

Shift toward area sensors expands market but postpones several projects to 2014

Fingerprint Cards AB (publ), Corp. 556154-2381, (FPC),
Second quarter, 2013:

- Sales totaled SEK 20.6 M (0.6).
- Gross profit totaled SEK 8.6 M (loss: 3.1).
- The loss after financial items amounted to SEK 4.9 M (loss: 9.8).
- The gross margin was 42% (neg.)
- The loss per share totaled SEK 0.08 (loss: 0.22).
- Cash and cash equivalents at the end of the period amounted to SEK 148.2 M (36.1).
- The order backlog at end of Q2 was SEK 27.9 M (46.3).
- FPC received design wins (DW) for four new mobile phones and a tablet device from an existing, well-known customer in Asia.
- FPC won a smartphone DW from one of China's three largest manufacturers.
- Fingerprint Cards became a new sponsorship member in the FIDO alliance.
- FPC won a DW for a flagship model from a global top-ten manufacturer.
- FPC opened its Asian regional office in Shanghai and recruited three new employees.
- FPC won a smartphone DW from one of China's top ten manufacturers.
- FPC joined GlobalPlatform.
- FPC secured an initial order for 100,000 units of swipe silicon technology for the Japanese market.
- FPC opened an office in Lund and appointed a System and Software Development Manager
- FPC secured DW from a Chinese tier-2 smartphone brand.
- FPC appointed the US investment bank, Piper Jaffray, as financial advisor.
- FPC received a follow-up order for 275,000 sensors for the Japanese mobile market.
- FPC received a follow-up order for 455,000 sensors for the Asian mobile market.
- FPC engaged a Customer Support Director in the US.
- FPC affiliated with Mobile Heights, which promotes the mobile ecosystem in Southern Sweden.
- FPC and Microsoft showcased the touch sensor for Windows 8.1 at TechEd 2013.

Half-year, January – June, 2013:

- Sales totaled SEK 29.7 M (5.8).
- Gross profit totaled SEK 8.7 M (loss: 3.3).
- The loss after financial items amounted to SEK 16.9 M (loss: 18.8).
- The gross margin was 29% (neg.)
- The loss per share totaled SEK 0.33 (loss: 0.43).
- Cash and cash equivalents at the end of Q2 amounted to SEK 148.2 M (36.1).
- The order backlog at end of Q2 was SEK 27.9 M (46.3).

Notable events after the close of the reporting period:

- Updated forecast for 2013: Sales SEK 80 to 110 M and a loss made for the full-year 2013

**FPC's definition of a Design Win (DW): The decision by a manufacturer to start developing one or more commercial products that will contain FPC's technology as an integrated element of the manufacturer's product(s).*

For further information, contact: Johan Carlström, President and CEO, Fingerprint Cards AB (publ), +46 31-60 78 20, investrel@fingerprints.com

Fingerprint Cards AB (publ) discloses this information pursuant to the Swedish Securities Market Act (2007:528) and the Swedish Financial Instruments Trading Act (1991:980). This information was issued for publication on August 8, 2013 at 8:00 a.m.

Important information

Issuing, publishing or distributing this press release may be subject to restrictions in certain jurisdictions. Recipients of this press release are responsible for using this press release and the information herein in accordance with applicable rules in each jurisdiction. This press release does not constitute an offer or an offering to acquire or subscribe for any of the company's securities in any jurisdiction.

CEO's comments: a robust and distinct trend toward touch sensors!

Microsoft presented Windows 8.1 at TechEd in New Orleans and expressed its strong support for and future focus on capacitive area sensors for log-ins, verification, security, convenience and secure mobile transactions. For all of its demos and presentations at TechEd, Microsoft exclusively used FPC's prototype of its soon-to-be-released area sensor. At TechEd Europe in Madrid and at Build in San Francisco, an early prototype from a competitor was also presented, but most of the presentations and demos were implemented using FPC's well-functioning prototype.

Microsoft's vigorous support for a tiny area sensor and the persistent market rumors alleging that Apple will soon launch the iPhone 5S with a tiny capacitive touch sensor in the home button have led to several tier-1 OEMs reconsidering projects and contemplating a shift from swipe sensors to area sensors. Naturally, this is tremendously satisfying for FPC, since capacitive touch sensors have constituted our core business and sustained us for the past eight years with a dominant share of the Chinese bank market. We have interpreted Microsoft's intentions as an indication that all Windows units are to enable log-ins using a touch sensor, which will also facilitate increased data integrity, security, upgrades and purchases of apps, etc.

We expect this development to pave the way for touch sensors to be integrated in several hundred million units from 2014 onwards and a new addressable market of USD +2 billion to subsequently open up. Our assessment is that capacitive touch sensors will be integrated in laptops, keyboards, pointing devices, tablets, smartphones and gaming consoles such as X-Box, as they become available for the Serial Peripheral Interface during 2014–2016. One negative consequence of the change in demand in this new emerging market is that earnings will be lower for FPC in 2013, since some projects, and thereby revenue, will be postponed until 2014.

In terms of the Android market, Microsoft's determined stance on touch sensors and the vigorous and persistent rumors of Apple launching the iPhone 5S with a touch sensor in the home button have stirred the pot and certain manufacturers have reconsidered their earlier choices of swipe sensors and biometric track pads (BTPs) in favor of a touch sensor in future models, which is causing the postponement of several secured design wins to 2014. However, this will mean an increase in revenue by a factor of 6–8 for every mobile phone where a BTP is switched in favor of a touch sensor. We expect a handful of tier-1 OEMs to arrive at a decision on their preferred sensor type and supplier in the latter half of the year and to initiate projects that will be launched during 2014. We expect some of them to choose touch sensors for their flagship models and it is FPC's ambition to be the most attractive technological partner to these tier-1 OEMs.

Based on the strong demand for projects in 2014, the Board of Directors has resolved to accelerate the recruitment of new staff for technological development and support, in Gothenburg and Southern Sweden, and internationally, in locations such as Korea, Taiwan, China and the US.

The second quarter can be summarized as the best in the company's history, with the highest sales levels to date and the collaboration with Microsoft, which is cause for our highly positive outlook for the next few years.

