



PRESS RELEASE

Gothenburg, August 18, 2011

Breakthrough order for swipe sensors, record gross margin and sales in line with expectations

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

Report on the interim period of January to June, 2011 and the second quarter 2011:

- Sales increased during the interim period to SEK 29.8 M (25.1) and to SEK 16.9 M (9.7) in the second quarter.
- Gross profit for the interim period increased to SEK 17.2 M (12.8) and SEK 10.4 M (5.1) in the second quarter.
- Result after financial items for the interim period was a loss of SEK 1.7 M (loss: 2.7) and SEK 0.1 M (loss: 2.8) for the second quarter.
- Gross margin for the interim period rose to 58% (51).
- Earnings per share for the interim period amounted to a loss of SEK 0.04 (loss: 0.07) and for the second quarter, SEK 0.00 (loss: 0.07).
- Cash and cash equivalents at period-end totaled SEK 37.5 M (43.1).
- The order backlog at period-end was SEK 14.9 M (17.4).
- A private placement to five institutional investors totaling SEK 28 M was implemented in April.
- Serial System, which was appointed as a parallel distributor for China and Taiwan, placed on order of SEK 15.7 M for delivery during the second quarter.
- Paltek was named the distributor for Japan and Singapore.
- No forecast was made for the full-year 2011 due to the global economic situation. The forecast for the third quarter is for sales to exceed that of the corresponding quarter in 2010 and for the gross margin to remain strong.

Notable events after the close of the reporting period:

- First commercial order for 50,000 units of swiping sensors was secured from HST.

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Fingerprint Cards AB (FPC) develops, produces and markets biometric components that through analysis and matching of an individual's unique fingerprint verify the person's identity.

The technology consists of biometric sensors, processors, algorithms and modules that can be used separately or in combination with each other. The competitive advantages offered by FPC's 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 telephones, where extremely rigorous demands are placed on such characteristics. FPC's technology can also be used in IT, for Internet security, access control, etc.

Fingerprint Cards AB (FPC) is listed on Nasdaq OMX Stockholm (FING B) and has its head office in Gothenburg, Sweden.

Fingerprint Cards AB (publ) discloses this information pursuant to the Securities Market Act (2007:528) and the Financial Instruments Trading Act (1991:980).

The information was issued for publication on August 18, 2011, at 8.00 a.m.

IMPORTANT INFORMATION

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CEO's comments on the interim report

On July 1, FPC landed its first commercial order for the FPC1080A swipe sensor. The order comprises 50,000 units and was secured through a primary supplier of biometric security solutions for the banking and financial industry in China that decided to proceed with the production of USB keys equipped with FPC's fingerprint sensors. Bank customers will use the USB keys to log in to their banks through the Internet and to sign for bank transactions. This commercial breakthrough is a milestone in the history of FPC and confirms that we made the right decision nearly two years ago to produce the smallest and most energy-efficient swipe sensor in the world.

Sales during the second quarter amounted to SEK 16.9 M, which was in line with our expectations. We appointed two new distributors during the second quarter: Serial System in China and Taiwan and Paltek in Japan and Singapore. Serial System placed an initial order for slightly less than SEK 16 M for immediate delivery. We have great expectations that both Serial Systems and Paltek will actively contribute to FPC's continued growth in sales.

We are now at a critical phase with the swipe sensor and during the next year, we hope to be awarded various design wins and to secure commercial projects for the cell-phone industry and other manufacturers of consumer electronics. We anticipate a broadening of such opportunities during 2012, with an increase in the number of well-suited projects and applications for the swipe sensor.

Sales and earnings

Group sales for the interim period increased to SEK 29.8 m (25.1). Revenues increased to SEK 16.9 M (9.7) during the second quarter. Gross profit for the entire interim period rose to SEK 17.2 M (12.8) and for the second quarter, to SEK 10.3 M (5.1) Gross margin reached the record level of 58% (51). Earnings before taxes for the interim period rose to a loss of SEK 1.7 M (loss: 2.7) and for the second quarter to SEK 0.1 M (loss: 2.8). The order backlog on the closing day of the interim period and second quarter amounted to SEK 14.9 M (17.4).

