support of all warrants in the program, 4,818,000 new Class B shares can be issued, corresponding to 9.95% of the total number of shares and 8.13% of the total number of voting rights, which will also raise the share capital by SEK 963,600. The program is designated TO4.

At August 31, 2012, an incentive program expired without any redemption of warrants or new shares. The program, designated TO1, was approved by an Extraordinary General Meeting on March 3, 2010.

Expectations regarding future performance

Apple's acquisition of Authentec has heralded an entirely new phase in the biometrics industry. On the one hand, Authentec's former customers, which were permitted to make final purchases for a limited period and to receive support until September 2013, have had to search for new suppliers. On the other hand, the market has gradually realized that Apple intends to introduce fingerprint sensors in future versions of the iPhone and iPad, which steadily incited all of Apple's competitors to take action in the autumn and winter. This means that the future of the biometrics industry and FPC has never before looked as bright as it does right now. We are talking to customers and negotiating projects of a scope, length and size that we could never have dreamed of just two years ago and we believe it very likely that we will secure a number, even a large number, of these projects and customers in 2013.

In terms of area sensor sales in China, our assessment of similar or somewhat larger volumes compared with 2011 stands firm. We maintain our estimate that sales of sensors will amount to a minimum of 30 million units in 2013. Our financial forecast for 2013, made in November 2012, of sales ranging from SEK 130 M to SEK 190 M and an EBITDA margin of 20–35% is still valid. As previously mentioned, the second half-year will account for the overwhelming part of these revenues, with sales gradually rising over the quarters and increasing sharply beginning in the third quarter.

Seasonal fluctuations

To date, sales have not shown any distinct seasonal fluctuations.

Guidelines for remuneration of Board members

The Chairman and members of the Board are remunerated in accordance with AGM resolutions. No special remuneration is paid for committee work. Remuneration for 2012 amounted to SEK 170,000 for the Chairman of the Board and SEK 100,000 for each Board member, totaling SEK 570,000. Board members appointed during the year receive fees in relation to the remaining period up to the next AGM.

Guidelines for remuneration of senior executives

The Remuneration Committee, which is appointed from among Board members, prepares guidelines in respect of pay and other employment terms for the President and senior executives and presents the Board with proposals in respect of these issues. The Board decides on pay and other remuneration of the President.

The basic remuneration levels are market-based. Remuneration of the President and other senior executives comprises basic salary, variable remuneration, other benefits, pension and financial instruments. The variable remuneration may not exceed 40% of total salary. As of the salary review in 2012, most of the revised remuneration will be allocated to the variable share in an effort to increase the performance-based salary to a maximum of 40%.

The term "other senior executives" refers to the individuals who, in addition to the President, constitute Group Management. If the company terminates the executive's employment, severance pay is payable in an amount corresponding to not more than six monthly salaries. During the period of notice of no longer than six months, full salary and employment benefits are payable. Decisions regarding share and share-price-based incentive programs are made by the AGM. Pensions are based on defined-contribution solutions.

For 2013, the Board has no proposals for amending the guidelines pertaining to the remuneration of senior executives.

Dividend and financial objectives

FPC's cash flow during the years ahead will be used to finance continuing expansion. This means that FPC's Board of Directors does not intend to propose any dividend for the next two years. The Board reviews the established dividend policy annually.

The financial objectives encompass order bookings, revenue growth, gross margin, earnings and cash flow.

Events after the balance-sheet date

January 2013:

- FPC opened an office in Japan and appointed a Senior Technical Manager.
- FPC opened an office in Seoul, Korea and hired a Senior Sales Executive
- FPC granted operating line of credit from Nordea and EKN.
- FPC secured its first mass-production order of 200,000 sensors from CrucialTec for use in mobile phones.
- A prominent Chinese design house awarded FPC its first design win for the FPC 1080A swipe sensor for use in tablet devices.
- FPC strengthened its Supply Chain Management, hiring Magnus Hansson as Senior Sourcing Director.
- FPC's technology chosen by the world leading supplier of financial information for its authentication solutions.
- FPC received design win in China for mobile-phone and tablet accessories, and secured initial order for 800,000 FP-C1080A sensors.
- FPC strengthened its business development, hiring Jonas Andersson as Director Business Development for secure mobile transactions

February 2013:

- Notice to attend Extraordinary General Meeting of shareholders on March 4, 2013.

March 2013:

- Press release from Extraordinary General Meeting on March 4, 2013.
- Information about FPC incentive program.
- Exercise of warrants
- FPC secured Chinese order for area sensor valued at SEK 20 M.
- FPC conducted private placement of SEK 40 M.
- FPC published prospectus due to entry of new shares into trade.

April 2013

- FPC secured five design wins from existing customers in Asia.
- FPC awarded design win for mobile phone in China.
- FPC became new sponsor of the FIDO Alliance.
- FPC associated with GlobalPlatform.

Sensitivity analysis

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

	2012	2011
Change in prices	+/- 0 %	+/- 8 %
SEK/USD exchange rate	+/- 1 %	+/- 4 %

This analysis has been conducted in a static environment, but the reality is more complex. Any change in the SEK/USD exchange rate could also affect the customer price, as well as the fact that there are time-related effects in any changes.

Description of the work of the Board of Directors during the year

The Board's work follows an annual cycle that starts with the statutory Board meeting after the AGM. 2012 involved a high level of activity requiring Board decisions and consultation: an Extraordinary General Meeting, decisions on incentive programs, negative sales and earnings trends and continuous decisions concerning comprehensive development projects. The Board convened 15 meetings during 2012. FPC employees participate in meetings as reporters whenever required. A more detailed description of corporate governance in 2012, including regulations, General Meetings, the Nomination Committee, the composition and work of the Board and governance processes and internal control, is presented in the separate Corporate Governance Report.

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

The 2012 AGM passed resolutions empowering the Board, during the period up to the next AGM, to may make decisions concerning the new issue of:

- up to 9,000,000 Class B shares, disapplying the preferential rights of shareholders regarding share issues.
- a maximum of 9,000,000 shares with preferential rights for shareholders.

Annual General Meeting

The Annual General meeting will be held at 5.30 pm on May 30, 2013 at the Radisson Blu Scandinavia Hotel, at Södra Hamngatan 59, Gothenburg, Sweden.

Proposed treatment of the company's accumulated loss The following amounts are at the disposal of the AGM (SEK):

Share premium reserve	
Loss brought forward	-18 989 248
Net loss for the year	-38 138 194
Total	50 451 081

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

To be carried forward: SEK 50,451,081, of which to the share premium reserve SEK 107,578,523.

Significant uncertainties and risks – Group and Parent Company

FPC is exposed to risks. Each of the risks below, other risks and the uncertainties named could, if they occur, have a material negative impact on the company's operations, earnings, financial position or future outlook, or result in a decline in the value of the company's shares, which could result in investors losing all or parts of their invested capital. The described risks and uncertainties are not ranked in any order of significance; nor are they claimed to be the only risks or uncertainties to which the company is exposed. Additional risks and uncertainties that the company is currently unaware of or that are currently not adjudged to be material could develop into factors that could in the future have a material negative impact on the company's operations, earnings, financial position or future outlook. The following description does not claim to be complete or exact, since risks and their degree of impact vary over time:

A Company risk

A1 Funding risk

It cannot be ruled out that further capital may be needed in the future to finance FPC's operations, development and expansion. This need could arise in an unfavorable market situation and on terms that are less favorable than the Board considers them to be today. External financing in a more difficult credit and investment climate could negatively affect FPC's operations, while borrowing, if at all possible, could entail restrictions that would limit the company's latitude. There is no guarantee that capital can be raised when needed, or raised on acceptable terms.

The company has secured its financial position with fully subscribed share issues. By gradually achieving success in the market and securing a satisfactory margin, a positive cash flow can be created, which will contribute to reducing the need for capital contributions.

A2 Rights

The operations are heavily dependent on FPC protecting its technology through patents and intellectual property rights. The strategy is to protect the most important areas but it is not possible to guarantee that all patent applications will be granted. FPC does not believe that its technology infringes upon any other company's intellectual property. In spite of this, no guarantees can be given that the company cannot be considered to violate the patents or intellectual property rights of another party. In the event that FPC cannot protect its technology with patents or other intellectual property rights, or may be considered to violate those of another party, the company's operations, earnings and financial position maybe negatively impacted.

FPC applies for new patents continuously. The company continuously monitors registered patents, patent applications and global markets for any patent infringements.

A3 Development

FPC's success depends largely on its ability to drive and adapt to technological developments. Since the projects are extensive and complex, delays in the time schedule cannot be ruled out. Serious delays, disruptions or unforeseen events could have a negative impact on FPC's future operations.

FPC applies a structured approach to project control and project management, with well-defined project plans, processes and follow-ups. FPC safeguards its development through appropriate competencies and well-composed teams.

A4 Competencies

Biometrics is still a relatively new area that is showing high growth and which requires advanced technical knowledge from employees. FPC has a number of key persons important to the successful development of its operations. The departure of such key persons from the company could result in operational disruptions and increased costs for recruitment of replacements.

FPC proactively strives to attract and recruit appropriate competencies, and to create positive working environments with stimulating job assignments, opportunities for personal development and well-defined reward systems. The company also has incentive schemes comprising features such as an employee warrants program.

B Market risks

B1 Political risk

FPC has operations in many markets with vastly differing conditions. Changes to laws and regulations regarding such areas as foreign ownership, taxes, government involvement, royalties and customs, for example, coupled with other political and economic risks, such as acts of war or terrorism, could negatively affect the company's earnings and financial position.

FPC operates in multiple markets to avoid the influence of a single nation's political influence.

B2 Currency-exchange risk

Purchasing, manufacturing and sales are essentially conducted in USD. Fluctuations in other exchange rates have a limited impact on earnings. A 1% change in the SEK-USD exchange rate would have an impact of +/- SEK 0.8 M on earnings if unhedged. Accordingly, it cannot be ruled out that changes in exchange rates could negatively impact the company's earnings and financial position.

Net exposure in USD is hedged up to 90% using forward contracts to offset exchange-rate fluctuations.

B3 Commodity price risk

The raw-material cost of products could be impacted by price fluctuations, mainly for silicon and gold. The percentage of gold in the products is marginal and price fluctuations will only have a limited effect on the price of the end product. Silicon is the largest component in the products. Historically, the price of silicon has not fluctuated to any significant degree and supply is favorable. Should the supply of silicon decrease on the world market, there is a risk of price increases. The price per unit of the company's purchases from external suppliers could thereby increase. There is no guarantee that FPC can in turn pass on the higher costs to its customers. The inability to pass on higher costs to the company's customers could have a negative impact on the company's operations, earnings and financial position.

B4 Macroeconomic conditions

The global economic trend affects the general investment inclination of FPC's current and potential customers. A weak economic trend in the whole or parts of the world could entail lower-than-expected market growth for the biometrics market. Accordingly, there is a risk that FPC's expected sales could be negatively affected by a weak economic trend, which could have a negative effect on the company's operations, earnings and financial position. Customers are currently predominantly based in Asia. The economic turbulence in Europe and Northern America has not influenced the operation to any major degree. However, there is no guarantee that this will not occur in the future or that the turbulence in Europe and North America will not spread to the Asian market.

FPC's business is driven by increased needs for security and convenience. The company operates in multiple markets comprising both emerging and developed nations.

C Operational risk

C1 Production

FPC does not conduct any proprietary production. Manufacturing, sales and delivery of FPC's technology and products depend on fulfillment of contractual requirements with respect to, for example, volume, quality and delivery time. Production and delivery problems among suppliers could have a negative impact on the company through delays or quality problems affecting deliveries to customers. Although production is planned up to six months in advance, binding orders from customers are normally not received that far in advance. Uncertainty in sales forecasts could lead to excessive stock accumulation and have an adverse effect on liquidity. The concentration of production to a few suppliers and the associated possibility of ensuring low costs must be weighed against the risk represented by concentration.

In pace with increased production volumes, FPC intends to secure its production capacity with several alternative suppliers.

C2 Environment

FPC does not engage in any proprietary manufacturing. Components are sourced from selected suppliers that satisfy requirements in terms of function, quality, stability and environmental aspects. If the products were not to fulfill requirements on function, quality, stability and environment or if the company's products were not to fulfill the RoHS (Restriction of Hazardous Substances) directive regarding limits on hazardous substances in electronic products, this could negatively impact the company's earnings and financial position.

FPC's products have been tested and satisfy the RoHS directive in terms of limiting hazardous substances in electronic products.

C3 Sales

Since FPC conducts business activities in a relatively young market, it is difficult to predict future trends for the operation. FPC's performance depends on the continued expansion of the biometrics market. Delayed penetration into more applications and markets will affect sales and earnings. There is a risk of FPC's dependence on a handful of distributors for its sales.

FPC is dependent on the Chinese market, where is has an established reseller with a strong position for FPC's technology. A loss of the company's distributor in the Chinese market or another significant distributor or reseller could have a negative impact on the company's operations, earnings and financial position.

FPC offsets this risk by using additional resellers through a broader product portfolio and by prioritizing customized solutions over standard products. An additional measure is to continuously assess conditions for the establishment of companies and to conducts sales independently.

D Credit risk

D1 Counterparty risk

Credit risk, defined as the risk that the counterparty does not fulfill its obligations, is attributable in its entirety to credit risk in accounts receivable. The company's customers mainly comprise companies that act as resellers or distributors of the company's products.

The risk is prevented by credit assessment and limited credit.

E Share risk

Dividend

To date, no dividend has been paid by the company. FPC is expected to be in an expansive investment phase in the upcoming years, which is why FPC's potential distributable profits will probably be reinvested in the business. As a result, the Board of FPC deems that cash dividends to the shareholders will not be paid in the next two years. Over the short term, this means that the return on an investment in the company's share is primarily dependent on the share price.

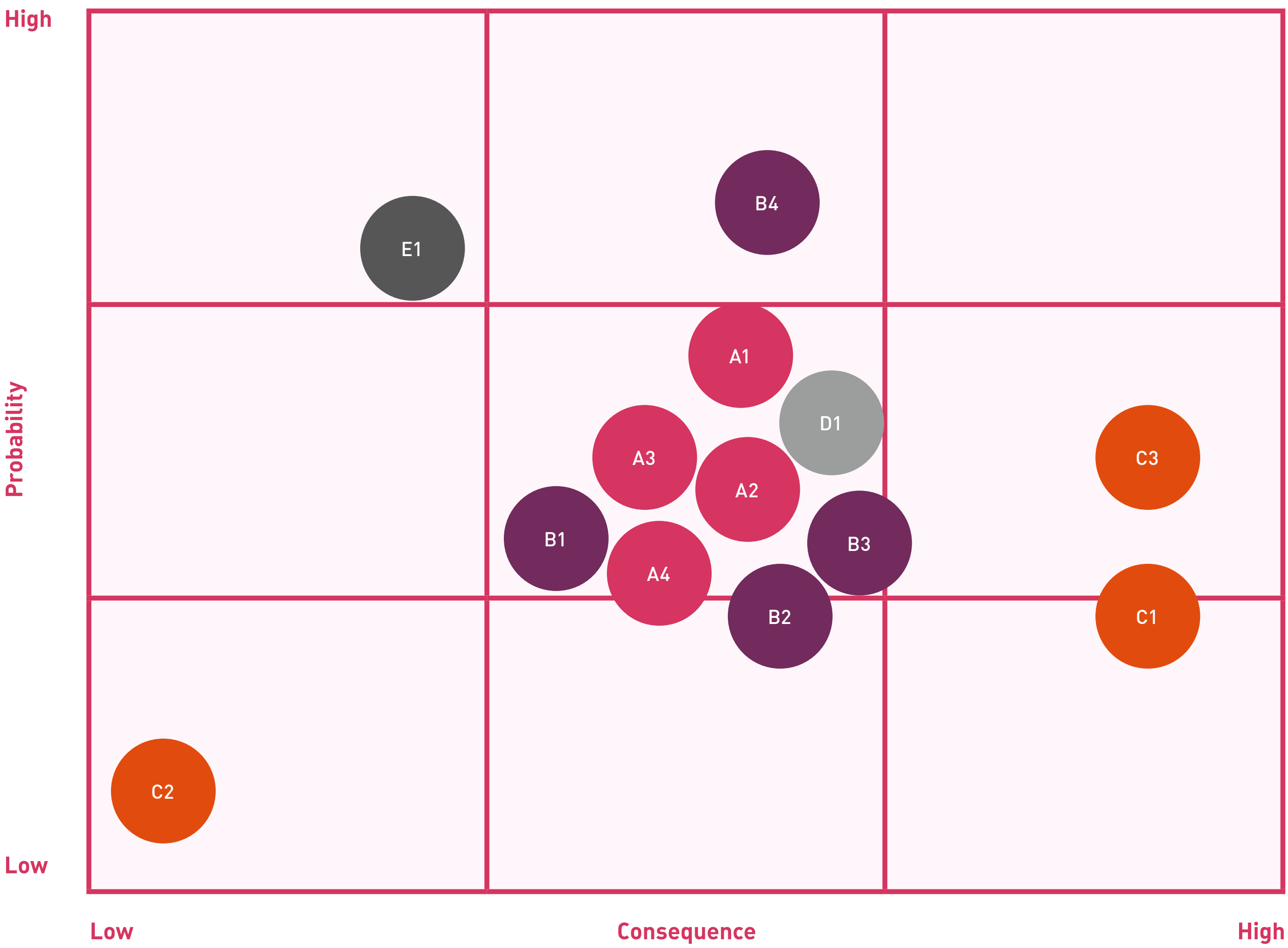
E1 Share price

Investing in shares is by nature associated with the risk that the value of the investment can decrease. There is no guarantee concerning the price performance of the shares offered for trading in connection with the new share issue. The company's share price may decrease due to the increased number of shares in the company, as well as a consequence of the market's reactions to factors entirely beyond FPC's control. FPC's share price has been volatile since the company's share was listed on NASDAQ OMX Stockholm. Trade in the company's shares has generally had a low level of activity. It is not possible to foresee the extent to which investor interest in FPC will lead to an active trade in the shares or how trade in the shares will trend in the future. If active and liquid trade does not develop, or is not lasting, this could entail difficulties for shareholders to sell their shares without negatively affecting the market price or difficulties in general. FPC's measure is to maintain a good level of communication. Current and potential investors in FPC should note that an investment in FPC is associated with risk and that there are no guarantees that the share price will perform positively. As presented in the account in this section, the price performance of the shares depends on a number of factors in addition to the company's operations, which the company is unable to influence. Even if FPC's business develops positively, there is therefore a risk that the price performance of the company's share may be negative.

