



Press release, Gothenburg, November 7, 2012

## Apple's purchase of Authentec marks global breakthrough for biometrics in consumer electronics in 2013

Fingerprint Cards AB (publ), Corp. Reg. No. 556154-2381, (FPC)

Third quarter 2012:

- Sales totaled SEK 2.6 M (20.2).
- According to the *new* calculation method, a gross loss of SEK 0.9 M (profit: 10.0) was reported.
- According to the *former* calculation method, gross profit of SEK 2.1 M (11.9) would have been reported.
- The loss after financial items amounted to SEK 9.7 M (profit: 4.3).
- According to the *new* calculation method, the gross margin was minus 34% (+50%).
- According to the *former* calculation method, the gross margin would have been 83% (59 %).
- The loss per share totaled SEK 0.22 (profit: 0.10).
- Forecast for full-year 2012: very low sales during the second half of 2012.
- Henrik Storm was appointed VP Customer Projects and became a member of the management team.
- CEO Johan Carlström sold 100,000 shares to finance the purchase of 2,308,000 warrants.
- A resolution was taken at an Extraordinary General Meeting to implement a private placement of warrants for existing staff. The placement was subscribed for in full.

Interim period, January-September 2012

- Sales totaled SEK 8.4 M (50.0).
- According to the *new* calculation method, a gross loss of SEK 4.2 M (profit: 23.8) was reported.
- According to the *former* calculation method, gross profit of SEK 5.0 M (29.1).
- The loss after financial items amounted to SEK 28.5 M (profit: 2.7).
- According to the *new* calculation method, the gross margin was minus 50% (+48%).
- According to the *former* calculation method, the gross margin would have been 60% (58%).
- The loss per share was SEK 0.65 (profit: 0.07)
- Cash and cash equivalents at the period-end amounted to SEK 25.9 M (27.4).
- The order backlog at September 30 was SEK 0.0 M (24.4).

Notable events at the close of the reporting period:

- FPC received a Design-Win award from a mobile phone manufacturer in Japan.
- FPC strengthened its organization in Taiwan.
- CEO Johan Carlström acquired 240,000 shares during the period Sept. 28 – Oct. 5, 2012.

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**Key information**

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## CEO's comments on the third quarter

### The world of biometrics changed on July 27, 2012

On that date, I received an e-mail that Apple had acquired AuthenTec for USD 356 M, a sum that was later revised to USD 382 M. The transaction, which received final approval on October 4, marks the definitive breakthrough for biometrics in consumer products with the world's largest company – in terms of market capitalization – cementing its intentions to integrate fingerprint sensors in forthcoming versions of iPhones, iPads and MacBooks. We believe that all mobile phone and tablet PC manufacturers that want to compete with Apple and to imitate Apple's actions now have biometrics and fingerprint sensors on their radar. News emerged later in the quarter that AuthenTec's sensors would now be used exclusively for Apple products and not by external customers, meaning AuthenTec's customers at the time of acquisition. Based on what FPC has learned, these customers have been offered an opportunity to make a final purchase of sensors during autumn 2012 but will subsequently not have access to any further deliveries. As a result, a number of AuthenTec customers have contacted FPC and initiated discussions concerning partnerships. FPC will do everything in its power to seize these new business opportunities in the best possible way.

For swipe sensors, the focus of our work is proceeding along two separate tracks: the Biometric Track Pad (BTP) in partnership with CrucialTec, and the FPC1080A, which FPC is marketing independently, primarily in China. We now have a finished BTP product with CrucialTec, for which we are collaborating with a handful of Asian customers to identify attractive, profitable and strategically important customer projects. After the close of the quarter, we received our first Design Win (DW) award from a mobile manufacturer in Japan with an initial volume of 1,000,000 mobiles. We believe that it is probable that we will receive additional DWs and mobile projects before year-end 2012.

In our opinion, the commercial breakthrough for biometrics in consumer electronics and for FPC will be in 2013, since several manufacturers of mobile units will probably launch products featuring fingerprint sensors in the coming year. FPC plans to proactively capitalize on these new opportunities by substantially increasing the number of employees, consultants and development projects in the coming 12 months.

In conclusion, I would like to emphasize that we have a highly positive view of FPC's strong position to capitalize on the company's competitive technology and strong position and thus become the leading supplier of fingerprint technology in mobile phones and tablet PCs.

### Sales, earnings and order backlog

The Group's net sales for the third quarter amounted to SEK 2.6 M (20.2) and net sales for the entire interim period totaled SEK 8.4 M (50.0).

As of 2012, the recognition of the cost of goods sold has been changed 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. To provide transparent information, the figures for both calculation methods will be reported in 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 0.9 M (profit: 10.0) for the third quarter and a loss of SEK 4.2 M (profit: 23.8) for the entire interim period. According to the calculation method applied as of 2012, the gross margin was minus 34% (+50) for the third quarter and minus 50% (+48) for the entire interim period.

According to the *former* calculation method that was applied until 2011, gross profit would have been SEK 2.1 M (11.9) for the third quarter and SEK 5.0 M (29.1) for the entire interim period. According to the *former* calculation method that was applied until 2011, the gross margin would have been 83% (59) for the third quarter and 60% (58) for the entire interim period.

The company posted a loss after financial items of SEK 9.7 M (profit: 4.3) for the third quarter and a loss of SEK 28.5 M (profit: 2.7) for the entire interim period.