Sales, earnings and order backlog

The Group's net sales for the second quarter amounted to SEK 20.6 M (0.6) and net sales for the full interim period totaled SEK 29.7 M (5.8). Gross profit for the second quarter amounted to SEK 8.6 M (loss: 3.1) and net sales for the full interim period totaled SEK 8.7 M (loss: 3.3). The gross margin was 42% (neg.) for the second quarter and 29% (neg.) for the full interim period. The loss after financial items for the second quarter amounted to SEK 4.9 M (loss: 9.8) and to SEK 16.9 M (loss: 18.8) for the full interim period. The order backlog at the end of the period amounted to SEK 27.9 M (46.3).

The Parent Company's net sales for the second quarter amounted to SEK 20.6 M (0.6) and net sales for the full interim period totaled SEK 29.7 M (5.8). The company posted a loss after financial items of SEK 4.9 M (loss: 9.8) for the second quarter and a loss of SEK 16.9 M (loss: 18.8) for the full interim period.

Market and sales

Sales in the second quarter of 2013 amounted to SEK 20.6 M. Sales primarily pertain to area sensors and swipe sensor in China, as well as to silicone for swipe sensors for partners in Asia. Sales in the second quarter were slightly more than doubled in comparison with the first quarter, which is in line with our earlier forecast.

In the second quarter, FPC further intensified its activities in Asia and North America with regard to the mobile phone and tablet markets, and FPC is currently engaged in a dialog with all leading manufacturers worldwide (except Apple). The considerable and growing interest in integrating fingerprint sensors into mobile phones during the period has resulted in several DWs in Asia, by both new and existing customers. Several OEMs in Asia and North America have ported FPC's software and hardware in their products and we anticipate several additional design wins in 2013 among tier-1 and tier-2 OEMs. The cooperation with CrucialTec is largely proceeding according to plan, despite the postponement of the launch of two smartphones to the third quarter. Over the next few quarters, we expect a gradual increase in the number of mobile-phones that will be launched with our sensors integrated.

The world-leading financial player based in the US that we mentioned in the first quarter of 2013 will be commencing its production according to plan in the third quarter of 2013. We delivered 200,000 swipe sensors to WWTT in the second quarter and thus fulfilled half of the order for 800,000 sensor units designated for accessories that we secured in the first quarter. Deliveries of the FPC1011F area sensor among our Chinese distributors proceeded according to plan and we have completed the order valued at SEK 20 M secured in 2012.

The announced collaboration with Microsoft has intensified the general interest in fingerprint biometrics and has in particular opened up an entirely new market for FPC for Windows-based products. Our porting to Windows 8.1 is complete and we are fully engaged in collaborations with relevant processor manufacturers to adapt our products to direct integration. We are expecting a significant level of sales to these new addressable markets from 2014 onward.

At June 30, the order backlog was SEK 27.9 M (46.3).

Technological development, customer projects and production

Development projects for the coming area sensor are proceeding according to plan and have been provided additional resources to meet the sharp increase in demand for area-sensor solutions from our customers and partners. In addition to the development of new sensor solutions, most customers are requesting assistance with the integration of our sensors in their products, which we implement locally in customer projects. Accordingly, this means that we will need to reinforce our development organization considerably for the future. We have opened a new development office in Lund and engaged a System and SW Development Manager, which facilitates our faster recruitment of qualified personnel in both Gothenburg and Lund. As previously announced, we are also currently increasing the pace of deliveries of swipe sensors to our customers and partners, which entails an increased production rate in the latter half of 2013.

Ongoing customer projects were well under way in the second quarter of 2013 and a number of new projects have been added. This has increased the requirement for technical support, both on site at the customers and

at the development offices in Sweden. To meet this requirement, several new engineers were hired during the quarter, and several others are on their way in. FPC opened a regional support function in the US, which will be expanded in the latter half of 2013. A corresponding local support function is being established in Korea. Existing Asian support functions in Japan, China and Taiwan will also be further reinforced during the year. In addition to FPC's in-house customer support primarily pertaining to biometrics technology, we cooperate closely with our partner, CrucialTec, and jointly manage project support for several customer projects in Asia.

New share issues

During the second quarter of 2013, warrants under the TO2 program were redeemed on two occasions. The exercise of warrants resulted in Fingerprint Cards' share capital rising by SEK 84,422, whereby it amounted to SEK 10,332,227 on May 20, 2013. The number of shares rose by 422,108 Class B shares, whereby the number of Class B shares subsequently amounted to 50,461,135, and the number of Class A shares remained unchanged at 1,200,000, bringing the total number of shares to 51,661,135. The total number of shares thus corresponds to 62,461,135 voting rights. The exercise price for the share was SEK 15.74, which means that SEK 6,643,980 was contributed to the company in the second quarter.

An Extraordinary General Meeting on November 9, 2010 resolved to approve the warrants program.

In total, employees subscribed for 938,000 warrants, of which 853,000 were exercisable at the start of the exercise period. Each warrant entitled the holder to subscribe for one Class B share for SEK 15.74 kronor during the period February 9, 2013 – May 11, 2013. In total, 853,000 warrants were exercised to subscribe for an equal number of shares on four occasions in 2013, of which two occasions were during the second quarter. The TO2 program and other incentive programs are described in further detail under the header **Incentive programs**.

During the first quarter of 2013, two private placements were completed totaling 3,000,000 Class B shares. The new share issues targeted a few institutional investors in Sweden and internationally.

In the first issue on March 11, 1,400,000 Class B shares were subscribed for at a price of SEK 28.81 per share. Share capital increased by SEK 280,000.

In the second issue on March 14, 1,600,000 Class B shares were subscribed for at an average price of SEK 34 per share. Share capital increased by SEK 320,000.

The two new share issues raised a total of SEK 94.7 M before deductions for issue expenses. The number of Class B shares increased by 3,000,000. Share capital increased by SEK 600,000.

