

Annual Report 2011
Fingerprint Cards



Beyond keys and pins



FINGERPRINTS

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Q1

- Order valued at SEK 16 M from China.
- Edge Electronics selected as distributor for the US market.
- FPC signs agreement with SMIC for marketing partnership in China.
- Asian office opens in Taiwan with James Wei as Regional Director North Asia.
- FPC secures global partnership agreement with Oki Semiconductor.

Q2

- Private placement of SEK 28 M with five institutional investors completed in April.
- Serial System appointed parallel distributor in China and Taiwan, places order valued at SEK 15.7 M for delivery in the second quarter.
- Paltek selected as distributor for Japan and Singapore.

Q3

- First commercial order for the swipe sensor. HST orders 50,000 units.
- Serial System Ltd appointed new distributor for India and six countries in South East Asia. Initial order valued at SEK 3.6 M.
- Serial Korea appointed new distributor in Korea. Initial order valued at SEK 5.2 M.
- Order from HST valued at slightly more than SEK 20 M.
- Eplus appointed parallel distributor in Korea.

Q4

- An Extraordinary General Meeting approves an issue of warrants to existing personnel and newly recruited key individuals. The issue is fully subscribed.
- The FPC1080A swipe sensor now mass produced.
- Thomas Rex appointed Senior Vice President Sales and Marketing.
- FPC secures framework agreement with leading mobile phone manufacturer. The swipe sensor is integrated into a mobile phone platform.
- FPC secures agreement with leading ODM for integration into its platform for mobiles and tablets.

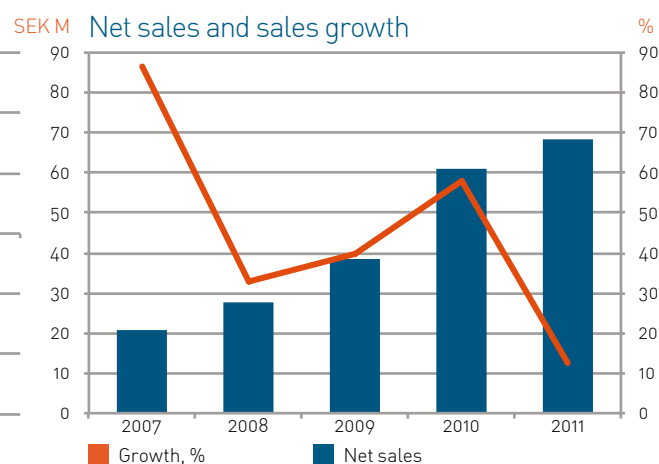
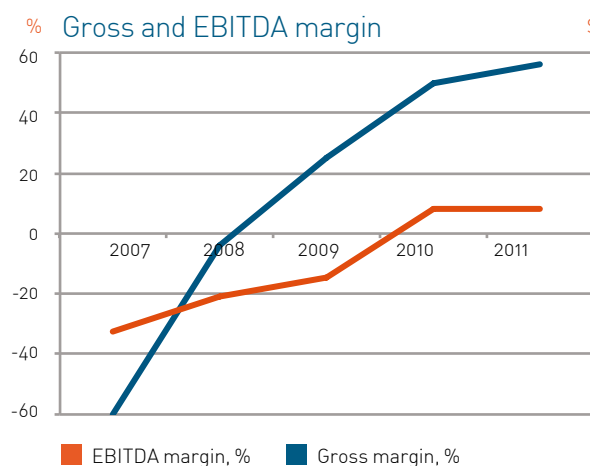
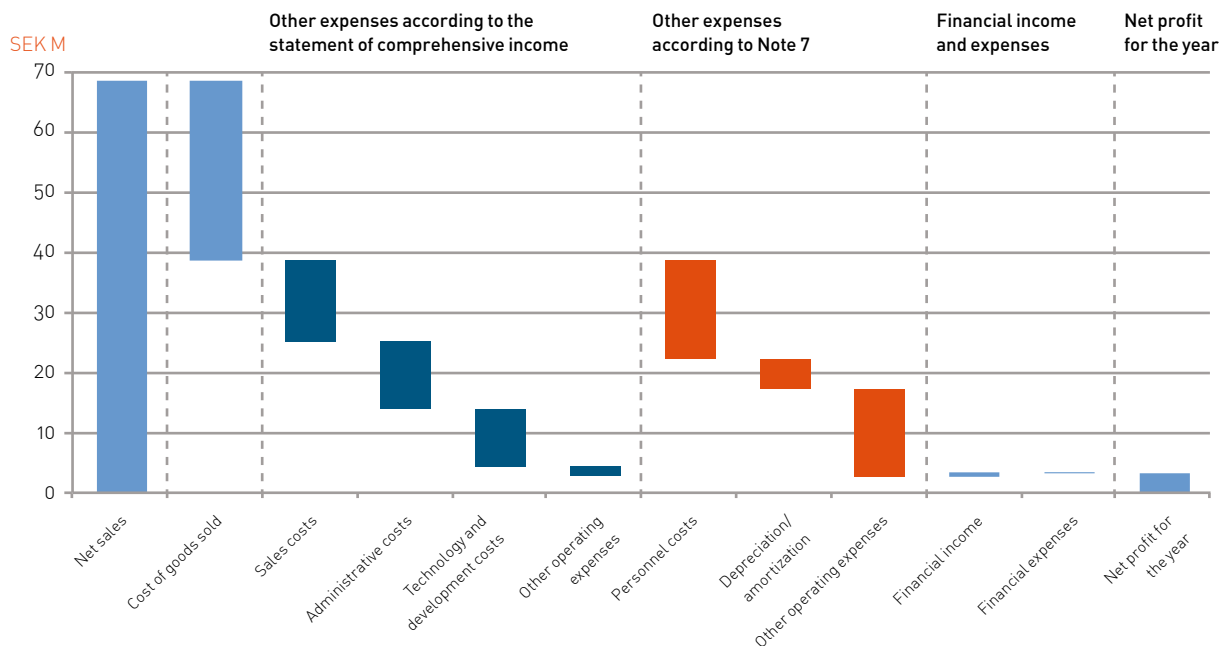
Profit reported for full-year 2011

FULL-YEAR 2011

- Sales rose to SEK 68.6 M (60.9).
- Gross profit increased to SEK 38.7 M (30.8).
- Profit after financial items rose to SEK 3.4 M (2.0).
- The gross margin increased to 56 percent (51).
- Earnings per share rose to SEK 0.08 (0.05).
- Cash and cash equivalents at year-end totaled SEK 23.0 M (30.8).
- The order backlog on December 31, 2011 was SEK 6.1 M (11.0).

NOTABLE EVENTS AFTER YEAR-END

- Largest order to date from HST, valued at SEK 44 M, for area and swipe sensors for delivery during 2012.
- Sales for full-year 2012 are expected to range from SEK 70 M to SEK 90 M, with continued strong gross margin and order bookings ranging from SEK 100 M to SEK 140 M.
- Investigation into serious insider trading.
- FPC appoints Carnegie as liquidity provider.
- FPC and CrucialTec launch biometric modules for leading customers in the industry. The sales target is 20–40 million units for the period 2012–2014.
- FPC appoints Göran Malm and Tord Wingren as new members of the Advisory Board.
- FPC develops partnership with Chinese company Maxis with particular focus on the banking sector.



FPC's value for three key stakeholders

FPC is a distinct niche player with in-depth expertise in a narrow area offering global application potential.

FOR FPC'S SHAREHOLDERS

FPC is a company that generates benefits for shareholders by building value and creating growth. The company continued to generate a full-year profit for the second consecutive year. The full-year profit was due to efficiency-enhanced production, with a record-high gross margin, combined with continuing sales growth.

FPC's swipe sensor was launched globally, primarily to the high-volume mobile phone market. This is a market that is characterized by distinct driving forces, is technologically mature and is experiencing continuing high growth. The market response is already positive with a number of framework agreements secured.

The Chinese market had favorable demand in 2011 in the already developed financial segment. FPC is continuing to broaden sales of its area sensor into closely related segments where the potential customer value is strong, such as insurance, securities trading, the automotive industry and the public sector.

FPC is also continuing to consolidate its presence in new markets, such as South Korea, India, Japan and Brazil.

FPC is planning to continue its focus on commercialization by means of an expanded organization and proprietary sales offices in Asia.

We welcome new shareholders and wish to express our thanks to those who have displayed their confidence in FPC!

FOR THE CUSTOMER

FPC's sensors provide high functionality and quality that offer added value in applications. FPC's technology is supported by distinct customer-value arguments: the swipe sensor with its compact format and power efficiency, combined with excellent performance; and the area sensor, with its high image quality, robust design and user friendliness.

Moreover, FPC's ability to customize its technology offers the potential for new business, also for the company's customers.

FOR THE USER

FPC's technology permits more secure and trouble-free daily activities. The risk of illegal encroachment or theft is eliminated. FPC's technology makes authentication user-friendly because it minimizes the multiplicity of PIN codes, user names and passwords. Furthermore, the same sensor can facilitate navigation.

” FPC’s technology
enables a safer and
easier everyday.”



FPC is well positioned with the right product, contacts and timing

It is gratifying to confirm that FPC has delivered a profit for the second consecutive year, which is unique in the light of FPC's history. Sales of nearly SEK 69 M are the highest to date, our gross margin was record high and the company is equipped to meet market demand for new biometrics solutions for mobile phones and payment systems.

In many ways, the company is now more fine-tuned than when I took office in 2009. The biometrics market has also matured. In terms of sales, the third and fourth quarters during the second half of the year were our strongest quarters ever.

Area sensor remains strong

The year was dominated by the different lifecycle positions of our two products. The established area sensor has represented by far the majority of our annual sales and its established position in the Chinese banking world remained strong during 2011. During the year, our distributor HST secured yet another large order for delivery to one of the very largest banks in China, the Postal & Savings Bank.

Swipe sensor gains ground

The launch of the new swipe sensor, the FPC 1080A, has moved from an initial launch via industrialized mass production to real transactions and orders. We have met several manufacturers of mobile phones and other consumer electronics products, most of whom confirm our assumption that several products with an integrated swipe sensor will be launched over the coming 1-3 years. These plans confirm that we made the right choice when deciding to focus on producing the world's smallest and most energy-efficient swipe sensor, optimized for mobile

phones, and a first step toward reaching our goal of being the leading company in fingerprint verification.

As I write, several discussions are currently ongoing with players in the industry for mobile phones and other handheld electronics where a high-volume market is just around the corner. To date, the results of our discussions

have led to two design wins (as components in a system solution)

during the fourth quarter – one from a tier-1 mobile manufacturer and the other from an Asian tier-2 outsourcer that is also an ODM. Another major business event was the joint development and production agreement that we signed in

March 2012 with a global leader in the manufacturing and sales of modules for mobile phones and tablets. This partner, who currently sells more than 100 million units per year to most Tier 1 mobile manufacturers worldwide, prefers to remain anonymous at this stage for competitive reasons. FPC's swipe sensor silicon will be integrated into the company's biometric modules. The product will be offered to existing and new customers. The initial sales target for 2012-2014 is 20-40 million units. Another significant event after the end of 2011 occurred in early January 2012 when we received our largest order to date from HST, valued at SEK 44 million, for the delivery of area and swipe sensors during 2012.

”In many ways, the company is now more aligned...”



„ We stand well-equipped and positioned with the right product, the right contacts and, very probably, the right timing. ”

Financially robust

In April 2011, our shareholders' equity and balance sheet were boosted by a private placement to institutional investors, with Carnegie as our financial advisor. The private placement generated SEK 28 M before issue expenses and was used to accelerate product and software development primarily to support the Android operating system for mobile devices.

With an equity/assets ratio and working capital that are satisfactory, as well as order bookings amounting to SEK 46.3 M at the end of the first quarter of 2012, we feel secure and are very excited about the coming year.

Key recruitment

It is very satisfying that FPC and the management team was strengthened by the appointment of Thomas Rex as Senior Vice President of Sales and Marketing. Thomas is highly motivated, has extensive experience and a unique network of contacts in both the mobile phone industry and Asia, which makes a significant contribution to building a larger and stronger FPC.

Distributors still increasing

In 2011, we appointed several new or additional distributors and representatives in 11 countries, the most significant being Serial Systems throughout Southeast Asia including China, South Korea and India.

In addition to expanding our initiative through more distributors with greater resources and a wider reach, we also strengthened our presence in the Asian market by opening a new sales office in Taipei, Taiwan.

2012 – a critical year

I view 2012 as a probable breakthrough year for the introduction of fingerprint verification for login systems, navigation, secure mobile payments and such other consumer electronics as smart TVs. We stand well equipped and positioned with the right product, the right contacts and – hopefully – the right timing. Timing is everything!

We have high hopes of securing a substantial market share in this budding and rapidly growing market.

Johan Carlström, President & CEO

Business concept, objectives and strategies

Beyond keys and pin codes

Objectives

Growth

The company intends to grow while maintaining profitability. Growth is to occur both organically and through supplementary acquisitions.

The company has entered a phase of real growth and has achieved favorable financial results from sales of area sensors. The launch of swipe sensors was initiated in 2011. During 2012, FPC will focus primarily on developing the market for swipe sensors in Asia. The company believes that it is a reasonable estimation that sales during full-year 2012 will total SEK 70-90 M and it foresees that sales will be subject to more seasonal variations compared with 2011. Order bookings for 2012 are expected to be in the region of SEK 100-140 M.

Business objectives

FPC intends to be a leading player in the volume market of systems for fingerprint verification. In terms of new projects and relating negotiations, the aim is to provide the market with complete and relevant information, although the company is limited in this respect due to confidentiality agreements with partners and customers. During the year, the probability is regarded as favorable that delivery agreements will be signed for a number of projects, certain of these for mobile phones. Prospects are also regarded as bright in other applications, such as SMART TV and USB keys.

By the year 2015, FPC aims to have a share of 15 percent of the market for mobile phones equipped with sensors.

Dividend policy

The company's cash flow in the years ahead will be used to finance continuing expansion. This means that the Board of FPC does not plan to propose a dividend for the coming two years. The Board will review annually the set dividend policy.

Strategies

Product strategy

FPC is a supplier of components and systems for fingerprint verification. FPC develops and markets components in two product categories – area sensors and swipe sensors.

Patent strategy

FPC pursues 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 the company's patents.

Production strategy

FPC's production occurs in close cooperation with selected sub-suppliers. Production-critical elements of manufacturing are to occur 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 and sales strategy

When marketing its products, FPC intends to focus on product developers/system integrators either via distributors or directly. Sales to the producer level will occur in close cooperation with distributors. FPC will also actively pursue sales efforts.