As of September 30, 2012, the order backlog was SEK 0.0 M (24.4).

The Parent Company's net sales for the third quarter totaled SEK 2.6 M (20.2) and the loss after financial items was SEK 9.7 M (profit: 4.3). For the entire interim period during 2012, the Parent Company's net sales totaled SEK 8.4 M (50.0) and the loss after financial items was SEK 28.5 M (profit: 2.7).



## Market and sales

Sales in the third quarter of 2012 totaled SEK 2.6 M, which primarily comprised sales of the FPC1011F area sensor to the US and Europe and sales to CrucialTec in Korea.

During the quarter, FPC intensified its activities in the mobile market in Asia and the US. The already considerable interest increased dramatically after Apple's announced its intention to purchase Authentec and is thus expected to integrate fingerprint sensors in iPhones and iPads. We believe that FPC positioned itself during the quarter as the leading alternative in the market for fingerprint sensors in mobile phones, which was also confirmed through feedback from potential customers in Korea, Japan, China, Taiwan and the US. Our partnership with CrucialTec is proceeding as planned and various versions of BTP are now available for installation on mobile phones: on the front as a "home button," on the back and as a combined volume or power button, depending on customer preference.

At September 30, 2012, the order backlog was SEK 0.0 M (24.4).

## Technological Development, Customer Projects and Production

The development of a new silicon chip, which was initiated during the second quarter, is proceeding as planned. Manufacturing of a first round of silicon for prototypes is scheduled for the fourth quarter. To ensure proper functionality in the new silicon, we have focused resources on performing simulations at the hardware and software level, and on advancing sections of the calculation algorithm included in the system.

We have increased our efforts to support the evaluation of our technology among potential customers by, for example, adapting our sensor system to a number of different technological platforms and operating systems. This work consists not only of integrating a sensor in hardware and installing the appropriate software, but also of providing customers with improved understanding of the system for biometrics and what settings generate optimal functionality in a certain application. A Support Engineer has been recruited in Asia, thus strengthening our ability to provide rapid local support. Our partnership with the Korean company CrucialTec continued and a number of customer projects are being performed in close cooperation with this company. CrucialTec, a world leader in packaging technology, offers considerable sensor packaging flexibility and speed, which has resulted in the joint management of technical support for a number of Tier 1 BTP customers.

## Future prospects

Sales of the surplus inventory built up among distributors in China proceeded as planned during the second and third quarters and, at October 31, the surplus inventory amounted to the equivalent of about three months of normal sales, thus having been reduced by more than 60% from the peak in April. We believe that sales of area sensors to China will recommence not later than the first quarter of 2013, although orders may be placed earlier. Our forecast is that in 2013 area sensor volumes in China will reach levels similar to 2011 or higher.

In terms of swipe sensors, FPC and CrucialTec have a number of prospective BTP customers from which we are expecting decisions during the fourth quarter of 2012 and the first quarter of 2013. We are anticipating a couple of 1080A customer projects in the coming six months.

After the close of the quarter, FPC secured a Design Win (DW) from a mobile phone company in Japan, which is expected to launch mass production in the second quarter of 2013. In addition, a "design in" is in progress among several mobile manufacturers, including a couple of major industry players, in which prototype production and software porting have been under way for a couple of months. We aim to secure another DW during the fourth quarter of 2012 and the first quarter of 2013, with mass production from mid-2013 and onward. FPC is also conducting discussions and trials with additional mobile and tablet PC manufacturers that we believe will lead to a new DW during the second half of 2013. In our opinion, FPC is very well positioned to become the leading supplier of fingerprint sensor technology used in mobile phones and tablet PCs.

For the fourth quarter, we believe that order intake will rise again and that sales will also increase somewhat compared with the third quarter.

## Organization and Personnel

The number of employees at September 30, 2012, was 18 (19), including 1 (1) woman.



## Financial position

At September 30, 2012, the Group's disposable cash and cash equivalents totaled SEK 25.9 M (27.4).

At the same date, the Group's working capital had risen to SEK 47.9 M (73.2).

Consolidated shareholders' equity rose to SEK 78.5 M (104.8) and the equity/assets ratio for the Group was 88% (93). The Parent Company's disposable cash and cash equivalents at the end of the period totaled SEK 25.2 M (27.3).

## Fixed assets, investments and depreciation

Investments in capitalized development expenditure amounted to SEK 4.1 M (2.1) for the third quarter and to SEK 5.5 M (7.3) for the entire interim period. Investments in machinery and equipment amounted to SEK 0.1 M (0.2) during the third quarter and to SEK 1.6 M (1.3) for the full-year. Depreciation/amortization amounted to SEK 2.5 M (1.2) in the third quarter and to SEK 7.7 M (3.6) for the full-year.

## Cash flow

Cash flow from operations, including changes in working capital, was a negative SEK 6.7 M (neg: 7.8) in the third quarter and a positive SEK 8.7 M (neg: 19.0) in the entire interim period. Cash flow to investments was a negative SEK 4.2 M (neg: 2.3) in the third quarter and a negative SEK 7.4 M (neg: 8.6) in the full-year. Cash flow from financing activities amounted to SEK 0.7 M (-) for the third quarter and to SEK 1.5 M (24.1) for the entire interim period. Combined, the net change in cash and cash equivalents thus amounted to a negative SEK 10.1 M (10.1) for the third quarter and SEK 2.8 M (neg: 3.5) for the entire interim period.

