

FINGERPRINT CARDS

Q4 2017

FEBRUARY 9, 2018



FINGERPRINTS

Q4 2017 Summary

Revenues	Margins & profitability	Highlights
<ul style="list-style-type: none">⊗ Revenues: SEK 615 (1,619) M, a 62% decrease year-over-year	<ul style="list-style-type: none">⊗ Gross profit*: SEK 130 (715) M⊗ Gross Margin: 21% (44)⊗ Operating profit**: SEK -40.6 (520) M⊗ Operating margin: -7% (32)⊗ Operating Cash Flow: SEK -1,7 (186) M	<ul style="list-style-type: none">⊗ 31 mobile devices with Fingerprints' sensors launched⊗ Two smartphones with multimodality launched (ActiveIRIS® and fingerprint sensor)⊗ Biometric card market trials with Visa and Mountain America Credit Union in the USA, and in Cyprus with Bank of Cyprus and Zwipe.

*Gross profit negatively impacted by an inventory provision of SEK -58.9 M.

** Including a positive SEK 28.9 M non-recurring item. EBIT amounts to SEK -9.9 M excluding this item and the inventory provision.



BUSINESS UPDATE

Commoditization and a declining Chinese smartphone market

- ⊗ Changed market conditions for capacitive sensors for smartphones
 - ⊗ ~700m smartphones (excluding Apple) equipped with FPS shipped in 2017, approx. 40% of these with a sensor from Fingerprints
 - ⊗ 30% ASP decline in 2017 due to commoditization and product mix shift
- ⊗ 2018: a year of transition
 - ⊗ In terms of value, we expect a declining market in 2018 for capacitive sensors for smartphones
 - ⊗ Cost reduction program initiated, saving SEK 360m during 2018
 - ⊗ Keeping leadership position and driving cost efficiency in capacitive sensors
 - ⊗ Shifting focus of investments towards new, emerging biometric markets

Market launches Q4 2017

- ③ **31** mobile devices launched by 13 OEM customers.
Launches by Huawei, Xiaomi and Oppo among others.
- ③ Our biometric solutions are now in over **300** different smartphone models from more than **25** brands
- ③ Two smartphones launched with multimodality: ActiveIRIS ® and fingerprint sensor
- ③ New OEM-customers: Smartisan, BitVault, Razer
- ③ PCs and doorlocks



Continued progress in biometric smart cards

- Market trials at the beginning of 2018
 - Collaboration with Visa on market trial in the USA
 - Market pilot with Visa, Bank of Cyprus and Gemalto, card technology provided by Zwipe
- Partnership with IDEMIA
- Partnership with Linxens
- Collaboration with NXP Semiconductors

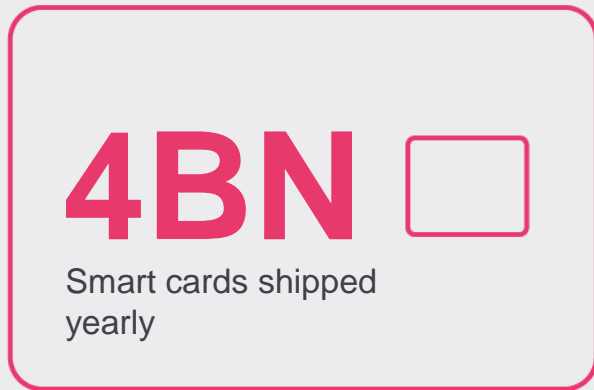


Fingerprints is partnering with leading industry players* throughout the ecosystem