Current and potential investors in FPC should note that an investment in FPC is associated with risk and that there are no guarantees that the share price will perform positively. As presented in the account in this section, the price performance of the shares depends on a number of factors in addition to the company's operations, which the company is unable to influence. Even if FPC's business develops positively, there is therefore a risk that the price performance of the company's share may be negative.

A1 Funding risk
A2 Rights
A3 Development
A4 Competencies
B1 Political risk
B2 Currency-exchange risk
B3 Commodity price risk
B4 Macroeconomic conditions
C1 Production
C2 Environment
C3 Sales
D1 Counterparty risk
E1 Share risk

Risks in relation to the consequences for FPC's operations should they occur, and the probability of their occurrence.
The positions in the diagram are not absolutes, but merely represent estimates.



Consolidated statement of comprehensive income

January 1 - December 31 SEK 000s	Note	2012	2011
Net sales	2, 3	10,276	68,621
Cost of goods sold		-15,954	-37,029
Gross profit		**-5,678**	**31,592**
Selling costs		-10,088	-13,588
Administrative costs		-12,472	-11,211
Development costs		-8,934	-2,500
Other operating expenses	4	-1,527	-1,556
Operating profit	5, 6, 7, 23, 24	**-38,699**	**2,737**
Financial income	8	633	681
Financial expenses	8	-117	-58
Profit before tax		**-38,183**	**3,360**
Tax	9	-	-
Net profit for the year		**-38,183**	**3,360**
Other comprehensive income		-	-
Comprehensive income for the year		**-38,183**	**3,360**
Net profit for the year attributable to			
Parent Company shareholders		-38,183	3,360
Net profit for the year		**-38,183**	**3,360**
Net profit for the year attributable to			
Parent Company shareholders		-38,183	3,360
Comprehensive income for the year		**-38,183**	**3,360**
Earnings per share	10		
before dilution (SEK)		-0.84	0.08
after dilution (SEK)		-0.84	0.08

Consolidated statement of financial position

At December 31 SEK 000s	Note	2012	2011
Assets			
Intangible fixed assets	11	29,145	28,220
Tangible fixed assets	12	4,802	4,177
Financial fixed assets	13	-	947
Total fixed assets		**33,947**	**33,344**
Current assets			
Inventories	15	11,440	4,346
Accounts receivable	14, 16	6,167	52,998
Other receivables		2,293	2,272
Prepaid expenses and accrued income	14, 17	832	821
Cash and cash equivalents	14, 18	60,596	23,032
Total current assets		**81,328**	**83,469**
Total assets		**115,275**	**116,813**
Shareholders' equity	19		
Share capital		9,562	8,722
Other paid-in capital		337,125	304,151
???Losses brought forward, including net profit for the year		-224,774	-206,589
Shareholders' equity attributable to Parent Company shareholders		**101,915**	**106,285**
Total shareholders' equity		**101,915**	**106,285**
Provisions			
Other provisions	27	-	1,177
Total provisions		**-**	**1,177**
Long-term liabilities			
Other long-term liabilities		672	-
Total long-term liabilities	32	**672**	**-**
Current liabilities			
Accounts payable	14	4,588	3,323
Other current liabilities	20	574	348
Accrued expenses and deferred income	14, 21	7,525	5,680
Total current liabilities		**12,687**	**9,351**
Total shareholders' equity and liabilities		**115,275**	**116,813**

Assets pledged and contingent liabilities, Group

At December 31 SEK 000s	Note	2012	2011
Assets pledged		None	None
Contingent liabilities		None	None

Consolidated statement of changes in equity

SEK 000s	Share capital	Other paid-in capital	Retained earnings incl. net profit for the year	Total equity
Opening shareholders' equity, Jan. 1, 2011	7,934	280,060	-209,949	78,046
Comprehensive income during the year			3,360	3,360
Other comprehensive income during the year				
New share issue	788	23,238		24,026
Paid-in warrant premiums		854		854
Closing shareholders' equity, Dec. 31, 2011	**8,722**	**304,151**	**-206,589**	**106,285**
Opening shareholders' equity, Jan. 1, 2012	8,722	304,151	-206,589	106,285
Net profit for the year			-38,138	-38,183
Other comprehensive income during the year				
New share issue	840	32,250		33,090
Paid-in warrant premiums		723		723
Closing shareholders' equity, Dec. 31, 2012	**9,562**	**337,125**	**-244,774**	**101,915**

Consolidated statement of cash flows

SEK 000s	Note	2012	2011
Operating activities	26		
Profit before tax		-38,183	3,360
Adjustment for non-cash items		9,630	4,943
Cash flow from operating activities before changes in working capital		**-28,553**	**8,303**
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in inventories		-7,094	3,561
Increase (-)/Decrease (+) in operating receivables		46,799	-35,132
Increase (+)/Decrease (-) in operating liabilities		3,335	1,068
Cash flow from operating activities		**14,487**	**-22,200**
Investing activities			
Internally developed and acquired capitalized development expenditure	11	-10,397	-9,379
Acquisition of tangible fixed assets	12	-1,959	-1,344
Divestment of financial fixed assets	13	947	-
Acquisition of financial fixed assets	13	-	-947
Cash flow from investing activities		**-11,409**	**-11,670**
Financing activities			
Long-term liabilities		672	-
Warrants		723	854
New share issue		33,090	24,026
Cash flow from financing activities		**34,486**	**24,880**
Cash flow during the year		37,564	-7,814
Cash and cash equivalents, January 1		23,032	30,846
Cash and cash equivalents, December 31	26	**60,596**	**23,032**

Parent Company income statement

January 1 – December 31

SEK 000s	Note	2012	2011
Net sales	2, 3	10,276	68,621
Cost of goods sold		-15,959	-37,099
Gross profit		**-5,683**	**31,522**
Selling costs		-10,098	-13,588
Administrative costs		-12,471	-11,211
Development costs		-8,956	-2,500
Other operating expenses	4	-1,527	-1,556
Operating profit	5, 6, 7, 23, 24	**-38,699**	**2,737**
Profit/loss from financial items:	8		
Other interest income and similar profit/loss items		633	681
Interest expenses and similar profit/loss items		-36	-55
Profit before tax		-38,138	3,363
Tax	9	-	-
Net profit for the year		**-38,138**	**3,363**

Statement of comprehensive income

January 1 – December 31

SEK 000s	Note	2012	2011
Net profit for the year		-38,138	3,363
Net profit for the year		-38,138	3,363
Other comprehensive income		-	-
Comprehensive income for the year		**-38,138**	**3,363**

Parent Company balance sheet

At December 31

SEK 000s	Note	2012	2011
Assets			
Fixed assets			
Intangible fixed assets	11	29,145	28,220
Tangible fixed assets	12	3,829	4,177
Financial fixed assets	13	3,568	3,792
Total fixed assets		**36,542**	**36,189**
Current assets			
Inventories	15	11,440	4,346
Current receivables			
Accounts receivable	14, 16	6,167	52,998
Advance payments to suppliers		372	-
Other receivables		1,828	2,139
Prepaid expenses and accrued income	17	832	821
Cash and bank deposits	14, 18	59,895	22,314
Total current assets		**80,534**	**82,619**
Total assets		**117,076**	**118,808**
Shareholders' equity	19		
Restricted shareholders' equity			
Share capital (1,200,000) Class A shares, 46,608,135 Class B shares)		9,562	8,722
Statutory reserves		41,450	41,450
Unrestricted shareholders' equity			
Share premium reserve		107,579	74,607
Loss carried forward		-18,989	-22,352
Net profit/loss for the year		-38,138	3,363
Total shareholders' equity		**101,464**	**105,788**
Provisions			
Other provisions	27	-	1,177
Total provisions		**-**	**1,177**
Current liabilities			
Accounts payable	14	4,588	3,323
Liabilities to Group companies		3,212	2,492
Other liabilities	20	288	346
Accrued expenses and deferred income	21	7,525	5,680
Total liabilities and current liabilities		15,612	11,843
Total shareholders' equity and liabilities		**117,076**	**118,808**

Assets pledged and contingent liabilities, Group

At December 31

SEK 000s	Note	2012	2011
Assets pledged		None	None
Contingent liabilities		None	None

Parent company statement of changes in equity

SEK 000s	Restricted equity			Unrestricted equity		
	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Net profit for the year	Total shareholders' equity
Opening shareholders' equity, Jan 1, 2011	**7,934**	**41,450**	**50,547**	**-24,174**	**1,822**	**77,578**
Comprehensive income during the year					3,363	3,363
Appropriation of profits				1,822	-1,822	
New share issue	788		23,238			24,026
Paid-in warrant premiums			822			822
Closing shareholders' equity, Dec 31, 2011	**8,722**	**41,450**	**74,607**	**-22,352**	**3,363**	**105,788**
Opening shareholders' equity, Jan 1, 2011	**8,722**	**41,450**	**74,607**	**-22,352**	**3,363**	**105,788**
Net profit for the year					-38,138	-38,138
Appropriation of profits				3,363	-3,363	
New share issue	840		32,250			33,090
Paid-in warrant premiums			723			723
Closing shareholders' equity, Dec 31, 2012	**9,562**	**41,450**	**107,579**	**-18,989**	**-38,138**	**101,464**

Parent Company statement of cash flows

SEK 000s	Note	2012	2011
Operating activities	26		
Profit before tax		-38,138	3,363
Adjustment for non-cash items		9,520	6,120
Cash flow from operating activities before changes in working capital		**-28,617**	**9,483**
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in inventories		-7,094	3,561
Increase (-)/Decrease (+) in operating receivables		46,759	-34,999
Increase (+)/Decrease (-) in operating liabilities		3,769	3,050
Cash flow from operating activities		**14,817**	**-18,905**
Investing activities			
Acquisition of capitalized development expenditure	11	-10,397	-9,379
Acquisition of tangible fixed assets	12	-878	-1,344
Divestment of financial fixed assets		949	-
Acquisition of financial fixed assets	13	-723	-1,767
Cash flow from investing activities		**-11,051**	**-12,490**
Financing activities			
Warrants		723	820
New share issue		33,090	24,026
Cash flow from financing activities		**33,814**	**24,846**
Cash flow during the year		37,580	-6,550
Cash and cash equivalents, January 1		22,314	28,863
Cash and cash equivalents, December 31	**26**	**59 895**	**22,314**

Notes to the financial statements

Note 1 Significant accounting policies

All amounts in SEK 000s unless indicated otherwise

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

The Parent Company applies the same accounting policies as the Group, except in the cases described below under "Parent Company accounting policies." The Annual Report and the consolidated financial statements were approved for issue by the Board of Directors and President on May 9, 2013. The consolidated statement of comprehensive income and statement of financial position and the Parent Company's income statement and balance sheet will be adopted by the Annual General Meeting (AGM) on May 30, 2013.

Measurement basis applied to the preparation of the financial statements

Assets and liabilities are recognized at cost, except for certain financial assets and liabilities measured at fair value through profit or loss. Financial assets and liabilities measured at fair value comprise derivative instruments. The Group does not apply hedge accounting.

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

The calculation of gross margin was restated as of 2012. Production overheads and depreciation of capitalized development expenditure are now recognized under "Cost of goods sold," which has resulted in a reduction of percentage points compared with the earlier calculation method.

Functional currency and presentation currency

The Parent Company's functional currency is Swedish kronor (SEK), which is also the presentation currency for the Parent Company and the Group. Accordingly, the financial statements are presented in SEK. Unless otherwise stated, all amounts have been rounded to the nearest thousand.

Judgments and estimates in the financial statements

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

These estimates and assumptions are regularly reviewed. Changes to estimates are reported in the period in which the change is made if the change affects only that specific period, or are reported in the period in which the change is made and future periods if the change affects the current and future periods. Judgments made by company management in the application of IFRS that have a material impact on the financial statements and estimates made that may lead to significant adjustments in the following year's financial statements are described in greater detail in Note 28.

Significant accounting policies applied

Except for those policies described in more detail, the accounting policies presented below were applied consistently to all of the periods presented in the Group's financial statements. Furthermore, the Group's accounting policies were applied consistently by the Group companies.

Amended accounting policies

As of 2012, cost of goods sold has been restated due to the reclassification of costs. The change primarily involves amortization according to plan of capitalized development expenditure, now classified as cost of goods sold, thus resulting in the figures for gross profit/loss and gross margin being lower than the previous classification of costs. The comparative year was correspondingly restated.

(i) New and amended IFRSs have not had any material impact on the financial statements

The application of accounting policies complies with the policies applied in the Annual Report for the fiscal year that ended on December 31, 2011, with the exception of a number of new or amended IFRS standards and new IFRC interpretations that became effective on January 1, 2011, none of which had any impact on the Group's financial position or earnings.

(iii) New IFRSs that are yet to be applied

IFRS 9, Financial Instruments

This standard is intended to replace IAS 39, Financial Instruments: Classification and measurement not later than 2015. The IASB (International Accounting Standards Board) has published the first two sections of what is to constitute the final version of IFRS 9. The first section deals with the classification and measurement of financial assets. The existing categories for financial assets in IAS 39 will be replaced by two categories, which will be measured either at fair value or amortized cost.

Amortized cost will be applied to instruments within a business model that aims to procure contractual cash flows, which are to constitute payments of capital amounts and interest on capital amounts on a specified date. Other financial assets are recognized at fair value and the fair-value option in IAS 39 will be retained. Changes in fair value are to be recognized in profit or loss, with the exception of changes in the value of equity instruments that are not held for sale, and for which a choice was initially made to recognize them under "Other comprehensive income." Changes in the value of derivative instruments in hedge accounting are not affected by this section of IFRS 9, but are recognized in accordance with IAS 39 until further notice. [Indicate which of the company's financial assets will be recognized in a different manner and the manner in which the reporting will deviate, when the current rules of IFRS 9 come into force. If the amount is expected to be significantly impacted, it is appropriate to indicate the amounts. If, for example, there are salable items under the category, Financial assets, that do not constitute equity instruments, the changes in value of these assets will no longer be permitted to be recognized under "Other comprehensive income" when IFRS 9 comes into force. If, for example, there are unlisted equity instruments which are currently recognized at cost, these should probably be measured at fair value in accordance with IFRS 9. Etc.] In October 2010, the IASB also published the sections of IFRS 9 that concern the classification and measurement of financial liabilities. Most of the sections correspond to the earlier IAS 39 regulations, except in regard to financial liabilities that are optionally measured at fair value in accordance with the "Fair Value Option." For these liabilities, the change in value is to be divided between "Changes attributable to the company's credit rating" and "Changes in reference rate."

FPC is yet to decide on whether to apply the new policies in advance or as of 2015.

IAS 1 Presentation of other comprehensive income.

The amendment concerns presentation of items under Other comprehensive income. The items are to be separated into two categories: items that are reclassified to net profit or loss, and items that are not reclassified. Items that will be reclassified include translation differences and profit/loss on cash-flow hedges. Items that will not be reclassified include actuarial gains/losses and remeasurements in accordance with the remeasurement method for intangible and tangible assets. The restatement is to be retroactively applied for the fiscal year commencing July 1, 2012. Advance application is permitted. The amendment has been approved by the EU.

IAS 12 Income taxes

An amendment was made to IAS 12 Income taxes concerning the measurement of tax for investment properties. The amendment entails a presumption that the value of investment properties, which are measured at fair value, will be realized through their sale. According to this approach, deferred tax is generally to be measured on the basis of the applicable tax rate for the sale of the property. According to the EU, the amendment is to be retroactively applied as of the fiscal year commencing January 1, 2013. The amendment has been approved by the EU.

Amended IAS 19 Employee Benefits
This amendment will entail the discontinuation of the corridor method. Actuarial gains and losses are to be recognized under "Other comprehensive income." The return that was calculated based on plan assets is to be based on discount rates used in the calculation of pension obligations. The difference between real and calculated return on plan assets is to be recognized under "Other comprehensive income." The amendment is to be retroactively applied to the fiscal year commencing January 1, 2013 or later. Advance application is permitted. The amendment has been approved by the EU.