Swipe sensors are to be marketed at 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 and suppliers of subsystems. Geographically, marketing will occur in Asia, in such countries as China, Taiwan, South Korea, Singapore, Japan, India, Malaysia and Singapore, as well as in Europe and the US.

Sales of area sensors are to be broadened above and beyond the volume segment of IT applications for banks to also encompass other IT segments such as the insurance, securities trading, automotive and public sectors. 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. och Brasilien men även i Europa och USA.

VISION Beyond keys and pin codes – FPC makes life easy to live through secure identification.

BUSINESS CONCEPT – FPC develops and sells leading biometric products and solutions to companies that develop security and comfort systems.



Mobile payments and security driving demand for FPC's products

Ever-greater requirements to protect money and information, combined with the wide-ranging introduction by public agencies of biometric personal data are strong driving forces for FPC.

FPC believes that the application of biometric ID information, including fingerprints, will rise sharply in the medium term. This assessment is based on a number of factors, underlying trends and driving forces. In this presentation, the company outlines the key factors and the possible implications for future growth.

Meanwhile, the company also sees a greater requirement for a combined fingerprint sensor and finger-steered navigation for screens on mobile phones, tablets and smart TV.

Biometrics

Biometrics comprises solutions that scan a person's physiology for authentication – a secure check of the claimed identity.

Biometrics is divided into two primary groups: physical and behavioral. Physical verification is performed via the recognition of fingerprints, iris, voice, face, hand, veins in the finger top or hand, and DNA. Behavioral verification gauge, for example, movement patterns in the use of a keyboard, meaning a recorded behavior that can create an electronic signature. Biometric solutions represent the only technology currently available that securely links a specific person to a registered identity.

Market size and growth

GIA (Global Industry Analysts) forecasts in its report entitled "Global Biometrics Market", published in October 2011, that the market for biometrics will report sales of USD 16.5 billion in 2017. According to RNCOS' Industry Research, the biometrics market is expected to grow by 21 percent from 2012 to 2014.

Geographically, the US is the largest market, while Asia is believed to have the sharpest annual growth of almost 24 percent.

GIA sees an accelerating acceptance leading to demand and, thus, growth in biometric identification in line with the expansion of solutions and infrastructure. GIA forecasts that fingerprint technology will be the leader in handheld consumer products, such as mobile phones and surf tablets. Goode Intelligence's market report, published in June 2011, also suggests that the market for biometrics in mobile phones will expand sharply up to 2015. Fingerprint sensors, in particular, will account for the growth.

Security and ease of use are driving demand

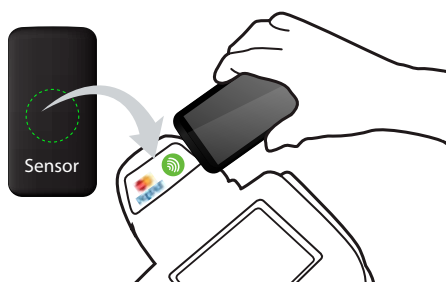
Demand for biometrics derives from two main areas:

- the commercial sector, in order to secure and facilitate consumer use of electronics to access digital services, such as payments and access to information, and
- the public sector, in applications used by the public authorities to register citizens.

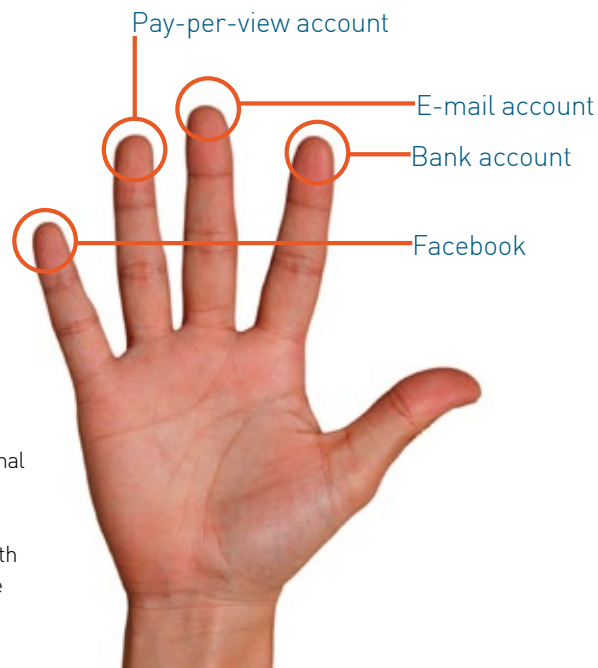
Driving forces

The mobile phone is replacing wallets

The potential to use a mobile phone at checkouts or, for example, in public transport has improved thanks to NFC (Near Field Communication), a communication standard for contactless exchange of data over short distances (typically about 10 cm). A chip in the mobile phone is held against a payment terminal instead of inserting a credit card in a card terminal. Mobile payments are referred to as Tap and Pay in the industry.



Google wallet is a cloud service through which the user's credit card is registered with Google and payment is made by means of a Tap-and-Pay procedure. The user has an NFC function in the phone that communicates with the payment terminal. FPC sees a greater need for higher security, as the mobile phone then becomes an instrument of value.



The various fingerprints can be used as shortcuts in the use of a Smart TV remote control that is equipped with a fingerprint sensor, for example.

Among others, Blackberry, HTC, Huawei, Fujitsu, Nokia, Motorola, Samsung and Sony will launch NFC-equipped mobile phones in the market during spring 2012 and additional models will emerge from LG, Lenovo, ZTE and others.

A number of players have developed transaction systems for mobile payments. Google, in cooperation with MasterCard, for example, has developed an app – Google Wallet – to which the user can link up his/her credit/charge card. The service also includes a complete transaction system for stores with payment terminals connected to the checkout. The use of Google Wallet is already possible in the US. In China, mobile payments are expected to commence, with the nation's sole bankcard issuer – CUP (China Union Pay) – set to manage the transactions.

Substantial volume in developing countries

In many developing countries, cash accounts for more than 90 percent of transactions, since a large share of the population do not have bank accounts. Now many mobile operators are launching mobile wallet services that permit the transfer of money among people, or payment by mobile phone. The African continent is already well advanced in respect of transactions via mobile phones. 75 percent of the countries that use mobile money regularly are to be found in Africa. In practice, mobile phones and the mobile network are frequently the only modern infrastructure. In an interview with the Swedish news agency TT, Lars Arvidsson – in charge of sales for Ericsson's mobile payment applications – stated that mobile payments and money transfers will be the most popular mobile application globally in the years ahead. Ericsson refers to surveys suggesting that mobile devices will be used for payments and transfers worth USD 800 billion during 2016. The business analysis company, Berg Insight, expects that in three years' time, 2015, there will be more than 700 million users of mobile payment services in emerging economies, up from a little more than 133 million in 2010.

Breakthrough in 2012 in the developed countries

Meanwhile, several industry observers forecast that 2012 will be the year during which mobile payments technology will be seriously launched in the developed countries.

Security – a prerequisite for greater acceptance

The mobile device will become an instrument of value and, equipped with a fingerprint sensor, it is expected that usage will gain greater acceptance, since misuse through theft, for example, will be virtually impossible.

Diffusion of services

Smart-TV – a new technology amalgamation

FPC sees new application opportunities with the launch of smart TV, a TV that incorporates a computer to permit direct links to the Internet. The smart TV concept is expected to gain ground in pace with the rapid change in behavior of TV viewers, and the increasing shift from fixed TV schedules, as TV programs become available via the Internet, parallel with an increase in the offering of alternative programs and feature films.

Finger-top scanners are applied in remote control devices for various primary functions – navigation on the TV screen by moving the finger, identification of the user and as short cuts. Identification may involve payments, such as for Pay-per-View programs, or as access restrictions associated with parental control in order to limit access to the TV offering or at certain times.

Increase in connection capacity and cloud services

In pace with the increasing use of personal communication devices, cloud services are also on the rise. Sensitive information is increasingly stored on external services accessible via the Internet. Acceptance of cloud-related services is being consolidated through social media such as Facebook and Twitter. Personal data can be stored via, for example, Apples iCloud, Dropbox and several other suppliers. FPC believes that the need to protect personal and corporate information will rise as these services increase their diffusion.

Increased integration of private and workplace usage

As a result of the consumerization trend, new application areas in Internet-borne services are frequently first introduced in the consumer arena and subsequently migrate to B2B. This entails having all data – both work-related and personal data – on a single device.

People also prefer to use equipment, such as laptops, smartphones or tablet devices, both at work and for personal purposes. At the workplace, the equipment is frequently used often as a terminal linked to the Internet, which requires some form of secure login. Due to the use of the same equipment both privately and at workplaces, FPC expects that the security issue will become increasingly central to prevent access to personal and corporate information.

Personal adjustment in vehicles

Individual identification raises accessibility and permits adjustment for in-vehicle applications. A fingerprint sensor can either be applied to the vehicle keys or in the vehicle so that seating, rearview mirror, radio stations, etc. are adjusted in line with defined requirements.

More secure authentication

Identity theft and impersonation have always been a major social problem. In the past, impersonation has pertained to paper-based identity documents such as passports, ID

cards and driving licenses. Nowadays, and to an ever-increasing degree, this form of theft involves electronic identities that are totally depersonalized. Biometric security solutions have emerged in response to this problem and represent a growing product segment for electronic verification of identity.

E-ID and E-Pass

E-ID and E-Pass authentications are rising sharply, driven by efforts to prevent ID theft, combined with a number of ID projects, including China's Directive for new IDs, becoming effective as of 2013; India's ID standard, which is being implemented in line with the completion of the population census, with the registration of citizens' irises and fingerprints; the requirement specifications of the International Civil Aviation Organization for visa-exempt nationalities traveling to the US; the Schengen Information System (SIS II) and EURODAC (databases of fingerprints from asylum applications to the EU). In all cases, ID documents also contain biometric information in the form of fingerprints.



US-based Uaccess markets the Ibutton door lock.



A keyboard designed for identification at a high security level for public agencies. Marketed in China.



Exclusive leather attaché case featuring a security lock. Marketed in China.



The electronic stamping clock is widely circulated and used in Brazil.



Identification of users at a highway toll in South Korea.



Medicine cabinet that can only be opened by registered users. Marketed to US hospitals.



The Chinese bank, ICBC, is one of many major Chinese banks and provincial banks – amounting to more than 50 banking groups – whose bank employees use FPC's area sensors.

FPC believes that ever-more stringent requirements for and the use of fingerprints will increase awareness and thus acceptance.

Greater need for identification devices

Turn, the issuance of E-ID documents is driving the need for identification devices. According to calculations conducted by closely associated sources with insight into the Chinese authorities, the sensor requirement for the scanning of fingerprints is about 10 percent of the total number of E-IDs issued. Thus, in the case of China, the volumes will be substantial. 500 million issued IDs entail 50 million sensors, primarily area sensors.

The more stringent requirements imposed by public

authorities and organizations in terms of authentication are also driving demand. China, for example, has introduced requirements in its financial sector that demand far more extensive application of the use of biometrics for increased IT security. In most cases, this involves biometric applications for login on computers and networks, while the technology is also deployed for physical access. The deployment of biometrics also substantially improves security, while also making transactions traceable.

Greater use in conjunction with authentication

User-friendliness and, thus, acceptance are crucial factors for individuals who need to identify themselves.

Existing ID documents and cards can be lost, while numerous pin codes, user names and passwords can be difficult to manage. There is considerable concern that unauthorized parties can gain access to protected property and information. Biometrics makes authentication simpler and faster, and offers the potential to raise the level of rights and privileges in terms of access. It is less complicated to present sensitive information on networks protected by biometrics compared with a network protected by passwords

Cost savings

Another driving force for the implementation of biometrics authentication systems is the cost savings for companies, such as support departments when new passwords or security cards no longer need to be issued.

Lower unit costs driving applications

Technological progress in both the hardware and the software areas has reduced prices for biometrics technology for authentication to an acceptable level for a broad-based commercial market. In addition, the performance of computers, networks and database systems has increased, making biometric systems faster and easier to use. Verification of fingerprints is the most promising of the biometrics technologies, thanks to the ability to offer excellent performance at a competitive price.

Several factors driving producers

For component buyers in the biometrics market, the key factors are reliability and functionality, user-friendliness, robustness, price, strategic partnerships and alliances, plus reference customers. At the consumer level, there is also the need for compact multi-function units for fingerprint and finger-controlled navigation.

More product development focused on user friendliness

As an example of the more rapid product development cycle, it now takes six to 12 months for HTC to develop a product from concept to the market launch, compared with 12 to 18 months two years ago. The concept of Moore's Law is also reflected in the trend, meaning that the number of transistors on a microchip doubles every year.

Meanwhile, product development is increasingly focused on adapting processes to offer user friendliness rather than the opposite. The computer is not just an administrative tool on a work desk but is increasingly becoming a personal, handheld accessory that continuously accompanies the owner.

Shorter product and consumer lifecycle raising sales

1.6 billion mobile phones were sold worldwide in 2011. They represent the most widespread personal telecommunication tool, and the turnover is high. The average development time for a mobile phone is currently 3–5 quarters. The trend indicates that this period is shortening, since competition remains stiff among mobile phone producers. Competition is leading to new models, featuring new functions, being launched at an ever-faster pace, at the same time as prices for the mobile phones are declining and consumers are tending to replace their phones ever faster. Currently, a mobile phone is used for about 18 months. Another trend driving volume is that that an increasing number of mobile phone users have more than one subscription and thus own a number of phones.

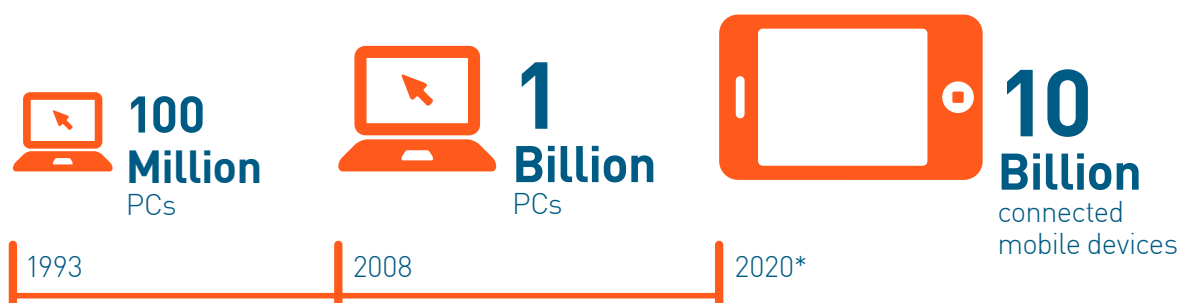
Increase in smartphones and tablets

According to Morgan Stanley, the combined number of smartphones and tablet devices in 2011 will have exceeded the number of shipped PCs, both laptop and desk top, (see diagram). The post-PC era is expected to become a reality.