Share capital trend

| Year | Event | Quotient value, SEK | Change in number of shares | Total number of shares | Increase in share capital | Total share capital |
|------|---------------------------------------|---------------------|----------------------------|------------------------|---------------------------|---------------------|
| 1997 | Split 500:1 | 0.2 | 249,500 | 250,000 | 0 | 50,000 |
| 1997 | Rights issue | 0.2 | 250,000 | 500,000 | 50,000 | 100,000 |
| 1997 | New share issue | 0.2 | 2,000,000 | 2,500,000 | 400,000 | 500,000 |
| 1997 | New issue redemption of warrants | 0.2 | 370,000 | 2,870,000 | 74,000 | 574,000 |
| 1998 | New share issue | 0.2 | 2,000,000 | 4,870,000 | 400,000 | 974,000 |
| 2000 | New share issue | 0.2 | 540,000 | 5,410,000 | 108,000 | 1,082,000 |
| 2000 | New share issue | 0.2 | 938,258 | 6,348,258 | 187,651 | 1,269,651 |
| 2012 | New share issue | 0.2 | 3,000,000 | 9,348,258 | 600,000 | 1,869,651 |
| 2006 | New share issue | 0.2 | 2,804,475 | 12,152,733 | 560,895 | 2,430,546 |
| 2009 | New share issue | 0.2 | 7,682,060 | 19,834,793 | 1,536,412 | 3,966,958 |
| 2009 | New share issue | 0.2 | 19,834,793 | 39,669,586 | 3,966,959 | 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 |
| 2013 | New issue redemption of warrants | 0.2 | 95,485 | 47,903,620 | 19,097 | 9,581,024 |
| 2013 | New share issue | 0.2 | 1,400,000 | 49,303,620 | 280,000 | 9,861,024 |
| 2013 | New share issue | 0.2 | 1,600,000 | 50,903,620 | 320,000 | 10,180,724 |
| 2013 | New issue redemption of warrants | 0.2 | 335,407 | 51,239,027 | 67,081 | 10,247,805 |
| 2013 | New issue redemption of warrants – Q2 | 0.2 | 263,500 | 51,502,527 | 52,700 | 10,300,505 |
| 2013 | New issue redemption of warrants – Q2 | 0.2 | 158,608 | 51,661,135 | 31,722 | 10,332,227 |

Annual General Meeting

At the Annual General Meeting (AGM) held on June 18, 2013, a decision was made to adopt the income statement and balance sheet, adopt the appropriation of profit, discharge the Board of Directors and President

from liability, and to change the composition of the Board, whereby Tord Wingren was elected as a new regular board member, Christer Bergman, Urban Fagerstedt and Mats Svensson were reelected as regular board members, and Mats Svensson was reelected as the Chairman of the Board, and Anders Hultqvist and Sigrun Hjelmqvist stepped down as Board members. Resolutions were also passed on fees to the Board and auditor, the composition of the Nomination Committee, guidelines for the remuneration of senior executives and a resolution was passed to authorize the Board to make decisions on the issuance of up to 10 million Class B shares with deviation from the shareholders' preferential right during the period up until the next AGM. A resolution was also passed to authorize the Board of Directors, during the period up until the next AGM, to make decisions on the issuance of up to 10 million Class B shares with preferential rights for shareholders.

Future prospects

Due to the change in demand in the market that we are now experiencing as a result of Microsoft's support for area sensors and the anticipated launch of the iPhone 5S with a touch sensor in the home button, several customers are currently evaluating their development projects and some will possibly choose area sensors in preference to swipe sensors. This could lead to 6- to 12-month delays for some smartphone projects and for their market launches to be delayed to 2014. However, a small area sensor provides FPC with revenues six to eight times higher than corresponding swipe-sensor technology (BTP chip) and nearly three times higher sales revenue in comparison with our proprietary 1080A swipe sensor.

We estimate that sales for the full-year 2013 will land in the interval of SEK 80–110 M. We further estimate that sales in the third quarter of 2013 will land in the interval of SEK 20–30 M and that sales in the fourth quarter will land in the interval of SEK 30–50 M. Our previous forecast for 2013 was that sales would be in the interval of SEK 130–190 M, and that the EBITDA margin would be 20–35%.

Since we are already faced with a strong demand for 2014, we are employing a larger number of personnel, primarily for technological development and customer support for the remainder of 2013. Due to these developments, in combination with lower sales, FPC will not be achieving profitability for full-year 2013. However, the conditions are excellent for achieving high profitability in 2014.

Organization and personnel

The number of employees at June 30, 2013, was 21 (16), including 1 (1) woman.

In addition to full-time employees, we used consultants in technical development and support, sales and marketing corresponding to the equivalent of 17 full-time positions during the second quarter.

Including employees and consultants, FPC thus employed a total of more than 38 full-time positions in the second quarter of 2013.

Financial position

At June 30, 2013, the Group's disposable cash and cash equivalents totaled SEK 148.3 M (36.1).

At the same date, the Group's working capital had risen to SEK 152.0 M (58.6).

Consolidated shareholders' equity rose to SEK 191.0 M (87.5) and the equity/assets ratio for the Group was 93% (86).

The Parent Company's disposable cash and cash equivalents at the end of the period totaled SEK 147.6 M (36.1).

Fixed assets, investments and depreciation

Investments in capitalized development expenditure amounted to SEK 6.9 M (0.8) for the second quarter and to SEK 11.1 M (1.4) for the full interim period. Investments in machinery and equipment amounted to SEK 0.4 M (1.4) during the second quarter and to SEK 0.4 M (1.5) for the full interim period. Depreciation/amortization amounted to SEK 2.9 M (2.7) in the second quarter and to SEK 5.9 M (5.3) for the full interim period.

Cash flow

Cash flow from operations, including changes in working capital, was SEK 1.4 M (9.0) in the second quarter and a negative SEK 6.7 M (pos: 15.4) for the full interim period. Cash flow to investments was a negative SEK 7.3 M (neg: 2.3) in the second quarter and a negative SEK 11.5 M (neg: 3.2) in the full interim period. Cash flow from financing activities amounted to SEK 6.0 M (0.8) for the second quarter and to SEK 105.9 M (0.8) for the full year.

Combined, the net change in cash and cash equivalents thus amounted to a negative SEK 0.3 M (pos: 7.6) for the second quarter and SEK 87.7 M (13.1) for the full interim period.

Seasonal variations

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

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 has three outstanding warrant programs that total 13.58% of the total number of shares and 11.35% 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, whereupon the redemption period expired during the second quarter of 2013. In 2013, a total of 853,000 of the program's warrants were redeemed, of which 422,108 were redeemed during the second quarter. The price per warrant was SEK 1.09 at the time of issue. The exercise price is SEK 15.74. For further information, see above, under the header **New share issues**.
- 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 which 1,760,000 warrants are held by FPC employees. The price per warrant was SEK 0.41 at the time of issue. The rest have been nullified. The exercise price for a Class B share is SEK 13.64. On full subscription based on the exercise of all warrants in the program, 1,760,000 new Class B shares can be issued, corresponding to 3.72% of the total number of shares and 3.10% 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. The price per warrant was SEK 0.15 at the time of issue. All of the warrants under the program are held by FPC's employees. The exercise price for a Class B share is SEK 9.72. On full subscription based on the exercise of all warrants in the program, 4,818,000 new Class B shares can be issued, corresponding to 8.53% of the total number of shares and 7.16% of the total number of voting rights, which will also raise the share capital by SEK 963,600. The program is designated TO4.
- TO5 An Extraordinary General Meeting on March 4, 2013 approved the issue of 1,300,000 warrants with a term extending to March 5, 2016. The price per warrant was SEK 1.79 at the time of issue. All of the warrants under the program are held by FPC's employees. The exercise price for a Class B share is SEK 52.35. On full subscription based on the exercise of all warrants in the program, 1,300,000 new Class B shares can be issued, corresponding to 2.45% of the total number of shares and 2.04% of the total number of voting rights, which will also raise the share capital by SEK 260,000. The program is designated TO5.