Amended IAS 32 Financial Instruments: Presentation
This amendment is aimed at clarifying the rules applicable for the offsetting of financial assets and liabilities to be permitted. The amendment is to be retroactively applied to the fiscal year commencing January 1, 2014 or later. Advance application of the new disclosure requirement in IFRS 7 is also permitted. See below. The amendment has been approved by the EU.

Amended IFRS 7 Financial Instruments: Disclosures
This amendment is aimed at new disclosure requirements for offsetting financial assets and liabilities. The amendment is to be retroactively applied to the fiscal year commencing January 1, 2013 or later, and to the interim periods of the fiscal year. Advance application is permitted. The amendment has been approved by the EU.

IFRS 10 Consolidated Financial Statements
New standards for consolidated financial statements that replace IAS 27 and SIC 12. In terms of rules for consolidation as a result of acquisition and divestment, there are no amendments within this standard compared with the currently applicable IAS 27. IFRS 10 comprises a model that is to be used in the assessment of whether controlling interests exist for all of a company's investments, including what is currently referred to as SPEs (special purpose entities) and are regulated under SIC 12. In accordance with EU regulations, the standard is to be retroactively applied to the fiscal year commencing January 1, 2014 or later. The IASB has issued separate clarifications concerning transitions rules and rules for Investment Entities. Advanced application is permitted concerning IFRS 10 and Investment Entities. Should IFRS 10 be applied in advance, the transition rules are also to be applied in advance. With the exception of clarifications concerning transition rules and rules concerning Investment Entities, IFRS 10 has been approved by the EU. The clarification of transition rules is expected to be approved by the EU during the first quarter 2013, while approval of the rules concerning Investment Entities is expected during the third quarter 2013.

IFRS 11 Joint Arrangements
New standard for the reporting of joint ventures and joint operations. The new standard will primarily entail two amendments compared with IAS 31 Interests in Joint Ventures. One amendment relates to whether the investment is deemed to be a joint operation or a joint venture. Different accounting standards apply, depending on the type of investment. The other amendment entails that joint ventures be recognized in accordance with the equity method – the proportional method will no longer be permissible. In accordance with EU regulations, the standard is to be applied retroactively to the fiscal year commencing January 1, 2014 or later. Advance application is permitted. IFRS 11 is approved by the EU.

IFRS 12 Disclosure of Interests in Other Entities.
New standard for the disclosure of investments in subsidiaries, joint arrangements, associated companies and unconsolidated "structured entities." In accordance with EU regulations, the standard is to be retroactively applied to the fiscal year commencing January 1, 2014 or later. Advance application is permitted. IFRS 12 is approved by the EU.

Amended IAS 27 Separate Financial Statements
The amended standard solely comprises rules for legal entities. There are essentially no changes concerning accounting and disclosure for separate financial reports. The rules concerning the accounting and disclosure of associated companies and joint ventures are included in IAS 27. In accordance with EU regulations, the amendments are to be retroactively applied to the fiscal year commencing January 1, 2014 or later. Advance application is permitted. The amendment has been approved by the EU.

Amended IAS 28 Investments in Associates and Joint Ventures
The amended standard essentially corresponds to the earlier version of IAS 28. The amendments define the method of accounting in the event or absence of changes in ownership and significant or shared controlling interests. In accordance with EU regulations, the amendments are to be retroactively applied to the fiscal year commencing January 1, 2014 or later. Advance application is permitted. The amendment has been approved by the EU.

IFRS 13 Fair Value Measurement
A new standard for the measurement of fair value and improved disclosure requirement. The standard is to be applied to fiscal years commencing on January 1, 2013 or later. Advance application is permitted. IFRS 13 has been approved by the EU.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine
The declared interpretation deals with the method to be applied by mining companies in recognizing expenses that arise from stripping for the purpose of accessing ore deposits in surface mines. The declared interpretation is to be applied to the fiscal year commencing January 1, 2013 or later. Advance application is permitted. The amendment has been approved by the EU.

Annual Improvements to IFRSs (2009-2011) – Clarification and amendments concerning IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34.
The amendments are to be applied to the fiscal year commencing January 1, 2013 or later. Advance application is permitted. The amendment on Annual Improvements has been approved by the EU.

UFR 9 Accounting for tax on returns (Statement 9 from the Swedish Financial Reporting Board).
The Financial Reporting Board issued a statement in September 2012 concerning accounting for tax on returns. The Financial Reporting Board deems that tax on returns levied on provisions in the balance sheet is to be continuously recognized as an expense in profit or loss. The statement is to be applied concurrently to the application of the amended IAS 19 Employee Benefits.

Classification, etc.

Fixed assets and long-term liabilities essentially comprise amounts that are expected to be recovered or paid twelve months or more after the balance-sheet date. Current assets and current liabilities essentially comprise amounts that are expected to be recovered or paid within twelve months from the balance-sheet date.

Segment reporting

An operating segment is a part of the Group that conducts operations from which it can generate income and incur costs and for which separate financial information is available. Furthermore, the results of an operating segment can be reviewed by the company's chief operating decision maker to evaluate the outcomes and to allocate resources to the operating segment. Refer to Note 3 for a more detailed description of the division and presentation of the company's operating segments.

Consolidation principles

(i) Subsidiaries
Subsidiaries are companies that are subject to a controlling influence from Fingerprint Cards AB (publ). A controlling influence means a direct or an indirect right to formulate a company's financial and operational strategies to generate economic benefits. An assessment of whether a controlling influence exists takes into account shares carrying potential voting rights that can be immediately utilized or converted. Subsidiaries are recognized in accordance with the purchase method.

In accordance with this method, an acquisition of a subsidiary is considered to be a transaction through which the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The consolidated cost is determined by performing an acquisition analysis in conjunction with the acquisition. The analysis determines the cost for the participations or the operations and the fair value of the acquired identifiable assets and the assumed liabilities and contingent liabilities on the acquisition date. The cost of the subsidiaries' shares or operations comprises the sum of the fair value of the paid assets on the acquisition date, arisen or assumed liabilities and for issued equity instruments paid in exchange for the acquired net assets.

Costs directly attributable to the acquisition are expensed on a current account basis. For business combination whereby the cost exceeds the fair value of the acquired assets and assumed liabilities and contingent liabilities that are recognized separately, the difference is recognized as goodwill. If the difference is negative, it is recognized directly in net profit for the year. Subsidiaries' financial statements are included in the consolidated financial statements from the acquisition date until the date on which the controlling influence ceases.

(ii) Transactions eliminated on consolidation
Inter-company receivables and liabilities, income or expenses and unrealized gains or losses arising from inter-company transactions between the Group companies are eliminated in their entirety when the consolidated financial statements are prepared.

Foreign currency

Transactions in foreign currency are translated to the functional currency at the exchange rate prevailing on the transaction date. The functional currency is the currency in the primary economic environments in which the companies conduct their operations. Monetary assets and liabilities in foreign currencies are translated to the functional currency at the exchange rate prevailing on the balance-sheet date. Exchange-rate differences arising in conjunction with these translations are recognized in profit or loss. Non-monetary assets and liabilities recognized at historic costs are translated according to the exchange rate on the transaction date. Non-monetary assets and liabilities measured at fair value are translated to the functional currency at the exchange rate prevailing on the date of fair value measurement.

Currency flows for 2013 were hedged during autumn 2012 in accordance with the prevailing finance policy that has been adopted by the Board of Directors. These forward contracts are recognized at market value in the 2012 financial statements. Refer also to Note 17.

Income

Income for the sale of goods is recognized in profit or loss when the material risks and benefits associated with ownership of the product have been transferred to the purchaser. Income is not recognized if it is unlikely that the economic benefits will accrue to the Group. Revenue is not recognized if substantial uncertainty exists concerning payment, associated costs or the risk of returns or if the seller retains a commitment to the ongoing management that is usually associated with ownership. Income is recognized at the fair value of the amount received, or expected to be received, less discounts provided.

Leasing

(i) Operating leases
Expenses pertaining to operating leases are recognized in profit loss for the year straight-line over the lease term. Benefits received from signing a lease agreement are recognized in profit or loss as a decrease in leasing fees straight-line over the term of the lease agreement. Variable fees are expensed in the periods in which they arise.

(ii) Financial leases
The minimum lease fees are distributed between interest expense and amortization of the outstanding liability. The interest expense is distributed over the lease term so that each accounting period is charged with an amount corresponding to a fixed interest rate for the liability recognized in each period. Variable fees are expensed in the periods in which they arise.

Financial income and expenses

Financial income comprises interest income on invested funds and gains from changes in value of financial assets measured at fair value in profit or loss. Gains/losses from the divestment of a financial instrument are recognized when the risks and benefits associated with ownership of the instrument are transferred to the purchaser and the Group no longer has control of the instrument. Financial expenses comprise interest expense, losses on changes in value of financial assets measured at fair value in profit or loss and impairment losses on financial assets.

Taxes

Consolidated tax comprises current tax and deferred tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be paid to or by the tax authorities based on the tax rates and the tax legislation that are adopted or have essentially been adopted on the balance sheet date.

Current tax is tax pertaining to taxable profit for the period. Deferred tax arises due to temporary differences between the taxable value and the carrying amount of an asset or liability. Current tax and deferred tax are recognized in profit or loss with the exception of transactions recognized in other comprehensive income. Tax attributable to items recognized in other comprehensive income is also recognized in other comprehensive income. Deferred tax assets are recognized in the balance sheet insofar as it is probable that they can be utilized to offset future taxable surpluses. When calculating the Group's deferred tax assets and tax liability, a tax rate of 22% is applied.

Classification of financial assets

Financial instrument recognized in the statement of financial position include, on the assets side, cash and cash equivalents, accounts receivable, financial investments and derivatives. Accounts payable are included on the liabilities side.

(i) Classification
The Group's financial instruments are classified in the following four categories. The purpose of the acquisition of financial instruments constitutes the basis for classification. Classification is made by company management in connection with the first recognition occasion. The classification determines how the financial instrument is to be measured after the first recognition occasion, in the manner show below.

1. Financial assets measured at the fair value via profit or loss
This category comprises two subgroups: financial assets and liabilities held for sale and those that on the date of acquisition were classified as being measured at fair value via profit or loss. A financial asset or liability is entered in this category if it has been acquired with the purpose of being sold in the short term or has been classified as such by company management. Derivative instruments are also classified in this category. Assets and liabilities in this category are classified as current if they are held for sale or are expected to be sold within 12 months of the balance-sheet date.

2. Loan receivables and accounts receivable
Financial assets and liabilities that are not classified as derivative instruments and that are subject to fixed payment and are not quoted on an active market. Classification as a current asset occurs if the due date arises less than 12 months after the balance-sheet date, following which non-current assets is the classification.

3. Investments held to maturity
Financial assets and liabilities that are not derivative instruments subject to fixed payment and fixed due dates that company management intends or has the capacity to hold until maturity. During 2012 and 2011, the Group had no assets in this category. Following initial recognition, these assets and liabilities are measured at accrued cost in accordance with the effective interest method, adjusted for any impairment losses. The result is recognized in profit or loss when the asset is divested or impaired, and in pace with recognition of accrued interest.

4. Financial assets held for resale
The category of financial assets with the potential to be sold includes financial assets that are not classified in any other category or financial assets that the company has chosen to classify in this category. During 2012 and 2011, the Group had no assets in this category. These assets apply to non-current assets unless company management intends to divest the investment within 12 months of the balance-sheet date. Measurement occurs initially at fair value including transaction costs. Changes in value are recognized against other comprehensive income. When the asset is sold, the accumulated changes in value are reversed to profit or loss. Unrealized changes in value are recognized in other comprehensive income unless the value decline is material or has persisted for a long time. In these fall cases, impairment losses are charged against profit or loss.

(ii) Classification and measurement
A financial asset or financial liability is recognized in the statement of financial position when the Group becomes a contractual party in accordance with the terms of the instrument's contract. A receivable is entered when the company has performed and the counterparty has a contractual obligation to pay, even if the invoice has yet to be sent. accounts receivable are recognized in the statement of financial position when an invoice is sent. Liabilities are recognized when the counterparty has performed and there is a contractual obligation for the company to make a payment without an invoice having yet been received. Accounts payable are recognized when the invoice has been received. A financial asset is derecognized from the statement of financial position when the contractual rights have been realized, expire or the Group loses control of them. The equivalent applies to a portion of a financial asset. A financial liability is derecognized from the statement of financial position when a contractual obligation has been received or otherwise extinguished. A financial asset and a financial liability are offset and recognized at net amount in the statement of financial position only when a legal right to offset the amounts exists and

it is intended that the items be settled at net amount or simultaneously realize the asset and settle the liability. Acquisitions and divestments of financial assets are recognized on the trade date which is the date on which the Group undertakes to acquire or divest the asset.

A financial instrument that is not a derivative is initially recognized at cost corresponding to the fair value of the instrument plus transaction costs for all financial instruments, except for those belonging to the category of financial assets measured at fair value in profit or loss, which are measured at fair value excluding transaction costs.

Derivative instruments are recognized initially at fair value, whereby transaction costs are charged against profit or loss. Changes in the value of derivative instruments are recognized in operating profit. Cash and cash equivalents comprise cash funds and immediately available balances with banks and similar institutions, as well as current liquid investments, which are exposed to only an insignificant risk of currency fluctuations. Exchange-rate fluctuations pertaining to operating receivables and liabilities are recognized in operating loss, while exchange-rate fluctuations pertaining to financial receivables and liabilities are recognized in net financial items.

Accounts receivable are financial assets that are not derivatives, that have determined or determinable payments and which are not listed on an active market. These assets are measured at amortized cost. Amortized cost is determined based on the effective rate that is calculated on the acquisition date. Accounts receivable are recognized at the amounts at which they are expected to be received, meaning less any doubtful receivables. Loans and other financial liabilities, such as accounts payable, are measured at amortized cost. This does not apply to derivative liabilities, which are instead measured at fair value.

Tangible fixed assets

(i) Owned assets

Tangible fixed assets are recognized in the Group at cost less accumulated depreciation and any impairment. Cost includes the purchase price and any expenses that are directly attributable to the asset to put it in place and in the condition to be utilized for the purpose for which it was acquired. Accounting policies for impairment are described below. The carrying amount of a tangible fixed asset is derecognized from the statement of financial position when it is disposed or divested or no more future economic benefits are expected to be derived from the use or disposal/divestment of the asset.

Gains or losses arising in conjunction with the divestment or disposal of an asset comprise the difference between the sales price and carrying amount of the asset, less direct selling expenses. Gains and losses are recognized as other operating income/expenses.

(ii) Leased assets

Lease agreements are classified as either financial or operating leasing. Financial leasing exists when the economic risks and benefits associated with ownership have been essentially transferred to the lessee. If this is not the case, it is operating leasing. Assets hired under financial leases are recognized as fixed assets in the statement of financial position and are initially measured at the lower of the leased item's fair value and the current value of the minimum leasing fees when the contract is signed. The obligation to pay future leasing fees is recognized as a long-term and current liability. The leased assets are depreciation over their respective useful lives while leasing payments are recognized as interest and amortization of liabilities.

Assets rented under operating leasing are not usually recognized in the statement of financial position. Operating leases do not give rise to liabilities.

(iii) Additional costs

Additional costs are added to a cost only if it is probable that the future economic benefits associated with the asset will accrue to the company and the cost can be calculated reliably. Other additional costs are recognized as an expense in the period in which they arise.

An additional cost is added to cost if the expense pertains to the exchange of identified components or portions thereof. An expense is also added to cost if a new component is created. Any non-depreciated carrying amounts for exchanged components, or portions of components, are scrapped and expensed in conjunction with the exchange. Repairs are expensed continuously.

(iv) Depreciation principles

Depreciation takes place on a straight-line basis in relation to the estimated useful life of the asset. Leased assets are depreciated over their estimated useful lives or their contractual lease term, if shorter. The estimated useful lives are as follows:

Plant and machinery	5 years
Equipment, tools, fixtures and fittings	5 years

Intangible assets

(i) Research and development

Development expenditure, aimed at achieving new or improved products or processes, is recognized as an asset in the statement of financial position, if the product or process is technically and commercially viable and the company has sufficient resources to complete the development process and subsequently use or sell the intangible asset. The carrying amount includes directly attributable expenses, such as materials and services used and consumed in connection with processing, registration of legal rights and borrowing costs in accordance with IAS 23. Other development expenditure is recognized in profit or loss as an expense when it arises. Development expenditure recognized in the statement of financial position is recognized at cost less accumulated amortization and any impairment losses.

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

(ii) Amortization principles

Amortization is recognized in profit or loss straight-line over the estimated useful lives of the intangible assets, unless the useful lives are indeterminable. The useful lives are reassessed at least once a year. Intangible assets with an indeterminable useful life or that are not ready for use are tested for impairment every year and as soon as there is an indication suggesting that the asset has declined in value. Intangible assets with determinable useful lives are amortized from the date on which they became available for use. The estimated useful lives are as follows:

Products	3–4 years
Platforms	4–5 years

Useful lives are reassessed annually.

Inventories

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

The net selling price is the estimated sales price in the operating activities, less estimated expenses for completion and bringing about a sale. Inventories are measured at accrued cost.

Impairment

The Group's recognized assets are tested on every balance-sheet date to determine whether there are any indications of impairment. IAS 36 is applied to the impairment of assets that are not financial assets recognized in accordance with IAS 39, assets for sale and divestment groups recognized in accordance with IFRS 5, inventories and deferred tax assets. The carrying amounts of the exempted assets stated above are determined in accordance with the respective standard.