## Seasonal variations

To date, sales have not shown any distinct seasonal variations. In 2011, 43% of the invoicing was generated during the first half of the year and 57% during the second half. The quarters with the highest proportion of sales were Q3 in 2011 with 30% and Q4 in 2010 with 30% of total annual revenues. The quarters with the lowest proportion of sales were Q1 in 2011 with 19% and Q2 in 2010 with 16% of total annual revenues.

## Related-party transactions

There were no transactions between FPC and related parties that had any material impact on the Group or Parent Company's position and earnings during the reporting period.

## Incentive programs

Fingerprint Cards offers three warrant programs:

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 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 T02.

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 based on the exercise of all warrants in the program, 1,760,000 new 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 T03.

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 9.74. On full subscription based on the exercise of all warrants in the program, 4,818,000 new 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 T04.

Combined, the three warrant programs total 14.56% of the total number of shares and 12.02% of the voting rights in the company.

At August 31, 2012, one of the incentive programs expired. The program, designated T01, was approved an Extraordinary General Meeting on March 3, 2010 and did not result in the redemption of options or any new shares.



## Significant uncertainties and risks

FPC is exposed to risks. The Board of Directors and Executive Management work to minimize such exposure, and the impact of a triggered risk. The following description does not claim to be complete or exact, since risks and their degree of impact vary over time:

### Company risk

#### Financing

It cannot be ruled out that in the future further capital may be needed 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. 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.

#### Rights

The operations are heavily dependent on FPC protecting its technology through patents and intellectual property rights. Should patents not be obtained, this could have a negative impact on earnings and position.

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. FPC's success depends largely on its ability to drive and adapt to technological developments. FPC conducts development projects in the areas of biometrics, sensor technology and their applications. The projects are conducted in cooperation with consultants and subcontractors. 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. However, these risks can be reduced by using resources based on knowledge and experience of technically advanced development projects and by implementing project management systems.

#### Development

#### Competence

Biometrics is still a relatively new area, showing high growth and requiring 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. To manage this risk, FPC works continuously to ensure that the necessary conditions are in place to retain competencies, while efforts are made not to link knowledge to specific individuals.

### Market risk

#### Political risks

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. Business intelligence and planning, where possible, mitigate the risks.

#### Exchange rates

Purchasing, manufacturing and sales are largely denominated in USD. Net exposure in USD is hedged to 90% using forward contracts to offset exchange-rate fluctuations. Fluctuations in other exchange rates have a limited impact on earnings. A 1% change in the exchange rate between the SEK and USD would have an impact of +/- SEK 0.4 M on earnings in 2011 if unhedged.

#### Raw material prices

The raw materials in products that could be impacted by price fluctuations are mainly 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.

#### Economic cycle

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 in the Asian market.

### Operational risks

#### 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 this risk. Risk-limiting measures are to assume control of parts of the production process, such as investing in proprietary tools and machinery to eliminate bottlenecks.

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

#### Sales

FPC conducts business activities in a relatively young market, rendering it 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. FPC is dependent on the Chinese market, where it has an established reseller with a strong position for FPC's technology. The loss of this distributor could seriously impact revenues and profit. Measures for limiting the vulnerability of having a limited number of customers include the continuous development of business, sales and marketing activities to penetrate more markets and fields of application.

### Credit risk

#### Counterparty risk

The risk of non-payment is limited due to the requirement for advance payment from new customers and via credit assurance of invoices wherever possible. Investments are also exposed to risk. FPC has limited its

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permitted investments of liquidity to institutions with the highest credit rating and by limiting the amount of investments with a single counterparty.

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## Future reporting dates

Year-end report	February 21, 2013
Interim report January-March	April 25, 2013
Year-End report	May 10, 2013
Interim report April-June	August 22, 2013
Interim report July-September	October 24, 2013

## Certification

The Board of Directors and the CEO certify that this interim report provides a fair and accurate review of the operations, financial position and earnings of the Parent Company and the Group and that it describes the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

Gothenburg, November 6, 2012

Mats Svensson  
Chairman

Christer Bergman  
Board member

Urban Fagerstedt  
Board member

Anders Hultqvist  
Board member

Sigrun Hjelmquist  
Board member

Johan Carlström  
CEO

## Audit report

This interim report has not been examined by the company's auditors.



## 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.
Design win	A product that is included in another company's sales model.
Enrolment	Compilation of biometric data used to create a template. The process by which information is compiled from an individual and 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.
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.
Swipe sensor	A sensor with a width equal to a fingertip but much narrower throughout the length of the finger. The fingertip is drawn across the sensor surface and part of the fingertip is scanned step-wise; compare with area sensors. The fingerprint is thus scanned in this manner.
Template	An arrangement of unique data that represents a certain fingerprint.
Verification	The comparison of compiled biometric data between an individual and a given template for the purpose of verifying a match.
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 used primarily in production.