Significant risks and uncertainties – 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 part 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:

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. 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 may be negatively impacted. |
| Development | 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. |
| 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. |

Market risks

| | |
|---------------------|---|
| 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, terrorism, etc., could negatively affect the company's earnings and financial position. |
| Tax | FPC is currently only a tax subject in Sweden. In the future, however, through the possible establishment in other countries or through operations in other countries, FPC may become a tax subject and thus subject to the payment of tax. |
| Exchange rates | Purchasing, manufacturing and sales are largely denominated in USD. Net exposure in USD is hedged up 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 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. |
| Raw material prices | 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. |
| Economic cycle | 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. |

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 |
|------------|---|

| | |
|--------------------|---|
| | <p>of production to a few suppliers and the associated possibility of ensuring low costs must be weighed against the risk represented by concentration.</p> |
| Environment | <p>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 (Restriction of Hazardous Substances) directive in terms of limiting hazardous substances in electronic products. 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 directive regarding limits on hazardous substances in electronic products, this could negatively impact the company's earnings and financial position.</p> |
| Sales | <p>FPC is active in a relatively young market. 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 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 the potential for establishing proprietary companies and sales.</p> <p>FPC is dependent on the Chinese market, where it 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.</p> |
| Credit risk | |
| Counterparty risk | <p>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. FPC offsets credit risk through the use of credit rating and credit limits.</p> |
| Share risk | |
| Dividend | <p>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.</p> |
| Shareholders | <p>An individual shareholder owns a substantial share of the voting rights for all of the company's shares outstanding. Consequently, this shareholder has the possibility to exercise a material influence on all matters that demand approval by the shareholders, including the appointment and removal of Board members and any proposals on mergers, consolidation or sale of all or virtually all of FPC's assets, as well as other corporate transactions.</p> |
| Share price | <p>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. The company's solution is to maintain a solid level of information. 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.</p> |

Future reporting dates

Interim report July-September 2013 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, August 7, 2013

Mats Svensson
Chairman

Christer Bergman
Board member

Urban Fagerstedt
Board member

Tord Wingren
Board member

Johan Carlström
CEO

Auditor's report on the review of the financial statements

To the Board of Fingerprint Cards AB (publ)
Corp. Reg. No. 556154-2381

AUDITORS' REVIEW REPORT

Introduction

We have reviewed this interim report for Fingerprint Cards AB (publ), Corp. Reg. No. 556154-2381 for the period January 1, 2013 to June 30, 2013. The Board of Directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express an opinion on this interim report based on our review.

Scope and focus of the review

We conducted our review in accordance with the Swedish Standard on Review Engagements SÖG 2410, *Review of Interim Reports Performed by the Independent Auditor of the Entity*, issued by FAR SRS. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially smaller in scope than an audit conducted in accordance with the Standards on Auditing in Sweden (RS) and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain such assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, a conclusion expressed on the basis of a review does not provide the same level of assurance as a conclusion expressed on the basis of an audit.

Opinion

Based on our review, nothing has come to our attention that causes us to believe that the interim report has not been prepared on the Group's behalf, in all material respects, in accordance with IAS 34 and, on the Parent Company's behalf, the Swedish Annual Accounts Act.

Gothenburg, August 7, 2013

KPMG AB

Johan Kratz
Authorized Public Accountant

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 | <i>Application Specific Integrated Circuit.</i> 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 | The decision by a manufacturer to start developing one or more commercial products that will contain FPC's technology as an integrated element of the manufacturer's product(s). |
| 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 than 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 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 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 | 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 adjustment for the number of shares and the paid exercise price resulting from current remuneration and personnel programs. Earnings per share after dilution can never be better than earnings per share before dilution. |
| EBITDA | Earnings Before Interest Taxes Depreciation and Amortization (and impairment). |
| Equity/assets ratio | Shareholders' equity divided by total assets. |
| Gross profit/loss | Income minus cost of goods sold. |
| Gross margin | Gross margin as a percentage of net sales. |
| 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 period-end. |
| Shareholders' equity per share after dilution | See "Shareholders' equity per share" plus adjustment for the number of shares and the paid exercise price resulting from 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 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 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). |
| Product strategy | 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. |
| Patent strategy | 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 strategy | 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 strategy | 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. |

Condensed consolidated statement of comprehensive income

| (SEK M) | Apr-Jun 2013 | Apr-Jun 2012 | Jan-Jun 2013 | Jan-Jun 2012 | Jan-Dec 2012 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Net sales | 20.6 | 0.6 | 29.7 | 5.8 | 10.3 |
| Cost of goods sold | 12.0 | -3.6 | -21.0 | -9.1 | -16.0 |
| Gross profit/loss | 8.6 | -3.1 | 8.7 | -3.3 | -5.7 |
| Sales expenses | -5.8 | -2.1 | -11.3 | -4.8 | -10.1 |
| Administrative expenses | -4.8 | -3.3 | -8.6 | -6.1 | -12.5 |
| Development expenses | -3.8 | -2.4 | -6.5 | -4.8 | -8.9 |
| Other operating income/expenses | 0.4 | 0.8 | 0.4 | -0.1 | -1.5 |
| Operating profit/loss | -5.3 | -10.0 | -17.3 | -19.1 | -38.7 |
| Net financial items | 0.4 | 0.2 | 0.5 | 0.3 | 0.6 |
| Tax | - | - | - | - | - |
| Loss for the period | -4.9 | -9.8 | -16.9 | -18.8 | -38.1 |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive loss for the period | -4.9 | -9.8 | -16.9 | -18.8 | -38.1 |
| Loss for the period attributable to: | | | | | |
| Parent Company shareholders | -4.9 | -9.8 | -16.9 | -18.8 | -38.1 |
| Loss for the period | -4.9 | -9.8 | -16.9 | -18.8 | -38.1 |
| Total comprehensive loss attributable to: | | | | | |
| Parent Company shareholders | -4.9 | -9.8 | -16.9 | -18.8 | -38.1 |
| Total comprehensive loss for the period | -4.9 | -9.8 | -16.9 | -18.8 | -38.1 |
| Earnings/loss per share for the period | | | | | |
| Before dilution, SEK | -0.10 | -0.22 | -0.30 | -0.43 | -0.89 |
| After dilution, SEK | -0.09 | -0.22 | -0.33 | -0.43 | -0.89 |