Sales of mobile phones are estimated to total 1.6 billion units in 2011, up 14 percent compared with 1.4 billion in 2010. IDC expects that the number of units sold will increase to 2.1 billion by 2015, resulting in average annual growth during 2011–2015 of 8.4 percent. According to the research company, Gartner, sales of smartphones alone will amount to one billion by 2015, compared with an estimated 468 million in 2011. FPC anticipates that by 2015, 30 percent of these, or more than 300 million smartphones, will have fingerprint sensors.

Smartphone – for many, the first computer

The spread of smartphones – essentially handheld computers – is rising in line with falling prices. A smartphone is the first computer for many people, particularly



in developing countries. FPC believes that the tremendous spread of these devices will add to the focus on the security aspect, not least on account of mobile payments and transactions.

The IT company Cisco forecasts a twofold increase in Internet-connected units, rising from 7.5 billion in 2010 to 15 billion by 2015.

Tipping point for the mobile market

According to FPC, it is difficult to forecast exactly when the fingerprint sensor will gain a major breakthrough into the mobile market. However, the company feels that it is highly likely to happen.

A comparison can be made with other technology shifts that initially appeared difficult to predict in terms of timing, such as Apple's introduction of the smartphone, which proved to be a technology shift that rapidly changed the entire map for mobile phone offerings.

FPC's markets

Swipe sensor

In autumn 2009, a decision was made to focus on the development of a swipe sensor, designed primarily for mobile phones. The sale of the line sensor commenced in spring 2011. Marketing is targeted at leading mobile phone producers on a global scale and leading sub-suppliers, referred to as tier 2 suppliers, who deliver system modules for mobile phones, tablet devices, laptops and remote controls.

A number of companies are currently developing prototypes using FPC's line sensors for testing and evaluation. The process of gaining a Design Win, meaning to gain approval as a supplier whose product is integrated in a mobile phone manufacturer's model or platform, is in progress in parallel in many areas. Large-scale production capacity has been available since November 2011.

During the third quarter of 2011, HST secured an initial order from China for 50,000 units.

Area sensor

FPC's area sensor currently accounts for the overwhelming share of sales. To date, area sensor sales have occurred notably in China for applications in authentication devices in the banking and the finance sector. FPC's components are used by most of the major Chinese banks and provincial banks, amounting to a total of more than 50 banking groups. They are used primarily for the authentication of bank employees to permit them to conduct bank transactions and regular banking operations. The number of banking personnel who daily use the area sensor is estimated to exceed one million.

Area sensors are also used by Chinese embassies

A growing application is in U-keys, which is incorporated in a USB contact in the computer or the identification

in connection with banking errands without a fingerprint sensor. In 2010, more than 50 million U-keys with a fingerprint sensor were sold. At the end of the third quarter of 2011, FPC secured an order from HST worth more than SEK 20 million for FPC's area sensors. The sensors will primarily be integrated in U-Keys.

In addition to China, FPC's other sales of area sensors were shipped to a large number of customers in various countries in Asia, Europe and, to a certain extent, North and South America. In most cases, the sales volumes were for smaller series.

Potential for the area sensor

With the Chinese banks' utilization of the area sensor as a reference, FPC plans to market it within closely related Chinese industries in which personnel and the user's authentication raises the need for security. These are primarily the insurance industry, securities trading, automotive industry and the public sector.

New area sensor markets in which FPC plans to intensify sales include India, South Korea, Japan and Brazil.

[Read more about FPC's business model on page 18.](#)

Competitors

Alternative authentication methods

Other methods – ID documents, pin codes, digital passwords, conventional keys, user name, passwords, RFID cards, etc. – continue to account for the largest share of the authentication processes. A common feature of all these methods is that they are not linked to the individual and can be exposed to identity theft.

Fragmented market

The biometrics market is fragmented, with a large number of players. The biometrics market can be divided into three categories: components, systems/solutions and algorithm suppliers. Those who can be viewed as immediate competitors to FPC's are the US companies Authentec and Validity.

Authentec

The US NASDAQ-listed Authentec, which in 2011 reported revenue of USD 69.8 M [45] and net profit of USD 10.9 M [37.8], is active in FPC's segment – the market for capacitive fingerprint sensors. During the past seven years, FPC has operated at a loss.

Validity

Validity is a US privately owned player that markets a number of swipe sensor models. Revenue and earnings are not available. From a power-consumption perspective, FPC's swipe sensors perform well in comparison.

Specialists in fingerprint biometrics

FPC is a dedicated niche player that utilizes in-depth skills and expertise in biometrics and market insight in an effort to commercialize its products in the global market.

Focus on critical parts of the value-adding chain

FPC focuses on the business-critical parts of the value-adding chain—development, production processes, marketing and sales.

All product development is conducted in-house, primarily at the head office in Gothenburg. Applications development is also performed in cooperation with customers through project assignments.

High technology on a micro-scale

FPC's technological uniqueness derives from the design of silicon chips that read fingerprints, their packaging into an entire component and adaptation for efficient production.

A matrix on top of the silicon chip is equipped with image points that can read the finger's electrical properties in every image point. The design of FPC's silicon chip is highly sophisticated and totally unique for FPC. The capacitance (dielectric) sensors in FPC's products not only sense the surface but also provide three-dimensional images of the depth. This eliminates virtually all types of fraud, such as using pictures of fingerprints.

The three-dimensional image of the fingerprint is sent from the silicon chip to a biometric processor that is controlled by an algorithm to match and verify the fingerprint. FPC offers an in-house developed processor that is used mainly for smaller volumes of users. Larger processors and/or databases are generally used to match and verify large volumes of individuals.

Fingerprint sensors with distinct sales arguments

FPC's main products are fingerprint sensors for two types of reading:

The swipe sensor reads a fingerprint when the user drags his/her finger over the sensor. The fingerprint is scanned as partial images from the sensor. With its smaller scanning surface, the swipe sensor is particularly appropriate for applications with strong demands on the unit's compactness, such as mobile phones.

In addition to fingerprint biometrics, it can also be used as a navigation joystick for a screen.

The FPC 1080 was launched in 2011. During the fourth quarter, the navigation function in the sensor system was also improved, meaning the function to use the sensor as a touchpad. Benefits include compact design and power

efficiency, combined with excellent performance. The resolution is up to 508 dpi. The sensor's cost has also been adapted for large-scale series production.

The Area sensor reads a complete fingerprint when the user places his/her finger on the sensor.

The advantages of area sensors include high image quality, robust design and user-friendliness. The current version of FPC's area sensor, the FPC1011F, has been manufactured and marketed since 2008. An updated version of the area sensor will be launched during the first half of 2012.

Modules and components

FPC also sells modules equipped with an area sensor and a processor integrated into a functional unit that enables a large number of users.

In addition to the main components, meaning the sensors, the company sells other components of the technology, such as the biometric processor and algorithm software. Wafer components (un-separated silicon chips with several unpackaged sensor chips) are also sold separately.

Pilot kits for testing

Development and pilot kits of FPC's components are also sold, in order to facilitate customer evaluations and opportunities for proprietary production of prototypes/pilot series.

Patent – to protect proprietary technology

FPC's patents cover many of the principal competitive advantages: the sensor, sensor architecture with its real-time programming, low-noise pixel design, matching algorithm, the method used by the swipe sensor to analyze partial images of the biometric identity and the methodology for the sensors' packaging solution.

Production in cooperation with established global players

FPC cooperates with specialized, certified, well-established subcontractors for its production of sensors and processors. For chip production, FPC works mainly with SMIC. For the packaging of sensors, FPC contracts the services of Amkor Technology, in whose production plant FPC has also installed its own specially adapted production equipment for the molding of silicon chips.



The FPC sensor is of the capacitive variety which not only reads the surface, but also reads in depth, ie. three-dimensionally.

Surface affects volume and cost efficiency

The silicon chips that comprise the actual sensors are produced in the form of wafers – a thin, circular silicon disc. The capacity of an area sensor is a few hundred silicon chip units on one wafer, while the output for a swipe sensor is much higher, with several thousand units on the same surface.

Swipe sensors offer major potential

FPC's swipe sensors will be launched primarily for developers and manufacturers of mobile phones and e-tablets for implementation in future generations. The introduction of Smart TV is transforming the remote control into a multi-functional device with additional functions, such as navigation on the TV screen, identification of the user in conjunction with transactions and parental control.

Other application areas include U-Keys, smart cards, computer games controls, cameras and other mass-market products for which user identification adds value to the product.

First major partnership

FPC and the South Korean listed CrucialTec (CT) signed in March 2012 a joint development and production agreement. CT is the world's largest supplier of optical track pads, including a majority of the world's ten largest producers of mobile phones and remote controls for Smart TV (Tier 1 companies), with a total volume of 200 million units sold. Among CT's customers can Samsung and LG, RIM, Motorola, Sony, HTC and Sharp be noted. FPC's swipe silicon technology has at this annual report's publishing been integrated into CT's biometric modules that are marketed to a broad customer base.

In this cooperation, FPC's leading swipe silicon technology has been combined with CT's leading experience in Track Pads for mobile phones. In addition to finger sensor technologies, FPC is providing navigation capabilities and attractive Android applications for security, payment and convenience features, such as short cuts to various applications depending on which finger is swiped by the user.

The sales target is 20 - 40 million units for the period 2012-2014.

Definite confirmation for area sensors

In China, FPC's area sensors are regarded as the de facto standard for components in several applications. The area sensors are also included in a broad spectrum of applications worldwide.

Secure transactions – for bank employees

The largest volume for area sensors and thus the largest source of business lies in their utilization as a component in identification systems to secure transactions conducted by bank employees. Their biometric identity in fingerprint form is stored in the bank's IT system. In order to conduct transactions, bank employees are required to identify themselves for every transaction. The link between person and transaction is thus secured, and the shrinkage incurred in the past has been almost totally eliminated.

Secure transactions – for bank customers

A Chinese bank provides a U-Key device with a fingerprint sensor that is inserted in the computer USB-contact to secure identification for online bank transactions. Pin codes and/or mobile phones, which are frequently no guarantee that the particular individual is the person conducting the transaction, are no longer required for the customers to identify themselves. The link between the person and the transaction is secured by the U-Key with a fingerprint sensor.

Time reporting

Personal identification facilitates and secures time reporting when personnel log in and out of work. The application is used today in Sweden, South Africa, China, Germany and other countries.

Access control

Personal identification applications are now available that facilitate access or passage, such as applications for door locks (Sweden, South Korea, China and Taiwan), baggage (China), safes (Taiwan), weapons cabinets (US) medical equipment (Italy) and vehicles used to transport valuables (Sweden and China).

IT security

Sensors are used to provide increased IT security for access to USB memory units (including applications in Japan and South Korea) and for keyboards (Belgium and other countries).

On-site payment registration

Sensors are also used to enhance on-site payment registration security at points of sale in restaurants, banks, post offices and stores to identify the person who enters a sale in the cash terminal (China, France, India and others).

For further information concerning the market for biometric systems, refer to page 8.





AREA SENSOR

The FPC1011F scans a complete fingerprint when the user places a finger on the sensor.



SWIPE SENSOR

The FPC1080A reads a fingerprint by means of the user swiping a finger over it.



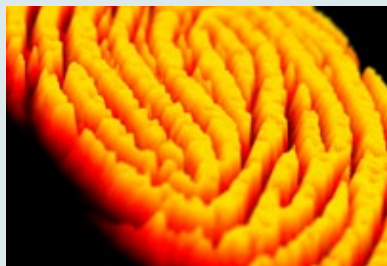
BIOMETRIC MODULE

The FPC-AM3 consists of the FPC1011F area sensor linked to the FPC2020 biometric processor.



BIOMETRIC PROCESSOR

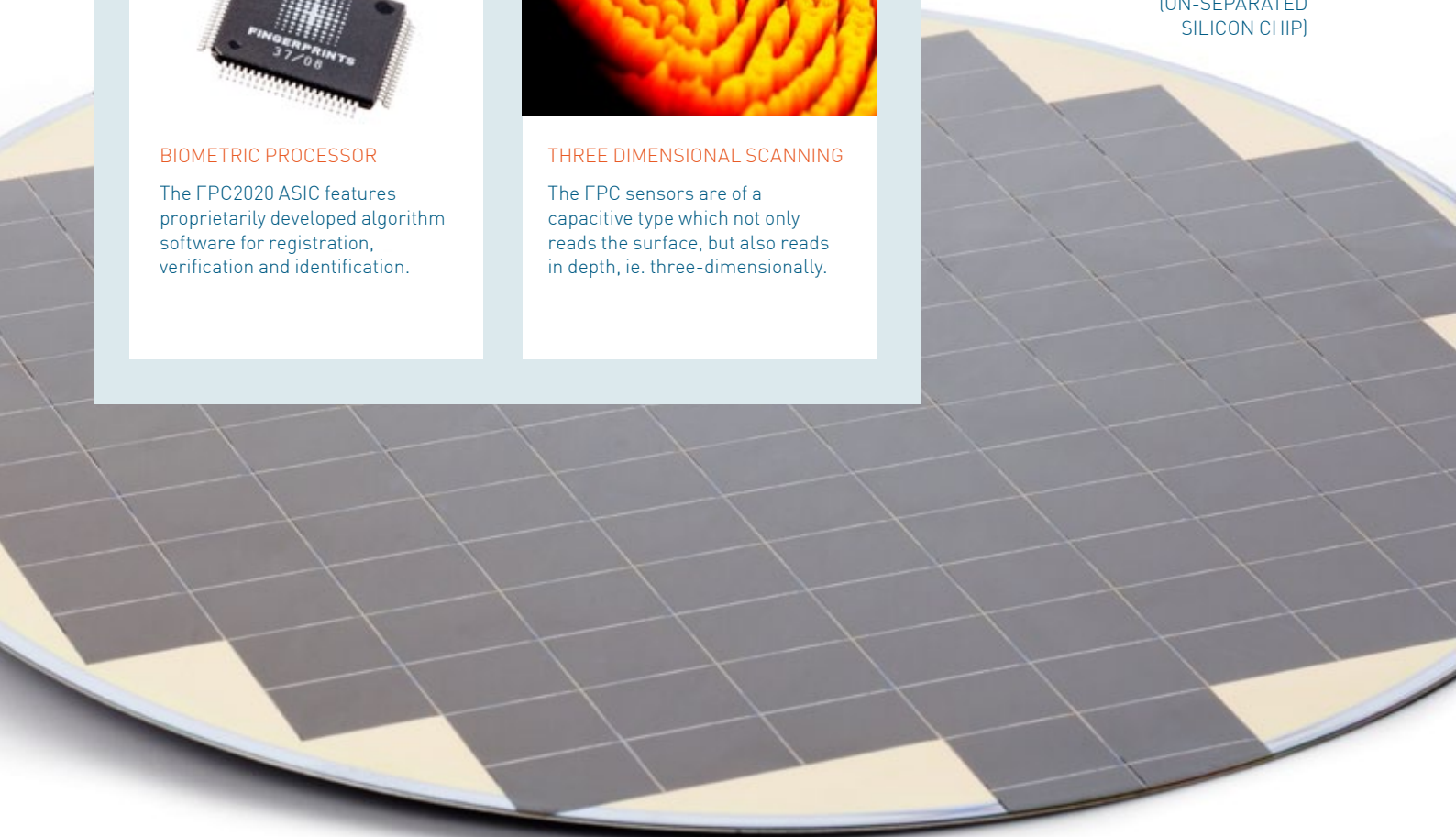
The FPC2020 ASIC features proprietary developed algorithm software for registration, verification and identification.