## Definitions

Average credit period	Average value of accounts receivable over the period in relation to net sales, multiplied by 360 days.
Average number of shares	The Parent Company's average weighted number of shares for the fiscal year.
Average number of shares after dilution	See "Average number of shares" plus an increase by the number of shares that could be issued as a result of current remuneration and personnel programs.
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.
Earnings per share after dilution	See "Earnings per share" plus the average number of shares that could be issued as a result of current remuneration and personnel programs.
EBITDA	Earnings Before Interest Taxes Depreciation and Amortization (and impairment).
Equity/assets ratio	Shareholders' equity divided by total assets.
Gross margin	Gross margin as a percentage of net sales. As of 2012, the recognition of the cost of goods sold has been changed due to the reclassification of costs. The change primarily entails that the depreciation according to plan of capitalized development expenditure is now classified as the cost of goods sold, which results in gross profit/loss and gross margin indicating figures that are lower than the previous classification of costs.
Inventory turnover rate	Cost of goods sold divided by average inventories.
Net margin	Profit/loss for the period as a percentage of net sales.
Operating margin	Operating profit/loss as a percentage of net sales.
Shareholders' equity per share	Shareholders' equity attributable to the Parent Company's shareholders divided by the number of shares outstanding, before dilution, at the end of the period.
Shareholders' equity per share	

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after dilution

See "Shareholders' equity per share" plus an increase in the number of shares by the average number of shares that could be issued as a result of current remuneration and personnel programs.

Working capital

Current assets less current non-interest-bearing provisions and liabilities



## About Fingerprint Cards

Fingerprint Cards AB (Fingerprint Cards) develops, produces and markets biometric components that through analysis and matching of an individual's unique fingerprint verify a 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. Fingerprint Cards' technology can also be used in IT and Internet products for security and access control, etc.

Vision	FPC aims to be the leading supplier of components and systems for fingerprint verification. "Beyond keys and pin codes" – FPC makes life easy to live through secure identification.
Business concept	FPC develops and sells leading biometric products and solutions to companies that develop security and comfort systems.
Business model	FPC works with three business models – component sales, project sales and licensing. Sales are conducted via distributors, primarily to product developers/systems integrators and OEMs. (Original Equipment Manufacturers).
<i>Strategies</i>	
Products	To be a supplier of components and systems for fingerprint verification, as well as developing and marketing components in two product categories – area sensors and swipe sensors.
Patents	To pursue 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 FPC's patents.
Production	Produce through close cooperation with selected sub-suppliers. Production-critical elements of manufacturing are to be conducted using tools owned by FPC but operated by the sub-supplier. All manufacturing is to be conducted in accordance with forecasts based on information received from customers and distributors.
Market	When marketing products, FPC intends to focus on product developers/system integrators either via distributors or directly. Sales at the producer level will occur in close cooperation with distributors. FPC will also actively pursue sales efforts. Sales of area sensors are to be broadened above and beyond the volume segment of IT applications for banks to encompass other IT segments. Geographically, the area sensor, in terms of bank applications, will be marketed primarily in India, South Korea, Japan and Brazil, and also in Europe and the US. Swipe sensors are to be marketed to product developers/system integrators of mobile phones and other portable applications, such as Internet tablets, USB keys and smart cards. As a feature of the launch of swipe sensors, the company will participate actively in development projects together with mobile phone manufacturers. Geographically, marketing will occur in China, Korea, Taiwan, Japan, Europe and the US.
Value-driving factors	The potential to use mobile phones for payment applications – with the accompanying security requirements – is a major driving force, as is the possibility of using fingerprint sensors for the next generation of charge cards. Identity theft, impersonation and stricter authentication imposed by public authorities and organizations are also driving the demand for more secure solutions. Increased requirements in terms of comfort and security in connection with authentication are creating demand for alternatives to cards, pin codes and passwords. In addition to these factors, there are also cost savings, benefits of scale and the potential to facilitate greater use in, for example, emerging countries and elsewhere.

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## Condensed consolidated statement of comprehensive income (SEK M)

	Jul-Sep 2012	Jul-Sep 2011	Jan-Sep 2012	Jan-Sep 2011	Jan-Dec 2011
Net sales	2.6	20.2	8.4	50.0	68.6
Cost of goods sold	-3.5	-8.4	-12.6	-21.0	-37.0
<b>Gross profit/loss</b>	<b>-0.9</b>	<b>11.9</b>	<b>-4.2</b>	<b>29.1</b>	<b>31.6</b>
Sales expenses	-1.8	-2.8	-6.6	-9.5	-13.6
Administrative expenses	-3.6	-2.3	-9.7	-8.0	-11.2
Development expenses	-1.9	-2.5	-6.7	-7.4	-2.5
Other operating income/expenses	-1.6	-0.1	-1.7	-1.8	-1.6
<b>Operating profit/loss</b>	<b>-9.9</b>	<b>4.2</b>	<b>-28.9</b>	<b>2.4</b>	<b>2.7</b>
Net financial items	0.2	0.2	0.4	0.3	0.6
Tax	-	-	-	-	-
<b>Profit/loss for the period</b>	<b>-9.7</b>	<b>4.3</b>	<b>-28.5</b>	<b>2.7</b>	<b>3.4</b>
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income/loss for the period</b>	<b>-9.7</b>	<b>4.3</b>	<b>-28.5</b>	<b>2.7</b>	<b>2.0</b>
<b>Profit/loss for the period attributable to:</b>					
Parent Company shareholders	9.7	4.3	-28.5	2.7	3.4
<b>Profit/loss for the period</b>	<b>9.7</b>	<b>4.3</b>	<b>-28.5</b>	<b>2.7</b>	<b>3.4</b>
<b>Total comprehensive income/loss for the period attributable to:</b>					
Parent Company shareholders	9.7	4.3	-28.5	2.7	3.4
<b>Total comprehensive income/loss for the period</b>	<b>9.7</b>	<b>4.3</b>	<b>-28.5</b>	<b>2.7</b>	<b>3.4</b>
<b>Earnings/loss per share for the period</b>					
Before dilution, SEK	-0.22	0.10	-0.65	0.10	0.08
After dilution, SEK	-0.22	0.10	-0.65	0.10	0.08