(i) Impairment of tangible and intangible assets

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

(ii) Impairment of financial assets

On each reporting occasion, the company tests whether there is objective evidence that a financial asset or group of assets requires impairment. Objective evidence comprises observable circumstances that have occurred and that have a negative impact on the possibility of recovering costs and significant or protracted decreases on the fair value of an investment in a financial investment classified as an available-for-sale financial asset. Impairment testing of accounts receivable is determined based on historical experience of customer losses from similar receivables. Accounts receivable that require impairment are recognized at the present value of future cash flows. However, receivables with short terms are not discounted. Impairment losses on available-for-sale financial assets are recognized in profit or loss in net financial items.

(iii) Reversal of impairment

Impairment losses on assets encompassed by the scope of IAS 36 can be reversed if there is an indication suggesting that impairment no longer exists and a change has been made to the assumptions that formed the basis of the calculation of the recoverable amount. A reversal only takes place to the extent that the asset's carrying amount following reversal does not exceed the carrying amount that would have been recognized, less depreciation/amortization where necessary, had the impairment loss not been recognized. Impairment losses on accounts receivable recognized at amortized cost are reversed if the previous reasons for recognizing an impairment loss no longer exist and full payment can be expected from the customer.

Earnings per share

The calculation of earnings per share is based on the net profit/loss for the year in the Group attributable to the Parent Company's owners and on the weighted average number of shares outstanding during the year. In calculating earnings per share after dilution, earnings and the average number of shares are adjusted to take into account the diluting effects of potential common shares, which arise during recognized periods from warrants issued to employees. The dilution of warrants affects the number of shares and only arises when the exercise price is lower than the share price.

Remuneration of employees

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

(i) Severance pay

An expense for severance pay when employees leave the company is recognized only if the company is demonstrably obligated, without a realistic possibility of withdrawing, by a formal detailed plan to terminate employment before the normal point in time. When severance pay is provided as an offer to encourage voluntary redundancy, an expense is recognized if it is probable that the offer will be accepted and the number of employees who will accept the offer can be reliably estimated.

(ii) Short-term remuneration

Short-term remuneration to employees is calculated without discounting and is recognized as an expense when the related services are received. A provision is recognized for the expected cost of profit-share and bonus payments when the Group has a valid legal or informal obligation to make such payments as a result of services being received by employees and that the obligation can be reliably calculated.

(iii) Share-based payments

An options program enables employees to acquire shares in the company. The expense recognized corresponds to the fair value of an estimate of the number of warrants that is expected to be earned, taking into consideration terms of services and performance that are not market conditions. This expense is adjusted in subsequent periods to eventually reflect the actual number of warrants earned. However, no adjustment is made for when warrants are forfeited due to only the non-fulfillment of market conditions and/or conditions that are not earnings conditions. Social security contributions attributable to share-based instruments issued to employees as remuneration for services purchased are expensed over the period during which the services are performed. The provision for social security contributions is based on the fair value of the warrants on the reporting date. The fair value is calculated in accordance with the same measurement model as applied when the warrants were issued.

Provisions

A provision differs from other types of liabilities since there is uncertainty surrounding the point in time that payment will be received or the amount of payment to be received to settle the provision. A provision is recognized in the statement of financial position when there is an existing legal or informal obligation as a result of an event that has occurred and it is probable that an outflow of economic resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are established at the amount corresponding to the best estimate of the amount required to settle the existing obligation on the balance-sheet date. Since the effect of the point in time at which payment is made is of importance, provisions are calculated by discounting the expected future cash flow at an interest rate before tax that reflect the current market assessment of the time value of money and, if applicable, the risks associated with the liability.

Contingent liabilities

A contingent liability is recognized when there is a potential commitment deriving from an event that has occurred and the existence of which is confirmed by only one or more uncertain future events or when there is a commitment that is not recognized as a liability or a provision since it is not probable that an outflow of resources will be required.

Parent Company accounting policies

The Parent Company's Annual Report is prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The statements regarding listed companies as issued by the Financial Reporting Board were also applied. Under RFR 2, in its Annual Report for the legal entity, the Parent Company is to apply all IFRS and statements adopted by the EU as far as possible within the framework of the Annual Accounts Act, the Pension Obligations Vesting Act and with respect to the relationship between accounting and taxation. The recommendation stipulates the exemptions and additions to IFRS that are to be made.

Differences between consolidated and Parent Company accounting policies

The differences between the consolidated and Parent Company accounting policies are presented below. The accounting policies for the Parent Company described below were applied consistently to all periods presented in the Parent Company's financial statements.

(i) Amended accounting policies

As of 2012, cost of goods sold has been restated due to the reclassification of costs. The change primarily involves amortization according to plan of capitalized development expenditure, now classified as cost of goods sold, thus resulting in the figures for gross profit/loss and gross margin being lower than the previous classification of costs. The comparative year was correspondingly restated.

(ii) Classification and presentation format

Earnings for the Group are recognized in the statement of comprehensive income and for the Parent Company in the income statement. In addition, the Parent Company uses the terms "balance sheet" and "cash-flow statement" for the statements that the Group refers to as "statement of financial position" and "statement of cash flows," respectively. The balance sheet for the Parent Company has been presented according to the format stipulate din the Annual Accounts Act, while the statement of comprehensive income, the statement of changes in shareholders' equity and the cash-flow statement are based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows.

(iii) Subsidiaries

Participations in subsidiaries are recognized in the Parent Company in accordance with the cost method.

(iv) Segment reporting

The Parent Company's distribution of net sales matches the Group's segments and the distribution of revenues from external customers, as shown in Note 3.

(v) Tangible fixed assets

Tangible fixed assets in the Parent Company are recognized at cost less accumulated depreciation and any impairment in the same manner as for the Group, with the additional of any revaluations.

(vi) Leased assets

All lease agreements in the Parent Company are recognized as operating leasing.

(vii) Group contributions and shareholders' contributions for legal entities [1]
Group contributions paid are recognized in the Parent Company as an increase in the item, "Participations in Group companies" in the balance sheet. A Group contribution received is recognized in the Parent Company in the same manner as dividends; that is, as financial income.

Note 2 Distribution of income

Income per significant type of income	Group		Parent Company	
SEK 000s	2012	2011	2012	2011
Net sales	10,276	68,621	10,276	68,621
Sale of goods	10,276	68,621	10,276	68,621

Note 3 Operating segments

The Group's business activities are divided into operating segments based on the parts of the operations reviewed by the company's chief operating decision maker, which is known as a "management approach." Since Group management reviews the results of the operations and decides on the allocation of resources based on the products manufactured and sold by the Group, these comprise the Group's operating segments. Accordingly, the Group's internal reporting is structured to enable Group management to review the performance and results of all products. The Group's segments have been identified based on this internal reporting structure. The following operating segments have been identified:

- Fingerprint sensors
- Other

The Group's operating segments	Fingerprint sensors		Other		Total and continuing operations	
SEK 000s	2012	2011	2012	2011	2012	2011
Income from external customers	10,276	68,621	-	-	10,276	68,621
Depreciation/amortization	-10,806	-4,942	-	-	-10,806	-4,942
Operating profit	-38,699	2,737	-	-	-38,699	2,737
Net financial items	-516	623	-	-	-516	623
Profit before tax	**-38,183**	**3,360**	**-**	**-**	**-38,138**	**3,360**

The Group's operating segments	Fingerprint sensors		Other		Total and continuing operations	
SEK 000s	2012	2011	2012	2011	2012	2011
Assets	115,275	116,813	-	-	115,275	116,813
Investments in fixed assets	-11,409	-11,670	-	-	-11,409	-11,670
Liabilities and provisions	13,358	10,528	-	-	13,358	10,528
Cash flow from operating activities	14,487	-22,200	-	-	14,487	-22,200
Cash flow from investing activities	-11,409	-11,670	-	-	-11,409	-11,670
Cash flow from financing activities	34,486	24,880	-	-	34,486	24,880

Geographical areas

Group	Income from external customers		Fixed assets	
	2012	2011	2012	2011
Sweden	433	315	31,191	32,536
Asia	9,088	68,001	2,756	3,653
Europe, Middle East and Africa	183	183	-	-
South and North America	572	122	-	-
Total	**10,276**	**68,621**	**33,947**	**36 189**

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

Information regarding major customers
In 2012, the company generated income from a group totaling SEK 5,129,000, as well as a group totaling SEK 3,460,000. This income was recognized in the Fingerprint sensors operating segment and the geographical area of Asia.

Parent Company
Since the division of the Parent Company's operating segments matches that of the Group, all information above regarding the Group is also identical for the Parent Company's segments.

Note 4 Other operating expenses

Group and Parent Company		
SEK 000s	2012	2011
Exchange-rate losses on operating receivables/liabilities	-1,527	-1,556
	-1,527	**-1,556**

Note 5 Employees, personnel costs and remuneration of senior executives

Expenses for remuneration of employees

Group and Parent Company SEK 000s	2012	2011
Salaries and remuneration, etc.	16,443	15,103
Share-based payments	-	-
Pension expenses, defined-contribution plans	3,364	2,897
Social-security contributions	5,369	4,842
	25,176	**22,844**

Share-based payments pertain to warrants programs that were subscribed for at market prices. No personnel expenses as a result of these programs were incurred or recognized.

Average number of employees

Parent Company and Group	2012	of whom men	2011	of whom men
Sweden	19	95%	19	95%
Total Parent Company and Group	19		19	

Gender distribution in company management

Parent Company and Group	Dec. 31, 2012 Percentage of women	Dec. 31, 2011 Percentage of women
Board of Directors	20%	18%
Other senior executives	0%	0%

If the company terminates employment, severance pay is payable in an amount corresponding to not more than six monthly salaries. The period of notice for the President is a maximum of six months.

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

SEK 000s	2012			2011		
Parent Company and Group	Senior executives (5 people)	Other employees	Total	Senior executives (4 people)	Other employees	Total
Salaries and other remuneration	9,318	7,125	16,443	5,891	9,212	15,103
Of which President	2,500	-	2,500	1,984	-	-
Sweden and total	**9,318**	**7,125**	**16,443**	**5,891**	**9,212**	**15,103**
Of which beyond Sweden	**-**	**504**	**504**			
(of which, bonus, etc.)						
Social security contributions	4,698	2,469	7,168	3,594	4,145	7,739
of which pension expenses	1,455	961	2,417	1,355	1,542	2,897

Of pension expenses, SEK 618,000 (449,000) pertains to the President. There were no outstanding pension commitments to the President at the end of the year or the preceding year.

Salaries and other remuneration of the senior executives of the Parent Company

SEK 000s	2012				2011			
	Basic salary Board fee	Variable remuneration	Pension expense	Total	Basic salary Board fee	Variable remuneration	Pension expense	Total
Chairman of the Board								
Mats Svensson, 2011/2012	170	-	-	170	85	-	-	85
Tommy Trollborg, 2010/2011	-	-	-	-	85	-	-	85
Member of the Board								
Sigrun Hjelmqvist	100	-	-	100	100	-	-	100
Christer Bergman	100	-	-	100	100	-	-	100
Anders Hultqvist	100	-	-	100	100	-	-	100
Urban Fagerstedt	100	-	-	100	100	-	-	100
Mats Svensson	-	-	-	-	50	-	-	50
Geza Fülöp	-	-	-	-	-	-	-	-
President								
Johan Carlström	2,000	500	618	3 118	1,714	270	845	2,829
Other senior executives (5/4 people)	5,503	1,315	838	7,656	3,907	-	922	4,829
Total from the Parent Company	**8,073**	**1,815**	**1,456**	**11,344**	**6,241**	**270**	**1,767**	**8,278**

Variable salary pertains to bonus earned, which is paid when performance targets are achieved.

Fingerprint Cards has three warrant programs that total 14.56% of the total number of shares and 12.02% of the total number of votes in the company.

An Extraordinary General Meeting on November 9, 2010 resolved to issue 958,000 warrants with a term extending to May 11, 2013. Of the program, 853,000 warrants are held by FPC's employees. The rest have been nullified. The exercise price is SEK 15.74. On full subscription with the support of all warrants in the program, 853,000 new Class B shares can be issued, corresponding to 1.92% of the total number of shares and 1.54% of the total voting rights, which will also raise the share capital by SEK 170,600. The program is designated TO2.

An Extraordinary General Meeting on November 17, 2011 approved the issue of 2,000,000 warrants with a term extending to December 18, 2014. Of the program, 1,760,000 warrants are held by FPC's employees. The rest have been nullified. The exercise price is SEK 13.64. On full subscription with the support of all warrants in the program, 1,760,000 new Class B shares can be issued, corresponding to 3.88% of the total number of shares and 3.13% of the total number of voting rights, which will also raise the share capital by SEK 352,000. The program is designated TO3.

An Extraordinary General Meeting on September 5, 2012 approved the issue of 4,818,000 warrants with a term extending to October 6, 2015. All of the warrants under the program are held by FPC's employees. The exercise price is SEK 9.72. On full subscription with the support of all warrants in the program, 4,818,000 new Class B shares can be issued, corresponding to 9.95% of the total number of shares and 8.13% of the total number of voting rights, which will also raise the share capital by SEK 963,600. The program is designated TO4.

At August 31, 2012, an incentive program expired without any redemption of warrants or new shares. The program, designated TO1, was approved by an Extraordinary General Meeting on March 3, 2010.

Note 6 Fees and remuneration to auditors

	Group		Parent Company	
Tkr	2012	2011	2012	2011
SEK 000s				
KPMG	295	316	295	316
Audit	-	-	-	-
Audit-associated consulting services	24	-	24	-
Tax consultation	84	43	84	43
Other fees	**403**	**359**	**403**	**359**
Total fees paid to KPMG				

Note 7 Operating expenses specified by type

	Group		Parent Company	
SEK 000s	2012	2011	2012	2011
Cost of materials	-3,460	-29,885	-3,460	-29,885
Personnel costs	-21,781	-16,440	-21,781	-10,440
Depreciation/amortization	-10,806	-4,942	-10,697	-4,942
Other operating expenses	-12,928	-14,617	-13,073	-14,617
Operating expenses	**-48,975**	**-65,884**	**-49,011**	**-65,884**

Note 8 Net financial items

	Group		Parent Company	
SEK 000s	2012	2011	2012	2011
Interest income	633	681	633	681
Financial income	**633**	**681**	**633**	**681**
Other interest and financial expenses	-117	-58	-36	-55
Financial expenses	**-117**	**-58**	**-36**	**-55**

Note 9 Taxes

	Group		Parent Company	
SEK 000s	2012	2011	2012	2011
Current tax expense				
Tax expense for the period	-	-	-	-
Deferred tax expense				
Deferred tax expense for the period	-	-	-	-
Total recognized tax expense	**-**	**-**	**-**	**-**

Reconciliation of effective tax

Group, SEK 000s	%	2012	%	2011
Profit before tax		-38,183		3,360
Tax according to applicable tax rate for Parent Company	-26.3%	10,042	26.3%	-884
Non-deductible expenses	-0.9%	337	13.3%	-446
Change in loss carryforwards without capitalizing deferred tax	27.2%	-10,379	-39.6%	1,330
Recognized effective tax	- %	-	- %	-

Parent Company, SEK 000s	%	2012	%	2011
Profit before tax		-38,183		3,363
Tax according to applicable tax rate for Parent Company	-26.3%	10,042	26.3%	-885
Non-deductible expenses	-0.9%	337	13.3%	-446
Listing costs				
Change in loss carryforwards without capitalizing deferred tax	27.2%	-10,379	-39.6%	1,330
Recognized effective tax	- %	-	- %	-

The tax effects of items recognized in shareholders' equity amount to SEK 793,000 (934,000). The items pertain to listing costs.

Unrecognized deferred tax assets

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

SEK 000s	2012	2011
Tax deficit	232,284	189,845

According to applicable tax regulations, deductible temporary differences do not expire. Deferred tax assets are not recognized. When there is less uncertainty about the profit or loss in the next year, the company will determine the amount to be capitalized as deferred tax assets.

Note 10 Earnings per share

SEK	Before dilution		After dilution	
	2012	2011	2012	2011
Earnings per share	-0.84	0.08	-0.84	0.08

The amounts used in numerators and denominators are recognized below.

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

SEK 000s	2012	2011
Net loss for the year attributable to Parent Company's shareholders	-38,183	3,360

Weighted average number of outstanding common shares before and after dilution

Number of shares	2012	2011
Total of shares, January 1.	43,609,586	39,669,586
New issue	4,198,549	3,940,000
Total of shares, December 31.	47,808,135	43,609,586
Total number of outstanding shares for the year before dilution	45,225,052	43,906,396
Total number of outstanding shares for the year after dilution	45,225,052	43,906,396

Fingerprint Cards has three warrant programs that total 14.56% of the total number of shares and 12.02% of the total number of votes in the company.

An Extraordinary General Meeting on November 9, 2010 resolved to issue 958,000 warrants with a term extending to May 11, 2013. Of the program, 853,000 warrants are held by FPC's employees. The rest have been nullified. The exercise price is SEK 15.74. On full subscription with the support of all warrants in the program, 853,000 new Class B shares can be issued, corresponding to 1.92% of the total number of shares and 1.54% of the total voting rights, which will also raise the share capital by SEK 170,600. The program is designated TO2.