THREE DIMENSIONAL SCANNING

The FPC sensors are of a capacitive type which not only reads the surface, but also reads in depth, ie. three-dimensionally.

WAFER (UN-SEPARATED SILICON CHIP)



Three business models

FPC works with three business models – component sales, project sales, and licensing. Sales are conducted via distributors, while direct sales focus primarily on product developers /system integrators and OEMs.

Strategically, FPC has elected to focus on the key business components, meaning development, marketing and sales. It is crucial to be able to commercialize products and services as successfully as possible. During 2011, programs in the market and sales organization maintained a high pace.

Marketing

Marketing is aimed at product developers/system integrators.

Marketing is conducted via various channels. The company's website represents a key channel, offering complete technical information and the potential to order test kits for evaluation and trial production. Trade shows are another significant marketing channel in providing new contacts. Distributors participate at local shows at which FPC participates with personnel and marketing materials. FPC itself participates at various industry fairs each year. During 2011, the company participated at the International Security Conference & Exposition –ISC West Las Vegas, among others.

Sales at several levels

FPC cooperates with distributors as part of efforts to broaden its sales. Via distributors, customers are reached at various levels, meaning the distributors' direct customers and their customers in turn.

FPC ensures that it maintains continuous contact with distributors and meets them several times a year, as well as conducting joint customer visits.

During 2011, FPC appointed new or supplementary distributors in 11 countries. New countries in which FPC now has distributors are Thailand, Vietnam and the Philippines. Countries in which distributors have been replaced or supplemented with additional distributors are: China, Taiwan, US, South Korea, Singapore, Japan, India, Malaysia and Indonesia. At year-end, FPC was represented by 15 distributors who jointly cover 22 countries or regions. In markets in which FPC is not represented, sales are conducted directly to customers.

The sustained strategic work that FPC's Chinese distributor, HST, has conducted in China has resulted in a strong position for FPC's high-capacity area sensors. Thus, the company has granted HST an initial, one-year exclusive contract for sales of FPC's area sensors in the Chinese market

Serial Microelectronics – a dedicated distributor, with an organization created primarily for high-volume deliveries – will develop the markets that demand

solutions based on swipe sensors. As a result of the exclusivity contract, HST will be expanding its market organization, permitting a focus of FPC's resources on direct cultivation of OEM customers for swipe sensor projects that offer good potential to gain additional design wins in a number of projects for mobile phones, smart TVs and USB keys.

Sale in cooperation with other companies

As described in the business section on page 16, FPC cooperates with other providers. FPC's commitment is to customize the technology for optimum performance. The business model in a partnership of this type is payment for delivered custom-developed components and modules based on an agreed payment amounts, depending on volume.

Major partnerships of this nature are in effect with the Chinese Maxis for the area sensor and the line sensor with Korean CrucialTech.

Close to key market using proprietary regional office

To be close to distributors and FPC's key markets, the company has a proprietary office in Shanghai. The manager of this office and for the Asia region is Steven Tynan, who previously represented Precise Biometrics' operations in Hong Kong. In early 2011, it was announced that FPC would also open a regional office in Taiwan with Jams Wei as the manager. This move is targeted primarily at the mobile market, in which Taiwan is both a center for technological development in mobile telephony and a hub for technological development for most of the major global electronics companies.

Strengthened sales organization

FPC's sales organization was strengthened at year-end 2011 with the appointment of Thomas Rex, who has many years of experience in complex IT sales and well-established contacts in the mobile industry.

Three revenue sources

FPC's business model is based on three revenue sources – components, project sales and licensing.

Component sales consist largely of area and swipe sensors, but can also consist solely of the sale of wafers (silicone chips for area and swipe sensors on a wafer) or FPC's proprietary processes. Sales are conducted directly by FPC or via distributors. Production is conducted on the basis of forecast volumes and component sales are order driven.

Project sales entail that FPC raises the processing level

by customizing an area or swipe sensor in cooperation with the client using component or software modification. Sales are conducted directly by FPC. Project sales may also result in Design Wins, meaning that the customized sensor is specified in a mobile phone design for a certain model.

Licensing may also be undertaken for component design and/or software programming. FPC conducts direct sales.

FPC discloses orders of significant value order or those deriving from new key customers and/or markets.

In terms of sales, components account for the largest share of area sensor sales.

Volume sales of swipe sensors commenced towards the close of 2011.

Gross margin at a healthy level

In addition to their technical performance, FPC's components are also designed for large-scale rational production. In pace with rising sales volumes, more favorable purchasing power and improved production, the gross margin for area sensors – after cost of goods sold – has been more than 50 percent. The swipe sensor's gross margin is difficult to calculate, since the production output initially fluctuates. The outcome is expected to rise and stabilize over time, resembling the trend witnessed for the area sensor.

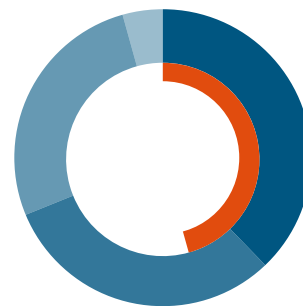
Costs of sales, administration and development represent fixed costs, whose share declines in pace with higher sales. As of the first quarter of 2012, the reporting of gross margin will be amended as the result of the reclassification of costs. To provide transparent information, both measures of the gross margin will be shown parallel during 2012.

Moving in the right direction – continuing ranking among Europe's fastest growing technology companies

In 2010, FPC was ranked in eighth, with sales growth of 1,319 percent over five years on the Sweden Technology Fast 50 list, an independent ranking of Sweden's most rapidly growing technology companies established by Deloitte. Also in 2011, the company was included on Deloitte's Fast 500 Europe List with a growth rate of 451 percent.

For further information concerning the market for biometric systems, refer to page 8.

Cost structure



Sales costs	13.6 SEK M
Administrative costs	11.2 SEK M
Development Cost of goods sold	9.6 SEK M
Other operating costs	1.6 SEK M
Staff costs	16.4 SEK M

Competence and cooperation

While FPC's product characteristics and quality are of major significance, it is above all FPC's workforce – their competencies, expertise, ability to cooperate, values, attitudes and performance – that create success.

FPC's organization is highly specialized. The company has specialist skills in biometrics, electronics, materials science, programming, production technology and marketing. The workforce's educational level is high, with many engineers, including three who hold PhDs in engineering.

The business-creating functions have the following competencies – business development, and marketing and sales, which are supported by accounting and administration.

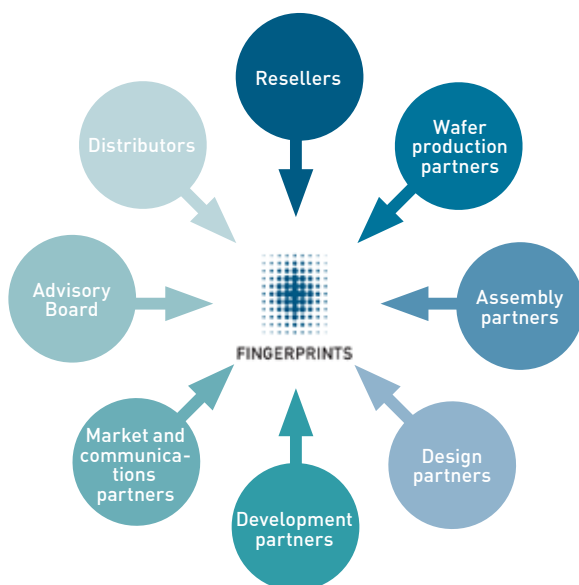
Operating structure

Of FPC's 19 employees, five – including the CEO – focus on sales and marketing. The development department consists of 12 people. In addition, two employees work with accounts and administration. FPC's Executive Management Group comprises the CEO, CTO, VP Marketing and Sales and the CFO.

Virtual organization

Additional skilled resources are co-opted to operations on a project basis. By this means, FPC's personnel and competencies are supplemented in a flexible and optimal manner.

FPC has also long-term business partners at the production and reseller levels. The skills and efficiency of the partners are decisive for FPC's business and are thus selected in line with well-defined profiles.



Advisory Board

The organization also receives support from an Advisory Board representing in-depth expertise and industry know-how in strategic areas. The Advisory Board comprises Göran Malm with a background including as head of General Electric (GE) Asia and Dell Computer, and a member of Samsung's main board for 9 years, Tord Wingren, VP & Site Manager for Huawei in Lund with extensive experience in telecom and high-tech industry in Sweden and internationally, among others. co-founder and CEO of Nanoradio AB, European head of Samsung and CEO of Ericsson Mobile Platforms and Jörgen Lantto, CTO at ST Ericsson, former CTO of Ericsson Multimedia.

Key lodestars: Project control and cooperation

The company's lodestars are the importance of project control and the realization that joint efforts are key to creating results. This latter entails that FPC cooperates across organizational boundaries.

Skills development is crucial

As a result of many years of R&D work, FPC and its workforce have gained specialist know-how in the company's defined core areas – biometrics, electronics and production processes. FPC will continue to prioritize skills development through, for example, participation in international conferences and meetings and supplementary training programs.

Work environment and health

Health risks at FPC are negligible. FPC focuses on preventive health programs for its personnel and sickness absenteeism over the course of 2011 remained very low at 0.5 percent.

Personnel data

At December 31, 2011, FPC had 18 employees (17). All positions are full-time, and most employees have salary based on a fixed and a variable component which is assessed based on corporate, departmental and personal goals.

The average age was in 2011, 41 (41) years and at year end, the gender distribution 17 men and one woman. The average period of employment was 4 years (4). Value added per employee amounted to SEK 1.0 million (1.0).

FPC is a technology-intensive company that requires a high level of competence by the employees.



The share

FPC's Class B share has been listed since 2000 on the Small Caps list of Nasdaq OMX Stockholm. FPC was initially floated on the "New Markets" list of the Stockholm Stock Exchange in 1998. The share's ISIN code is SE0000422107. It is part of the IT, Electronic Equipment & Instruments sector. The company is traded under the ticker FING B. A trading lot is one share. Share capital in FPC at December 31, 2011 amounted to SEK 8,721,917 distributed among 1,200,000 Class A shares and 43,609,586 Class B shares, each with a quotient value of SEK 0.20. Class A shares carry ten voting rights each, while Class B shares carry one vote each. All shares provide equal entitlement to participation in the company and are freely transferable. Class A shares represent 22.05 percent of the votes and 2.74 percent of the capital in FPC.

New share issue

In April 2011, the company implemented a new share issue of 3,940,000 new Class B shares, corresponding to about 9.9 percent of the number of shares outstanding in the company. The new share issue generated approximately SEK 28 M for the company before deductions for issue expenses. The new share issue was directed toward a number of institutional investors from Sweden and abroad for a price of SEK 7.00 per share. The number of votes rose by the same number as the shares to total 54, 409,586 votes. The share capital increased SEK 788,000.

Share price trend

By year-end 2011, the price of FPC's Class B share had risen 3.7 percent to SEK 9.28 (8.95). During the same period, the OMX Industrial Goods & Services index declined 27 percent. At its peak during the year, FPC's Class B share reached SEK 9.6 and its lowest price was SEK 4.86. At year-end 2011, FPC's market capitalization was about SEK 394 M (380).

Trading volume

Over the course of the year, 66.4 million Class B shares were sold at a value of SEK 467 M, corresponding to an annual trading turnover of 157 percent. On average, 260,256 Class B shares were traded at a value of SEK 1,831,000 per trading day.

Shareholders

In terms of percentage shareholdings, Swedish legal entities accounted for 25 percent, Swedish private shareholders for 50 and Swedish owners for 25 percent.

Major changes in ownership

The company gained a number of Sweden and international institutional investors in conjunction with the new share issue.

Options program

On March 3, 2010, an Extraordinary General Meeting approved an issue of warrants for the period until August 31, 2012. The company's employees have subscribed for 3,433,000 of the program's warrants. The subscription price is SEK 7.48. On full subscription with the support of all warrants in this program, 3,433,000 new Class B shares are issuable, corresponding to 7.26 percent of the total number of shares and 5.94 percent of the total votes, which also entails that the share capital will increase SEK 686,600.

On November 9, 2010, an Extraordinary General Meeting approved an issue of 958,000 warrants for the period until May 11, 2013. The company's employees have subscribed for 938,000 of the program's warrants. The subscription price is SEK 15.74. On full subscription with the support of all warrants in this program, 958,000 new Class B shares are issuable, corresponding to 1.93 percent of the total number of shares and 1.63 percent of the total votes, which also entails that the share capital will increase SEK 191,600.