Condensed consolidated statement of financial position

| | June 30, 2013 | June 30, 2012 | Dec 31, 2012 |
|---|------------------|------------------|-----------------|
| Assets | | | |
| Intangible fixed assets | 35.1 | 24.8 | 29.1 |
| Tangible fixed assets | 4.4 | 5.2 | 4.8 |
| Financial fixed assets | - | 1.2 | - |
| Total fixed assets | 39.5 | 31.2 | 33.9 |
| Inventories | 6.7 | 9.5 | 11.8 |
| Accounts receivable | 6.4 | 21.4 | 6.2 |
| Other receivables | 3.5 | 1.8 | 1.9 |
| Prepaid expenses and accrued income | 1.4 | 1.1 | 0.8 |
| Cash and cash equivalents | 148.2 | 36.1 | 60.6 |
| Total current assets | 166.2 | 69.9 | 74.8 |
| Total assets | 205.8 | 101.1 | 115.3 |
| Shareholders' equity and liabilities | | | |
| Shareholders' equity | 191.0 | 87.5 | 101.9 |
| Pension provisions | - | 1.5 | - |
| Non-current liabilities | 0.5 | 0.8 | 0.7 |
| Accounts payable | 5.9 | 3.1 | 4.6 |
| Other liabilities | 1.0 | 0.7 | 0.6 |
| Accrued expenses and deferred income | 7.3 | 7.5 | 7.5 |
| Total shareholders' equity and liabilities | 205.8 | 101.1 | 115.3 |
| Pledged assets | None | None | None |
| Contingent liabilities | None | None | None |

Condensed consolidated statement of changes in shareholders' equity

| (SEK M) | Jan-Jun 2013 | Jan-Jun 2012 | Jan-Dec 2012 |
|---|-----------------|-----------------|-----------------|
| Shareholders' equity on the opening date | 101.9 | 106.3 | 106.3 |
| Total comprehensive loss for the period | -16.9 | -18.8 | -38.1 |
| Paid-in warrant premiums | 2,3 | - | 0.7 |
| New share issue | 103,8 | - | 33.1 |
| Shareholders' equity on the closing date | 191.0 | 87.5 | 101.9 |

Condensed consolidated cash-flow statement

| (SEK M) | Apr-Jun 2013 | Apr-Jun 2012 | Jan-Jun 2013 | Jan-Jun 2012 | Jan-Dec 2012 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Loss before tax for the period | -4.9 | -9.8 | -16.9 | -18.8 | -38.1 |
| Adjustments for non-cash items | 3.0 | 2.9 | 5.9 | 5.6 | 10.7 |
| Change in inventory | 5.5 | -4.1 | 4.7 | -5.2 | -7.1 |
| Change in current receivables | -4.6 | 16.7 | -2.0 | 31.9 | 46.8 |
| Change in current liabilities | 2.1 | 3.4 | 1.5 | 1.9 | 3.3 |
| Cash flow from operating activities | 1.0 | 9.0 | -6.8 | 15.4 | 15.6 |
| Cash flow from investing activities | -7.3 | -2.3 | -11.5 | -3.1 | -10.9 |
| Cash flow from financing activities | 6.0 | 0.8 | 105.9 | 0.8 | 32.8 |
| Change in cash and cash equivalents | -0.3 | 7.6 | 87.7 | 13.1 | 37.6 |
| Cash and cash equivalents on the opening date | 147.5 | 35.7 | 60.6 | 23.0 | 23.0 |
| Cash and cash equivalents on the closing date | 148.2 | 36.1 | 148.2 | 36.1 | 60.6 |

Key consolidated data

| (SEK M) | Apr-Jun 2013 | Apr-Jun 2012 | Jan-Jun 2013 | Jan-Jun 2012 | Jan-Dec 2012 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Net sales (SEK M) | 20.6 | 0.6 | 29.7 | 5.8 | 10.3 |
| Net sales growth (%) | 3,433 | -96 | 512 | -55 | Neg. |
| Gross margin (%) | 42 | -550 | 29 | -57 | Neg. |
| Operating margin (%) | Neg. | Neg. | Neg. | Neg. | Neg. |
| Profit margin (%) | Neg. | Neg. | Neg. | Neg. | Neg. |
| EBITDA (SEK M) | -2.3 | -7.1 | -11.4 | -13.5 | -27.4 |
| Return on equity (%) | Neg. | Neg. | Neg. | Neg. | Neg. |
| Cash flow from operating activities incl. changes in working capital (SEK M) | 1,0 | 9.0 | -6.8 | 15.4 | 15.6 |
| Order backlog (SEK M) | 27.9 | 46.3 | 27.9 | 46.3 | 19.7 |
| Equity/assets ratio (%) | 93 | 86 | 93 | 86 | 88 |
| Investments (SEK M) | -7.3 | -2.3 | -11.5 | -3.2 | -10.8 |
| Average number of employees | 21 | 16 | 21 | 16 | 19 |
| Shareholders' equity per share (SEK) | 3.70 | 2.00 | 3.70 | 2.00 | 2.11 |
| Shareholders' equity per share after dilution, SEK ¹⁾ | 3.40 | 2.00 | 3.40 | 2.00 | 2.11 |
| Cash flow from operating activities/share (SEK) | 0.02 | 0.21 | -0.13 | 0.35 | 0.71 |
| Cash flow from operating activities/share after dilution (SEK) ¹⁾ | 0.02 | 0.21 | -0.12 | 0.35 | 0.71 |
| Number of shares at period end (000s) | 51,661 | 43,609 | 51,661 | 43,609 | 47,808 |
| Average number of shares (000s) | 51,467 | 43,609 | 49,946 | 43,609 | 43,761 |
| Average number of shares after dilution (000s) ¹⁾ | 56,195 | 43,609 | 54,655 | 43,609 | 43,761 |
| Market price of FPC Class B share (SEK) at end of period | 57.25 | 5.30 | 57.25 | 5.30 | 12.35 |

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

TO3: The program is from 2011 and extends until December 18, 2014. The exercise price is SEK 13.64. The program was considered in 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.