## Condensed consolidated statement of financial position

	Sept 30, 2012	Sept 30, 2011	Dec 31, 2011
<b>Assets</b>			
Intangible fixed assets	26.6	27.1	28.2
Tangible fixed assets	5.1	4.4	4.2
Financial fixed assets	1.3	-	0.9
<b>Total fixed assets</b>	<b>33.0</b>	<b>31.6</b>	<b>33.3</b>
Inventory	11.7	5.3	4.3
Accounts receivable	14.8	46.0	53.0
Other receivables	3.0	2.1	2.3
Prepaid expenses and accrued income	0.9	0.5	0.8
Cash and cash equivalents	25.9	27.4	23.0
<b>Total current assets</b>	<b>56.2</b>	<b>81.3</b>	<b>83.9</b>
<b>Total assets</b>	<b>89.3</b>	<b>112.8</b>	<b>116.8</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	78.5	104.8	106.3
Provisions for pensions	1.7	-	1.2
Non-current liabilities	0.8	-	-
Accounts payable	2.2	2.4	3.3
Other liabilities	0.6	0.3	0.3
Accrued expenses and deferred income	5.5	5.3	5.7
<b>Total shareholders' equity and liabilities</b>	<b>89.3</b>	<b>112.8</b>	<b>116.8</b>
<b>Pledged assets</b>	<b>None</b>	<b>None</b>	<b>None</b>
<b>Contingent liabilities</b>	<b>None</b>	<b>None</b>	<b>None</b>

# Interim Report



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## Condensed consolidated statement of changes in shareholders' equity

(SEK M)	Jan-Sep 2012	Jan-Sep 2011	Jan-Dec 2011
Shareholders' equity on the opening date	106.3	78.0	78.0
Premium paid for warrants	0.0	-	1.7
New share issue	-	23.2	24.0
Total comprehensive income/loss for the period	-28.5	2.7	2.0
<b>Shareholders' equity on the closing date</b>	<b>78.5</b>	<b>104.8</b>	<b>106.3</b>

## Condensed consolidated cash flow statement

(SEK M)	Jul-Sep 2012	Jul-Sep 2011	Jan-Sep 2012	Jan-Sep 2011	Jan-Dec 2011
Profit/loss before tax for the period	-9.8	4.3	-28.5	2.7	3.4
Adjustments for non-cash items	2.6	1.2	8.1	3.6	5.6
Change in inventory	-2.1	2.7	-7.3	2.6	3.6
Change in current receivables	5.6	-16.8	37.4	-27.6	-35.1
Change in current liabilities	-3.0	0.7	-1.0	-0.3	1.0
Cash flow from operating activities	-6.7	-7.8	8.7	-19.0	-0.8
Cash flow from investing activities	-4.2	-2.3	-7.4	-8.6	-20.4
Cash flow from financing activities	0.7	-	1.5	24.1	2.0
<b>Change in cash and cash equivalents</b>	<b>-10.2</b>	<b>-10.1</b>	<b>2.9</b>	<b>-3.5</b>	<b>-7.8</b>
Cash and cash equivalents on the opening date	36.1	37.5	23.0	30.8	30.8
Cash and cash equivalents on the closing date	25.9	27.1	25.9	27.4	23.0

## Key consolidated data

(SEK M)	Jul-Sep 2012	Jul-Sep 2011	Jan-Sep 2012	Jan-Sep 2011	Jan-Dec 2011
Net sales (SEK M)	2.6	20.2	8.4	50.0	68.6
Net sales growth (%)	-83	15	-83	17	13
Gross margin (%) According to <i>new</i> calculation as of 2012*	-34	50	-50	48	46
Operating margin (%) According to <i>former</i> calculation through 2011	83	59	60	58	56
Operating margin (%)	Neg	21	Neg	5	4
Profit margin (%)	Neg	21	Neg	5	5
EBITDA (SEK M)	-7.0	5.4	-21.1	8.0	8.2
Return on equity (%)	Neg	4	Neg	3	4
Cash flow from operating activities, incl. changes in working capital (SEK M)	-6.7	-7.8	2.9	-19.0	-22.2
Order backlog (SEK M)	0.0	24.4	0.0	24.4	6.1
Equity/assets ratio (%)	88	93	88	93	91
Investments (SEK M)	-4.2	-2.3	-7.4	-8.6	-11.7
Average number of employees	17	19	18	19	18
Shareholders' equity per share (SEK)	1.80	2.40	1.80	2.40	2.44
Shareholders' equity per share after dilution (SEK) (1)	1.80	2.40	1.80	2.40	2.44
Cash flow from operating activities/share (SEK)	0.20	-0.19	0.55	-0.43	-0.51
Cash flow from operating activities/share after dilution (SEK) (1)	0.20	-0.19	0.55	-0.43	-0.51
Number of shares at period end (000s)	43,609	43,609	43,609	43,609	43,609
Average number of shares (000s)	43,609	43,609	43,609	41,917	42,461
Average number of shares after dilution (000s)(1)	43,609	43,609	43,609	41,917	42,461
Market price of FPC Class B share (SEK) at period end	6.15	6.15	6.15	6.15	9.30

1) At the end of the period, FPC had three warrant programs:

T02: The program is from 2010 and extends until May 11, 2013. The exercise price is SEK 15.74. The program has not been taken into account when calculating the number of shares after conversion. On full subscription, the program would result in a maximum of 958,000 new Class B shares.