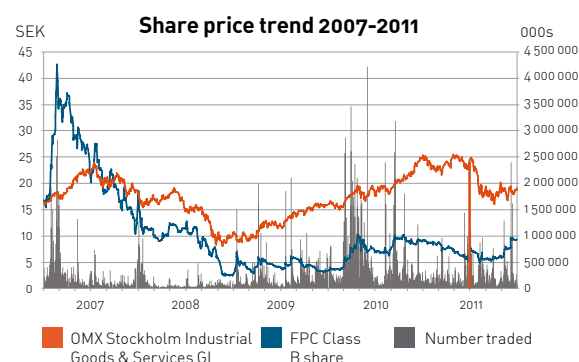
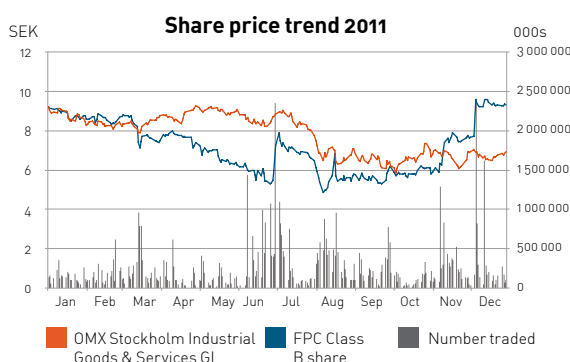
On November 17, 2011, an Extraordinary General Meeting approved an issue of 2,000,000 warrants for the period until December 18, 2014. The company's employees have subscribed for 800,000 of the program's warrants. The subscription price is SEK 13.64. On full subscription with the support of all warrants in this program, 2,000,000 new Class B shares are issuable, corresponding to 3.60 percent of the total number of shares and 3.29 percent of the total votes, which also entails that the share capital will increase SEK 400,000. Combined, the three option programs amount to 12.78 percent of the total number of shares and 10.51 percent of the total votes in the company.

Dividend policy

The company's cash flow in the years ahead will be used to finance continuing expansion. This means that the Board of FPC does not plan to propose a dividend for the coming two years. The Board will review the set dividend policy annually.

Dividend

For the 2011 fiscal year, the Board proposes to the Annual General Meeting that no dividend be paid (SEK 0 in 2010).



Share capital development

Year	Event	Quotient value	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	Bonus issue	0.2	250 000	500 000	50 000	100 000
1997	Issue	0.2	2 000 000	2 500 000	400 000	500 000
1997	Issue	0.2	370 000	2 870 000	74 000	574 000
1998	Issue	0.2	2 000 000	4 870 000	400 000	974 000
2000	Issue	0.2	540 000	5 410 000	108 000	1 082 000
2000	Issue	0.2	938 258	6 348 258	187 651	1 269 651
2005	Issue	0.2	3 000 000	9 348 258	600 000	1 869 651
2006	Issue	0.2	2 804 475	12 152 733	560 895	2 430 546
2009	Issue	0.2	7 682 060	19 834 793	1 536 412	3 966 958
2009	Issue	0.2	19 834 793	39 669 586	3 966 959	7 933 916
2011	Issue	0.2	3 940 000	43 609 586	788 000	8 721 917

Distribution of shares, Dec. 31 2010

Number of shares held	Number of share-holders	Number of A shares	Number of B shares	Number of shares held (%)	Votes (%)
1 - 500	3 878	0	703 252	1.61%	1.29%
501 - 1000	1 410	0	1 146 535	2.63%	2.11%
1001 - 5000	2 018	0	4 951 037	11.35%	9.10%
5001 - 10000	532	0	3 980 960	9.13%	7.32%
10001 - 15000	170	0	2 164 969	4.96%	3.98%
15001 - 20000	121	0	2 171 073	4.98%	3.99%
20001 -	322	1 200 000	27 291 760	65.33%	72.21%
Total	8 451	1 200 000	42 409 586	100.00%	100.00%

Composition of share capital, Dec. 31 2011

Class	Votes	Number of shares	Number of votes	Share of share capital	Votes (%)
Serie A	10	1 200 000	12 000 000	2.74	22.05%
Serie B	1	42 409 586	42 409 586	97.26	77.95%
Total		43 609 586	54 409 586	100	100

Ownership per category, Dec. 31 2011

	Possession (%)	Votes (%)
Financial institutions	15.4%	12.3%
Other Swedish legal entities	9.3%	25.4%
Swedish private individuals living abroad	25.5%	22.4%
Swedish private individuals	49.8%	39.9%
Total	100.0%	100.0%

The largest shareholders, Dec 31, 2011	Class	Number of shares held	Votes (%)
Solrosen AB	A	1 200 000	22.05
Avanza Pension	B	3 122 682	5.74
Nordnet pensionsförsäkring ab	B	1 739 447	3.20
Tixtan Limited	A	988 901	1.82
Robur Försäkring	B	649 550	1.19
Svenska Handelsbanken, Copenhagen	B	629 500	1.16
Balling Storkøb APS	B	554 000	1.02
Hansen, Tommy	B	509 713	0.94
Sydbank a/s	B	493 191	0.91
Skandia	B	420 000	0.77
Carlström, Johan	B	404 006	0.74
Johannsen, Jörn	B	394 450	0.72
Ancoria Insurance Public Ltd	B	348 000	0.64
Cbldn-Cip-Ignis	B	338 000	0.62
Danske Bank international s.a.	B		
Total 15 largest shareholders		11 791 440	41.53
Other		31 818 146	58.47
Total		43 609 586	100

Ten-year summary

Income statement	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Net sales, SEK M	68.5	60.9	38.5	27.5	20.7	11.1	2.7	2.9	5.2	4.4
Gross profit/loss, SEK M	38.7	30.8	9.8	-1.0	-12.5	0.2	0.0	0.6	3.1	4.4
Gross margin, %	56	51	25	neg	neg	2	neg	0	60	101
Profit/loss for the year, SEK M	2.7	1.6	-24.7	-24.1	-35.4	-20.0	-18.1	-23.5	-27.5	-38.6
Operating margin, %	5.0	2.6	neg	neg	neg	neg	neg	neg	neg	neg
Net profit for the year, SEK M	3.4	2.0	-24.6	-23.3	-34.2	-19.7	-17.5	-21.6	-21.2	-28.7
Profit margin, %	5.0	3.3	neg	neg	neg	neg	neg	neg	neg	neg
Depreciation/amortization, SEK M	-4.9	-6.4	-4.1	-3.5	-2.8	-2.8	-2.8	-1.2	-2.1	-3.6
Impairment losses, SEK M	-	-	-5.9	-	-	-	-	-	-	-
EBITDA, %	8.2	8.3	-14.7	-20.8	-32.7	-17.1	-15.2	-22.3	-22.2	-30.5

Financial position - Balance sheet

Capitalized development costs, SEK M	28.2	22.9	12.3	20.8	16.4	13.7	14.0	16.6	13.1	6.8
Inventories, SEK M	4.2	3.7	0.3	0.3	0.3	0.3	0.4	0.7	1.1	1.0
Stock, SEK M	0.9	-	-	-	-	-	-	-	-	-
Accounts receivable, SEK M	4.3	7.9	9.1	15.4	18.0	16.6	5.6	5.8	4.6	1.2
Other receivables + prepaid expenses, SEK M	53.0	17.2	9.7	8.4	4.0	1.1	0.1	1.6	0.8	0.2
Cash and cash equivalents, SEK M	3.2	3.8	2.3	1.4	1.6	5.6	1.0	0.7	1.9	3.1
Equity, SEK M	23.0	30.8	50.1	22.7	33.8	71.1	40.0	31.0	60.5	91.6
Current liabilities, SEK M	106.3	78.0	74.3	58.1	67.2	100.9	58.7	53.7	75.3	96.4
Working capital, SEK M	1.2	-	-	-	-	-	-	-	-	-
Balance sheet total, SEK M	9.3	8.3	9.5	10.9	6.9	7.5	2.4	2.7	6.7	7.5
Turnover rate	74.2	51.4	61.7	37.0	50.5	86.9	44.3	36.4	61.1	88.6
Average collection period	116.8	86.3	83.8	69.0	74.1	108.4	61.1	56.4	82.0	103.9
Return on capital employed, %	74	103	154	211	188	367	760	814	497	-
Return on equity, %	184	80	85	81	44	19	113	149	35	41
Return on total assets, %	3.0	2.6	neg	neg	neg	neg	neg	neg	neg	neg
Equity ratio, %	3.0	2.6	neg	neg	neg	neg	neg	neg	neg	neg
Return on total assets, %	3.0	2.3	neg	neg	neg	neg	neg	neg	neg	neg
Equity ratio, %	91	90	89	84	91	93	96	95	92	93

Cash flow	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Cash flow from operating activities, SEK M	-22.2	-0.6	-11.3	-17.1	-31.9	-28.5	-13.6	-25.0	-22.7	-22.5
Cash flow from investing activities; (SEK M)	-11.7	-20.4	-1.5	-7.8	-5.5	-2.3	0.0	-4.4	-8.5	-5.1
Cash flow from financing activities, SEK M	24.9	1.8	40.3	13.7	0.0	62.0	22.5	0.0	0.1	0.1
Cash flow for the year, SEK M	-7.8	-19.3	27.5	-11.2	-37.4	31.2	8.9	-29.4	-31.1	-27.5

Share

Earnings per share, SEK	0.08	0.05	-1.08	-1.22	-1.79	-1.33	-1.63	-2.17	-2.13	-2.88
Earnings per share after full dilution, SEK	0.08	0.05	-1.08	-1.22	-1.79	-1.33	-1.63	-2.17	-2.13	-2.88
Cash and cash equivalents, incl. investments, at year-end, SEK	0.54	0.78	1.26	1.86	2.78	6.39	4.28	4.88	9.53	14.43
Shareholders' equity at year-end per share, SEK	2.44	1.97	3.26	3.04	3.52	6.79	5.46	5.38	7.55	9.67
Shareholders' equity at year-end per share, after full dilution, SEK	2.50	1.97	3.26	3.04	3.52	6.79	5.46	5.38	7.55	9.67
Cash flow from operating activities, per average number of shares, SEK	-0.52	-0.02	-0.50	-0.90	-1.67	-1.92	-1.26	-2.51	-2.28	-2.26
Number of shares at year-end	43 609 586	39 669 586	39 669 586	12 152 733	12 152 733	11 122 434	9 348 258	6 348 258	6 348 258	6 348 258
Number of shares, average**	42 428 822	39 976 467	28 712 210	19 240 725	17 110 179	12 911 044	10 446 643	10 050 833	10 050 833	10 050 833
Number of shares after full dilution, average**	42 428 822	39 976 467	28 712 210	19 240 725	17 110 179	12 911 044	10 446 643	10 050 833	10 050 833	10 050 833
Dividend per share, SEK	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Share price at year-end, SEK	9.30	8.95	3.30	2.58	13.20	16.20	12.00	13.30	30.00	15.80
Market capitalization at year-end, SEK M	406	355	131	56	160	180	112	84	190	102
Number of employees at year end	19	19	13	13	12	11	11	12	20	20
Order backlog at year-end, SEK M	6.0	11.0	36.5	30.8	24.7	*	*	*	*	*

*N/A

**Adjusted for bonus issue costs

Administration report

Group and Parent Company

The Annual Report encompasses the fiscal year January 1 – December 31, 2011. Fingerprint Cards AB (publ), (Corporate Registration Number 556154-2381), comprises the Parent Company of a group that includes one subsidiary. The subsidiary Fingerprint Security System Databärare AB serves as a holding company for the warrants issued by the Parent Company and that are not held by employees of FPC.

During 2011, the subsidiary acquired the warrants in conjunction with an incentive program conducted during 2011. All of the Group's other operations were conducted by the Parent Company in 2011. All personnel are employed in the Parent Company. The Parent Company has its registered offices in the Municipality of Gothenburg, County of Västra Götaland, Sweden.

The company and has been listed on NASDAQ OMX Nordic, Small Cap, since 1998.

General information about operations

FPC develops, produces and markets biometric components, which, 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 and which, without the aid of external processor power, are able to scan, store and compare fingerprint patterns. FPC has developed two types of capacitive sensors for reading fingerprints – a compact swipe sensor and an area sensor. The competitive advantages that FPC's technology offers include compactness, unique image quality, extreme robustness, low power consumption and comprehensive biometric systems. Based on these features and the potential to achieve very low manufacturing costs, the technology can be implemented in volume products, such as smart cards, mobile phones, tablets and remote controls, for which the requirements are meticulous. FPC's technology is also used in products for IT, Internet security, access, passage control, identity checks or attestation or authorization of transactions, for example, in bank systems.

Significant events during the year

For the second consecutive year and for the second year since the commencement of operations in 1997, the Group reported a net profit. The gross margin for 2011 rose to 52%. The swipe sensor – the most compact fingerprint sensor worldwide – and which has been under development since 2009, was taken into mass production during 2011, and initial deliveries to the market occurred. Framework agreements were signed with mobile manufacturers and their sub-suppliers for the incorpora-

tion of the swipe sensor in their platforms for mobile phones and tablet devices. During 2011, the Group continued to receive orders, conclude contracts with new distributors and expanded further, notably in Asia. The number of employees increased to 19 (17). Programs designed to develop the organization continued. During 2011, an Extraordinary General Meeting of shareholders approved a warrant-based incentive program. The incentive program is designed for existing and future employees in the Group.

In April 2011, a private placement was conducted that provided the Group with SEK 24 M, after issue expenses.

Development of the company's operations, earnings and financial position

Fingerprint Cards commenced operations in 1997. For the second consecutive year, the company reported a net profit in 2011. The Chinese banking sector, which continues to require fingerprint technology, is still the largest market. The swipe sensor was finalized for mass production in 2011, and initial shipments were completed towards the end of the year.

During 2011, net sales increased 13% from 2010 to SEK 68.6 M (60.9), a sales record for a fiscal year. For the final three quarters, sales were higher than for the corresponding period in 2010. In addition, gross profit and gross margin for the entire year progressed more positively year-on-year, namely, SEK 38.7 M (30.8) and 52% (51), respectively.

Profit after financial items and net profit in 2011 increased to SEK 3.4 M (2.0). Full year order bookings amounted to SEK 64 M (41) and the order backlog at year-end 2011 was SEK 6 M (11). Disposable cash and cash equivalents at the end of the fiscal year amounted to SEK 23.0 M (30.8). In 2011, shareholders' equity rose from SEK 78.0 to SEK 106.3 M at year-end.

Investments

Investments in capitalized development expenditure decreased in 2011 to SEK 9.4 M (16.7). Investments in machinery and equipment decreased to SEK 1.3 M (3.7). Depreciation according to plan for 2011 decreased to SEK 4.9 M (6.4).

Cash flow

Cash flow from operating activities in 2011 was a negative SEK 22.2 M (neg: 0.8), with the decrease due primarily to an increase in accounts receivable as a result of an extension of the credit period. Cash flow to investments amounted to a negative SEK 11.7 M (neg: 20.4), for which the decrease resulted from the final phases of the swipe sensor project. Cash flow from financing totaled SEK 26.1 M (2.0), with the increase resulting from a private placement, as well as the incentive program. Cash flow for the year amounted to a negative SEK 7.8 M (neg: 19.3).