TO4: The program is from 2012 and extends until October 6, 2015. The exercise price is SEK 9.72. The program was considered in 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.

TO5: The program is from 2013 and extends until March 5, 2016. The exercise price is SEK 52.35. 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 1,300,000 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.

The Group's operating segments

| (SEK M) | Sensors | | Other | | Group | |
|----------------------------|---------|---------|---------|---------|---------|---------|
| | Jan-Jun | Jan-Jun | Jan-Jun | Jan-Jun | Jan-Jun | Jan-Jun |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Net sales | 29.7 | 5.8 | - | - | 29.7 | 5.8 |
| Segment earnings | -17.3 | -19.1 | - | - | -17.3 | -19.1 |
| Net financial items | - | - | 0.4 | 0.3 | 0.4 | 0.3 |
| Profit/loss for the period | -17.3 | -19.1 | 0.4 | 0.3 | -16.9 | 18.8 |

Consolidated statement of comprehensive income for the past eight quarters

| (SEK M) | Apr-Jun | Jan-Mar | Oct-Dec | Jul-Sep | Apr-Jun | Jan-Mar | Oct-Dec | Jul-Sep |
|--|-------------|--------------|-------------|-------------|--------------|-------------|------------|-------------|
| | 2013 | 2013 | 2012 | 2012 | 2012 | 2012 | 2011 | 2011 |
| Net sales | 20.6 | 9.1 | 1.9 | 2.6 | 0.6 | 5.2 | 18.6 | 20.2 |
| Cost of goods sold | 12.0 | -9.0 | -3.4 | -3.5 | -3.6 | -5.5 | -10.8 | -11.1 |
| Gross profit/loss | 8.6 | 0.1 | -1.5 | -0.9 | -3.1 | -0.3 | 7.8 | 10.1 |
| Sales expenses | -5.8 | -5.5 | -3.5 | -1.8 | -2.1 | -2.7 | -4.1 | -2.8 |
| Administrative expenses | -4.8 | -3.8 | -2.8 | -3.6 | -3.3 | -2.8 | -3.2 | -2.3 |
| Development expenses | -3.8 | -2.7 | -2.2 | -1.9 | -2.4 | -2.4 | -0.4 | -0.7 |
| Other operating income/expenses | 0.4 | -0.1 | 0.2 | -1.6 | 0.8 | 0.9 | 0.3 | -0.1 |
| Operating profit/loss | -5.3 | -12.1 | -9.8 | -9.9 | -10.0 | -9.1 | 0.3 | 4.2 |
| Net financial items | 0.4 | 0.0 | 0.1 | 0.2 | 0.2 | 0.1 | 0.4 | 0.2 |
| Tax | - | - | - | - | - | - | - | - |
| Profit/Loss for the period | -4.9 | -12.0 | -9.7 | -9.7 | -9.8 | -9.0 | 0.7 | 4.3 |
| Other comprehensive income | - | - | - | - | - | - | - | - |
| Total comprehensive loss for the period | -4.9 | -12.0 | -9.7 | -9.7 | -9.8 | -9.0 | 0.7 | 4.3 |

Consolidated statement of financial position for the past eight quarters

| | Jun 30, | Mar 31, | Dec 31, | Sep 30, | Jun 30, | Mar 31, | Dec 31, | Sep 30, |
|---|--------------|--------------|--------------|-------------|--------------|--------------|--------------|--------------|
| | 2013 | 2013 | 2012 | 2012 | 2012 | 2012 | 2011 | 2011 |
| Assets | | | | | | | | |
| <i>SEK/USD exchange rate, balance sheet date</i> | 6.71 | 6.53 | 6.52 | 6.58 | 7.06 | 6.62 | 6.92 | 6.86 |
| Intangible fixed assets | 35.1 | 30.2 | 29.1 | 26.6 | 24.8 | 26.4 | 28.2 | 27.1 |
| Tangible fixed assets | 4.4 | 4.4 | 4.8 | 5.1 | 5.2 | 4.1 | 4.2 | 4.4 |
| Financial fixed assets | - | - | - | 1.3 | 1.2 | 1.1 | 0.9 | - |
| Total fixed assets | 39.5 | 35.2 | 33.9 | 33.0 | 31.2 | 31.6 | 33.3 | 31.6 |
| Inventories | 6.7 | 12.3 | 11.4 | 11.7 | 9.5 | 5.4 | 4.3 | 5.3 |
| Advance payment to suppliers | - | - | 0.4 | - | - | - | - | - |
| Accounts receivable | 6.4 | 2.3 | 6.2 | 14.8 | 21.4 | 38.4 | 53.0 | 46.0 |
| Other receivables | 3.5 | 3.5 | 1.9 | 3.0 | 1.8 | 1.5 | 2.3 | 2.1 |
| Prepaid expenses and accrued income Int. | 1.4 | 0.8 | 0.8 | 0.9 | 1.1 | 1.0 | 0.8 | 0.5 |
| Cash and cash equivalents | 148.2 | 148.5 | 60.6 | 25.9 | 36.1 | 28.5 | 23.0 | 27.4 |
| Total current assets | 166.2 | 167.4 | 81.3 | 56.2 | 69.9 | 74.8 | 83.9 | 81.3 |
| Total assets | 205.8 | 202.6 | 115.3 | 89.3 | 101.1 | 106.5 | 116.8 | 112.8 |
| Shareholders' equity and liabilities | | | | | | | | |
| Shareholders' equity | 191.0 | 189.8 | 101.9 | 78.5 | 87.5 | 97.2 | 106.3 | 104.8 |
| Provisions for pensions | - | - | - | 1.7 | 1.5 | 1.4 | 1.2 | - |
| Non-current liabilities | 0.5 | 0.6 | 0.7 | 0.8 | 0.8 | - | - | - |
| Accounts payable | 5.9 | 5.1 | 4.6 | 2.2 | 3.1 | 2.3 | 3.3 | 2.4 |
| Other liabilities | 1.0 | 0.8 | 0.6 | 0.6 | 0.7 | 0.3 | 0.3 | 0.3 |
| Accrued exp. and def. income Int. | 7.3 | 6.3 | 7.5 | 5.5 | 7.5 | 5.2 | 5.7 | 5.3 |
| Total shareholders' equity and liabilities | 205.8 | 202.6 | 115.3 | 89.3 | 101.1 | 106.5 | 116.8 | 112.8 |