An Extraordinary General Meeting on November 17, 2011 approved the issue of 2,000,000 warrants with a term extending to December 18, 2014. Of the program, 1,760,000 warrants are held by FPC's employees. The rest have been nullified. The exercise price is SEK 13.64. On full subscription with the support of all warrants in the program, 1,760,000 new Class B shares can be issued, corresponding to 3.88% of the total number of shares and 3.13% of the total number of voting rights, which will also raise the share capital by SEK 352,000. The program is designated TO3.

An Extraordinary General Meeting on September 5, 2012 approved the issue of 4,818,000 warrants with a term extending to October 6, 2015. All of the warrants under the program are held by FPC's employees. The exercise price is SEK 9.72. On full subscription with the support of all warrants in the program, 4,818,000 new Class B shares can be issued, corresponding to 9.95% of the total number of shares and 8.13% of the total number of voting rights, which will also raise the share capital by SEK 963,600. The program is designated TO4.

At August 31, 2012, an incentive program expired without any redemption of warrants or new shares. The program, designated TO1, was approved by an Extraordinary General Meeting on March 3, 2010.

Note 11 Intangible fixed assets

Group and Parent Company	Capitalized development expenditure	
SEK 000s	Dec. 31, 2011	Dec. 31, 2010
Accumulated cost		
Opening balance	43,035	38,694
Scrapping	-	-5,038
Internally developed assets	10,397	9,379
Closing balance	53,432	43,035
Accumulated amortization		
Opening balance	-12,854	-13,357
Scrapping	-	4,537
Amortization for the year	-9,472	-4,034
Closing balance	-22,326	-12,854
Accumulated impairment		
Opening balance	-1,960	-2,462
Scrapping	-	502
Impairment for the year	-	-
Closing balance	-1,960	-1,960
Carrying amounts		
At beginning of the year	28,221	22,876
At year-end	**29,145**	**28,220**
Amortization is included in the following rows of the statement of comprehensive income	2012	2011
Cost of goods sold	-9,472	-4,034

All intangible fixed assets pertain to internally generated capitalized expenditure for the development of fingerprint-sensor technology. The useful life is determinable based on the expected commercial potential and earnings. The amortization period is based on estimated useful lives, which are 3–4 years for products and 4–5 years for platforms. Impairment losses are recognized after assessing the commercial potential of each project.

Note 12 Tangible fixed assets

	Group		Parent Company	
SEK 000s	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Accumulated cost	Machinery and equipment		Machinery and equipment	
Opening balance	6,701	4,919	6,701	4,919
Scrapping	-1,415	-	-1,415	-
Transfer from Advance tangible fixed assets	-	437	-	437
Other acquisitions	1,959	1,344	878	1,344
Closing balance	7,245	6,701	6,164	6,701
Accumulated depreciation				
Opening balance	-2,524	-1,615	-2,524	-1,615
Scrapping	1,415	-	1,415	-
Depreciation for the year	-1,334	-908	-1,225	-908
Closing balance	-2,443	-2,524	-2,335	-2,524
Carrying amounts				
At the beginning of the year	4,177	3,304	4,177	3,304
At the end of the year	**4,802**	**4,177**	**3,829**	**4,177**
Accumulated cost	Advance tangible fixed assets		Advance tangible fixed assets	
Opening balance	-	437	-	437
Transfer to Machinery and equipment	-	-437	-	-437
Other acquisitions	-	-	-	-
Closing balance	-	-	-	-
Accumulated depreciation	-		-	
Opening balance	-	-	-	-
Closing balance	-	-	-	-
Carrying amounts	**-**		**-**	
At the beginning of the year	-	437	-	437
At the end of the year	**-**	**-**	**-**	**-**

Group and Parent Company, SEK 000s	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Accumulated cost				
Opening balance	6,701	5,356	6,701	5,356
Scrapping	-1,415	-	-1,415	-
Other acquisitions	1,959	1,344	878	1,344
Closing balance	7,245	6,701	6,164	6,701
Accumulated depreciation				
Opening balance	-2,524	-1,615	-2,524	-1,615
Scrapping	1,415	-	1,415	-
Depreciation for the year	-1,334	-908	-1,225	-908
Closing balance	-2,443	-2,524	-2,335	-2,524
Carrying amounts				
At the beginning of the year	4,177	3,740	4,177	3,740
At the end of the year	**4,802**	**4,177**	**3,829**	**4,177**

	Group		Parent Company	
Depreciation is included in the following rows of the statement of comprehensive income	2012	2011	2012	2011
Cost of goods sold	-906	-	-896	-
Administration	-140	-60	-110	-60
Market	-68	-32	-50	-32
Technology	-220	-816	-169	-816
Total	**-1,334**	**-908**	**-1,225**	**-908**

Note 13 Financial fixed assets

	Group		Parent Company	
Group SEK 000s	**Dec. 31, 2012**	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**
Accumulated cost	Long-term receivable		Long-term receivable	
Opening balance	947	-	947	-
Scrapping	-947	-	-947	-
Other investments	-	947	-	947
Closing balance	-	947	-	947
Accumulated impairment	**-**		**-**	
Closing balance	-	-	-	-
Carrying amounts	-	-947	-	-947
Carrying amounts				
At the beginning of the year	-947	-	-947	-
At the end of the year	**-**	**947**	**-**	**947**
Accumulated cost			Shares in subsidiaries	
Opening balance			8,845	8,025
Other investments			723	820
Closing balance			9,568	8,845
Accumulated depreciation				
Opening balance			-6,000	-6,000
Closing balance			-6,000	-6,000
Carrying amounts			3,568	2,845
Closing balance				
At the beginning of the year			2,845	2,025
At the end of the year			**3,568**	**2,845**
Accumulated cost			Total	
Opening balance			9,792	8,025
Scrapping			-947	-
Other investments			723	1,767
Closing balance			9,568	9,792
Accumulated depreciation				
Opening balance			-6,000	-6,000
Closing balance			-6,000	-6,000
Carrying amounts			3,568	3,792
Closing balance				
At the beginning of the year			3,792	2,025
At the end of the year			**3,568**	**3,792**

The Group's financial fixed assets pertain to investments in endowment insurance to discharge agreed pension agreements. In 2012, pension obligations were thus reallocated to occupational-pension agreements.

Note 14 Financial Instruments

Fair value estimates

Market capitalization of financial instruments was conducted using the most reliable market prices available. This means that all instruments that are market listed are valued using current spot prices. Following this, conversion to SEK occurs at spot price. The carrying amount less impairments comprises an approximate fair value for accounts receivable and accounts payable.

Fair value hierarchy

Level 1: Listed prices on active markets for identical assets or liabilities
Level 2: Other observed date than listed prices included in level 1, direct or indirect from the price listing.
Level 3: Data for the asset or liability that is not fully based on observable market data.

Financial assets and liabilities by level in the value hierarchy	2012				2011			
Group and Parent Company	Level				Level			
SEK 000s	1	2	3	Total	1	2	3	Total
Current financial receivables								
Financial assets at fair value via profit or loss	64	-	-	64	-	-	-	-
Cash and cash equivalents								
Financial assets at fair value via profit or loss	7,375	-	-	7,375	571	-	-	571
Total financial assets	**7,439**	**-**	**-**	**7,439**	**571**	**-**	**-**	**571**
Current financial liabilities								
Financial liabilities at fair value via profit or loss	-	-	-	-	394	-	-	394
Total financial liabilities	**-**	**-**	**-**	**-**	**394**	**-**	**-**	**394**

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

	Group				Parent Company			
SEK 000s	Dec 31, 2012		Dec 31, 2011		Dec 31, 2012		Dec 31, 2011	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Finansiella tillgångar								
Financial assets								
Current financial assets	64	64	-	-	64	64	-	-
Prepaid expenses and accrued income								
Loan receivables and accounts receivable	6,167	6,167	52,998	52,998	6,169	6,169	52,998	52,998
Accounts receivable	60,596	60,596	23,032	23,032	59,895	59,895	22,314	22,314
Cash and cash equivalents	**66,827**	**66,827**	**76,030**	**76,030**	**66,128**	**66,128**	**75,312**	**75,312**
Total financial assets								
Financial liabilities								
Current financial liabilities	-	-	394	394	-	-	394	394
Prepaid expenses and accrued income	4,588	4,588	3,323	3,323	4,588	4,588	3,323	3,323
Accounts payable	**4,588**	**4,588**	**3,717**	**3,717**	**4,588**	**4,588**	**3,717**	**3,717**
Total financial liabilities								
By category	64	64	-	-	64	64	-	-
Financial assets at fair value via profit or loss	66,763	66,763	76,030	76,030	66,064	66,064	75,312	75,312
Loan receivables and accounts receivable	**66,827**	**66,827**	**76,030**	**76,030**	**66,128**	**66,128**	**75,312**	**75,312**
Total financial assets	-	-	394	394	-	-	394	394
Financial liabilities at fair value via profit or loss	4,588	4,588	3,323	3,323	4,588	4,588	3,323	3,323
Financial liabilities at amortized cost	**4,588**	**4,588**	**3,717**	**3,717**	**4,588**	**4,588**	**3,717**	**3,717**
Total financial liabilities								

Note 15 Inventories

Group and Parent Company

SEK 000s	Dec 31, 2012	Dec 31, 2011
Products in process	4,237	3,599
Finished products	7,203	748
	11,440	**4,346**

Inventories are measured at accrued cost.

Note 16 Accounts receivable

Group and Parent Company

Accounts receivable are recognized in the Group and Parent Company after individual assessments of provision requirements. No bad-debt losses were recognized during the year or in preceding years.

SEK 000s	Dec 31, 2012	Dec 31, 2011
Total accounts receivable	6,167	52,997
Of which, due > 15 days	205	13
Of which, due > 30 days	-	18

Note 17 Prepaid expenses and accrued income

Group and Parent Company

SEK 000s	Dec 31, 2012	Dec 31, 2011
Rent	511	378
Exchange and listing expenses	52	183
Insurance expenses	39	32
Travel expenses	34	33
Interest income	121	195
Forward contracts	64	-
	821	**821**

Note 18 Cash and cash equivalents

Group, SEK 000s	Dec 31, 2012	Dec 31, 2011
The following subcomponents are included in cash and cash equivalents		
Cash and bank balances	60,596	23,032
Current investments equivalent to cash and cash equivalents	-	-
Total in accordance with the Consolidated statement of financial position	**60,596**	**23,032**
Total in accordance with the Consolidated statement of cash flows	**60,596**	**23,032**
Parent Company, SEK 000s	**Dec 31, 2012**	**Dec 31, 2011**
The following subcomponents are included in cash and cash equivalents [1]		
Cash and bank balances	59,895	22,314
Current investments equivalent to cash and cash equivalents [2]	-	-
Total in accordance with the Balance sheet	**59,895**	**22,314**
Total in accordance with the Cash-flows statement	**59,895**	**22,314**

Current investments were classified as cash and cash equivalents based on the following:

- They have an insignificant risk of value fluctuations.
- They can be easily converted to cash funds.
- They have a term of not more than three months from the acquisition date.

Note 19 Shareholders' equity

Group or Parent Company

Classes of shares	Number of shares 2012	2011
Issued on January 1		
Class A shares at beginning of the year	1,200,000	1,200,000
New share issue Class A shares	-	-
Total Class A shares	**1,200,000**	**1,200,000**
Class B shares at beginning of the year	42,409,586	38,469,586
New share issue Class B shares	4,198,549	3,940,000
Total Class B shares	**46,608,135**	**42,409,586**
Total shares outstanding	47,808,135	43,609,586
Quotient value	0.2	0.2

On December 31, 2012, the company's registered share capital encompassed 47,808,135 common shares (43,609,586).

Holders of common shares are entitled to receive dividends that are determined in the future and the shareholding entitles the holder to one vote per share at General Meetings.

In December 2012, a private placement at SEK 8.60 per share was implemented. The placement comprised a total of 4,198,549 shares and raised capital in an amount of SEK 36.1 M before issue expenses of SEK 3.0 M. Following subscription, the number shares increased by 4,198,549 Class B shares to a total of 46,608,135 Class B shares. The number of Class A shares remained unchanged at 1,200,000 shares.

Capital management

Under the Board's policy, the Group's financial objective is to achieve a healthy financial position that assists in maintaining the confidence of investors, creditors and the market and that forms a basis for continuing the development of the business activities. The debt/equity ratio is zero since FPC's financing comprises only contributed capital. Neither the Group nor the Parent Company has paid any dividends to date. No changes were made to the Group's capital management during the year.

Neither the Parent Company nor the subsidiary is exposed to external capital requirements.

Parent Company's shareholders' equity

The reconciliation of opening and closing balances for the Parent Company's components of shareholders' equity is presented above in a separate statement of changes in shareholders' equity after the Parent Company's balance sheet.

Description of the type and purpose of reserves under shareholders' equity:

Restricted funds

Restricted funds may not be reduced by profit distribution.

Statutory reserve

The aim of the statutory reserve is to save a portion of any net profit that is not utilized to cover losses brought forward. Amounts that were contributed to the share premium reserve before January 1, 2006 were transferred to and are included in the statutory reserve. In accordance with the transition rules of the amendments to the Annual Accounts Act, funds contributed to the share premium reserve before January 1, 2006 are to be transferred to the statutory reserve in the first annual report prepared after January 1, 2006. For the companies whose fiscal year is the calendar year, the share premium reserve was transferred to the statutory reserve in the 2005 Annual Report. The statutory reserve continues to comprise restricted shareholders' equity in the Parent Company. Share premium reserves arising after January 1, 2006 are recognized as unrestricted shareholders' equity in the Parent Company.

Unrestricted shareholders' equity

The following funds, combined with the net loss for the year, comprise unrestricted shareholders' equity, which is also available for dividends.

Share premium reserve

When shares are issued at a premium, meaning that a higher amount is to be paid for the shares than their quotient value, an amount corresponding to the amount received in addition to the quotient value of the share is transferred to the share premium reserve. Amounts added to the share premium reserve from January 1, 2006 are included in unrestricted shareholders' equity.

Retained earnings

Retained earnings comprise the preceding year's retained earnings and earnings less profits distributed during the year.

Note 20 Other current liabilities

Group and Parent Company

	Group		Parent Company	
	2012	2011	2012	2011
Employee withholding taxes	288	348	288	348
Leasing liabilities, current	**286**	**-**	**-**	**-**
Total	**574**	**348**	**288**	**348**

Note 21 Accrued expenses and deferred income

Group and Parent Company

SEK 000s	Dec. 31, 2012	Dec. 31, 2011
Vacation pay	1,070	595
Social security contributions	2,679	1,369
Production costs	-	286
Salaries	1,896	1,211
Board fees	285	285
Forward contracts	-	752
Forward agreements	-	394
Audit	250	250
Other costs	1,349	540
	7,525	**5,680**

Note 22 Financial risks and risk management

Group and Parent Company

The Group is exposed to various financial risks through its business activities.

Financial risks pertain to fluctuations in the company's earnings and cash flow due to changes in exchange rates and interest rates, as well as refinancing and credit risks. The Group's finance policy for the management of financial risks was prepared by the Board and forms framework of guidelines and regulations in the form of risk mandates and limits for the financial operations. Financial transactions and risks are managed by the Parent Company's finance function. The objective is to:

- Manage and control financial risk in business activities
- Minimize negative impact on earnings from changes in market rates for currencies and interest
- Plan and ensure adequate liquidity for business activities
- Optimize the utilization of capital and cash flows.

Funding risk

The funding of working capital and development capital has thus far been performed through the issue of shares. The Group has no borrowings and the policy is to continue minimizing the borrowing requirement through the utilization of share issues to cover capital requirements. The funding risk comprises the risk that adverse variables impact the availability of funds and the cost of capital in the form of unfavorable terms. Funding risk can be bridged by developing operations and planning. The objective is for the Group to meet its funding commitments and in parallel maintain readiness to secure additional funding.

Liquidity risk

Liquidity risk is the risk that the Group encounters problems meeting its obligations associated with financial liabilities. The Group has rolling liquidity planning, which is updated every month. The Group's forecasts cover a minimum six-month rolling liquidity planning over the medium-term. Liquidity planning is used to manage liquidity risk and costs for financing the Group. The aim is that the Group will be able to meet its financial commitments and to well in advance have the necessary preparedness. It should be possible to offset upswings and downturns without incurring significant unforeseeable costs. Available liquidity at year-end amounted to SEK 23.0 M (30.8).

In accordance with the finance policy, there should always be sufficient cash funds and confirmed credit lines totaling a minimum of SEK 5 M available to cover the liquidity requirements of the following month. The company's financial liabilities, which comprise credit from suppliers, amounted to SEK 2.3 M (4.1) at year-end and have a short maturity structure of one to two months.

Market risks

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

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

Currency risk

Currency risk is the term for the risk that the fair value and cash flows of financial instruments will fluctuate when the value of foreign currencies changes. The Group is exposed to different types of currency risks. The main exposure derives from the Group's sales and purchases in foreign currencies. These currency risks comprise the risk of fluctuations in the value of financial instruments, accounts receivable and accounts payable, and the currency risk inherent in expected and contractual payment flows. Such risks are designated transaction exposure.

