

FINGERPRINT CARDS

Q1 2018

MAY 3, 2018



FINGERPRINTS

Q1 2018 Summary

Revenues	Margins & profitability	Highlights
<ul style="list-style-type: none">⊗ Revenues: SEK 290 (686) M, a 58% decrease year-over-year	<ul style="list-style-type: none">⊗ Gross profit: SEK 45 (282) M⊗ Gross Margin: 15% (41)⊗ Operating profit*: SEK -175 (71) M⊗ Operating margin: -60% (10)⊗ Operating Cash Flow: SEK -204 (-324) M	<ul style="list-style-type: none">⊗ Shift towards smaller and cheaper fingerprint sensors negatively impacted revenues and gross margin⊗ Performance in the Chinese smartphone market remained weak⊗ Cost-cutting program proceeding as planned⊗ Operating result impacted by restructuring costs of SEK 40.2 M

*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

- ① **17** mobile devices launched by 7 OEM customers. Launches by Huawei, Xiaomi and Oppo among others.
- ① Two PCs launched with our fingerprint sensors
- ① FPC1291 launched, the first fingerprint sensor from the third generation
- ① A facial recognition solution is being developed. expected to be integrated into customer products in the second half of 2018.
- ① Ten-year exclusive agreement with Gentex to bring iris-scanning technology to the automotive industry
- ① Partnership with Altran aimed at offering biometric solutions for the automotive industry
- ① Biometric smart card market trials in the Middle East and Japan

Biometric smart card market trials in the Middle East and Japan

- ① 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.
- ① 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

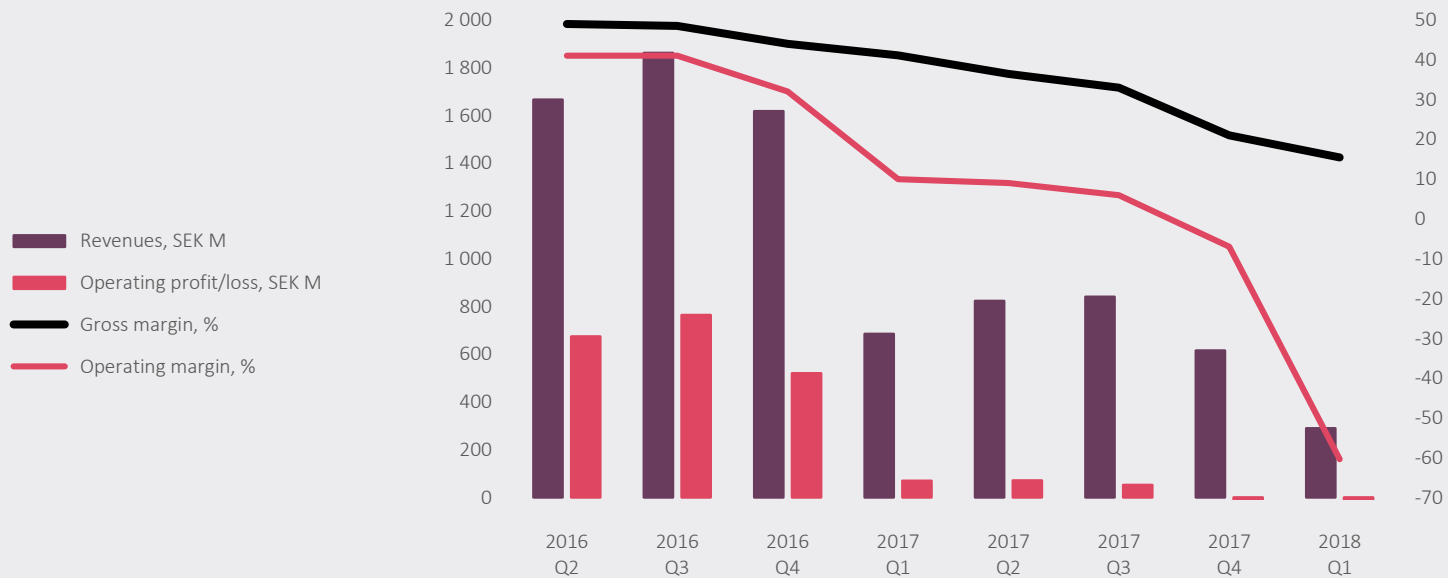
- ⊗ Earnings in the first quarter of 2018 impacted by a continued weakening of sales, as anticipated
- ⊗ Shift towards smaller and cheaper fingerprint sensors continued, impacting sales and gross margin
- ⊗ Cost reduction program executed according to plan, saving SEK 360 M in 2018
- ⊗ Challenging market 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

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.

