## Q1 2018 Summary

<table>
<thead>
<tr>
<th>Revenues</th>
<th>Margins &amp; profitability</th>
<th>Highlights</th>
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</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong> SEK 290 (686) M, a 58% decrease year-over-year</td>
<td><strong>Gross profit:</strong> SEK 45 (282) M</td>
<td><strong>Shift towards smaller and cheaper fingerprint sensors negatively impacted revenues and gross margin</strong></td>
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<tr>
<td><strong>Gross Margin:</strong> 15% (41)</td>
<td><strong>Operating profit:</strong> SEK -175 (71) M</td>
<td><strong>Performance in the Chinese smartphone market remained weak</strong></td>
</tr>
<tr>
<td><strong>Operating margin:</strong> -60% (10)</td>
<td><strong>Operating Cash Flow:</strong> SEK -204 (-324) M</td>
<td><strong>Cost-cutting program proceeding as planned</strong></td>
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*Operating result impacted by restructuring costs of SEK -40.2 M*
BUSINESS UPDATE
Cost control and diversification

- Result impacted by intense competition, a product mix shift and a declining Chinese smartphone market

- We are lowering our costs…
  - Cost reduction program executed according to plan, saving SEK 360m during 2018
  - High-priority development project with the aim of launching a fingerprint sensor with a lower production cost than the present generation of sensors

- … and diversifying our business
  - Expanding our biometric technology portfolio, e.g. face recognition and in-display
  - We have a strong position in emerging application areas, e.g. in smart cards
Market launches and business development in Q1 2018

- **17** mobile devices launched by 7 OEM customers. Launches by Huawei, Xiaomi and Oppo among others.
- Two PCs launched with our fingerprint sensors
- FPC1291 launched, the first fingerprint sensor from the third generation
- A facial recognition solution is being developed. Expected to be integrated into customer products in the second half of 2018.
- Ten-year exclusive agreement with Gentex to bring iris-scanning technology to the automotive industry
- Partnership with Altran aimed at offering biometric solutions for the automotive industry
- Biometric smart card market trials in the Middle East and Japan
Biometric smart card market trials in the Middle East and Japan

- Fingerprints is collaborating with IDEMIA on Japan’s first biometric payment card trial. An FPC1300-series sensor is used, featuring ultra-low power consumption and superior biometric performance.

- Biometric payment card pilot with Visa, the first of its kind in the Middle East. The card technology is provided by Zwipe, and is using a sensor from the FPC1300-series.
Summary

- Earnings in the first quarter of 2018 impacted by a continued weakening of sales, as anticipated.
- Shift towards smaller and cheaper fingerprint sensors continued, impacting sales and gross margin.
- Cost reduction program executed according to plan, saving SEK 360 M in 2018.
- Challenging market conditions, but some stabilization and sequential growth expected in Q2.
- Cash flow from operating activities expected to sequentially improve during Q2 and be positive, due to a tax refund and an improved operating result.
- Fingerprints is well-positioned to benefit from the adoption of biometry in new areas: biometric smart cards and automotive/embedded.

* Excluding Apple.
Q1 2018 FINANCIAL RESULTS
Q1 2018 Financial performance

Revenues, Operating profit/loss and Gross margin, quarters

- Revenues, SEK M
- Operating profit/loss, SEK M
- Gross margin, %
- Operating margin, %
Operating expenses development

Operating expenses, MSEK, and in relation to revenues

- Development costs
- Administrative costs
- Selling costs

<table>
<thead>
<tr>
<th>Year</th>
<th>Jan-Mars</th>
<th>Jan-Dec</th>
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<tbody>
<tr>
<td>2017</td>
<td>29,0%</td>
<td>26,1%</td>
</tr>
<tr>
<td>2018</td>
<td>75,2%</td>
<td></td>
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Weaker profitability in Q1 2018

<table>
<thead>
<tr>
<th></th>
<th>Jan-Mar 2018</th>
<th>Jan-Mar 2017</th>
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</thead>
<tbody>
<tr>
<td>Operating profit, SEK M</td>
<td>-174.9</td>
<td>70.8</td>
</tr>
<tr>
<td>Operating margin (%)</td>
<td>-60%</td>
<td>10%</td>
</tr>
<tr>
<td>EPS, SEK</td>
<td>-0.47</td>
<td>0.17</td>
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</table>
Working capital development

*Average working capital excluding net cash over 5 quarters/rolling 12 months sales
Q1 2018 Cash flow and Net cash trend

Cash and cash equivalents and cash flow, MSEK

- Cash and cash equivalents
- Cash flow from operating activities
Q&A
THANK YOU!