The Parent Company's net sales for the first half of 2011 increased to SEK 29.8 M (25.1) and the earnings before taxes increased to a loss of SEK 1.7 M (2.7).

Production and technology development

Work on the gradual improvement of production yields for FPC's area sensor continued, leading to a further reduction of production costs. The new production line for area sensor silicon chips that was qualified during the preceding quarter has now been verified with higher production yield in both silicon production and the subsequent packaging stage. The events in Japan earlier in the year will not have any impact on FPC's delivery capacity. Nevertheless, as an extra precautionary measure, we will continue with the earlier-initiated process of qualifying a parallel subsupplier of components.

A large share of our development resources in the past quarter was devoted to the industrialization of the new FPC1080 swipe sensor. Various production tools were designed and manufactured as part of the industrialization process and at the end of the quarter we initiated a qualification process for building and testing swipe sensors in volume manufacturing conditions, at our subsupplier's facilities. The focus continues to be on proactively solving conceivable start-up problems and implementing deliveries on the first commercial order that we have managed to secure.

As a part of the industrialization process, we are also actively working to provide technical support to potential customers who are evaluating the technology. The development of an excellent demonstration environment and illustrative examples of the technology's application are deemed to be of considerable importance and comprise a significant part of the development work alongside our development of tests for the sensors.

During the second quarter, Vinnova approved our application for a grant of just over SEK 2 M for a research and development project titled "Improved security and functionality in fingerprint sensors." The project will deal with basic measurement technology, new materials and algorithms, with the aim of paving the way for improved products and solutions of the future.



Market and sales

On July 1, FPC landed its first commercial order for the proprietary FPC1080A swipe sensor. The order for 50,000 swipe sensors was secured from FPC's distributor in China, Hardware & Software Technology (HST), for onward delivery to a customer which is a leading security firm for the banking and financial industry in China. The sensors will first and foremost be included in what is known as "USB keys" which will be used by bank customers to log in through the Internet and sign for bank transactions.

During the second quarter of 2011, two new distributors were appointed in Asia: Serial System and Paltek. Serial System will market and sell FPC's products in China and Taiwan as a parallel distributor to HST in the enormous Chinese market. Serial System has head offices in Singapore, is listed on the Singapore stock exchange and is a major and renowned distributor with 28 sales and support offices and 410 employees located in China alone. In conjunction with their appointment as a distributor, Serial System placed an initial order valued at SEK 15.7 M for FPC's FPC1011F area sensor which was delivered during the second quarter. Paltek, which is listed on the NASDAQ in Japan, will work together with FPC to market and sell FPC's products and solutions in the Japanese and Singaporean markets. From its sales offices with more than 225 employees, Paltek will reach both major and minor companies throughout Japan and through its sales offices in Singapore, it will first foremost reach Japanese design and production companies working in a number of Asian countries such as Thailand, Vietnam, Malaysia and Indonesia. Paltek is currently the supplier to a number of Japan's largest and most renowned companies such as NEC, Sony, Fujitsu, Toshiba and Olympus.

The company's FPC1011F area sensor continues to comprise the majority of all sales, but demand is on the rise for the company's new FPC1080A swipe sensor and a number of companies have initiated its evaluation during the second quarter.

As part of the support process for new distributors, FPC held an exhibition at one of the largest security trade fairs in the US, ISC West, together with the company's US distributor, Edge Electronics. A number of contacts were initiated, which are now being followed up by Edge Electronics.

Sales for the second quarter totaled SEK 16.9 M, which was well in line with the gradual increases expected in 2011. The order backlog amounted to SEK 14.9 M on June 30.

New share issue

In April 2011, a private placement of 3,940,000 new Class B shares was implemented, corresponding to approximately 9.9% of the number of shares outstanding in the company. The new share issue provided the company with approximately SEK 28 M before deductions for issue expenses. The private placement was targeted at a few institutional investors in Sweden and internationally at a price of SEK 7.00 per share. The proceeds from the private placement will facilitate accelerated expansion and development of the company, its market and products.