Currency risks are hedged up to 90% if they are attributable to monetary assets and liabilities, contractual sales or other binding commitments. Up to 90% of the net exposure of highly probable forecast currency flows are hedged for up to one year in advance. Standardized forward contracts and currency options are used for these purposes. Hedge accounting under IAS 39 is not currently applied in the financial statements. The actual performance of any hedges is recognized in the consolidated statement of comprehensive income/Parent Company income statement. Net profit for the year includes exchange-rate differences in a negative amount of SEK 1.5 M (neg: 1.6). This is recognized in operating profit but no amount is recognized in net financial items.

Transaction exposure

The Group's transaction exposure and hedges on the balance-sheet date were as follows.

SEK M	Net flows	Level of hedging
2012		
USD and Total	20.0	80%
2011		
USD and Total	38.1	92%

Transaction exposure was hedged using currency derivatives forward contracts). The net fair value of forward contracts used to hedge forecast flows was a negative SEK 0.4 M (positive: 1.6) on December 31, 2012. This figure, SEK -0.1 M (-) was recognized in the consolidated statement financial position as assets and SEK – (0.4) as liabilities.

The fair value of the currency derivatives is expected to be recognized in profit or loss according to the following table:

SEK 000s	Within 1 year	1 year – 3 years	3 years – 8 years	> 8 years	Total
Earnings effect	64	-	-	-	64

In 2012, cash-flow hedges were concluded in a nominal amount of SEK 21.5 M.

Sensitivity analysis of currency risk before hedging with effects of forward contracts

If the SEK were to have strengthened 10% against other currencies on December 31, 2012, this would have entailed a change of SEK 6.8 M in shareholders' equity and SEK 6.8 M in profit. The sensitivity analysis is based on all other factors (such as interest) remaining unchanged.

Commodity price risk

Commodity price risk pertains to the change in the price of input goods and its impact on earnings. For the Group, commodity price risk primarily comprises changes in the price of silicon and to a lesser degree, gold. However, the risk is slight in relation to total production costs. Silicon costs have not yet affected the price of the intermediate product wafer to any significant extent. Instead, the economic climate and the capacity of sub-suppliers are the main factors that impact pricing. Gold accounts for less than 1% of production costs and its fluctuations are not of significant importance to the total production costs.

Credit risks in accounts receivable

The risk that the Group's/company's customers are unable to fulfill their obligations, meaning that payment is not received from customers, comprises a customer credit risk. Credit checks are performed on the Group's customers and result in an assessment for each transaction. For significant accounts receivable, the risk of credit losses is reduced by taking out credit insurance, bank guarantees or other collateral on customers with low credit ratings or insufficient credit history. Based on historical data, the Group has concluded that no impairment of accounts receivable that have not yet fallen due for payment was necessary on the balance-sheet date. A provision of SEK 0.6 M was posted for past due accounts receivable.

Maturity structure of past due, non-impaired accounts receivable

	2012		2011	
SEK 000s	Carrying amount, non-impaired receivables	Collateral	Carrying amount, non-impaired receivables	Collateral
Not past due accounts receivable	5,962	-	52,966	6,160
Past due accounts receivable 0 – 30 days	766	-	17	-
Past due accounts receivable > 30 days – 90 days	-	-	-	-
Past due accounts receivable > 90 days	-	-	1,039	-
Provision for past due accounts receivable	-561	-	-1,025	-
Total	**6,167**	**-**	**52,997**	**6,160**

During the year, a provision of SEK 1,026,000 was posted for accounts receivable.

	No. of customers	% total, no. of customers	% of value	No. of customers	% total, no. of customers	% of value
Exposure ‹ SEK 1 M	6	80	2	10	67	3
Exposure SEK 1 – 10 M	2	20	98	2	13	16
Exposure › SEK 10 M	-	-	-	3	20	81
Total	**8**	**100**	**100**	**15**	**100**	**100**

Interest-rate risk

Interest-rate risk is the risk that the value of financial instruments will vary due to changes in market interest rates. Interest-rate risk could lead to changes in fair value and in cash flows. A significant factor that could impact the interest-rate risk is the fixed-interest periods. On the assets side, liquidity investments are regularly reinvested. Investments take the form of short-term (3–6 month) deposits in banks. Due to the short fixed-interest periods the risks are reduced when interest-rate trends are favorable, while the risk is increased when interest-rate trends are unfavorable.

Note 23 Operating leasing

Group and Parent Company

Lease agreements where the company is the lessee

Non-terminable leasing payments amounted to:

SEK 000s	2012	2011
Within one year	1,044	1,762
Between one and five years	6,182	6,342
	7,226	**8,104**

Expenses fees for operating leases amount to:

	Parent Company	
SEK 000s	2012	2011
Minimum leasing fees	1,979	1,705
Variable fees	-	-
Total leasing costs	**1,979**	**1,705**

Operating leases comprise lease contracts and furnishings for premises. The largest contract expires on June 30, 2016, with the option of renegotiation and extension. The contract includes continuous adjustments to track the consumer-price index.

Note 24 Related parties

Related parties

The Parent Company is a related party to its subsidiaries, refer to Note 25.

Summary of related-party transactions

Group and Parent Company

Related parties, SEK 000s	Year	Sale of goods/ Services to related parties	Purchase of goods/Services to related parties	Other (for example, interest, dividends)	Receivables from related parties at December 31	Liabilities to related parties at December 31
Other related parties	2012	-	226	-	-	-
Other related parties	2011	-	182	-	-	-

Transactions with related parties are priced at market-based terms.

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

SEK 000s	2012	2011
Short-term remuneration of employees	11,344	8,278
Remuneration after termination of employment	-	-
Other long-term remuneration	-	-
Share-based payments	-	-
Severance pay	-	-

Information regarding remuneration of key individuals in senior positions is presented in Note 5.

Note 25 Group companies

Parent Company's holdings in subsidiaries	Registered offices of subsidiary, country	Participation 2012	2011
Fingerprint Security System Databärare AB	Sweden	100%	100%

SEK 000s	2012	2011
Accumulated cost		
At beginning of year	8,845	8,025
Shareholders' contribution (from incentive program)	723	820
Closing balance December 31	**9,568**	**8,845**
Accumulated impairment		
At beginning of year	-6,000	-6,000
Closing balance December 31	-6,000	-6,000
Carrying amount, December 31	**3,568**	**2,845**

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

Subsidiaries / Corp. Reg. No. / Registered offices	Number of participations	Interest as a %	Dec 31, 2012 Carrying amount	Dec 31, 2011 Carrying amount
Fingerprint Security System Databärare AB 556239-5938, Gothenburg, Sweden	1,000	1 00	3,568	2,845

Note 26 Statement of cash flows

Cash and cash equivalents	Group		Parent Company	
SEK 000s	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
The following subcomponents are included in cash and cash equivalents:				
Cash and bank balances	60,596	23,032	59,895	22,314
Total in accordance with the statement of financial position	**60,596**	**23,032**	**59,895**	**22,314**
Total in accordance with the Consolidated statement of cash flows	**60,596**	**23,032**	**59,895**	**22,314**

Current investments were classified as cash and cash equivalents based on the following:

- They have an insignificant risk of value fluctuations
- They can be easily converted to cash funds
- They have a term of not more than three months from the acquisition date

Interest paid and dividends received

	Group		Parent Company	
SEK 000s	2012	2011	2012	2011
Interest received	633	682	633	682
Interest paid	-3	-55	-3	-55

Adjustments for non-cash items

SEK 000s	2012	2011	2012	2011
Depreciation/ amortization	10,806	4,942	10,697	4,942
Provisions	-1,177	1,177	-1,177	1,177
	9,630	**6,120**	**9,520**	**6,120**

Note 27 Other provisions

Group and Parent Company

Accumulated provision, SEK 000s	Dec 31, 2012	Dec 31, 201
Opening balance	1,177	-
New provision	-	1,177
Impairment	-1,177	-
Closing balance	-	1,177
Carrying amounts		
At beginning of year	1,177	-
At end of year	-	1,177

Other provisions pertain to provisions made pursuant to the pension agreement for the President. The pension agreement is a defined-contribution plan. In 2012, the agreement was changed from an endowment policy to occupational pension.

Note 28 Important estimates and judgments

Company management has discussed with the Audit Committee the development, choice and disclosures regarding the Group's most important accounting policies and estimates and the application of these policies and estimates.

Important judgments in the application of the Group's accounting policies:

In 2012, development expenditure was capitalized. The capitalization is based on the anticipated commercial potential of the products to which the expenses pertain. The estimates focused on determining the future duration in which the products would be able to generate earnings and, by their very nature, these estimates depend on trends in the market, the performance of competitors and technological developments. The Group has SEK 232 M in accumulated loss carryforwards, which increased due to the tax losses in 2012. Tax loss carryforwards were not recognized as assets in the Consolidated statement of financial position or balance sheet respectively. The trend will thus be tracked and an assessment performed when this asset is recognized in the consolidated statement of financial position and statement of comprehensive income.

Note 29 Information regarding the Parent Company

Fingerprint Cards AB is a limited liability company registered in Sweden, with its registered office in Gothenburg. The Parent Company's shares are registered on the NASDAQ OMX Nordic Exchange Stockholm. The address of the head office is: Box 2412, SE-403 16 Gothenburg, Sweden. The visiting address is Kungsportsplatsen 2, Gothenburg, Sweden. The 2012 consolidated financial statements comprise the Parent Company and its subsidiaries, jointly designated "the Group."

Note 30 Events after the balance-sheet date

January 2013:

- FPC opened an office in Japan and appointed a Senior Technical Manager.
- FPC opened an office in Seoul, Korea and hired a Senior Sales Executive
- FPC granted operating line of credit from Nordea and EKN.
- FPC secured its first mass-production order of 200,000 sensors from CrucialTec for use in mobile phones.
- A prominent Chinese design house awarded FPC its first design win for the FPC 1080A swipe sensor for use in tablet devices.
- FPC strengthened its Supply Chain Management, hiring Magnus Hansson as Senior Sourcing Director.
- FPC's technology chosen by the world leading supplier of financial information for its authentication solutions.
- FPC received design win in China for mobile-phone and tablet accessories, and secured initial order for 800,000 FPC1080A sensors.
- FPC strengthened its business development, hiring Jonas Andersson as Director Business Development for secure mobile transactions

February 2013:

- Notice to attend Extraordinary General Meeting of shareholders on March 4, 2013.

March 2013:

- Press release from Extraordinary General Meeting on March 4, 2013.
- Information about FPC incentive program.
- FPC secured Chinese order for area sensor valued at SEK 20 M.
- FPC conducted private placement of SEK 40 M.
- FPC published prospectus due to entry of new shares into trade.

April 2013

- FPC secured five design wins from existing customers in Asia.
- FPC awarded design win for mobile phone in China.
- FPC became new sponsor of the FIDO Alliance.
- FPC associated with GlobalPlatform.

Note 31 Assets pledged

Group and Parent Company	2012	2011
SEK 000s	-	-
Assets pledged for unutilized operating credit: bank balances	-	-

Note 32 Other long-term liabilities

Group and Parent Company, SEK 000s	Dec 31, 2012	Dec 31, 2011
Accumulated provision		
Opening balance	-	-
New liabilities	672	-
Impairment reversals	-	-
Closing balance	672	-
Carrying amounts		
At beginning of year	672	-
At end of year	-	-

Due more than one year after the balance-sheet date	672	-
Due more than five years after the balance-sheet date	-	-
	672	-

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

Note 33 Development expenditure

Expenses for research and development in the Group and Parent Company during the year amounted to SEK 19.3 M (11.9), of which SEK 10.4 M (9.4) was capitalized in the consolidated statement of financial position and in the Parent Company's balance sheet respectively, and the remaining SEK 8.9 M (2.4) was expensed in the consolidated statement of comprehensive income and in the Parent Company's income statement, respectively.

Assurance by the Board

The Board of Directors and President hereby give their assurance that the Annual Report has been prepared in accordance with generally accepted accounting policies in Sweden and that the consolidated financial statements have been prepared in accordance with the international accounting standards referred to in the Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards. The Annual Report and the consolidated financial statements provide a true and fair view of the Parent Company's and the Group's financial position and earnings. The Administration Report for the Parent Company and the Group provides a fair review of the performance of the Parent Company's and the Group's operations, financial position and earnings, and describes the significant risks and uncertainties faced by the Parent Company and the companies included in the Group.

As stated above, the Annual Report and the consolidated financial statements were approved for issue by the Board of Directors on May 8, 2013 The consolidated statement of comprehensive income and statement of financial position and the Parent Company's income statement and balance sheet will be adopted by the Annual General Meeting on June 18, 2013.

Gothenburg, May 8, 2013

Mats Svensson Chairman	Anders Hultqvist Board member	Christer Bergman Board member
Urban Fagerstedt Board member	Sigrun Hjelmqvist Board member	Johan Carlström President

Our auditors' report was submitted on May 8, 2013
KPMG AB
Johan Kratz
Authorized Public Accountant

Audit Report

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

Report on the annual accounts and consolidated financial statements

We have audited the annual accounts and the consolidated financial statements of Fingerprint Cards AB (publ) for the 2012 fiscal year. The company's annual accounts and consolidated financial statements are included in the printed version of this document on pages 32–60.

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

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

Auditors' responsibility

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

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

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of December 31, 2012 and its financial performance and cash flows for the year in accordance with the Annual Accounts Act, and the consolidated financial statements have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of December 31, 2012 and its financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report and corporate governance report are consistent with the other parts of the annual accounts and consolidated financial statements.

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

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated financial statements, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of Fingerprint Cards AB for the 2012 fiscal year.

Responsibilities of the Board of Directors and the President

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

Auditors' responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

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

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

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

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President be discharged from liability for the fiscal year.

Gothenburg, May 8, 2013
KPMG AB

Johan Kratz Authorized
Public Accountant

Ten-year summary

Statement of income	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Net sales, SEK M	10.3	68.6	60.9	38.5	27.5	20.7	11.1	2.7	2.9	5.2
Gross profit/loss, SEK M ***	-5.7	-37.0	20.4	3.2	-1.0	-12.5	0.2	0.0	0.6	3.1
Gross margin, % ***	neg	neg	33	8	neg	neg	neg	neg	neg	2
Operating profit/loss, SEK M	-38.7	2.7	1.6	-24.7	-24.1	-35.4	-20.0	-18.1	-23.5	-27.5
Operating margin, %	neg	5.0	2.6	neg	neg	neg	neg	neg	neg	neg
Profit/loss for the period, SEK M	-38.1	3.4	2.0	-24.6	-23.3	-34.2	-19.7	-17.5	-21.6	-21.2
Profit margin, %	neg	5.0	3.3	neg	neg	neg	neg	neg	neg	neg
Depreciation and amortization, SEK M	-10.8	-4.9	-6.4	-4.1	-3.5	-2.8	-2.8	-2.8	-1.2	-2.1
Impairment, SEK M	-	-	-	-5.9	-	-	-	-	-	-
EBITDA, SEK M	**-27.9**	**8.2**	**8.3**	**-14.7**	**-20.8**	**-32.7**	**-17.1**	**-15.2**	**-22.3**	**-22.2**

Financial position – balance sheet	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Intangible fixed assets, SEK M	29.1	28.2	22.9	12.3	20.8	16.4	13.7	14.0	16.6	13.1
Tangible fixed assets, SEK M	4.8	4.2	3.7	0.3	0.3	0.3	0.3	0.4	0.7	1.1
Financial fixed assets, SEK M	-	0.9	-	-	-	-	-	-	-	-
Inventories, SEK M	11.4	4.3	7.9	9.1	15.4	18.0	16.6	5.6	5.8	4.6
Accounts receivable, SEK M	6.2	53.0	17.2	9.7	8.4	4.0	1.1	0.1	1.6	0.8
Other receivables + Prepaid expenses, SEK M	3.1	3.2	3.8	2.3	1.4	1.6	5.6	1.0	0.7	1.9
Cash and cash equivalents + Current investments, SEK M	60.6	23.0	30.8	50.1	22.7	33.8	71.1	40.0	31.0	60.5
Shareholders' equity, SEK M	101.9	106.3	78.0	74.3	58.1	67.2	100.9	58.7	53.7	75.3
Pension provisions, SEK M	-	1.2	-	-	-	-	-	-	-	-
Non-current liabilities, SEK M	0.7	-	-	-	-	-	-	-	-	-
Current liabilities, SEK M	12.7	9.3	8.3	9.5	10.9	6.9	7.5	2.4	2.7	6.7
Working capital, SEK M	68.6	74.2	51.4	61.7	37.0	50.5	86.9	44.3	36.4	61.1
Balance-sheet total, SEK M	115.3	116.8	86.3	83.8	69.0	74.1	108.4	61.1	56.4	82.0
Inventory turnover rate, days	181	74	103	154	211	188	367	760	814	497
Average credit period, days	1,035	184	80	85	81	44	19	113	149	35
Return on capital employed, %	neg	3.0	2.6	neg	neg	neg	neg	neg	neg	neg
Return on shareholders' equity, %	neg	3.0	2.6	neg	neg	neg	neg	neg	neg	neg
Return on capital employed, %	neg	3.0	2.3	neg	neg	neg	neg	neg	neg	neg
Equity/asset ratio, %	88	91	90	89	84	91	93	96	95	92

Cash flow	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Cash flow from operating activities, SEK M	14.5	-22.2	-0.6	-11.3	-17.1	-31.9	-28.5	-13.6	-25.0	-22.7
Cash flow from investing activities, SEK M	-11.4	-11.7	-20.4	-1.5	-7.8	-5.5	-2.3	0.0	-4.4	-8.5
Cash flow from financing activities, SEK M	34.5	24.9	1.8	40.3	13.7	0.0	62.0	22.5	0.0	0.1
Cash flow for the period, SEK M	37.6	-7.8	-19.3	27.5	-11.2	-37.4	31.2	8.9	-29.4	-31.1

Shares										
Earnings per share, Kr	-0.20	0.08	0.05	-1.08	-1.22	-1.79	-1.33	-1.63	-2.17	-2.13
Earnings per share after full dilution, SEK	-0.20	0.08	0.05	-1.08	-1.22	-1.79	-1.33	-1.63	-2.17	-2.13
Cash and cash equivalents + investment at the end of the period/ share, SEK	1.27	0.54	0.78	1.26	1.86	2.78	6.39	4.28	4.88	9.53
Equity per share, Kr	2.11	2.44	1.97	3.26	3.04	3.52	6.79	5.46	5.38	7.55
Equity per share, after full conver-sion, SEK	2.11	2.50	1.97	3.26	3.04	3.52	6.79	5.46	5.38	7.55
Cash flow from operations per average number of shares, SEK	0.16	-0.52	-0.02	-0.50	-0.90	-1.67	-1.92	-1.26	-2.51	-2.28
Shares at end of period	47,808,135	43,609,586	39,669,586	39,669,586	12,152,733	12,152,733	11,122,434	9,348,258	6,348,258	6,348,258
Average share during the period **	45,225,052	43,906,396	41,368,638	29,496,599	19,910,778	17,706,037	13,360,667	10,810,445	10,400,850	10,400,850
Shares after dilution, average **	45,225,052	43,906,396	41,368,638	29,496,599	19,910,778	17,706,037	13,360,667	10,810,445	10,400,850	10,400,850
Dividend per share, SEK	0,00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Share price at period end, SEK	12.35	9.30	8.95	3.30	2.58	13.20	16.20	12.00	13.30	30.00
Market capitalization at period end, SEK M	559	406	355	131	56	160	180	112	84	190

Employees at period end	**19**	**19**	**19**	**13**	**13**	**12**	**11**	**11**	**12**	**20**
Order backlog at period end, SEK M	**20**	**6.0**	**11.0**	**36.5**	**30.8**	**24.7**	*	*	*	*

* Data missing or inapplicable
** Adjusted for bonus-issue elements for new issues
*** Gross profit includes costs for materials and production expenses, and amortization of capitalized development expenditure.