Q1 2018 FINANCIAL RESULTS

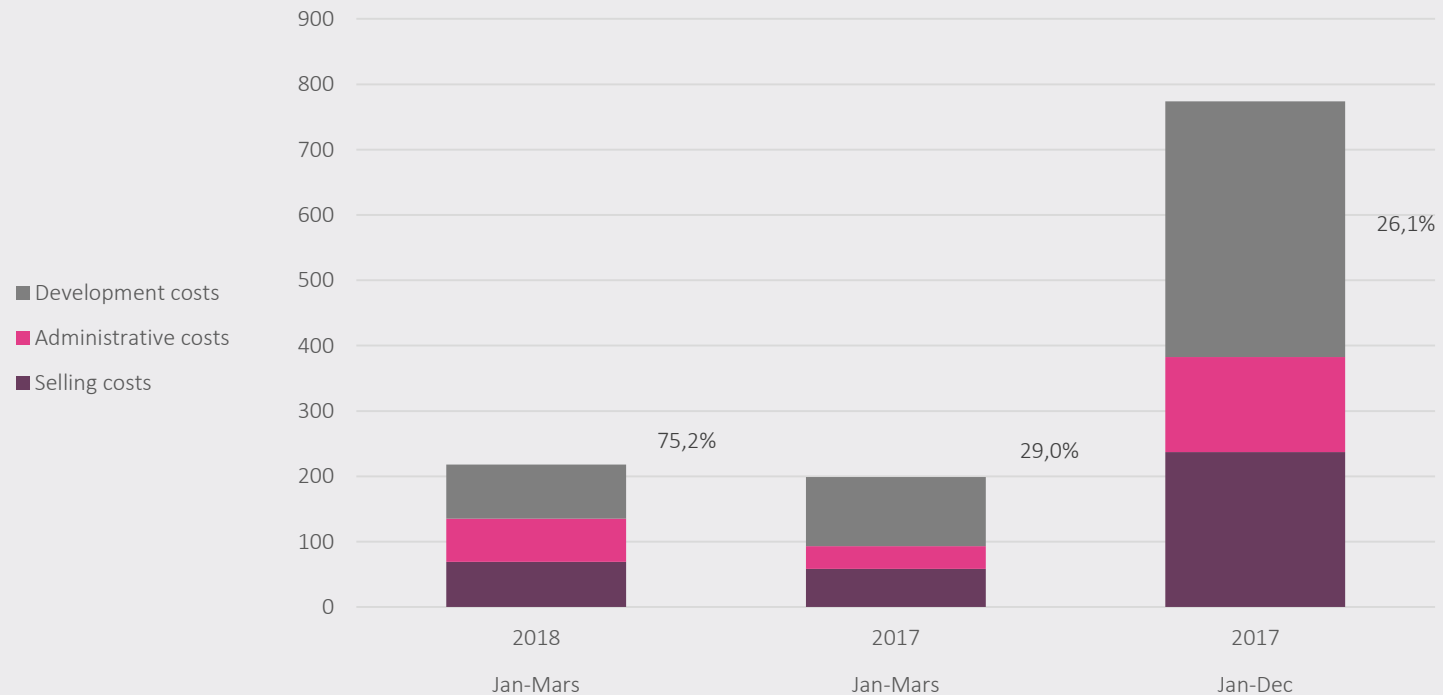
Q1 2018 Financial performance

Revenues, Operating profit/loss and Gross margin, quarters



Operating expenses development

Operating expenses, MSEK, and in relation to revenues



Weaker profitability in Q1 2018

	Jan-Mar 2018	Jan-Mar 2017
Operating profit, SEK M	-174.9	70.8
Operating margin (%)	-60%	10%
EPS, SEK	-0.47	0.17