T03: The program is from 2011 and extends until December 18, 2014. The exercise price is SEK 13.64. The program has not been taken into account when calculating the number of shares after conversion. On full subscription, the program would result in a maximum of 2,000,000 new Class B shares.

T04: The program is from 2011 and extends until October 6, 2015. The exercise price is SEK 9.72. The program has not been taken into account when calculating the number of shares after conversion. On full subscription, the program would result in a maximum of 4,818,000 new Class B shares.

*Average number of shares after dilution:* The average number of shares during the period and the maximum number of shares that could arise from exercise of warrants. If the average share price is lower than the exercise price, there is no discounted share price and thus no dilution, since the discount is what constitutes dilution.

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## The Group's operating segments

(SEK M)	Sensors		Others		Group	
	Jan-Sep	Jan-Sep	Jan-Sep	Jan-Sep	Jan-Sep	Jan-Sep
	2012	2011	2012	2011	2012	2011
Net sales	6.5	50.0	1.9	-	8.4	42.7
Segment earnings	-30.8	2.4	1.9	-	28.4	0.7
Net financial items	-	-	0.4	0.3	0.4	0.3
Profit/loss for the period	-30.8	2.4	2.4	-	28.4	1.0

## Consolidated net sales and profit/loss for the past eight quarters

(SEK M)	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec
	2012	2012	2012	2011	2011	2011	2011	2010
Net sales	2.6	0.6	5.2	18.6	20.2	16.9	12.8	18.2
Cost of goods sold	-3.5	-3.6	-5.5	-10.8	-11.1	-8.4	-7.7	-11.8
<b>Gross profit/loss</b>	<b>-0.9</b>	<b>-3.1</b>	<b>-0.3</b>	<b>7.8</b>	<b>10.1</b>	<b>8.5</b>	<b>5.2</b>	<b>6.4</b>
Sales expenses	-1.8	-2.1	-2.7	-4.1	-2.8	-3.8	-2.8	-1.3
Administrative expenses	-3.6	-3.3	-2.8	-3.2	-2.3	-3.1	-2.5	-3.3
Development expenses	-1.9	-2.4	-2.4	-0.4	-0.7	-0.4	-1.0	-0.4
Other operating income/expenses	-1.6	0.8	0.9	0.3	-0.1	-1.3	-0.5	-0.4
<b>Operating profit/loss</b>	<b>-9.9</b>	<b>-10.0</b>	<b>-9.1</b>	<b>0.3</b>	<b>4.2</b>	<b>0.0</b>	<b>-1.8</b>	<b>0.9</b>
Net financial items	0.2	0.2	0.1	0.4	0.2	0.0	0.0	0.1
Tax	-	-	-	-	-	-	-	-
<b>Profit/loss for the period</b>	<b>-9.7</b>	<b>-9.8</b>	<b>-9.0</b>	<b>0.7</b>	<b>4.3</b>	<b>0.1</b>	<b>-1.7</b>	<b>1.0</b>
Other comprehensive income	-	-	-	-	-	-	-	-
<b>Total comprehensive income/loss for the period</b>	<b>-9.7</b>	<b>-9.8</b>	<b>-9.0</b>	<b>0.7</b>	<b>4.3</b>	<b>0.1</b>	<b>-1.7</b>	<b>1.0</b>

## Consolidated net sales and profit/loss for the past eight quarters

	Sept 30,	June 30,	Mar 31,	Dec 31,	Sept 30,	June 30,	Mar 31,	Dec 31,
	2012	2012	2011	2011	2011	2011	2011	2010
<b>Assets</b>								
<i>SEK/USD exchange rate, balance sheet date</i>	<i>6.58</i>	<i>7.06</i>	<i>6.62</i>	<i>6.92</i>	<i>6.86</i>	<i>6.31</i>	<i>6.31</i>	<i>6.73</i>
Intangible fixed assets	26.6	24.8	26.4	28.2	27.1	26.0	24.6	22.9
Tangible fixed assets	5.1	5.2	4.1	4.2	4.4	4.4	4.4	3.7
Financial fixed assets	1.3	1.2	1.1	0.9	-	-	-	-
Total fixed assets	33.0	31.2	31.6	33.3	31.6	30.4	29.0	26.6
Inventory	11.7	9.5	5.4	4.3	5.3	8.0	13.1	7.9
Accounts receivable	14.8	21.4	38.4	53.0	46.0	27.7	23.3	17.2
Other receivables	3.0	1.8	1.5	2.3	2.1	2.1	1.7	2.7
Prepaid expenses and accrued income	0.9	1.1	1.0	0.8	0.5	2.0	4.1	1.0
Cash and cash equivalents	25.9	36.1	28.5	23.0	27.4	37.5	14.9	30.8
Total current assets	56.2	69.9	74.8	83.9	81.3	77.3	57.1	59.7
<b>Total assets</b>	<b>89.3</b>	<b>101.1</b>	<b>106.5</b>	<b>116.8</b>	<b>112.8</b>	<b>107.7</b>	<b>86.1</b>	<b>86.3</b>
<b>Shareholders' equity and liabilities</b>								
Shareholders' equity	78.5	87.5	97.2	106.3	104.8	100.5	76.4	78.0
Provisions for pensions	1.7	1.5	1.4	1.2	-	-	-	-
Non-current liabilities	0.8	0.8	-	-	-	-	-	-
Accounts payable	2.2	3.1	2.3	3.3	2.4	2.7	4.0	4.1
Other liabilities	0.6	0.7	0.3	0.3	0.3	0.4	0.3	0.3
Accrued expenses and deferred income	5.5	7.5	5.2	5.7	5.3	4.1	5.5	3.9
<b>Total shareholders' equity and liabilities</b>	<b>89.3</b>	<b>101.1</b>	<b>106.5</b>	<b>116.8</b>	<b>112.8</b>	<b>107.7</b>	<b>86.1</b>	<b>86.3</b>