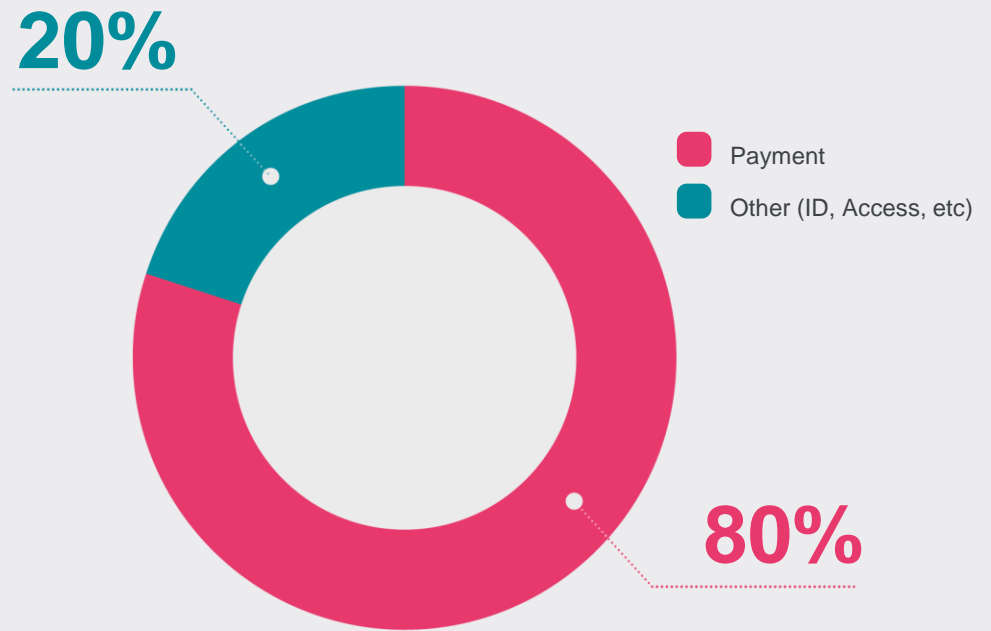


* As publicly announced

The potential market for biometric smart cards is large



Fingerprints™ estimates on shipments based on various industry sources



10-year exclusive partnership signed with Gentex for in-vehicle iris authentication

- ① Exclusive partnership to bring iris authentication to the automotive industry
- ② *“The ActiveIRIS® system could enable future vehicles to quickly and accurately identify drivers and personalize the in-vehicle experience”*

Steve Downing, President & CEO of Gentex



Press release
January 11, 2018

Fingerprints and Gentex Sign Long-Term Agreement to Bring In-vehicle Iris Authentication to the Automotive Industry

Stockholm, Sweden – January 11, 2018 – Today at CES 2018, Fingerprint, a world-leading biometrics company, and Gentex, a leader in digital vision and connected car technology, announced an exclusive partnership agreement to bring iris-scanning technology to the automotive industry

Automakers are keen to integrate biometric-based driver authentication into vehicles in order to improve vehicle security, cabin personalization, and securely authorize in-vehicle payments, home automation control, and additional cloud-based services.

“Collaboration is key within the automotive ecosystem, and as a leading provider of smart mirrors and automotive electronics, Gentex brings an unmatched platform and vehicle real estate through which we can deploy our ActiveIRIS® technology. Together we aim to advance the market for vehicle-integrated biometrics systems that authenticate the driver and deliver custom security, comfort and convenience features. We see a great opportunity for multimode biometry, both locally and in the cloud,” says Christian Fredrikson, president and chief executive officer at Fingerprints.

Locating the iris authentication system in or around the mirror would allow auto manufacturers to offer the solution in varying vehicle trim packages, without requiring substantial redesign of the vehicle’s interior.

For auto manufacturers that use key fobs, or car sharing providers that leverage phone apps to identify the driver, iris recognition could act as a second layer of security, confirming the driver’s identity, with a false acceptance rate as low as one in 10 million.

Upon entering the vehicle, the biometric system would identify the driver with an iris scan, and, if authorized, start the car and personalize setup by automatically adjusting mirrors, steering wheel, seat position, music favorites, GPS locations, and more. ActiveIRIS could also provide an additional layer of security for vehicle-to-home automation services and vehicle-to-infrastructure transactions.

“The ActiveIRIS system could enable future vehicles to quickly and accurately identify drivers and personalize the in-vehicle experience. It would also enable two-factor authentication, securing and customizing everything from vehicle operation to in-vehicle functions such as speed limiting, geo-fencing, home automation control, toll payments, and in-vehicle transactions,” said Steve Downing, president and chief executive officer of Gentex Corporation.