The share issue was implemented with the support of authorization granted by the 2010 Annual General Meeting, on a private placement of Class B shares with a disapplication of the shareholders' preferential rights. The subscription price of the private placement corresponds to a discount of about 7.5% compared with the 10-day volume-weighted average share price.

The new share issue increased the number of shares in the company by 3,940,000 Class B shares from 39,669,586 shares to a total of 43,609,586 shares and share capital increased by SEK 788,000, from SEK 7,933,917 to SEK 8,721,917.

Future prospects

The global financial worries sparked by the debt crisis in Europe aggravated by the downgrading of the US credit rating constitute a major instability factor and makes forecasting difficult. However, as a private company, we are continuing to see a positive demand trend in Asia and primarily in China.

We are seeing a continued strong interest in our swipe sensor from a number of manufacturers who are evaluating our sensor from both a technological and commercial perspective. We expect some excellent opportunities for one or several "design wins" and to secure commercial contracts during the second half of 2011.

Against the backdrop of the financial unrest and the uncertainty it entails, we are abstaining from issuing a forecast for the full-year 2011. The forecast for the third quarter is that sales will exceed that of the corresponding quarter in 2010 and that gross margins will remain strong.



Organization and Personnel

The number employees on June 30, 2011 was 19 (14), including 1 (-) woman.

Financial position

The Group's disposable cash and cash equivalents on June 30, 2011 amounted to SEK 37.5 M (43.1). Working capital in the Group rose to SEK 70.0 M (54.6). The Group's equity increased to SEK 100.5 M (72.5), and the equity/assets ratio increased to 93% (87).

The Parent Company's disposable cash and cash equivalents at the end of the interim period rose to SEK 37.5 M (42.2).

Fixed assets, investments and depreciation

Investments in capitalized development expenditures during the interim period amounted to SEK 5.1 M (7.5), including SEK 2.4 M (4.1) during the second quarter.

Investments in machinery and equipment during the interim period amounted to SEK 1.1 M (1.0), including SEK 0.2 M (0.0) during the second quarter. Of this, SEK 1.3 M (-) was paid in advance for production equipment under development. Depreciation for the interim period amounted to SEK 2.4 M (3.1), of which SEK 1.2 M (1.5) was from the second quarter.

Cash flow

Cash flow from operations, including changes in working capital during the interim period was a negative SEK 11.2 M (negative: 0.5), cash flow to investments, which primarily pertained to the swipe-sensor project, was a negative SEK 6.2 M (negative: 8.5) and cash flow from financing activities was SEK 24.1 M (1.0). In total, this resulted in a net increase of SEK 6.6 M (decrease: 7.0) in cash and cash equivalents during the second quarter.

Senior executives

An Annual General Meeting was held in June. Tommy Trollborg stepped down as Chairman of the Board and Mats Svensson was appointed the new Chairman. No changes were made to the other members of the Board: Christer Bergman, Urban Fagerstedt, Sigrun Hjelmqvist and Anders Hultqvist were reelected. The members of the Nomination Committee appointed by the Meeting were Dimitrij Titov, Tommy Trollborg and Mats Svensson.

Warrants program

The Extraordinary General Meeting held on March 3, 2010 resolved to issue warrants with a term extending until August 31, 2012. The company's employees hold 3,433,000 of the program's warrants. The exercise price is SEK 7.48. On full subscription with the support of all warrants in this program, 3,433,000 new Class B shares may be issued, corresponding to 7.15% of the total number of shares and 5.84% of the voting rights, which consequently entails an increase in share capital of SEK 686,000.

The Extraordinary General Meeting on November 9, 2010 resolved to issue 958,000 warrants with a term extending until May 11, 2013. The exercise price is SEK 15.74. On full subscription with the support of all warrants in this program, 958,000 new Class B shares may be issued corresponding to 2.00% of the total number of shares and 1.63% of the voting rights, which consequently entails an increase in share capital of SEK 191,600.

The two warrants programs jointly amount to 9.15% of the total number of shares and 7.47% of the total voting rights in the company.