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## Consolidated cash flow statement for the past eight quarters

	Jul-Sep 2012	Apr-Jun 2012	Jan-Mar 2012	Oct-Dec 2011	Jul-Sep 2011	Apr-Jun 2011	Jan-Mar 2011	Oct-Dec 2010
Profit/loss before tax for the period								
Adjustments for non-cash items	-9.8	-9.8	-9.0	0.7	4.3	0.1	-1.7	1.0
Change in inventory	2.6	2.9	2.7	1.3	1.2	1.2	1.2	1.5
Change in current receivables	-2.1	-4.1	-1.1	1.0	2.7	5.1	-5.2	0.9
Change in current liabilities	5.6	16.7	15.2	-7.5	-16.8	-2.7	-8.1	-3.4
Cash flow from operating activities	-3.0	3.4	-1.5	1.3	0.7	-2.5	1.5	2.0
Cash flow from investing activities	-6.7	9.0	6.3	-3.2	-7.8	1.2	-12.4	2.1
Cash flow from financing activities	-4.2	-2.3	-0.8	-3.1	-2.3	-2.6	-3.6	-5.1
<b>Change in cash and cash equivalents</b>	<b>0.7</b>	<b>0.8</b>	<b>-</b>	<b>2.0</b>	<b>-</b>	<b>24.1</b>	<b>0.0</b>	<b>1.0</b>
Cash and cash equivalents on the opening date	<b>-10.2</b>	<b>7.6</b>	<b>5.5</b>	<b>-4.3</b>	<b>-10.1</b>	<b>22.6</b>	<b>-15.9</b>	<b>-2.0</b>
Cash and cash equivalents on the closing date	36.1	35.7	23.0	27.4	37.5	14.9	30.8	32.8
Profit/loss before tax for the period	25.9	36.1	28.5	23.0	27.4	37.5	14.9	30.8

## Key consolidated data for the past eight quarters

	Jul-Sep 2012	Apr-Jun 2012	Jan-Mar 2012	Oct-Dec 2011	Jul-Sep 2011	Apr-Jun 2011	Jan-Mar 2011	Oct-Dec 2010
Net sales (SEK M)	2.6	0.6	5.2	18.6	20.2	16.9	12.8	18.2
Net sales growth (%)	-83	-96	-59	3	15	74	-17	34
Gross margin (%) <i>new</i> as of 2012*	-34	-500	-5	42	50	50	40	35
Operating margin (%) <i>former</i> through 2011*	83	50	53	52	59	62	53	50
Operating margin (%)	Neg	Neg	Neg	2	21	0	Neg.	5
Profit margin (%)	Neg	Neg	Neg	4	22	0	Neg.	5
EBITDA (SEK M)	-7.0	-7.7	-6.4	2.0	5.4	1.3	-0.5	2.7
Return on equity (%)	Neg	Neg	Neg	1	16	0	Neg.	5
Cash flow from operating activities (SEK M)	-6.7	9.0	6.3	-3.2	-7.8	1.2	-3.5	2.1
Order backlog (SEK M)	0.0	46.3	46.3	6.1	24.4	14.9	14.3	11.0
Equity/assets ratio (%)	88	86	91	91	93	93	89	90
Investments (SEK M)	-4.2	-2.3	-0.8	-3.1	-2.3	-2.6	-3.6	-5.1
Average number of employees	17	16	19	18	19	19	19	17
Shareholders' equity per share (SEK)	1.80	2.00	2.23	2.44	2.40	2.30	1.93	1.97
Shareholders' equity per share after dilution (SEK) (1)	1.80	2.00	2.23	2.44	2.40	2.30	1.93	1.97
Cash flow from operating activities per share (SEK)	0.20	0.21	0.14	-0.05	-0.19	0.03	-0.09	0.05
Cash flow from operating activities per share, after dilution (SEK)	0.20	0.21	0.14	-0.05	-0.19	0.03	-0.09	0.05
Number of shares, period end (000s)	43,609	43,609	43,609	43,609	43,609	43,609	39,670	39,670
Average number of shares (000s)	43,609	43,609	43,609	43,609	43,609	42,515	40,019	39,670
Average number of shares after dilution (000s) (1)	43,609	43,609	43,609	43,609	43,609	42,515	40,019	39,670
Market price of FPC Class B share (SEK)	6.15	5.30	7.30	9.30	6.15	6.00	7.40	8.95

1) At the end of the period, FPC had three warrant programs:

T02: The program is from 2010 and extends until May 11, 2013. The exercise price is SEK 15.74. The program has not been taken into account when calculating the number of shares after conversion. On full subscription, the program would result in a maximum of 958,000 new Class B shares.