While the first systems are likely to be discretely located inside a Gentex automatic-dimming rearview mirror or related windshield mount, future systems could be developed in various locations in the vehicle. This agreement also allows for system integration outside the vehicle, where Fingerprints’ cloud capabilities offerings are an important component for businesses, single-household applications, and unified smart cities.

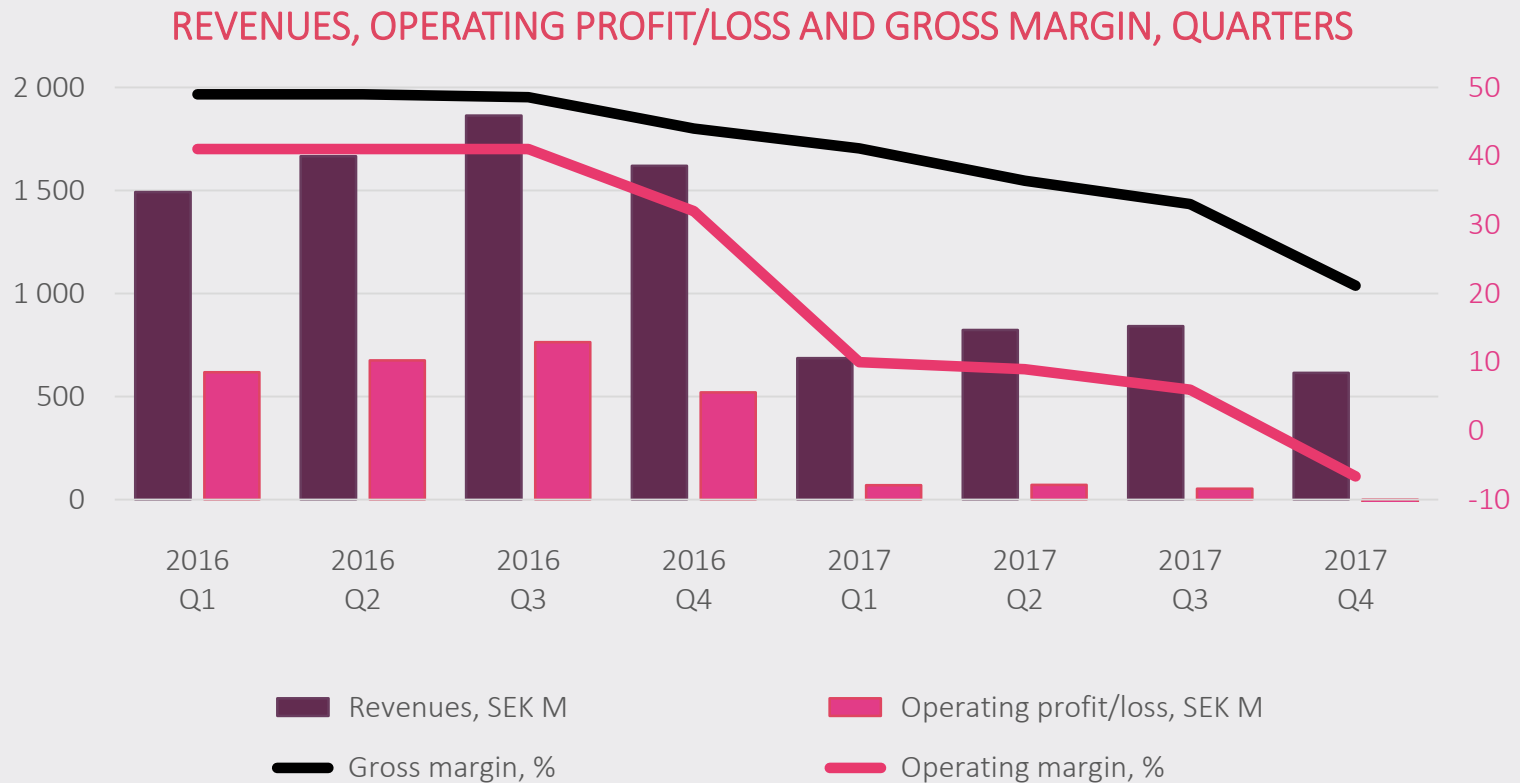
Summary

- ⊗ Q4 and full-year 2017 results not satisfactory, impacted by changed market conditions
- ⊗ ~40% market share* in capacitive sensors for smartphones in 2017