Shareholders' equity and financing

Shareholders' equity at year-end increased to SEK 106.3 M (78.0), while the consolidated equity/assets rose to 91% (92). Cash and cash equivalents at year-end decreased to SEK 23.0 M (30.8), with working capital at year-end advancing to SEK 74.1 M (51.4).

Finance policy

During 2011, FPC's Board adopted a new, updated finance policy. The purpose of the policy is clarify responsibility and describe the general rules and guidelines relating to specific areas in an effort to support operations and to reduce financial risk and its impact on the financial position, earnings and cash flow. The estimated net flow based on planned volumes and price lists is hedged to 90%. The most important net currency flow is USD, and, thus, a key aspect of FPC's work is to ensure future contracts for sales in USD and purchases of SEK.

Research and development operations

Fingerprint pursues development operations in the technology and products that its operations offer the market. Development programs are aimed at the further enhancement of fingerprint sensors, in terms of the technology, chemistry, packaging, industrialization, software, algorithms, processors and production processes. In the Group's organization, 50% of resources are devoted to development programs. In addition to the internal resources, a large range of external resources are used, varying from project to project.

Development activities in 2011 continued at a high pace, and by year-end 2011 the new swipe sensor project – which had been ongoing since 2009 – was finalized.

Development expenditure is capitalized in the consolidated statement of financial position and in the balance sheet for the Parent Company as "Capitalized development costs" within intangible fixed assets. Capitalization occurs following assessments of commercial and technical potential, the ability to complete the development and the existence of a market for the product. Amortization rates are determined on the basis of the technical and commercial lifetime of the product and the market it is aimed for and vary from product to product and from project to project. Since 2009, the amortization rate has been three to four years for products and four to five years for platform development. Expenditure on research and development during 2011 amounted to SEK 19.0 M (21.0), of which SEK 9.4 M (16.7) was capitalized in the consolidated statement of the financial position and in the balance sheet of the Parent Company and the remaining SEK 9.6 M (4.3) in the consolidated statement of comprehensive income and the income statement of the Parent Company. Capitalized development expenditure as a proportion of total operating expenses in 2011 was 26% (24).

Ownership structure

During 2011, no major change representing at least one tenth of the voting rights occurred. In 2011, the Sunfloro AB consortium continued to hold all Class A shares. The change in Sunfloro AB' ownership between 2010 and 2011 resulted from the private placement conducted in 2011. As a result, Sunfloro's shareholding in terms of the number of shares and voting rights decreased, since Sunfloro's holding was not included in the share issue.

Shareholder	Percentage of shares and voting rights at year-end			
	Capital, %		Voting rights	
	2011	2010	2011	2010
Sunfloro	2.74	3.02	22.05	23.78

Share class	Number of shares	Voting rights
A	1 200 000	12 000 000
B	42 409 586	42 409 586
Total	43 609 586	54 409 586
Shareholding of at least one tenth of the voting rights for all shares at December 31, 2011.		
Solrosen AB	22.05 %	

Incentive programs

An Extraordinary General Meeting 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 a dilution effect of 7.26% of the total number of shares and 5.94% of the voting rights, which also means that the share capital will increase by SEK 686,000.

An Extraordinary General Meeting on November 9, 2010 resolved to issue 958,000 warrants with a term extending to May 11, 2013. Of the program, 938,000 warrants are held by the company's employees. The exercise price is SEK 15.74. On full subscription with the support of all warrants in the program, 958,000 B shares can be issued, corresponding to 1.93% of the total number of shares and 1.63 of the total voting rights, and which also increases the share capital by SEK 191,600.

An Extraordinary General Meeting on November 17, 2011 approved the issue of 2,000,000 warrants with a term extending to December 18, 2014. Of the program, 1,800,000 warrants are held by the company's employees. The exercise price is SEK 13.64. On full subscription based on the exercise of all warrants in the program, 2,000,000 new B shares can be issued, corresponding to 3.60% of the total number of shares and 3.29% of the total number of voting rights, which will also raise the share capital by SEK 400,000.

Combined, the three warrants programs amount to 12.78% of the total number of shares and 10.51% of the voting rights in the company.

Expectations regarding future performance

In early 2012, FPC secured an order worth SEK 44 M from HST, which resulted in an order backlog of SEK 50 M. This was an excellent start to the year. During 2012, FPC will focus primarily on developing the market for swipe sensors in Asia, where FPC plans to gain a number of development projects already during the first six months of the current year. Now that FPC is seriously entering a new market with commercially unproved products, it is hazardous to offer forecasts. Nevertheless, a reasonable estimate for sales is in the region of SEK 70-90 M for 2012 as a whole. FPC expects increasing seasonal variations compared with 2011. A cautious start to the year followed by a steady increase during the year indicates that invoicing will increase during the latter half of 2012.

The margin for a product such as a swipe sensor is difficult to estimate, since production output fluctuates initially. Output will increase and stabilize over time, as in the case of the development of the area sensor. Thus, FPC expects that the gross margin will remain robust, although perhaps not quite at the record level shown in 2011. As of the first quarter of 2012, the reporting of the gross margin will change as a result of the reclassification of expenses. As part of efforts to provide transparent information, both measures of the gross margin will be reported during 2012.

As regards new projects and negotiations regarding them, FPC aims to provide the market with comprehensive and relevant information, although the confidential agreements concluded with partners and customers place constraints on this. The probability is estimated as favorable that we will conclude delivery contracts for a number of projects during the year, certain of which will involve mobile phones. FPC also sees major potential in other application areas, such as Smart TV and USB keys. Order bookings are expected to be in the region of SEK 100-140 M for 2012.

Seasonal variations

Sales to date have shown distinct seasonal variations. In 2011, 43% of invoicing was undertaken during the first six months, with 57% during the second six months. The quarters with the highest share of sales were Q3 2011 with 30% and Q4 2010 with 30% of total revenue for the year. The quarters with the lowest revenue share were Q1 2011, accounting for 19%, and Q2 2010 with 16% of the year's total revenue.

Guidelines for remuneration of Board members

Fees to the Chairman of the Board and Board members are payable in accordance with resolutions adopted by the Annual General Meeting (AGM). No special fees are payable for committee work. Fees for 2011/2012 amounted to SEK 170,000 for the Chairman of the Board and SEK 100,000 for each Board member, totaling SEK 570,000. Board members assuming office during an ongoing fiscal year are paid in relation to the time remaining until the following AGM.

Guidelines for the remuneration of senior executives

The task of the Remuneration Committee, which is appointed from among Board members, is to prepare guidelines in respect of pay and other employment terms for the President and senior executives and to present the Board with proposals in respect of these issues. The Board decides on salary and other remuneration for the President. The basic remuneration levels are market-based. Remuneration of the President and other senior executives comprises basic salary, variable remuneration, other benefits, pension and financial instruments. The variable remuneration may not exceed 40% of total salary. In conjunction with a salary review in 2011 and for the future, most of the revised remuneration will be allocated to the variable share in an effort to increase the performance-based salary to a maximum of 40%.

Other senior executives are those people who, in addition to the President, constitute Group Management. If the company terminates employment, severance pay is payable in an amount corresponding to not more than six monthly salaries.

During the period of notice of not more than six months, full salary and employment benefits are payable. Resolutions concerning share and share-price based incentive programs are made by the AGM. Pensions are based on defined-contribution solutions.

For 2012, the Board does not propose any changes in the guidelines governing the remuneration of senior executives.

Dividend and financial objectives

FPC's cash flow during the years ahead will be used to finance continuing expansion. This means that the Board of FPC does not intend to propose the payment of a dividend for the next two years. The Board reviews the established dividend policy annually.

The financial objectives encompass sales growth, gross margin, earnings and cash flow.

Events after the balance-sheet date

January 2012:

Fingerprint Cards secured a record order in China worth SEK 44 M.

March 2011:

Investigation regarding serious insider crime.

FPC concluded a cooperation agreement with a globally leading module producer.

FPC appointed Carnegie as its liquidity provider.

April 2012

Fingerprint Cards appoints Carnegie as Liquidity Provider.

May 2012

FPC and CrucialTec launch the Biometric Track Pad to leading customers, targeting sales of 20-40 million units in 2012-14.

Fingerprint Cards (FPC) will further extend partnership with Miaxis in China and especially towards the Chinese banking sector.

FPC appoints Göran Malm and Tord Wingren as new members of Advisory Board.

Sensitivity analysis

FPC is affected by a number of factors and the following effects on pre-tax profit arise in the event of a one percentage point change in different variables (SEK M)

	2011	2010
Change in prices	+/- 8 %	+/- 9 %
SEK/USD exchange rate	+/- 4 %	+/- 4 %

This analysis has been conducted in a static environment, but the reality is more complex. Any change in the SEK/USD exchange rate could also affect the customer price, as well as the fact that there are time-related effects in any changes.

Information concerning business risks and uncertainties

Group and Parent Company

FPC is exposed to risks. The Board and executive management work to minimize exposure and the effects of emerging risks.

The following presentation does not claim to be comprehensive, since the risks and their level vary over time.

Business risk

Financing:

It cannot be ruled out that further capital may be needed to finance FPC's operations, development and expansion. 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 more difficult 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. It cannot be guaranteed 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 created, which will contribute to reducing the need for capital contributions.

Rights:

Operations are heavily dependent on FPC protecting its technology through patents and intellectual property rights. Should intellectual property protection not be obtained, this could impact earnings and the financial position. The strategy is to protect the most important areas but it is not possible to guarantee that all patent applications will be granted. FPC does not believe that its technology infringes upon any other company's intellectual property.

Development:

FPC's success depends largely on its ability to pursue and adapt to technological development. FPC pursues development projects in the areas of biometrics, sensor technology and their applications. The projects are conducted in close cooperation with consultants and sub-suppliers. Since the projects are extensive and complex, delays in the time schedule cannot be ruled out. Serious delays, disruptions or unforeseen events could have an adverse impact on FPC's future operations. However, these risks can be reduced by using resources based on expertise and experience of technically advanced development projects and by implementing project control systems.

Competencies:

Biometrics is still a relatively new area, showing high growth and requiring advanced technical expertise of employees. FPC has a number of key persons important to the successful development of its operations. The departure of such key persons from the company could result in operational disruptions and increased costs for recruitment of replacements. To manage this risk, FPC works continuously to ensure that the necessary conditions are in place to retain competencies, while efforts are made not to link know-how to specific individuals.

Market risk

Political risks:

FPC has operations in many markets with vastly varying conditions. Changes in laws and regulations regarding foreign ownership, taxes, government involvement, royalties and customs, for example, coupled with other political and economic risks and uncertainties, such as acts of war or terrorism, could affect the company's earnings and financial

position. These risks are reduced by monitoring of the business environment and, whenever possible, planning.

Exchange rates:

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

Commodity price risk:

Silicon and gold prices are the primary factors that can impact the raw materials used in the products. The proportion of gold in the products is marginal and price fluctuations have only a limited effect on the price of the finished product. Silicon is the largest component in the products. Historically, the price of silicon has not fluctuated significantly and availability is favorable.

Macroeconomic conditions:

Currently, customers are primarily based in Asia. Economic turbulence in Europe and North America has not affected the operations significantly. However, there is no guarantee that this will continue to be the case in future or in the Asian market.

Operational risks

Production:

FPC does not conduct any proprietary production. Manufacturing, sales and delivery of FPC's technology and products depend on fulfillment of contractual requirements with respect to, for example, volume, quality and delivery time. Production and delivery problems among suppliers could have an adverse 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 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. A method for limiting this risk is to assume control of parts of the production process. Examples of such activities are investments in proprietary tools and machinery to eliminate bottlenecks.

Environment:

FPC does not conduct proprietary manufacturing. Components are purchased from selected suppliers that meet requirements in terms of function, quality, stability and the environment. FPC's products have been tested and fulfill the criteria of the RoHS Directive regarding hazardous substances in electronic products.

Sales:

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. 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 the vulnerability include the continuous development of business, sales and marketing activities to penetrate more markets and fields of application.

Credit risk

Counterparty risk:

The risk of non-payment is limited through demands for advance payment from new customers and credit assurance to the extent possible. There is also a risk associated with investments. FPC's permitted investments of liquidity are limited, in part to companies with the highest permitted credit ratings and in part in terms of the amount invested in each counterparty.

Employees and organization

FPC's employees are one of the keys to success. The objective is to develop the employees, the organization and management into a high-performing team. In 2011, the average number of employees was 19 (17). The internal organization is divided into the Market, Business Development, Production, Development and Finance departments. Each department endeavors to recruit and develop employees to jointly create a strong, complementary team with the right competencies in the right locations. In addition to permanent employees, expertise and consultants are engaged by the company to perform defined and limited assignments and projects.

The level of education is high in all departments and the company possesses leading-edge expertise in the relevant technologies. The average age of employees at year-end was 41 (41) and the average length of service was more than 4 years (4). Sickness absence was 0.4%. There was no sickness absence exceeding 60 days. Salaries and other remuneration paid to employees during 2011, excluding social security contributions, totaled SEK 17.5 M (12.7).

Environment

The company's operations are not subject to concessions or other types of permits. FPC's products fulfill the criteria of the RoHS Directive for the EU and China concerning the substances contained in electronic products.

Corporate governance

In accordance with the Swedish Code of Corporate Governance, a separate Corporate Governance Report including a section on internal control has been prepared. FPC has undertaken to follow the best practice in regards to corporate governance. During 2011, changes were made regarding the composition of the members of the Board and executive management. The AGM elected Mats Svensson as the Chairman of the Board. Christer Bergman, Sigrun Hjelmqvist, Anders Hultqvist and Urban Fagerstedt were re-elected as Board members.

The President and the VPs of Marketing, Technology, Finance and Business Development comprise the management team. The corporate governance report is presented on page 21.

Description of the work of the Board of Directors during the year

The Board's work follows an annual cycle that starts with the statutory Board meeting after the AGM. 2011 involved a high level of activity requiring Board decisions and consultation; an Extraordinary General Meeting, decisions on incentive programs, positive sales and earnings trends and continuous decisions concerning comprehensive development projects. The Board convened 14 meetings during the year. FPC employees participate in meetings as reporters whenever required. A more detailed description of corporate governance in 2011, including regulations, General Meetings, the Nomination Committee, the composition and work of the Board and governance processes and internal control, is presented in the separate Corporate Governance Report.

Supplementary information pursuant to Chapter 6, Section 2a of the Annual Accounts Act

The 2011 AGM passed resolutions empowering the Board, during the period up to the next AGM, to may make decisions concerning the new issue of

- up to 9,000,000 Class B shares, disapplying the preferential rights of shareholders regarding share issues.
- a maximum of 9,000,000 shares with preferential rights for shareholders.