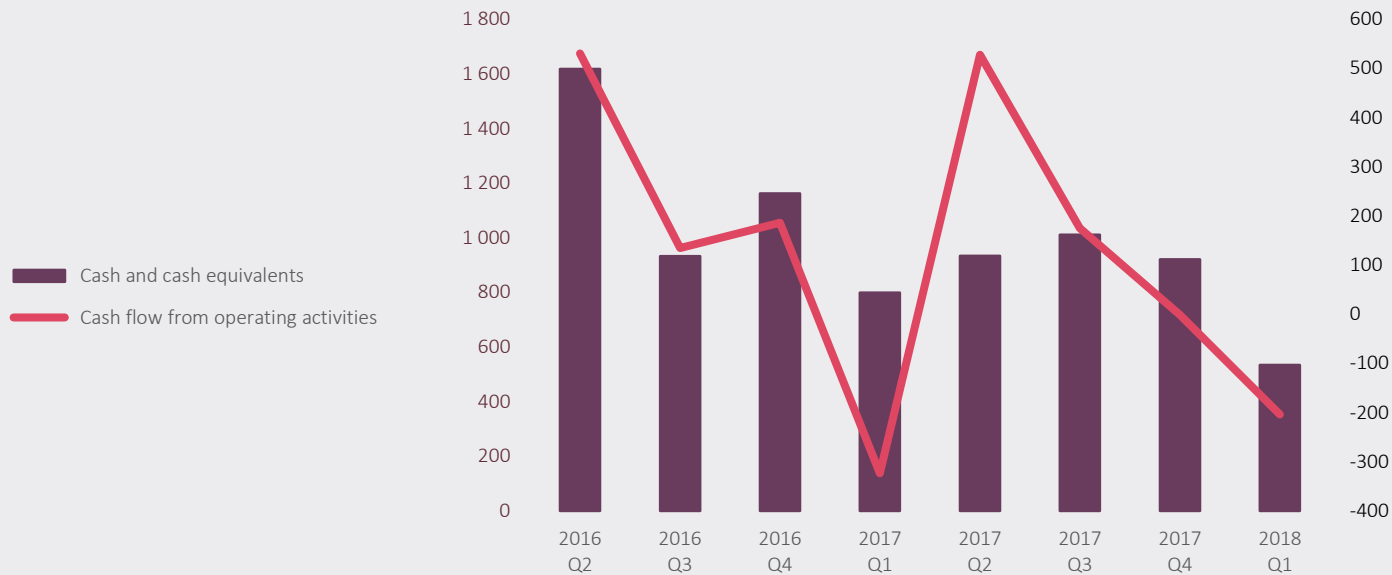
Working capital development

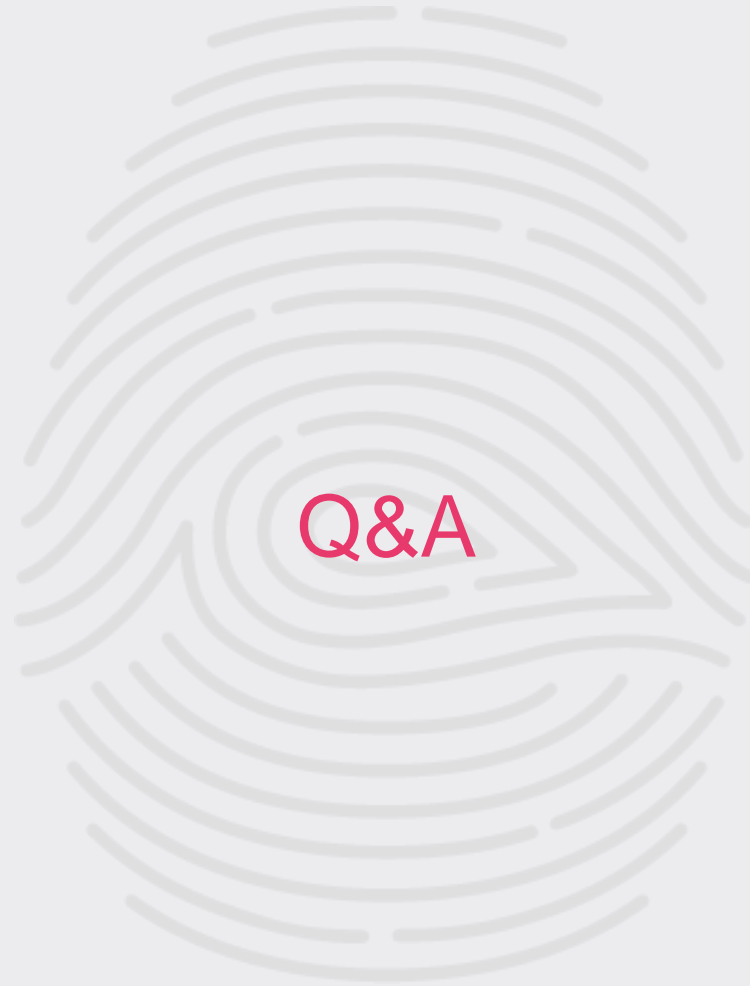


*Average working capital excluding net cash over 5 quarters/rolling 12 months sales

Q1 2018 Cash flow and Net cash trend

Cash and cash equivalents and cash flow, MSEK





THANK YOU!



FINGERPRINTS