- ⊗ Keeping leadership position in mobile. Focus on new innovation and cost efficiency.
- ⊗ Adjusting cost base while redirecting R&D investments towards new, emerging markets for biometric solutions
- ⊗ Fingerprints is well-positioned to benefit from the adoption of biometry in new areas, e.g. biometric smart cards and automotive/embedded, multimodality

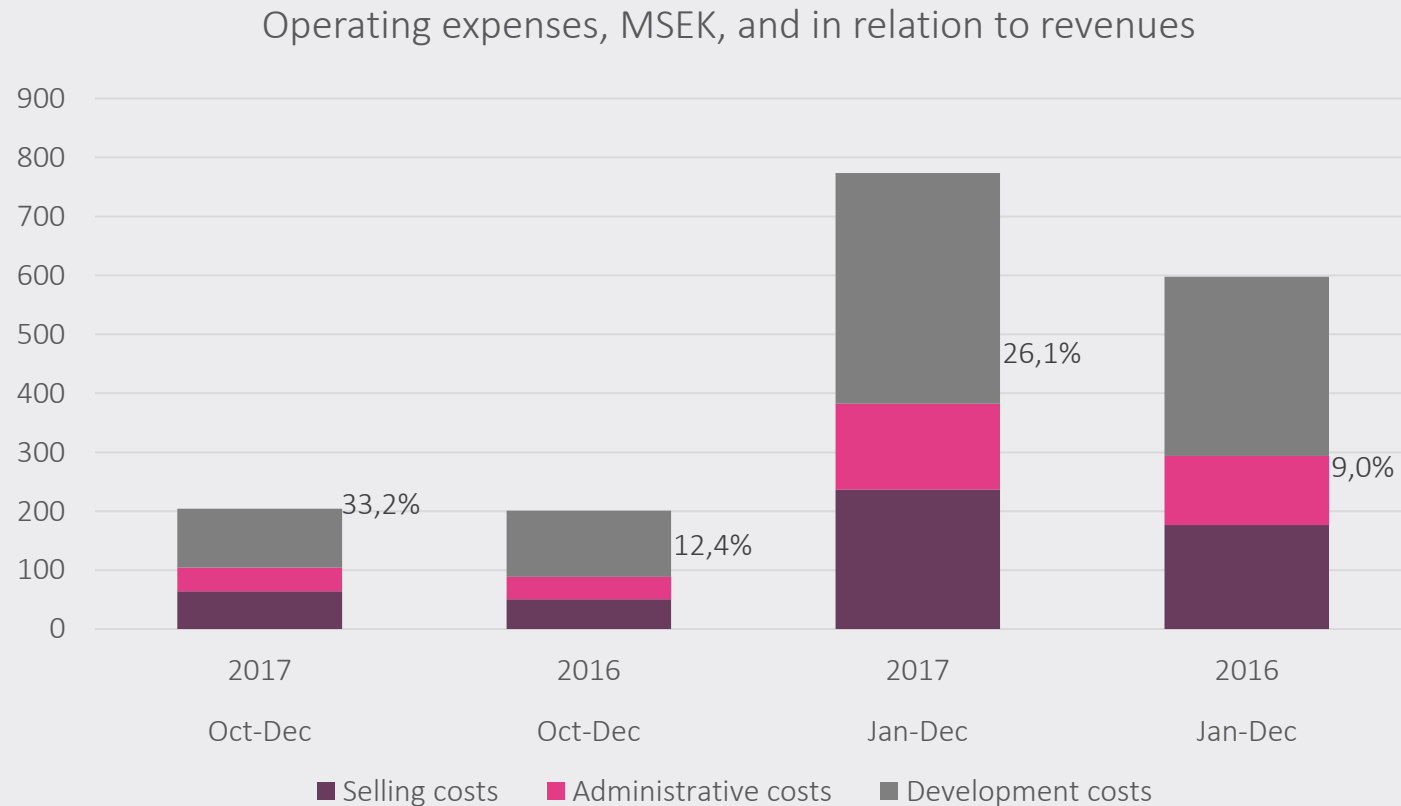
A large, faint fingerprint graphic is centered in the background of the slide. The lines of the fingerprint are a slightly darker shade of teal than the background, creating a subtle watermark effect.