Annual General Meeting

The Annual General meeting will be held at 5.30 pm on May 31, 2012 at the Radisson Blu Scandinavia Hotel, at Södra Hamngatan 59, Gothenburg.

Proposed treatment of the company's accumulated loss

The following amounts are at the disposal of the AGM (SEK):

Share premium reserve	SEK 73,784,995
Loss brought forward	SEK -22,352,586
Net profit for the year	SEK 3,363,338
Total	SEK 54,795,747

The Board proposes that the net profit for the year, as well as non-restricted funds and the loss brought forward be treated as follows:

To be carried forward: SEK 54,795,747, of which to the share premium reserve SEK 73,784,995.

For information regarding the company's earnings and financial position, refer to the following financial statements with accompanying notes.

Consolidated statement of comprehensive income

January 1 - December 31

SEK 000s	Note	2011	2010
Net sales	2, 3	68 621	60 929
Cost of goods sold		-29 885	-30 107
Gross profit		38 736	30 822
Selling costs		-13 588	-5 889
Administrative costs		-11 211	-9 466
Development costs		-9 644	-14 486
Other operating revenues		-	623
Other operating expenses	4	-1 556	-
Operating profit	5,6,7 23,24	2 737	1 604
Financial income	8	681	412
Financial expenses	8	-58	-6
Profit before tax		3 360	2 010
Tax	9	-	-
Net profit for the year		3 360	2 010
Other comprehensive income		-	-
Comprehensive income for the year		3 360	2 010
Net profit for the year attributable to Parent Company shareholders		3 360	2 010
Net profit for the year		3 360	2 010
Net profit for the year attributable to Parent Company shareholders		3 360	2 010
Comprehensive income for the year		3 360	2 010
Earnings per share			
before dilution (SEK)	10	0.08	0.05
after dilution (SEK)		0.08	0.05

Consolidated statement of financial position

At December 31

SEK 000s	Note	2011	2010
Assets			
Intangible fixed assets	11	28 220	22 877
Tangible fixed assets	12	4 177	3 740
Financial fixed assets	13	947	-
Total fixed assets		33 344	26 617
Inventories	15	4 346	7 907
Accounts receivable	14, 16	52 998	17 224
Prepaid expenses and accrued income	17	2 272	2 746
Other receivables		821	989
Cash and cash equivalents	14, 18	23 032	30 846
Total current assets		83 469	57 712
Total assets		116 813	86 329
Shareholders' equity	19		
Share capital		8 722	7 934
Other paid-in capital		304 151	280 060
Retained earnings including net profit for the year		-206 589	-209 948
Shareholders' equity attributable to Parent Company shareholders		106 285	78 046
Total shareholders' equity		106 285	78 046
Non-current provisions			
Other provisions	27	1 177	-
Total provisions		1 177	-
Current liabilities			
Accounts payable	14	3 323	4 098
Other liabilities	20	348	254
Accrued expenses and deferred income		5 680	3 931
Total liabilities and current liabilities		9 351	8 283
Total shareholders' equity and liabilities		116 813	86 329

Assets pledged and contingent liabilities, Group

At December 31

SEK 000s	Note	2011	2010
Assets pledged	31	None	15 000
Contingent liabilities		None	None

Consolidated statement of changes in equity

SEK 000s	Share capital	Other paid-in capital	Retained earnings incl. net profit for the year	Total equity
Opening shareholders' equity, Jan. 1, 2010	7 934	278 493	-211 960	74 256
Comprehensive income during the year			2 010	2 010
Net other comprehensive income				
Paid-in warrant premiums		1 778		1 778
Closing shareholders' equity, Dec. 31, 2010	7 934	280 060	-209 949	78 046
Opening shareholders' equity, Jan. 1, 2011	7 934	280 060	-209 949	78 046
Net profit for the year			3 360	3 360
Other comprehensive income during the year				
New share issue	788	23 238		24 026
Paid-in warrant premiums		854		854
Closing shareholders' equity, Dec. 31, 2011	8 722	304 152	-206 589	106 285

Consolidated statement of cash flows

January 1 – December 31				
SEK 000s	Note	2011	2010	
Operating activities	26			
Profit before tax		3 360	2 010	
Adjustment for non-cash items		6 120	6 387	
Cash flow from operating activities before changes in working capital		9 480	8 397	
Cash flow from changes in working capital				
Increase (-)/Decrease (+) in inventories		3 561	1 148	
Increase (-)/Decrease (+) in operating receivables		-35 132	-9 003	
Increase (+)/Decrease (-) in operating liabilities		1 068	-1 186	
Cash flow from operating activities		-21 023	-644	
Investing activities				
Acquisition of capitalized development expenditure	11	-9 379	-16 674	
Acquisition of tangible fixed assets	12	-1344	-3 728	
Acquisition of financial fixed assets	13	-947	-	
Cash flow from investing activities		-11 670	-20 402	
Financing activities				
Warrants	19	854	1 778	
New share issue	19	24 026	-	
Cash flow from financing activities		24 880	1 778	
Cash flow during the year		-7 814	-19 268	
Cash and cash equivalents, January 1		30 846	50 114	
Cash and cash equivalents, December 31	26	23 032	30 846	

Parent Company income statement

January 1 – December 31

SEK 000s	Note	2011	2010
Net sales	2, 3	68 621	60 929
Cost of goods sold		-29 885	-30 107
Gross profit		38 736	30 822
Selling costs		-13 588	-5 889
Administrative costs		-11 211	-9 466
Development costs		-9 644	-14 486
Other operating revenues		-	623
Other operating expenses		-1 556	-
Operating profit	5,6,7, 23, 24	2 737	1 604
Profit/loss from financial items:	8		
Other interest income and similar profit/loss items		681	224
Interest expenses and similar profit/loss items		-55	-6
Profit before tax		3 363	1 822
Tax	9	-	-
Net profit for the year		3 363	1 822

Parent Company statement of comprehensive income

January 1 – December 31

SEK 000s	Note	2011	2010
Net profit for the year		3 363	1 822
Other comprehensive income		-	-
Other comprehensive income during the year		-	-
Comprehensive income during the year		3 363	1 822

Parent Company balance sheet

At December 31

SEK 000s	Note	2011	2010
Assets			
Fixed assets			
Intangible fixed assets	11	28 220	22 877
Tangible fixed assets	12	4 177	3 740
Financial fixed assets	13,25	3 792	2 025
Total fixed assets		36 189	28 642
Current assets			
Inventories, etc.	15	4 347	7 907
Current receivables			
Accounts receivable	14,16	52 998	17 224
Other receivables Prepaid expenses and		2 139	989
accrued income	17	821	2 746
Cash and bank deposits	14,18	22 314	28 863
Total current assets		82 619	57 729
Total assets		118 808	86 371
Shareholders' equity and liabilities			
Shareholders' equity	19		
Restricted shareholders' equity			
Share capital (1 200 000 Class A shares, 38 469 586 Class B shares) Statutory reserves		8 722	7 934
Unrestricted shareholders' equity			
Share premium reserve		74 607	50 546
Retained earnings		-22 352	-24 174
Net profit for the year		3 363	1 822
Total shareholders' equity		105 788	77 578
Provisions			
Other provisions	27	1 177	-
Total provisions		1 177	-
Current liabilities			
Accounts payable	14	3 323	4 098
Liabilities to Group companies		2 492	510
Other liabilities	20	346	254
Accrued expenses and deferred income	21	5 682	3 931
Total liabilities and current liabilities		11 843	8 793
Total shareholders' equity and liabilities		118 808	86 371

Assets pledged and contingent liabilities, Group

At December 31

SEK 000s	Note	2011	2010
Assets pledged	31	None	15 000
Contingent liabilities		None	None

Consolidated statement of changes in equity

SEK 000s	Other paid-in		Retained earnings			Total shareholders' equity
	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Net profit for the year	
Opening shareholders' equity, Jan. 1, 2010	7 934	41 450	48 521	389	-24 564	73 731
Comprehensive income during the year					1 822	1 822
Appropriation of profits				-24 564	24 564	-
Paid-in warrant premiums			2 025			2 025
Closing shareholders' equity, Dec. 31, 2010	7 934	41 450	50 547	-24 174	1 822	77 578
Opening shareholders' equity, Jan. 1, 2011	7 934	41 450	50 547	-24 174	1 822	77 578
Net profit for the year					3 363	3 363
Other comprehensive income during the year				1 822	-1 822	
New share issue	788		23 238			24 026
Paid-in warrant premiums			822			822
Closing shareholders' equity, Dec. 31, 2011	8 722	41 450	74 607	-22 352	3 363	105 788

Consolidated statement of cash flows

January 1 – December 31			
SEK 000s	Note	2011	2010
Operating activities	26		
Profit before tax		3 363	1 822
Adjustment for non-cash items		6 120	6 387
Cash flow from operating activities before changes in working capital		9 483	8 209
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in inventories		3 561	1 148
Increase (-)/Decrease (+) in operating receivables		-34 999	-9 003
Increase (+)/Decrease (-) in operating liabilities		3 050	-1 186
Cash flow from operating activities		-18 905	-832
Investing activities			
Acquisition of capitalized development expenditure	11	-9 379	-16 674
Acquisition of tangible fixed assets	12	-1 344	-3 728
Acquisition of financial fixed assets	13	-1 767	-2 025
Cash flow from investing activities		-12 490	-22 427
Financing activities			
Warrants	19	820	2 025
New share issue	19	24 026	-
Cash flow from financing activities		24 846	2 025
Cash flow during the year		-6 550	21 234
Cash and cash equivalents, January 1		28 863	50 097
Cash and cash equivalents, December 31	26	22 314	28 863

Notes to the financial statements

Note 1 Significant accounting policies

All amounts in SEK 000s unless indicated otherwise

Compliance with standards and legislation

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS/IAS) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU. Furthermore, the Annual Accounts Act and Swedish Financial Reporting Board's recommendation RFR 1 (Supplementary Accounting Rules for Groups) was applied.

The Parent Company applies the same accounting policies as the Group, except in the cases described below under "Parent Company accounting policies." The Annual Report and the consolidated financial statements were approved for issue by the Board of Directors and President on May 9, 2012. The consolidated statement of comprehensive income and statement of financial position and the Parent Company's income statement and balance sheet will be adopted by the Annual General Meeting (AGM) on May 31, 2012.

Measurement basis applied to the preparation of the financial statements

Assets and liabilities are recognized at cost, except for certain financial assets and liabilities measured at fair value. Financial assets and liabilities measured at fair value comprise derivative instruments. The Group does not apply hedge accounting.

Unrealized gain and losses resulting from fluctuations in the value of the hedging contracts is recognized continuously in profit or loss in the segment Fingerprint Sensors.

Functional currency and presentation currency

The Parent Company's functional currency is Swedish kronor (SEK), which is also the presentation currency for the Parent Company and the Group. Accordingly, the financial statements are presented in SEK. Unless otherwise stated, all amounts have been rounded to the nearest thousand.

Judgments and estimates in the financial statements

Preparing the financial statements in accordance with IFRS requires that company management make judgments, estimates and assumptions that affect the application of the accounting policies and the carrying amounts of assets, liabilities, income and expenses. The actual outcome may deviate from these estimates and judgments.

These estimates and assumptions are regularly reviewed. Changes to estimates are reported in the period in which the change is made if the change affects only that specific period, or are reported in the period in which the change is made and future periods if the change affects the current and future periods. Judgments made by company management in the application of IFRS that have a material impact on the financial statements and estimates made that may lead to significant adjustments in the following year's financial statements are described in greater detail in Note 27.

Significant accounting policies applied

Except for those policies described in more detail, the accounting policies presented below were applied consistently to all of the periods presented in the Group's financial statements. Furthermore, the Group's accounting policies were applied consistently by the Group companies.

Amended accounting policies

(i) Amended accounting policies due to new or amended IFRS

The application of accounting policies complies with the policies applied in the Annual Report for the fiscal year that ended on December 31, 2010, with the exception of a number of new or amended IFRS standards and new IFRIC interpretations that became effective on January 1, 2011, none of which had any impact on the Group's financial position or earnings.

(ii) New standards, supplements and interpretations that are regarded as having an impact on the consolidated financial statements:

- IAS 24 Related-Party Disclosures – Amendment. The amendment clarifies the definition of related parties in order to facilitate the identification of such relationships and to eliminate lack of consistency in their application.
- IAS 32 Financial Instruments: Classification, Classification of rights issues – Amendment of the definition of liability entails, for example, that rights issues from a company for which the issue amount has been determined in a currency other than the company's functional currency will be recognized as an equity instrument that is issued pro rata to existing shareholders.
- IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding – Amendment. The amendment provides guidance in determining the recoverable amount of a "net pension asset." Under the amendment, a company is permitted to recognize advance payment of a minimum funding requirement as an asset.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments. The interpretation clarifies how a company is to recognize renegotiated terms and conditions for a financial liability whereby a company issues equity instruments to a lender that extinguish the financial liability in full or in part.

The Group adopted the above amendments on January 1, 2011. They had no impact on the Group's financial position or earnings.

(iii) New accounting policies for the consolidated financial statements that are to be applied as of January 1, 2012 or thereafter:

The Group intends to apply the following new standards, amendments and interpretations when they become effective. None of the standards, amendments and interpretations has been applied in advance. New standards, amendments and interpretations that are regarded as having an impact on the consolidated financial statements:

- IFRS 9, Financial Instruments: Recognition and Measurement
This standard is part of a comprehensive revision of the current standard IAS 39. The standard entails a decrease in the number of valuation categories for financial assets and that the main categories for recognition are to cost (accrued cost) or fair value via profit or loss. For certain investments in equity instruments, recognition at fair value in the balance sheet is permissible, with the change in value recognized directly in other comprehensive income, whereby there is no transfer to profit or loss in connection with divestment. In addition, new rules have been implemented for how changes in credit spread are to be presented when liabilities are recognized at fair value. The standard will be supplemented with regulations concerning impairment losses, hedge accounting and derecognition from the balance sheet. The standard will probably be applied for fiscal years starting on January 1, 2015 or later. Application of the new standard will impact the Group's classification and measurement of financial instruments. Pending completion of all parts of the standard, the Group has not evaluated the impact of the new standard.
- IFRS 7 Financial Instruments: Disclosures – Amendment
IFRS 7 is to be applied for fiscal years starting on July 1, 2011 or later. The supplement will require that additional quantitative and qualitative disclosures be made in connection with derecognition of financial instruments from the balance sheet. If a transfer of assets does not result in complete derecognition, disclosures of this must be provided. Similarly, if the company retains an undertaking in the derecognized asset, the company must also disclose this. Application of the new standard will impact the Group's disclosures concerning financial instruments.
- IFRS 13 Fair value measurement
IFRS 13 is to be applied for fiscal years starting on January 1, 2013 or later. IFRS 13 describes how fair value is to be calculated when it is to, or is permitted to, be used in accordance with individual IFRS standards. The new standard clarifies certain

concepts in the definition of fair value. Disclosures must be provided clarifying the measurement models that have been applied and the information (data) that has been used in these models, as well as how the measurement has given rise to effects in profit and loss in the form of revenues and costs. At present, IFRS 13 is not expected to have any material impact on how the Group calculates fair value, but could impact the Group's disclosures concerning financial instruments.