T03: The program is from 2011 and extends until December 18, 2014. The exercise price is SEK 13.64. The program has not been taken into account when calculating the number of shares after conversion. On full subscription, the program would result in a maximum of 2,000,000 new Class B shares.

T04: The program is from 2011 and extends until October 6, 2015. The exercise price is SEK 9.72. The program has not been taken into account when calculating the number of shares after conversion. On full subscription, the program would result in a maximum of 4,818,000 new Class B shares.

*Average number of shares after dilution:* The average number of shares during the period and the maximum number of shares that could arise from exercise of warrants. If the average share price is lower than the exercise price, there is no discounted share price and thus no dilution, since the discount is what constitutes dilution.

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## Rolling 12-month key figures for the Group for the past eight quarters

	Oct-Sep 2011/12	Jul-Jun 2011/12	Apr-Mar 2011/12	Jan-Dec 2011	Oct-Sep 2010/11	Jul-Jun 2010/11	Apr-Mar 2010/11	Jan-Dec 2010
Sales, rolling 12 months (SEK M)	27.0	61.5	61.0	68.6	68.2	65.6	58.3	60.9
Gross profit, rolling 12 months (SEK M) (1)	3.6	24.0	26.1	31.6	31.2	26.6	20.7	20.8
Gross margin, rolling 12 months (%) (1)	13	39	43	46	44	41	36	34
Operating profit/loss, rolling 12 months (SEK M)	-28.6	-9.2	-4.6	2.7	2.5	2.9	-0.1	1.8
Operating margin, rolling 12 months (%)	-106	-15	-8	4	5	4	0	3
EBITDA, rolling 12 months (SEK M)	-18.9	-6.7	1.7	8.2	8.9	8.9	6.0	8.3

(1) According to *new* calculation method as of 2012

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## Condensed income statement, Parent Company

(SEK M)

	Jul-Sep 2012	Jul-Sep 2011	Jan-Sep 2012	Jan-Sep 2011	Jan-Dec 2011
Net sales	2.6	20.2	8.4	50.0	68.6
Cost of goods sold	-3.5	-8.4	-12.6	-21.0	-37.0
<b>Gross profit/loss</b>	<b>-0.9</b>	<b>11.9</b>	<b>-4.2</b>	<b>29.1</b>	<b>31.6</b>
Sales expenses	-1.8	-2.8	-6.6	-9.5	-13.6
Administrative expenses	-3.6	-2.3	-9.7	-8.0	-11.2
Development expenses	-1.9	-2.5	-6.7	-7.4	-2.5
Other operating income/expenses	-1.6	-0.1	-1.7	-1.8	-1.6
<b>Operating profit/loss</b>	<b>-9.9</b>	<b>4.2</b>	<b>-28.9</b>	<b>2.4</b>	<b>2.7</b>
Net financial items	0.2	0.2	0.4	0.3	0.6
Tax	-	-	-	-	-
<b>Profit/loss for the period</b>	<b>-9.7</b>	<b>4.3</b>	<b>-28.5</b>	<b>2.7</b>	<b>3.4</b>

## Condensed balance sheet, Parent Company

(SEK M)

### Assets

	Sept 30, 2012	Sept 30, 2011	Dec 31, 2011
Intangible fixed assets	26.6	27.1	12.3
Tangible fixed assets	4.0	4.4	0.3
Financial fixed assets	4.9	2.0	-
<b>Total fixed assets</b>	<b>35.5</b>	<b>33.6</b>	<b>12.6</b>
Inventory	11.7	5.3	9.1
Accounts receivable	14.8	46.0	53.0
Current receivables	3.0	2.1	2.2
Prepaid expenses accrued income	0.9	0.5	0.5
Cash and bank	25.2	27.3	22.3
<b>Total current assets</b>	<b>55.5</b>	<b>81.2</b>	<b>71.1</b>
<b>Total assets</b>	<b>91.0</b>	<b>114.8</b>	<b>118.8</b>
<b>Shareholders' equity and liabilities</b>			
Restricted shareholders' equity	50.2	50.2	51.0
Unrestricted shareholders' equity	27.8	54.1	54.8
<b>Total shareholders' equity</b>	<b>78.0</b>	<b>104.3</b>	<b>105.8</b>
Pension provisions	1.6	-	1.2
Current liabilities	11.3	10.5	11.8
<b>Total shareholders' equity and liabilities</b>	<b>91.0</b>	<b>114.8</b>	<b>118.8</b>
<b>Pledged assets</b>	<b>None</b>	<b>None</b>	<b>None</b>
<b>Contingent liabilities</b>	<b>None</b>	<b>None</b>	<b>None</b>

This condensed interim report for the Group was prepared in accordance with IAS 34 Interim Financial Reporting, and applying the provisions in the Annual Accounts Act. The interim report for the Parent Company was prepared in accordance with the Annual Accounts Act, Chapter 9, Interim reports. The application of these accounting policies complies with those presented in the Annual Report for the fiscal year ending December 31, 2011 and must be read together with them.

No new or revised IFRS that have become effective in 2012 have had any significant impact on the Group.