Significant uncertainties and risks

FPC's risks and uncertainties in the Parent and Group companies continuously in focus encompass:

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 the distributor could seriously impact revenues and profit. Measures for limiting this vulnerability include the continuous development of the business activities, sales and marketing to penetrate more markets and fields of application.

Financing

The need for future capital to finance FPC's operations, development and expansion cannot be ruled out. This need may 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 tougher credit and investment climate could affect FPC's operations, while borrowing, if at all possible, could entail restrictions that would limit the company's latitude. There are no guarantees that capital can be raised when the need arises, or raised on acceptable terms. By gradually achieving successes in the market and securing a satisfactory margin, a positive cash flow can be generated, which will contribute to a reduction of the need for capital contributions.

Development

FPC's success depends largely on its ability to lead and adapt to technology trends. Since 2009, FPC has been conducting a significant development project regarding a new swipe sensor. The project is being conducted in close cooperation with consultants and suppliers. Since the project is extensive and complex, delays in the time schedule cannot be ruled out. Serious delays, disruptions or unforeseen events in the development process could have a negative impact on FPC's future operations. However, these risks can be reduced by utilizing resources based on knowledge and experience of technically advanced development projects and by implementing project management systems.

Competence

Biometrics is still a relatively new area that shows high growth and requires advanced technical knowledge from employed personnel. FPC has a number of key persons important to the successful development of FPC's 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.

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, and 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. In order to limit this risk, parts of the production process may have to be taken over.

Examples of such activities are investments in proprietary tools and machinery.

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. If patents cannot be obtained, this could have a negative effect on the company's earnings and financial position.

Political risks

FPC has operations in many markets with vastly different 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 and uncertainty factors such as acts of war, terrorism, etc., could adversely affect the company's earnings and financial position.

Interim report



FINGERPRINTS

Exchange rates

Purchasing, manufacture and sales are largely denominated in USD. Exchange rates are hedged using forward contracts of 80–90% of the net exposure in USD 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.

Future reporting dates

Interim report July-September: October 27, 2011

Annual Report for 2011 February 9, 2012

Certification

The Board of Directors and the CEO certify that this interim report provides a fair 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 18, 2011

Board of Directors

Mats Svensson
Chairman

Christer Bergman

Urban Fagerstedt

Anders Hultqvist

Sigrun Hjelmquist

Johan Carlström
President and CEO



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, 2011 to June 30, 2011. The Board of Directors and the President and 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 to 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.

Conclusion

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

Gothenburg, August 18, 2011

KPMG AB

Johan Kratz
Authorized Public Accountant

Interim report



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Condensed consolidated statement of comprehensive income

	Apr-Jun 2011	Apr-Jun 2010	Jan-Jun 2011	Jan-Jun 2010	Jan-Dec 2010
(SEK M)					
Net sales	16.9	9.7	29.8	25.1	60.9
Cost of goods sold	-6.6	-4.6	-12.6	-12.3	-30.1
Gross profit	10.4	5.1	17.2	12.8	30.8
Sales expenses	-3.8	-1.6	-6.6	-3.1	-5.9
Administrative expenses	-3.1	-2.1	-5.7	-4.0	-9.5
Development costs	-2.3	-4.2	-3.9	-8.6	-14.4
Other operating income/expenses	-1.3	-0.2	-1.7	0.0	0.6
Operating profit/loss	0.0	-3.0	-1.7	-2.9	1.6
Net financial items	0.0	0.2	0.1	0.2	0.4
Tax	-	-	-	-	-
Profit/loss for the period	0.1	-2.8	-1.7	-2.7	2.0
Other comprehensive income/loss	-	-	-	-	-
Total comprehensive income/loss for the period	0.1	-2.8	-1.7	-2.7	2.0
Profit/loss for the period attributable to:					
Parent Company shareholders	0.1	-2.8	-1.7	-2.7	2.0
Profit/loss for the period	0.1	-2.8	-1.7	-2.7	2.0
Total comprehensive income/loss for the period attributable to:					
Parent Company shareholders	0.1	-2.8	-1.7	-2.7	2.0
Total comprehensive income/loss for the period	0.1	-2.8	-1.7	-2.7	2.0
Profit/loss per share for the period					
Before dilution, SEK	0.00	-0.07	-0.04	-0.07	0.05
After dilution, SEK	0.00	-0.07	-0.04	-0.07	0.05