Corporate Governance Report

Corporate governance describes the ways in which rights and responsibilities are distributed among the various corporate bodies according to the laws, rules and processes to which they are subject. Corporate governance defines the decision-making systems and structure through which shareholders directly or indirectly control the company. Fingerprint Cards AB (publ.) (FPC) is a Swedish public limited-liability company listed on the NASDAQ OMX Stockholm. A Swedish public limited liability company with listed securities is obliged to comply with the rules that affect the company's governance, of which the most important are:

- The Swedish Companies Act
- Rule Book for Issuers, NASDAQ OMX Stockholm
- The Swedish Corporate Governance Code from February 1, 2010. The Code states the purpose of corporate governance as being "to ensure that companies are managed as efficiently as possible on behalf of the shareholders." Swedish limited liability companies with publicly traded shares are also subject to legislation governing securities and their trading, market and price-sensitive information, of which the most important are:
- The Financial Instruments Trading Act
- The Swedish Act concerning Reporting Obligations for Certain Holdings of Financial Instruments
- The Market Abuse Penalties Act.

Shareholdings

For information on shareholders whose holdings directly or indirectly exceed one tenth of the voting rights for all of the shares in the company, refer to page 29 of the Administration Report.

Annual General Meeting

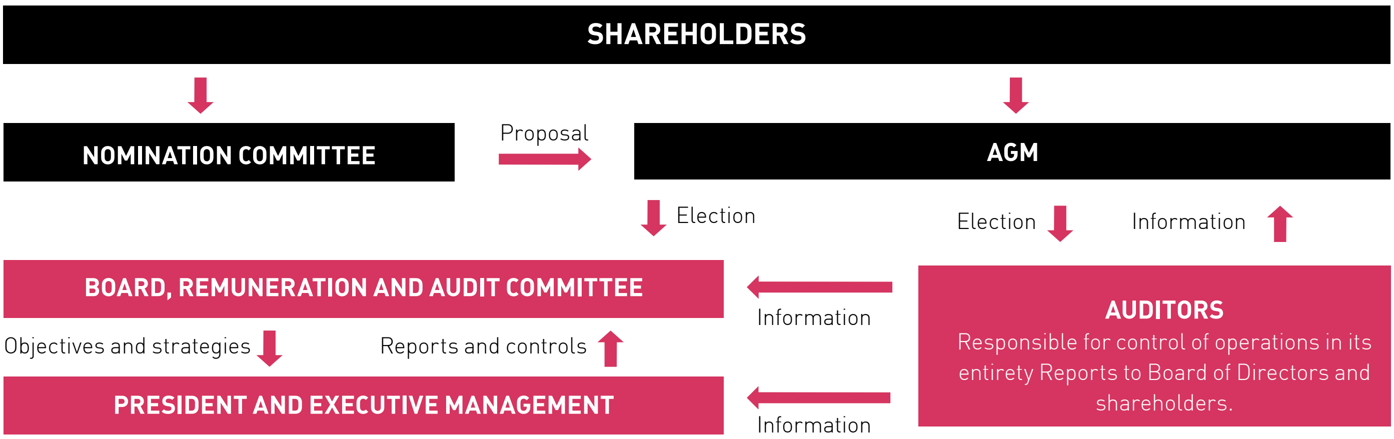
At the close of 2012, FPC had 8,286 shareholders. Ultimately, it is FPC's shareholders who determine corporate governance. Shareholders exercise their rights at General Meetings of Shareholders.

The Annual General Meeting (AGM) is the supreme governing body. The AGM resolves on any amendments of the Articles of Association, which is the fundamental governance document, approves the financial results and balance sheet, discharges the Board from liability, elects a new Board, elects auditors, resolves on remuneration of the Chairman of the Board, Board members and auditors and resolves on guidelines for the remuneration of senior executives and changes in the number of shares and their structure.

Notification of the AGM is dispatched no earlier than six and no later than four weeks prior to the Meeting. the notice includes information regarding the manner of and the last date for notification of attendance, the right to vote at the Meeting, a numbered agenda showing the matters to be dealt with, information on the appropriation of earnings, and the main content of other proposals.

Shareholders or their representatives may vote for the full number of shares owned or represented. One Class A share confers 10 votes and one Class B share confers one vote at the Meeting. Notifying intention to attend the Annual General Meeting is primarily through e-mail, in accordance with the instructions in the official notification. For participation as a representative, the shareholder must issue a power of attorney to the representative. If the shares are registered with a nominee, they must be re-registered in the shareholder's name in the share register no later than the record date of the Meeting. The record date is stated in the notification of the meeting. Official notification of an Extraordinary General Meeting (EGM), at which the matter of the company's Articles of Association is to be dealt with, must be issued no earlier than six weeks and no later than four weeks prior to the Meeting. Notification of any other EGMs must be issued no earlier than six and no later than three weeks ahead of the Meeting.

Proposals concerning matters to be dealt with by the Meeting must be addressed to the Board and be submitted well in advance of the



INTERNAL CONTROLS
Business concept and objectives, Articles of Association, Rules of Procedure for the Board of Directors, Instructions to the CEO, strategies, policies, Code of Conduct and core values

EXTERNAL CONTROLS
Swedish Companies Act, Swedish Annual Accounts Act, other applicable laws, Rule Book for Issuers and Swedish Corporate Governance Code

issuance of the notification of the Meeting. Ahead of the AGM on May 30, 2013, requests from shareholders to have a matter discussed at the AGM must be received no later than April 12, 2013 to be included in the official notification of the Meeting.

Most resolutions at the AGM are passed by a simple majority. in certain cases, the Swedish Companies Act states that resolutions must be passed by a qualified majority. This concerns, for example, resolutions regarding amendments of the Articles of Association, which require the support of at least two-thirds of shareholders in terms both of the votes cast and the shares represented at the Meeting. Minutes of the General Meetings were published on FPC's website: www.fingerprints.com

AGM 2012

The AGM for the 2011 fiscal year was held in Gothenburg on May 31, 2012. Notification of the meeting was published on May 3, 2012 in Post- och Inrikes Tidningar, and an announcement that the notification was issued in Svenska Dagbladet. Shareholders attending the Meeting represented 22.99% of the number of votes and 3.92% of the number of shares.

Resolutions passed by the Meeting included: Approval of the Income Statement and Balance Sheet for fiscal year 2011.

Approval of the appropriation of profit where profit was brought forward to the next fiscal year.

Discharge of liability for the Board and President for 2011.

Resolution that the number of Board members should be five.

Determination of the remuneration of the Board. Determination of the remuneration of the auditors.

Election of Board members and Chairman of the Board.

Election of the members of the Nomination Committee.

Determination of guidelines for senior executives.

Authorization of the Board during the period up until the next AGM to make decisions regarding the issuance of up to 9,000,000 Class B shares. Preferential rights for shareholders may be disapplied on issuance.

Authorization of the Board during the period up until the next AGM to make decisions regarding the issuance of up to 9,000,000 Class B shares. Issuance is to be conducted subject to preferential rights for shareholders.

Extraordinary General Meeting 2012

An EGM was held on September 5, 2012 in Stockholm. Notification of the meeting was published on August 15, 2012 in Post- och Inrikes Tidningar, and an announcement that the notification was issued in Svenska Dagbladet.

Shareholders attending the Meeting represented 22.71% of the number of votes and 3.57% of the number of shares. The Meeting passed a resolution to approve the Board's motion regarding the issuance of warrants.

Nomination Committee and the nomination process

The AGM determines the composition of the Nomination Committee. At the 2012 AGM, the proposals of the Nomination Committee regarding Board members were presented, and the following nominees were subsequently elected as Board members: Christer Bergman, Urban Fagerstedt, Anders Hultqvist, Sigrun Hjelmqvist; and Mats Svensson, as Chairman of the Board. The Nomination Committee also proposed and also resolved that the Nomination Committee, ahead of the AGM 2013, shall comprise Tommy Trollborg, Dimitrij Titov and Mats Svensson. The period in office of the Nomination Committee extends until such time as a new Nomination Committee is appointed. The Nomination Committee is to appoint from its own numbers a chairman who must not be the Chairman of the Board. Should a member of the Nomination Committee step down from the Nomination Committee ahead of the 2013 AGM, the members of the Nomination Committee are entitled, in consultation, to appoint another representative on behalf of the major shareholders, to replace the member.

FPC's Nomination Committee consists of:
Dimitrij Titov (Chairman of the Nomination Committee, independent in relation to the company) Tommy Trollborg (Independent in relation to the company)
Mats Svensson (representing the shareholder Sunfloro AB, which holds 18.43% of the votes)
The tasks of the Nomination Committee ahead of AGM 2013 are to issue:
A proposal regarding the Chairman of the meeting
A proposal regarding Board members
A proposal regarding the Chairman of the Board
A proposal regarding remuneration of the Board
A proposal regarding auditing fees
A proposal regarding the composition of the Nomination Committee ahead of the AGM 2013.

Shareholders may submit proposals to the Nomination Committee through: investrel@fingerprints.com

Board of Directors

The Board comprises five members. FPC's Board has ultimate responsibility for the control of operations between AGMs. Board members are elected annually by the AGM for the period up until the end of the next AGM.

Changes in the composition of the Board between the AGMs may be made through a resolution of an EGM, or by a member choosing to resign prematurely from his/her assignment. Board members have broad-based and extensive experience from business and industry and all members are or have been corporate presidents or senior

Name	Function	Elected	Stepped down	Committee work	Independent* vis-à-vis the Company	Independent* vis-à-vis Major shareholders	Board meeting attendance	Annual fee (SEK)
Mats Svensson	Chairman	2010-11-09	-	Election Committee Remuneration committee	Yes	No	15	170,000
Christer Bergman	Member	2008-08-08	-	Election Committee Remuneration committee	Yes	Yes	15	100,000
Urban Fagerstedt	Member	2009-06-04	-	Election Committee Remuneration committee	Yes	No	13	100,000
Sigrun Hjelmqvist	Member	2010-06-17	-	Election Committee Remuneration committee	Yes	Yes	15	100,000
Anders Hultqvist	Member	2009-06-04	-	Election Committee Remuneration committee	Yes	Yes	15	100,000

executives. A number of them have other assignments as board members for relevant companies as viewed from management, market, technology or international perspectives.

The Swedish Corporate Governance Code (the Code) includes provisions to the effect that a majority of the Board members elected at the AGM are to be independent in relation to the company and executive management, and that at least two of the independent members are also to be independent vis-à-vis shareholders who control 10% or more of the shares or votes in the company. An assessment by the Nomination Committee concluded that all five members are independent in relation to the company and executive management. Three of the members are independent in relation to major shareholders. In line with the Code, the Chairman of the Board is also elected at the AGM. There are no rules determining the maximum period during which a Board member may remain in office. The Articles of Association state that the Board must consist of four to seven members and the Board currently comprises five members.

The Board is responsible for FPC's organization and manages FPC's business on behalf of the shareholders. The Board continuously assesses FPC's financial situation and ensures that FPC is organized so that bookkeeping, management of funds and the company's financial situation in general are controlled in a satisfactory manner. The Board appoints the President and makes decisions concerning matters involving the strategic direction of operations and the company's overall organization. The Board sets corporate policy and instructions for ongoing operations, which are headed by the President. In turn, the President ensures that the Board is kept continuously aware of events that are of significance for the Group's development, financial results, position liquidity or other important matters about which the Board should be kept informed. The President may be elected to the Board; however, in line with the Swedish Companies Act, the said person may not be elected as Chairman of the Board in a public limited liability company. Board members in 2012: (the members are presented separately on page 70 of the Annual Report).

The Board's working procedures

Pursuant to the Swedish Companies Act, the Board has established working procedures and an instruction for the President that state how work is to be allocated between the Board as a whole, its committees and between the Board Chairman and President. This is a complement to the Swedish Companies Act and the Articles of Association. The Board reviews, evaluates and adopts work procedures annually at statutory meetings after the AGM. In addition to the Board's working procedures and instructions, policies are in place stating the purpose, framework and responsibility for individual business activities and functions. As stated in the work procedures for the Board of Directors and other provisions, the Chairman of the Board is responsible for ensuring that the work of the Board is conducted efficiently and that the Board fulfills its obligations.

These include organizing and supervising the work of the Board and creating optimal conditions for its work. In addition, the Chairman of the Board ensures that Board members are continuously updated and that they increasingly familiarize themselves with the company's operations, and that new members receive a suitable introduction. The Chairman is to be available as an adviser and discussion partner for the President but also evaluates the latter's work as well as presenting the resulting assessment to the Board. The Chairman is responsible for the evaluation of the Board's performance and informs the Nomination Committee of the results of the evaluation.

Board meetings

During 2012, the Board held 15 meetings. The level of activity has been high, particularly in July, when Apple made a bid for the competitor, Authentec. Decisions by the Board or consultation with the Board were required on an ongoing basis: one EGM, decisions made concerning the issue of warrants, the decline in earnings, debriefing and decision-making regarding development projects. FPC's employees participate in Board meetings when required as presenters of information.

The annual work cycle of the Board commences with the statutory meeting after the AGM, at which the Board's working procedures and the instruction for the President are adopted. Recurring items on the agenda for subsequent meetings during the year include the Group's executive-management debriefings as regards business conditions, operations, organization, financial results, position and trends in cash and cash equivalents.

The budget and business plan for the next year are dealt with by the Board in the autumn and prior to Christmas.

In conjunction with the end of the quarter, meetings are held to make decisions regarding the publication of interim quarterly, six-month and year-end reports. Ahead of the AGM, meetings are held in order to get a decision on notification, the annual report, corporate governance documents and other matters for the AGM. In addition, the Board is required to hold meetings regarding EGMs, new share issues and other decision-making activities.

Remuneration Committee

The Remuneration Committee evaluates and prepares matters regarding remuneration and employment terms for executive management, and draws up guidelines for the remuneration of the President and senior executives for approval by the AGM. The Remuneration Committee ensures that remuneration matches the prevailing market terms for comparable positions in other companies and that the company's pay offering is thus competitive. The Board sets the President's remuneration.

Remuneration of other senior executives is decided by the President following consultation with the Remuneration Committee. At FPC, the entire Board handles the Remuneration Committee's tasks.

Audit Committee

The task of the Audit Committee is to support the work of the Board in ensuring high-quality internal control, financial reporting and external auditing.

Among other responsibilities, this involves examining interim and year-end reports ahead of publication and dealing with all critical accounting issues and assessments. The Board meets the external auditor on at least two occasions. At FPC, the entire Board handles the Audit Committee's tasks.

Audit

At the 2010 AGM, KPMG – with Johan Kratz as the auditor-in-charge – was elected as FPC's auditor. Johan Kratz has been an authorized public accountant since 1995. He is also auditor at companies including Concordia Maritime AB, Eka Chemicals AB and Nobel Biocare AB.