Q4 2017 FINANCIAL RESULTS

Q4 2017 Financial performance



Operating expenses development



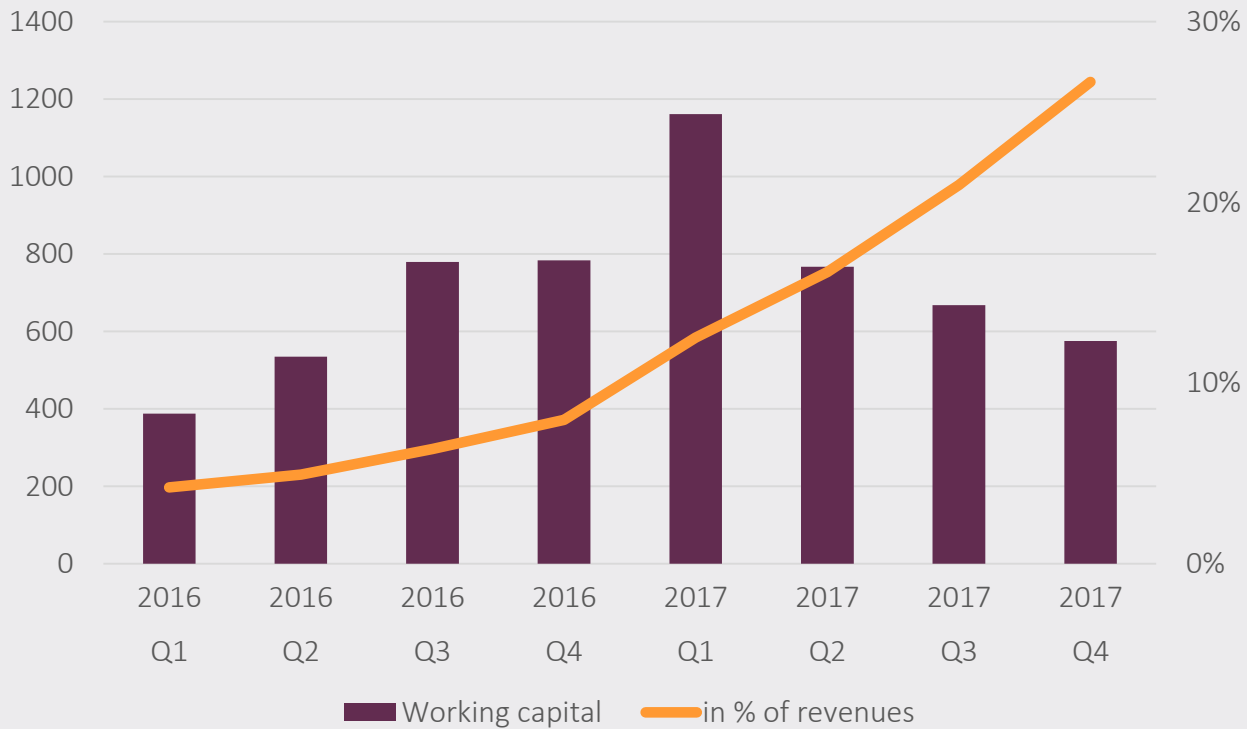
Weaker profitability in Q4 2017

	Oct-Dec 2017	Oct-Dec 2016 (*)	Jan-Dec 2017	Jan-Dec 2016 (*)
Operating profit, SEK M	-40.6	520	154.6	2,578.5
Operating margin (%)	-7%	32%	5%	39%
EPS, SEK	-0.05	1.35	0.38	6.40

- Exchange rate effects on bank balances are reported under “Financial income and expenses” as of 2017 and therefore the 2016 operating profit was reclassified accordingly.