Consolidated cash flow statement for the past eight quarters

| | Apr-Jun | Jan-Mar | Oct-Dec | Jul-Sep | Apr-Jun | Jan-Mar | Oct-Dec | Jul-Sep |
|---|-------------|-------------|-------------|--------------|------------|------------|-------------|--------------|
| (SEK M) | 2013 | 2013 | 2012 | 2012 | 2012 | 2012 | 2011 | 2011 |
| Loss before tax for the period | -4.4 | 12.0 | -9.7 | -9.8 | -9.8 | -9.0 | 0.7 | 4.3 |
| Adjustments for non-cash items | 3.0 | 2.9 | 2.7 | 2.6 | 2.9 | 2.7 | 1.3 | 1.2 |
| Change in inventory | 5.5 | -0.8 | 0.2 | -2.1 | -4.1 | -1.1 | 1.0 | 2.7 |
| Change in current receivables | -4.6 | 2.7 | 9.4 | 5.6 | 16.7 | 15.2 | -7.5 | -16.8 |
| Change in current liabilities | 2.1 | -0.5 | 4.4 | -3.0 | 3.4 | -1.5 | 1.3 | 0.7 |
| Cash flow from operating activities | 1.5 | -7.8 | 7.0 | -6.7 | 9.0 | 6.3 | -3.2 | -7.8 |
| Cash flow from investing activities | -7.3 | -4.2 | -3.3 | -4.2 | -2.3 | -0.8 | -3.1 | -2.3 |
| Cash flow from financing activities | 6.0 | 99.8 | 30.9 | 0.7 | 0.8 | - | 2.0 | - |
| Change in cash and cash equivalents | -0.3 | 87.9 | 34.7 | -10.2 | 7.6 | 5.5 | -4.3 | -10.1 |
| Cash and cash equivalents on the opening date | 147.5 | 60.6 | 25.9 | 36.1 | 35.7 | 23.0 | 27.4 | 37.5 |
| Cash and cash equivalents on the closing date | 148.2 | 148.5 | 60.6 | 25.9 | 36.1 | 28.5 | 23.0 | 27.4 |

Key consolidated data for the past eight quarters

| | Apr-Jun | Jan-Mar | Oct-Dec | Jul-Sep | Apr-Jun | Jan-Mar | Oct-Dec | Jul-Sep |
|---|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2013 | 2013 | 2012 | 2012 | 2012 | 2012 | 2011 | 2011 |
| Net sales (SEK M) | 20.6 | 9.1 | 1.9 | 2.6 | 0.6 | 5.2 | 18.6 | 20.2 |
| Net sales growth (%) | 3,433 | 75 | -90 | -83 | -96 | -59 | 3 | 15 |
| Gross margin (%) | 42 | 1 | -77 | -34 | -500 | -5 | 42 | 50 |
| Operating margin (%) | Neg. | Neg. | Neg. | Neg. | Neg. | Neg. | 2 | 21 |
| Profit margin (%) | Neg. | Neg. | Neg. | Neg. | Neg. | Neg. | 4 | 22 |
| EBITDA (SEK M) | -2.3 | -9.2 | -7.0 | -7.0 | -7.7 | -6.4 | 2.0 | 5.4 |
| Return on equity (%) | Neg. | Neg. | Neg. | Neg. | Neg. | Neg. | 1 | 16 |
| Cash flow from operating activities (SEK M) | 1.0 | -7.8 | 7.0 | -6.7 | 9.0 | 6.3 | -3.2 | -7.8 |
| Order backlog (SEK M) | 27.9 | 42.3 | 19.7 | 0.0 | 46.3 | 46.3 | 6.1 | 24.4 |
| Equity/assets ratio (%) | 93 | 94 | 88 | 88 | 86 | 91 | 91 | 93 |
| Investments (SEK M) | -7.3 | -4.2 | -3.3 | -4.2 | -2.3 | -0.8 | -3.1 | -2.3 |
| Average number of employees | 21 | 20 | 19 | 17 | 16 | 19 | 18 | 19 |
| Shareholders' equity per share (SEK) | 3.70 | 3.70 | 2.11 | 1.80 | 2.00 | 2.23 | 2.44 | 2.40 |
| Shareholders' equity per share after dilution (SEK) ¹⁾ | 3.40 | 3.47 | 2.11 | 1.80 | 2.00 | 2.23 | 2.44 | 2.40 |
| Cash flow from operating activities per share (SEK) | 0.02 | -0.15 | 0.16 | 0.20 | 0.21 | 0.14 | -0.05 | -0.19 |
| Cash flow from operating activities per share, after dilution (SEK) | 0.02 | -0.14 | 0.16 | 0.20 | 0.21 | 0.14 | -0.05 | -0.19 |
| Number of shares, period end (000s) | 51,661 | 51,239 | 47,808 | 43,609 | 43,609 | 43,609 | 43,609 | 43,609 |
| Average number of shares (000s) | 51,467 | 51,233 | 44,216 | 43,609 | 43,609 | 43,609 | 43,609 | 43,609 |
| Average number of shares after dilution (000s) ₁₎ | 56,195 | 51,855 | 44,216 | 43,609 | 43,609 | 43,659 | 43,609 | 43,609 |
| Market price of FPC Class B share (SEK) | 57.25 | 34.60 | 12.35 | 6.15 | 5.30 | 7.30 | 9.30 | 6.15 |

1) FPC has three warrants programs:

TO3: The program is from 2011 and extends until December 18, 2014. The exercise price is SEK 13.64. The program was considered in 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.

TO4: The program is from 2012 and extends until October 6, 2015. The exercise price is SEK 9.72. The program was considered in 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.

TO5: The program is from 2013 and extends until March 5, 2016. The exercise price is SEK 52.35. 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 1,300,000 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.