Condensed consolidated statement of financial position

	Jun 30 2011	Jun 30 2010	Dec 31 2010
Assets			
Intangible fixed assets	26.0	16.7	22.9
Tangible fixed assets	4.4	1.3	3.7
Total fixed assets	30.4	18.0	26.6
Inventory	8.0	13.7	7.9
Accounts receivable	27.7	6.2	17.2
Current receivables	2.1	1.4	1.0
Prepaid expenses and accrued income	2.1	1.4	2.7
Cash and cash equivalents	37.5	43.2	30.8
Total current assets	77.3	65.8	59.7
Total assets	107.7	83.8	86.3
Shareholders' equity and liabilities			
Shareholders' equity	100.5	72.5	78.0
Current liabilities	7.3	11.2	8.3
Total shareholders' equity and liabilities	107.7	83.8	86.3
Pledged assets	None	None	15.0
Contingent liabilities	None	None	None

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FINGERPRINTS

Condensed consolidated statement of changes in shareholders' equity

(SEK M)

	Jan-Jun 2011	Jan-Jun 2010	Jan-Dec 2010
Shareholders' equity on the opening date	78.0	74.3	74.3
Share-based payment	-	-	1.7
Paid premiums for warrants	-	0.8	-
New share issue	24.1	-	-
Total comprehensive income/loss for the period	-1.7	-2.7	2.0
Shareholders' equity on the closing date	100.5	72.5	78.0

Condensed consolidated cash flow statement

(SEK M)

	Apr-Jun 2011	Apr-Jun 2010	Jan-Jun 2011	Jan-Jun 2010	Jan-Dec 2010
Profit/loss before tax for the period	0.1	-3.0	-1.7	-2.9	2.0
Adjustments for non-cash items	1.2	1.5	2.4	3.1	5.6
Change in inventory	5.1	-2.1	-0.1	-4.6	1.1
Change in current receivables	-2.7	2.3	-10.8	3.2	-8.4
Change in current liabilities	-2.5	1.2	-1.0	1.8	-1.2
Cash flow from operating activities	1.2	1.0	-11.2	-0.5	-0.8
Cash flow from investing activities	-2.6	-4.1	-6.2	-8.5	-20.4
Cash flow from financing activities	24.1	0.2	24.1	1.0	2.0
Change in cash and cash equivalents	22.6	-3.9	6.6	-7.0	-19.3
Cash and cash equivalents on the opening date	14.9	47.0	30.8	50.1	50.1
Cash and cash equivalents on the closing date	37.5	43.1	37.5	43.1	30.8

Group operating segments

(SEK M)

	Fingerprint sensor		Other		Group	
	Jan-Jun 2011	Jan-Jun 2010	Jan-Jun 2011	Jan-Jun 2010	Jan-Jun 2011	Jan-Jun 2010
Net sales	29.8	25.1	-	-	29.8	25.1
Segment earnings	-1.7	-2.9	-	-	-1.7	-2.9
Net financial items	-	-	0.1	0.2	-	0.2
Profit/Loss for the period	-1.7	-2.9	0.1	0.2	-1.7	-2.7

Consolidated net sales and profit/loss for the past four quarters

(SEK M)

	Apr-Jun 2011	Jan-Mar 2011	Oct-Dec 2010	Jul-Sep 2010
Net sales	16.9	12.8	18.2	17.6
Cost of goods sold	-6.6	-6.0	-9.0	-8.7
Gross profit	10.4	6.8	9.1	8.9
<i>Gross margin</i>	<i>61 %</i>	<i>53 %</i>	<i>50 %</i>	<i>51 %</i>
Sales expenses	-3.8	-2.9	-1.3	-1.5
Administrative expenses	-3.1	-2.5	-3.3	-1.9
Development expenses	-2.2	-2.7	-0.4	-2.7
Other operating income/expenses	-1.3	-0.5	-0.4	1.0
Operating profit/loss	0.0	-1.8	0.9	3.8
<i>Operating margin</i>		<i>neg.</i>	<i>5 %</i>	<i>21 %</i>
Net financial items	0.0	0.0	0.1	0.1
Tax	-	-	-	-
Profit/loss for the period	0.1	-1.7	1.0	3.9
Other comprehensive income/loss	-	-	-	0.0
Total comprehensive income/loss for the period	0.1	-1.7	1.0	3.9