The auditor examines the administration, financial statements, internal procedures and control systems, interim financial statements and interim reports, six-month accounts and six-monthly reports, year-end financial statements and Annual Report, and issues a statement regarding the Board's reports in conjunction with decisions made on matters such as new share issues and warrant programs. Each year, the Board meets with the auditor to receive the auditor's report as to whether the company's organization is appropriately configured to ensure that accounting, management of funds and conditions in general are controlled satisfactorily. The auditor reported to the Board on one occasion and the President an additional occasion in respect of the 2012 fiscal year. During 2012, the auditor attended the AGM on May 31.

President

FPC's President, Johan Carlström, is in charge of the company's business operations. The allocation of responsibility between the Board and the President is defined in written instructions for the President as adopted by the Board. The President reports to the Board and regularly presents a report on how operations are progressing in terms of the goals and strategies established and decisions made by the Board.

Internal control

FPC has a relatively small organization. The President has, to a certain extent, delegated responsibility for internal control to department managers. Responsibility entails that there are appropriate instructions and procedures for operations that must be monitored regularly and reported on. Responsibility is limited by defined amounts and proximity to the managers' own positions. Responsibility for internal controls, compliance with rules and operational risks are thus an integral part of executive responsibility. The financial policy includes frameworks for investments, cash management, currency hedging and the granting of credit in connection with sales. Credit is granted only if there is good reason to assume that the credit recipients will meet their obligations; otherwise, sales are conducted against advance payment. FPC seeks to ensure the continuance of its low customer bad-debt losses, thereby contributing to profitability and a solid financial position.

Guidelines for remuneration of Board members

The Chairman and members of the Board are remunerated in accordance with AGM resolutions. No separate remuneration is paid for committee work. Remuneration for 2012/2013 amounted to SEK 170,000 for the Chairman of the Board and SEK 100,000 for Board members, totaling SEK 570,000. Board members appointed during the year receive fees in relation to the remaining period up to the next AGM.

Guidelines for remuneration of senior executives

A Remuneration Committee elected from among the Board's members is to be assigned the task of preparing guidelines for salaries and other employment conditions for the President and other senior executives, and presenting proposals to the Board for decisions on such matters. The Board decides on pay and other remuneration of the President. remuneration of the President and other senior executives comprises basic salary, variable remuneration, other benefits, pension and financial instruments. Variable remuneration may not exceed 40% of basic salary. The term "other senior executives" refers to the individuals who, in addition to the President, constitute Group management. As of the salary review in 2012, most of the revised remuneration will be allocated to the variable share in an effort to increase the performance-based salary to a maximum of 40%. The period of notice is a maximum of six months for either party. If the company terminates employment, severance pay is payable in an amount corresponding to not more than six monthly salaries. During the period of notice of no longer than six months, full salary and employment benefits are payable. Resolutions concerning share and share-price-based incentive programs are made by a General Meeting of shareholders. All pension provisions are to be of the defined-contribution category.

For 2013, the Board has no proposals for amending the guidelines pertaining to the remuneration of senior executives.

External information is provided via the website (www.fingerprints.com) and through press releases.

Inquiries regarding information, investment and the Nomination Committee may be made to investrel@fingerprints.com.

Internal control

Pursuant to the Swedish Code of Corporate Governance, the Board is to ensure that the company maintains adequate internal controls and keep itself continuously informed of and evaluate how the company's system for internal control functions. Furthermore, the Board submits a report on the organization of the internal control of the financial reporting and, if internal control is not in place, evaluates the need of such a function and motivates its opinion.

Control environment

The fundamental platform in the control environment consists of the guidelines and controlling documents including the Board's working procedures and instruction to the President as described earlier in the corporate governance report, as well as the allocation of responsibility and authority that is adapted to the business organization. It is primarily the President's responsibility as part of daily operations to maintain the control environment as designated by the Board. The President reports regularly to the Board in line with set procedures. In addition to the above, reports are submitted by the auditor.

Risk

Risk assessment is performed on a continuous basis and comprises the identification and management of any risks that could impact business activities and financial reporting. The primary risk within the framework of financial reporting is the risk of material errors in the financial reporting.

Risk management comprises part of the business activities' procedures and various methods are utilized to ensure that risks are managed in compliance with regulations, instructions and procedures with the aim of providing correct information.

Control activities

Control activities are designed to manage the risks that the Board and Group management assess as essential for the internal control of the financial reports. Control activities aimed at preventing, identifying and correcting errors and deviations are evaluated. Assignment of responsibility and organization comprise the structure for the control. Follow-up is performed in each area of responsibility as it is for the entire operations.

Allocation of attestation rights and authority is part of the structure for control activities as are clear rules for decisions regarding investment, sales, procurement and contracts. Control activities are based on the business concept, strategies and goals, that is, on critical issues for operations. A high degree of IT security is a prerequisite for favorable internal control of the financial reporting.

External financial reporting with accompanying controls is performed on a quarterly basis and internal financial reporting is performed monthly. Controls are performed based on a business plan which is broken down by annual budget. The budget is revised during the year and is utilized to produce forecasts and forms the basis for the follow up of actual results. In reporting, analysis and comments are reported on trends vis-à-vis the set goals. Control of development projects is performed through ongoing project monitoring and reporting of subprojects. Performance and costs expended are related to plans and budgets and the anticipated remaining project expenses for project completion are reported. Liquidity and cash flow are followed up on an ongoing basis with the updating of forecasts and the resultant liquidity planning.

Continuous analysis of the financial reports is crucial to ensure that the financial reporting does not contain any material errors.

Control activities are integral features throughout the financial reporting procedures.

Information and communication

FPC's policies and guidelines are of particular importance for correct accounting, reporting and information.

FPC collaborates with news agencies and communication consultants regarding external communication. The information is intended to increase awareness of FPC and increase confidence in FPC, its management and employees, while promoting business activities.

A communication policy is in place that provides guidelines governing internal and external communication. The aim is to ensure that disclosure requirements are complied with in a correct and complete manner.

Follow-up

Compliance with the Board's working procedures, instructions, policies and procedures are followed up by the Board and Group management. The financial situation and business outlook are dealt with at Board meetings. The Board reviews financial reports and decides on publication prior to the publication of financial reports. Interim, six-month and annual closing financial statements, with accompanying financial reports, are reviewed by the auditor. Each month, a report is submitted to the Board in the form of the President's report, which includes sections for business functions. The Executive Management Group meets frequently and regularly reviews business developments, financial trends, the company's position and influential events.

The Board meets with the auditor during the year to review the audit of internal control and other assignments. Against this background, the Board has made the assessment that a separate internal audit function is not required.

Board of Directors

Gothenburg, May 8, 2013

Auditors' report on the Corporate Governance Report

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

The Board of Directors is responsible for the 2012 Corporate Governance Report, which is included in the printed version of this document on pages 64 – 68, and its preparation in accordance with the Annual Accounts Act.

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

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

Gothenburg, May 8, 2013
KPMG AB

Johan Kratz
Authorized Public Accountant

Letter from the Chairman of the Board

INCREASED LEVEL OF ACTIVITY AS THE ACTION INTENSIFIES

Our strategy is being maintained in higher-tempo operations, as the market gathers momentum.

Following a weak 2012 in terms of sales, we are now in an expansive phase that can be described as faster, broader, intensified and more concrete. New ideas and opportunities are presenting themselves at a faster rate and it is a matter of sorting and prioritizing them.

The Board of Directors was authorized by the AGM on May 31, 2012 to issue up to 9,000,000 shares without preferential rights for shareholders. Three issues of new shares totaling 7.2 million Class B shares have since been implemented. The interest and level of subscription are clear indicators that the capital market also believes in our business. Before issuing expenses, our cash flow has been strengthened by slightly more than SEK 130 M.

With a stable financial base, we have excellent opportunities to implement the established strategies in a phase when we regard the market to be gaining momentum, but when revenues are yet to cover the initial expenses.

The Board of Director's task is to set long-term strategies and to be responsible for making wise decisions on investments that will create the foundation for their fulfillment. The strategies follow a logical order: product, development, patent, production and marketing and sales strategies.

The challenges in the Board's work are to appropriately manage the expansion and ensure that all the strategic steps are taken. The market situation requires that the pace of development be raised and customer adaptation increased. A prerequisite for coping with an expansion in order volumes is that an industrial approach permeate the entire supply and production chain, combined with the financial strength to manage the time required for a receivable to be paid. This dynamic also applies to organizational development and to ensuring that management resources are secured.

While ensuring proper internal control, it is a natural part the Board's work to keep an eye on global market trends. What I have observed to date is a situation in which there are few other players in the market and a growing interest in our solutions. Customers are more proactive and express what they want. Consequently, I am very positive about FPC's opportunities, but have full respect for the challenges of the future.

Mats Svensson
Chairman of the Board

Board of Directors

Sigrun Hjelmquist

Board member since 2010.
Born: 1956.
Education: MSc in Physical Engineering, Royal Institute of Technology, Stockholm, Sweden.
Other assignments: Chairman of the Board of C2SAT AB and the two funds, Almi Invest Östra Mellansverige & Stockholm. She is also board member of Addnode AB, Bluetest AB, Setra Group AB, OneMedia AB, Silex AB, RAE Systems Inc, Atea ASA, Eolus Vind AB and Com Hem AB.
Shareholdings in FPC: 6,000 Class B shares*
Independent in relation to major shareholders and executive management.

Mats Svensson

Chairman of the Board since 2011 and Board member since 2010.
Born: 1964
Employment: Independent investor, consultant, advisor and board member in the railway industry.
Education: Bachelor of business and administration at Lund University; Cardo Leadership development program.
Previous assignments in the past five years: Product Line Director at Faiveley Transport.
Shareholdings in FPC: 1,080,000 Class A shares through Sunfloro AB*
Dependent as major shareholder.

Christer Bergman

Board member since 2008.
Born: 1955
Employment: VD Novexus LLC.
Education: Master of Science in Civil Engineering, Lund Institute of Technology, Sweden; Master of Science in Civil Engineering, University of California, Berkeley, USA; Officer Degree in The Royal Swedish Navy.
Other assignments: Member of the boards of WCC Group BV, Authasas BV and Sensometrix SA.
Previous assignments in the past five years: Vice President Biometric Solutions Fujitsu Frontech North America; Member of the boards of Quard Technology A/S and Swecard AB; CEO and Chairman of the Board of IdentiPHI Inc.; Board member of SweCard AB.
Shareholdings in FPC: 100,000 Class B shares*
Independent in relation to major shareholders and executive management.

Urban Fagerstedt

Board member since 2009.
Born: 1959
Employment: Vice president R&D, Huawei Technologies Sweden AB.
Education: MSc Electronics Engineering, Lund Institute of Engineering.
Other assignments: Owner and Chairman of the Board of Fagerstedt Dynamics AB.
Previous assignments in the past five years: Vice President and General Manager of Ericsson AB's Radio Networks design unit. Chairman of the Board in Fagerstedt Dynamics Radio AB. Board member of Netcom Consultants AB.
Shareholdings in FPC: 1,080,000 Class A shares via Sunfloro AB*
Dependent as major shareholder.

Anders Hultqvist

Board member since 2009.
Born: 1951
Employment: President of Anders Hultqvist AB; General agent for Scandinavia Westa GmbH, Mils, Austria.
Education: Graduate of Stockholm School of Economics with a major on marketing and communications, Reserve-officer training intendant, Swedish Air Force.
Shareholdings in FPC: 244,000 Class B shares*
Independent in relation to major shareholders and executive management.

*Shareholdings at March 24, 2013

Executive Management

Johan Carlström

CEO since 2009.

Born: 1963
Education: Graduate in economics from the universities of Uppsala and Stockholm.
Previous assignments: Twenty years in executive sales at Ulticom, Ericsson and Mercury Interactice. Five years as Financial Analyst.
Shareholdings in FPC: 1,080,000 Class A shares via Sunfloro AB, 451,425 Class B shares, 3,108,000 warrants*

Pontus Jägemalm

Senior VP Research & Development sedan 2009.

Född: 1971.
Utbildning: Civilingenjör och teknologie doktor i teknisk fysik, Chalmers Tekniska högskola.
Innehav i FPC: 780 000 tecknings-optioner*

Jens Reckman

CFO since 2010.

Born: 1963
Education: Graduate in Business Administration etc., University of Gothenburg.
Previous assignments: a total of 25 years' experience as auditor and CFO.
Shareholdings in FPC: 575,000 warrants*

Thomas Rex

Executive VP Sales and Marketing, since 2011.

Born: 1963
Education: MSc Electronics Engineering, Lund Institute of Engineering.
Previous assignments: Vice President Sales Asia/Oceania, Ericsson Mobile Platforms; Vice President Sales, Nanoradio.
Shareholdings in FPC: 25,000 Class B shares, 1,800,000 warrants*

Jörgen Lantto

Executive VP CTO, since 2013.

Born: 1963
Education: Technical college engineer.
Previous assignments: CTO ST-Ericsson 2009–2012; 22 years at Ericsson, President of Alice Systems and co-founder of Northstream.
Shareholdings in FPC: 7,800 Class B shares, 1,300,000 warrants*

Henrik Storm

VP Customer Projects, since 2012.

Born: 1972
Education: Master's degree in Electrical Engineering; Licentiate of Engineering degree in Applied Mathematics, Chalmers University of Technology, Gothenburg, Sweden.
Shareholdings in FPC: 4,500 Class B shares, 395,000 warrants*

*Shareholdings at March 24, 2013

Shareholder information

FPC's website for investors

At www.fingerprints.com, there is up-to-date company, share and insider information, reports and a press-release archive, and opportunities to subscribe for reports and press release.

The Annual Report is available via FPC's website.

For the sake of the environment and expenses, FPC has chosen not to distribute a physical copy of the Annual Report to shareholders. Annual reports, interim reports and press releases are available at the company's website for investors.

Future reporting dates

Interim report January – March 25 April 2013
Interim report January – June 22 August 2013
Interim report July – September 24 October 2013
Year-end report February 2014

AGM 2013

The 2013 Annual General Meeting will be held on June 18, 2013 at the Radisson Blu Scandinavia Hotel, at Södra Hamngatan 59, Gothenburg, Sweden.

Registration

Shareholders wishing to attend the Annual General Meeting (AGM) must be entered in the share register maintained by Euroclear Sweden AB by Wednesday, June 12, 2013, and notify the Company of their intention to attend the Meeting not later than June 12, 2013, at 4.00 p.m. at the following address: Fingerprint Cards AB, Box 2412, SE-403 16 Gothenburg, or by e-mail: investrel@fingerprints.com.

Contact information

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E-mail: investrel@fingerprints.com
Website: www.fingerprints.com

Glossary and definitions

Glossary

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

Area sensor
A sensor with the size of a fingertip that can scan an entire fingerprint simultaneously. The fingertip is simply drawn against the sensor surface; refer to swipe sensor.

ASIC (Application Specific Integrated Circuit)
An integrated circuit in the form of a silicon chip that is designed to conduct specific functions – in our case, the measurement of a fingerprint.

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

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

Chip
A piece of silicon in which the integrated circuit is embedded, such as a sensor chip. Normally, a silicon wafer is cut into a number of chips, with each chip being essentially identical.

dpi
Dots per inch – resolution per spacial unit, in this case inches. The higher the value, the better the resolution and degree of detail.

Enrolment
Compilation of biometric data used to create a template. (The process in which information is compiled from the individual and subsequently processed and stored as a reference image.)

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

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

OEM
Original Equipment Manufacturers – companies that manufacture the end product that is sold in the open market

Packaging
The work and components, apart from the silicon chip, required for building a sensor.

Sensor platform
The silicon technology that FPC has created for the development of future sensors, meaning the basic technology.

Swipe sensor
A sensor with a width equal to a fingertip but much narrower than the length of the finger. The fingertip is drawn across the sensor surface and the fingertip is scanned one section at a time, thus scanning the fingerprint in its entirety; compare with area sensors.

Template
An arrangement of unique data that represents a certain fingerprint.

Verification
The comparison of compiled biometric data with a given template for the purpose of verifying the matching of the two. This enables the authentication of an individual to be made with a high degree of certainty.

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

Yield
The percentage of a number of approved units divided by the number of initial units. The term is primarily used in production.

Definitions

Added value per share
Operating profit plus payroll costs and overheads divided by the average number of employees.

Average credit period
Average value of accounts receivable over the period in relation to net sales, multiplied by 360 days.
Net margin Profit/loss for the period as a percentage of net sales.

Average number of shares
The Parent Company's average weighted number of shares for the fiscal year.

Average number of shares after dilution
The average weighted number of shares outstanding, plus the average number of shares that could be issued as a result of current remuneration and personnel programs.

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

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

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

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

Gross margin
Gross profit as a percentage of net sales.

Inventory turnover rate
Costs for average inventories divided by goods sold.

Order backlog
The difference between order bookings for the fiscal year and worked-up sales, plus order backlog at the beginning of the fiscal year.

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

Shareholders' equity per share after dilution
Shareholders' equity attributable to the Parent Company's shareholders divided by the number of shares outstanding after dilution at period-end.

Working capital
Current assets less current non-interest-bearing provisions and liabilities.
Operating margin Operating profit/loss as a percentage of net sales.

Production: text and structure – Stakeholder Communication. Graphics production – Wallmander & Co. Translation: The Bugli Company. Photography – Emma Lager and Shutterstock.

BEYOND KEYS AND PINS

FINGERPRINTS

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