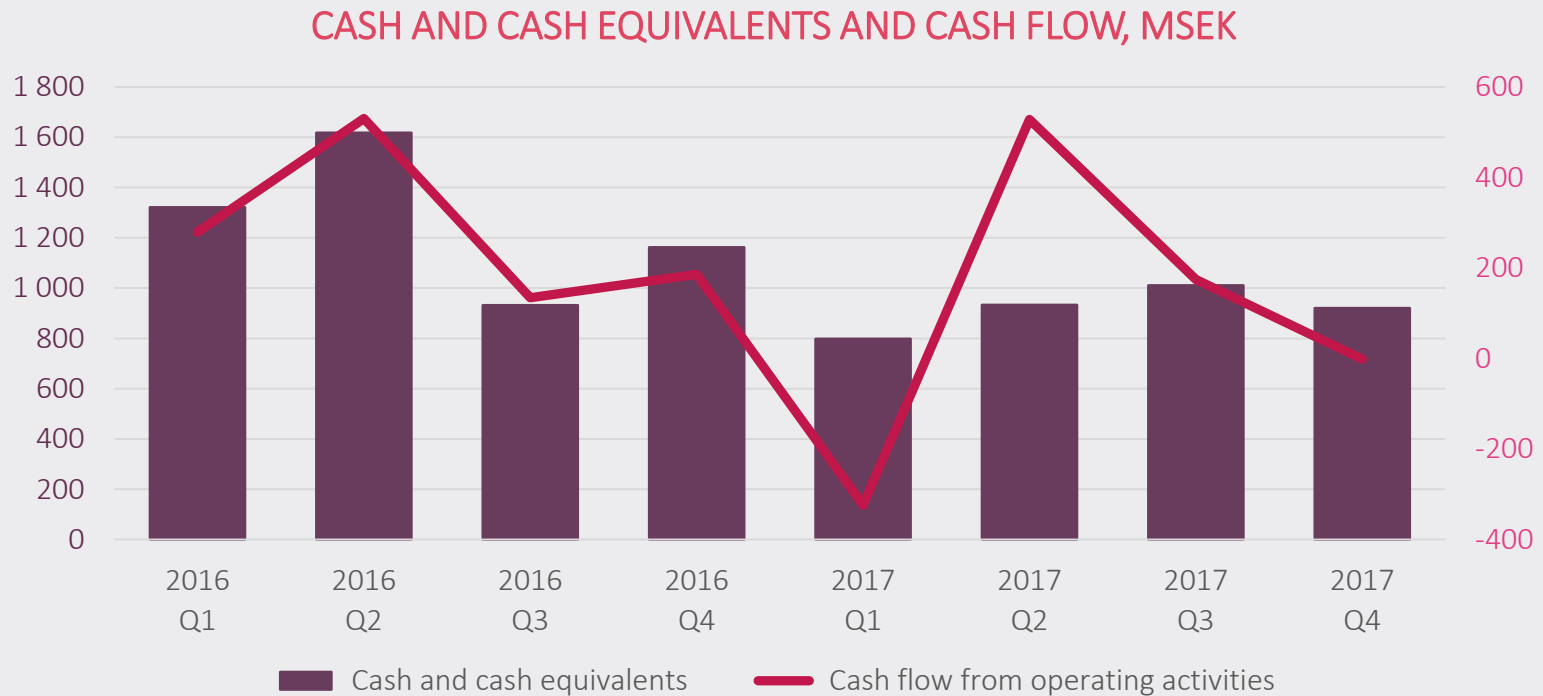
Working capital development

Working capital (excluding cash and tax items)



*Average working capital excluding net cash over 5 quarters/rolling 12 months sales

Q4 2017 Cash flow and Net cash trend





THANK YOU!



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