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Key data – Three-year summary

	Jan-Jun 2011	Jan-Jun 2010	Jan-Dec 2010
Net sales (SEK M)	29.8	25.1	60.9
Net sales growth (%)	19	67	58
Gross margin (%)	58	51	51
Operating margin (%)	Neg	Neg	3
Profit margin (%)	Neg	Neg	3
EBITDA (SEK M)	0.7	-1.6	8.3
Shareholders' equity per share (SEK)	2.45	1.83	1.97
Shareholders' equity per share after full conversion (SEK) (1)	2.45	1.83	1.97
Return on equity (%)	Neg	Neg	2.6
Cash flow from operating activities including changes in working capital (SEK M)	-11.2	-0.5	-0.6
Investments (SEK M)	-6.2	-8.5	-20.4
Average number of employees	17	13	14
Equity/assets ratio (%)	93	87	90
Number of shares (000s)	43,609	39,670	39,670
Average number of shares (000s)	41,084	39,670	39,670
Average number of shares after dilution and conversion (000s)(1)	41,084	39,670	39,670

(1) The company has two warrant programs:

The first program from 2010 extends until August 31, 2012. The exercise price is SEK 7.48. The program was considered in calculating the number of shares after conversion. On full subscription, the program would result in a maximum of 3,433,000 new Class B shares.

The second program from 2010 extends until May 11, 2013. The exercise price is SEK 15.74. The program was considered in calculating the number of shares after conversion. On full subscription, the program would result in a maximum of 958,000 new Class B shares.

Average number of shares after dilution and conversion: 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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Condensed income statement, Parent Company

(SEK M)

	Apr-Jun 2011	Apr-Jun 2010	Jan-Jun 2011	Jan-Jun 2010	Jan-Dec 2010
Net sales	16.9	9.7	29.8	25.1	60.9
Cost of goods sold	-6.6	-4.6	-12.6	-12.3	-30.1
Gross profit	10.4	5.1	17.2	12.8	30.8
Sales expenses	-4.8	-1.6	-6.6	-3.1	-5.9
Administrative expenses	-3.1	-2.1	-5.7	-4.0	-9.5
Development costs	-2.2	-4.2	-4.9	-8.6	-14.4
Other operating income/expenses	-1.3	-0.2	-1.7	0.0	0.6
Operating profit/loss	0.0	-3.0	-1.7	-2.9	1.6
Net financial items	0.0	0.2	0.0	0.2	0.2
Tax	-	-	-	-	-
Profit/loss for the period	0.1	-2.8	-1.6	-2.8	1.8

Condensed balance sheet, Parent Company

(SEK M)

Assets

	Jun 30 2011	Jun 30 2010	Dec 31 2010
Intangible fixed assets	26.0	16.7	22.9
Tangible fixed assets	4.4	1.3	3.7
Financial fixed assets	2.0	1.0	2.0
Total fixed assets	32.4	19.0	28.6
Inventory	8.0	13.7	7.9
Accounts receivable	27.7	6.2	17.2
Current receivables	2.1	1.2	1.0
Prepaid expenses and accrued income	2.0	1.4	2.7
Cash and bank balances	37.5	42.2	28.9
Total current assets	77.3	64.7	57.7
Total assets	109.7	83.7	86.4
Shareholders' equity and liabilities			
Restricted shareholders' equity	50.2	49.4	49.4
Unrestricted shareholders' equity	49.8	22.5	28.2
Total shareholders' equity	100.0	71.9	77.6
Current liabilities	9.7	11.7	8.8
Total shareholders' equity and liabilities	109.7	83.7	86.4
Pledged assets	None	None	15.0
Contingent liabilities	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, 2010 and must be read together with them. No new or revised IFRS that have become effective in 2011 have had any significant impact on the Group.