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

| | Jul-Jun 2012/13 | Apr-Mar 2012/13 | Jan-Dec 2012 | Oct-Sep 2011/12 | Jul-Jun 2011/12 | Apr-Mar 2011/12 | Jan-Dec 2011 | Oct-Sep 2010/11 |
|--|--------------------|--------------------|-----------------|--------------------|--------------------|--------------------|-----------------|--------------------|
| Sales, rolling 12 months (SEK M) | 34.2 | 14.2 | 10.3 | 27.0 | 61.5 | 61.0 | 68.6 | 68.2 |
| Gross profit/loss, rolling 12 months (SEK M) | 6.3 | -5.3 | -5.7 | 3.6 | 24.0 | 26.1 | 31.6 | 31.2 |
| Gross margin, rolling 12 months (%) 1) | 19 | Neg. | Neg. | 13 | 39 | 43 | 46 | 44 |
| Operating profit/loss, rolling 12 months (SEK M) | -36.9 | -36.7 | -38.7 | -28.6 | -9.2 | -4.6 | 2.7 | 2.5 |
| Operating margin, rolling 12 mos (%) | Neg. | Neg. | Neg. | Neg. | Neg. | Neg. | 4 | 5 |
| EBITDA, rolling 12 months (SEK M) | -36.3 | -30.7 | -28.0 | -18.9 | -6.7 | 1.7 | 8.2 | 8.9 |

Disclosures on the consolidated fair value of financial instruments

| SEK M | Jun 30, 2013 | | | | Jun 30, 2012 | | | |
|--|--------------|---|---|-------------|--------------|---|---|-------------|
| | Level | | | | Level | | | |
| | 1 | 2 | 3 | Total | 1 | 2 | 3 | Total |
| Current financial receivables | | | | | | | | |
| Financial assets at fair value via profit or loss | - | - | - | - | 0.1 | - | - | 0.1 |
| Cash and cash equivalents | | | | | | | | |
| Financial assets at fair value via profit or loss | 11.1 | - | - | 11.1 | 14.7 | - | - | 14.7 |
| Total financial assets | 11.1 | - | - | 11.1 | 14.8 | - | - | 14.8 |
| Current financial liabilities | | | | | | | | |
| Financial liabilities at fair value via profit or loss | - | - | - | - | - | - | - | - |
| Total financial liabilities | - | - | - | - | - | - | - | - |

Fair value and carrying amount of financial liabilities and assets

| SEK M | Jun 30, 2013 | | Jun 30, 2012 | |
|--|-----------------|--------------|-----------------|-------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial assets | | | | |
| Current financial assets | | | | |
| Financial assets at fair value via profit or loss | - | - | 0.1 | 0.1 |
| Loan receivables and accounts receivable | | | | |
| Accounts receivable | 6.3 | 6.3 | 21.4 | 21.4 |
| Cash and cash equivalents | 148.3 | 148.3 | 36.1 | 36.1 |
| Total financial assets | 154.6 | 154.6 | 57.5 | 57.5 |
| Financial liabilities | | | | |
| Accounts payable | | | | |
| Financial liabilities at amortized cost | 5.9 | 5.9 | 3.1 | 3.1 |
| Total financial liabilities | 5.9 | 5.9 | 3.1 | 3.1 |
| By category | | | | |
| Financial assets at fair value via profit or loss | - | - | 0.1 | 0.1 |
| Loan receivables and accounts receivable | 154.6 | 154.6 | 57.5 | 57.5 |
| Total financial assets | | | 58.5 | 58.5 |
| Financial liabilities at fair value via profit or loss | 5.9 | 5.9 | 3.1 | 3.1 |
| Total financial liabilities | 5.9 | 5.9 | 3.1 | 3.1 |

Qualitative fair value data for financial instruments

Financial instruments exist solely as measured in category 1; there have been no transfers between categories. The company does not apply a portfolio approach.

Condensed income statement, Parent Company

(SEK M)

| |
|---------------------------------|
| Net sales |
| Cost of goods sold |
| Gross profit/loss |
| Sales expenses |
| Administrative expenses |
| Development expenses |
| Other operating income/expenses |
| Operating loss |
| Net financial items |
| Tax |
| Loss for the period |

| Apr–Jun 2013 | Apr–Jun 2012 | Jan–Jun 2013 | Jan–Jun 2012 | Jan–Dec 2012 |
|-----------------|-----------------|-----------------|-----------------|-----------------|
| 20.6 | 0.6 | 29.7 | 5.8 | 10.3 |
| 12.0 | -3.6 | -21.0 | -9.1 | -16.0 |
| 8.6 | -3.1 | 8.7 | -3.3 | -5.7 |
| -5.8 | -2.1 | -11.3 | -4.8 | -10.1 |
| -4.8 | -3.3 | -8.6 | -6.1 | -12.5 |
| -3.8 | -2.4 | -6.5 | -4.8 | -8.9 |
| 0.4 | 0.8 | 0.4 | -0.1 | -1.5 |
| -5.4 | -10.0 | -17.3 | -19.1 | -38.7 |
| 0.3 | 0.2 | 0.5 | 0.3 | 0.6 |
| - | - | - | - | - |
| -4.9 | -9.8 | -16.8 | -18.8 | -38.1 |

Condensed balance sheet, Parent Company

(SEK M)

Assets

| |
|---------------------------------|
| Intangible fixed assets |
| Tangible fixed assets |
| Financial fixed assets |
| Total fixed assets |
| Inventories |
| Accounts receivable |
| Current receivables |
| Prepaid expenses accrued income |
| Cash and bank |
| Total current assets |

Total assets

Shareholders' equity and liabilities

| |
|---|
| Restricted shareholders' equity |
| Unrestricted shareholders' equity |
| Total shareholders' equity |
| Pension provisions |
| Current liabilities |
| Total shareholders' equity and liabilities |

Pledged assets

Contingent liabilities

| Jun 30, 2013 | Jun 30, 2012 | Dec 31, 2012 |
|-----------------|-----------------|-----------------|
| 35.1 | 24.8 | 29.2 |
| 3.6 | 5.2 | 3.7 |
| 5.9 | 4.0 | 3.6 |
| 44.6 | 33.0 | 36.5 |
| 6.7 | 9.5 | 11.4 |
| 6.4 | 21.4 | 6.2 |
| 3.5 | 1.7 | 1.8 |
| 1.4 | 1.1 | 1.2 |
| 147.6 | 36.1 | 59.9 |
| 165.5 | 69.8 | 80.5 |
| 210.1 | 102.8 | 117.1 |
| 51.8 | 50.2 | 51.0 |
| 138.8 | 36.8 | 50.5 |
| 190.6 | 87.2 | 101.5 |
| - | 1.5 | - |
| 19.5 | 14.2 | 15.6 |
| 210.1 | 102.8 | 117.1 |
| None | None | None |
| None | None | None |

Accounting policies

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, 2012 and must be read together with Annual Report. No new or revised IFRS that have become effective in 2013 have had any significant impact on the Group