- IAS 1 Presentation of other comprehensive income – Amendment
The amended IAS 1 is to be applied for fiscal years starting on July 1, 2012 or later. The amendment entails a change in groups of transactions that are recognized in other comprehensive income. Items that are to be restated in profit or loss have to be recognized separately. The proposal does not change the actual content of other comprehensive income but does affect its presentation. When the amendment becomes effective, it will impact the Group's way of presenting other comprehensive income.
- IAS 19 Employee benefits – Amendment
IAS 19 is to be applied for fiscal years starting on January 1, 2013 or later. The proposal entails material changes in terms of recognition of defined-benefit pension plans. For example, the possibility of recognizing actuarial gains and losses on an accrual basis as part of "the corridor" has been removed. These are instead to be recognized on a current account basis in other comprehensive income. Sensitivity analyses are to be prepared to cover reasonable changes in all assumptions based on the calculation of the pension liability. The amendment will not give rise to any change for the Group, since it has defined-contribution pension plans.

(iv) New standards, supplements and interpretations that are currently not expected to impact the consolidated financial statements:

- IAS 12 Income taxes – Amendment
IAS 12 is to be applied for fiscal years starting on January 1, 2012 or later. The amendment of IAS 12 affects the calculation of deferred tax on properties measured at fair value. Since the Group currently has no properties measured at fair value, the amendment will have no impact on the consolidated financial statements.
- IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements
IFRS 10 is to be applied for fiscal years starting on January 1, 2013 or later. IFRS 10 replaces the section of IAS 27 that addresses the preparation of consolidated financial statements. The regulations stipulating how consolidated financial statements are to be prepared have not changed. The change pertains instead to the approach that a company should take to determine whether controlling influence prevails and thus whether a company should be consolidated. Since the standard is currently not estimated to have any impact on the Group's current assessment of the companies that are to be consolidated, it will have no impact on the consolidated financial statements.
- IFRS 11 Joint Arrangements, IAS 28 Associates and Joint Ventures
IFRS 11 is to be applied for fiscal years starting on January 1, 2013 or later. IFRS 11 addresses the recognition of joint arrangements, which are defined as a contractual arrangement whereby two or more parties gain a joint controlling influence. Since the Group has no participations in operations that fall under the definition of joint arrangements, the amendment will have no impact on the consolidated financial statements.
- IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 is to be applied for fiscal years starting on January 1, 2013 or later. The standard addresses disclosure requirements for companies that own participating interests in entities that result in a substantial amount of non-controlling influence, associates, joint arrangements and structured units. The purpose is to enable a reader to arrive at his/her own conclusions concerning consolidation of these entities, and of the possible risk that is associated with ownership. Since the Group currently owns no participating interests in the types of entities that fall under the above description, the standard is not expected to have any impact on the consolidated financial statements.

Classification, etc.

Fixed assets and long-term liabilities essentially comprise amounts that are expected to be recovered or paid twelve months or more after the balance-sheet date. Current assets and current liabilities essentially comprise amounts that are expected to be recovered or paid within twelve months from the balance-sheet date.

Segment reporting

An operating segment is a part of the Group that conducts operations from which it can generate income and incur costs and for which separate financial information is available. Furthermore, the results of an operating segment can be reviewed by the company's chief operating decision maker to evaluate the outcomes and to allocate resources to the operating segment. Refer to Note 3 for a more detailed description of the division and presentation of the company's operating segments.

Consolidation principles

(i) Subsidiaries

Subsidiaries are companies that are subject to a controlling influence from Fingerprint Cards AB (publ). A controlling influence means a direct or an indirect right to formulate a company's financial and operational strategies to generate economic benefits. An assessment of whether a controlling influence exists takes into account shares carrying potential voting rights that can be immediately utilized or converted. Subsidiaries are recognized in accordance with the purchase method. In accordance with this method, an acquisition of a subsidiary is considered to be a transaction through which the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The consolidated cost is determined by performing an acquisition analysis in conjunction with the acquisition. The analysis determines the cost for the participations or the operations and the fair value of the acquired identifiable assets and the assumed liabilities and contingent liabilities on the acquisition date. The cost of the subsidiaries' shares or operations comprises the sum of the fair value of the paid assets on the acquisition date, arisen or assumed liabilities and for issued equity instruments paid in exchange for the acquired net assets. Costs directly attributable to the acquisition are expensed on a current account basis.

For business combination whereby the cost exceeds the fair value of the acquired assets and assumed liabilities and contingent 28 FPC I Annual Report 2011 liabilities that are recognized separately, the difference is recognized as goodwill. If the difference is negative, it is recognized directly in net profit for the year.

Subsidiaries' financial statements are included in the consolidated financial statements from the acquisition date until the date on which the controlling influence ceases.

(ii) Transactions eliminated on consolidation

Inter-company receivables and liabilities, income or expenses and unrealized gains or losses arising from inter-company transactions between the Group companies are eliminated in their entirety when the consolidated financial statements are prepared.

Foreign currency

Transactions in foreign currency are translated to the functional currency at the exchange rate prevailing on the transaction date. The functional currency is the currency in the primary economic environments in which the companies conduct their operations. Monetary assets and liabilities in foreign currencies are translated to the functional currency at the exchange rate prevailing on the balance-sheet date. Exchange-rate differences arising in conjunction with these translations are recognized in profit or loss.

Currency flows for 2012 were hedged during autumn 2011 in accordance with the prevailing finance policy that has been adopted by the Board of Directors. These forward contracts are recognized at market value in the 2011 financial statements. Also refer to Note 21.

Non-monetary assets and liabilities recognized at historic costs are translated according to the exchange rate on the transaction date. Non-monetary assets and liabilities measured at fair value are translated to the functional currency at the exchange rate prevailing on the date of fair value measurement.

Income

Income for the sale of goods is recognized in profit or loss when the material risks and benefits associated with ownership of the product have been transferred to the purchaser. Income is not recognized if it is unlikely that the economic benefits will accrue to the Group. Revenue is not recognized if substantial uncertainty exists concerning payment, associated costs or the risk of returns or if the seller retains a commitment to the ongoing management that is usually associated with ownership. Income is recognized at the fair value of the amount received, or expected to be received, less discounts provided.

Leasing

(i) Operating leases

Expenses pertaining to operating leases are recognized in profit or loss for the year straight-line over the lease term. Benefits received from signing a lease agreement are recognized in profit or loss as a decrease in leasing fees straight-line over the term of the lease agreement. Variable fees are expensed in the periods in which they arise.

(ii) Financial leases

The minimum lease fees are distributed between interest expense and amortization of the outstanding liability. The interest expense is distributed over the lease term so that each accounting period is charged with an amount corresponding to a fixed interest rate for the liability recognized in each period. Variable fees are expensed in the periods in which they arise.

Financial income and expenses

Financial income comprises interest income on invested funds and gains from changes in value of financial assets measured at fair value in profit or loss. Gains/losses from the divestment of a financial instrument are recognized when the risks and benefits associated with ownership of the instrument are transferred to the purchaser and the Group no longer has control of the instrument. Financial expenses comprise interest expense, losses on changes in value of financial assets measured at fair value in profit or loss and impairment losses on financial assets.

Taxes

Consolidated tax comprises current tax and deferred tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be paid to or by the tax authorities based on the tax rates and the tax legislation that are adopted or have essentially been adopted on the balance sheet date. Current tax is tax pertaining to taxable profit for the period. Deferred tax arises due to temporary differences between the taxable value and the carrying amount of an asset or liability. Current tax and deferred tax are recognized in profit or loss with the exception of transactions recognized in other comprehensive income. Tax attributable to items recognized in other comprehensive income is also recognized in other comprehensive income. Deferred tax assets are recognized in the balance sheet insofar as it is probable that they can be utilized to offset future taxable surpluses. When calculating the Group's deferred tax assets and tax liability, a tax rate of 26.3% is applied.

Classification of financial instruments

Financial instrument recognized in the statement of financial position include, on the assets side, cash and cash equivalents, accounts receivable, financial investments and derivatives. Accounts payable are included on the liabilities side.

(i) Classification

The Group's financial instruments are classified in the following four categories. The purpose of the acquisition of financial instruments constitutes the basis for classification. Classification is made by company management in connection with the first recognition occasion. The classification determines how the financial instrument is to be measured after the first recognition occasion, in the manner shown below.

1. Financial assets measured at the fair value via profit or loss

This category comprises two subgroups: financial assets and liabilities held for sale and those that on the date of acquisition were classified as being measured at fair value via profit or loss. A financial

asset or liability is entered in this category if it has been acquired with the purpose of being sold in the short term or has been classified as such by company management. Derivative instruments are also classified in this category. Assets and liabilities in this category are classified as current if they are held for sale or are expected to be sold within 12 months of the balance-sheet date.

2. Loan receivables and accounts receivable

Financial assets and liabilities that are not classified as derivative instruments and that are subject to fixed payment and are not quoted on an active market. Classification as a current asset occurs if the due date arises less than 12 months after the balance-sheet date, following which non-current assets is the classification.

3. Investments held to maturity

Financial assets and liabilities that are not derivative instruments subject to fixed payment and fixed due dates that company management intends or has the capacity to hold until maturity. During 2011 and 2010, the Group had no assets in this category. Following initial recognition, these assets and liabilities are measured at accrued cost in accordance with the effective interest method, adjusted for any impairment losses. The result is recognized in profit or loss when the asset is divested or impaired, and in pace with recognition of accrued interest.

4. Financial assets held for resale

The category of financial assets with the potential to be sold includes financial assets that are not classified in any other category or financial assets that the company has chosen to classify in this category. During 2011 and 2010, the Group had no assets in this category. These assets apply to non-current assets unless company management intends to divest the investment within 12 months of the balance-sheet date. Measurement occurs initially at fair value including transaction costs. Changes in value are recognized against other comprehensive income. When the asset is sold, the accumulated changes in value are reversed to profit or loss. Unrealized changes in value are recognized in other comprehensive income unless the value decline is material or has persisted for a long time. In these fall cases, impairment losses are charged against profit or loss.

(ii) Classification and measurement

A financial asset or financial liability is recognized in the statement of financial position when the Group becomes a contractual party in accordance with the terms of the instrument's contract. A receivable is entered when the company has performed and the counterparty has a contractual obligation to pay, even if the invoice has yet to be sent. Accounts receivable are recognized in the statement of financial position when an invoice is sent. Liabilities are recognized when the counterparty has performed and there is a contractual obligation for the company to make a payment without an invoice having yet been received.

Accounts payable are recognized when the invoice has been received. A financial asset is derecognized from the statement of financial position when the contractual rights have been realized, expire or the Group loses control of them. The equivalent applies to a portion of a financial asset. A financial liability is derecognized from the statement of financial position when a contractual obligation has been received or otherwise extinguished. A financial asset and a financial liability are offset and recognized at net amount in the statement of financial position only when a legal right to offset the amounts exists and it is intended that the items be settled at net amount or simultaneously realize the asset and settle the liability. Acquisitions and divestments of financial assets are recognized on the trade date which is the date on which the Group undertakes to acquire or divest the asset.

A financial instrument that is not a derivative is initially recognized at cost corresponding to the fair value of the instrument plus transaction costs for all financial instruments, except for those belonging to the category of financial assets measured at fair value in profit or loss, which are measured at fair value excluding transaction costs.

Derivative instruments are recognized initially at fair value, whereby transaction costs are charged against profit or loss. Changes in the value of derivative instruments are recognized in operating profit. Cash and cash equivalents comprise cash funds and immediately available balances with banks and similar institutions, as well as current liquid investments, which are exposed to only an insignificant risk of currency fluctuations. Exchange-rate fluctuations pertaining to operating receivables and liabilities are recognized in operating loss, while exchange-rate fluctuations pertaining to financial receivables and

liabilities are recognized in net financial items.

Accounts receivable are financial assets that are not derivatives, that have determined or determinable payments and that are not listed on an active market. These assets are measured at amortized cost. Amortized cost is determined based on the effective rate that is calculated on the acquisition date. Accounts receivable are recognized at the amounts at which they are expected to be received, meaning less any doubtful receivables. Loans and other financial liabilities, such as accounts payable, are measured at amortized cost. This does not apply to derivative liabilities, which are instead measured at fair value.

Tangible fixed assets

(i) Owned assets

Tangible fixed assets are recognized in the Group at cost less accumulated depreciation and any impairment. Cost includes the purchase price and any expenses that are directly attributable to the asset to put it in place and in the condition to be utilized for the purpose for which it was acquired.

Accounting policies for impairment are described below. The carrying amount of a tangible fixed asset is derecognized from the statement of financial position when it is disposed or divested or no more future economic benefits are expected to be derived from the use or disposal/divestment of the asset. Gains or losses arising in conjunction with the divestment or disposal of an asset comprise the difference between the sales price and carrying amount of the asset, less direct selling expenses. Gains and losses are recognized as other operating income/expenses.

(ii) Leased assets

Lease agreements are classified as either financial or operating leasing. Financial leasing exists when the economic risks and benefits associated with ownership have been essentially transferred to the lessee. If this is not the case, it is operating leasing. Assets hired under financial leases are recognized as fixed assets in the statement of financial position and are initially measured at the lower of the leased item's fair value and the current value of the minimum leasing fees when the contract is signed. The obligation to pay future leasing fees is recognized as a long-term and current liability. The leased assets are depreciated over their respective useful lives while leasing payments are recognized as interest and amortization of liabilities. Assets rented under operating leasing are not usually recognized in the statement of financial position. Operating leases do not give rise to liabilities.

(iii) Additional costs

Additional costs are added to a cost only if it is probable that the future economic benefits associated with the asset will accrue to the company and the cost can be calculated reliably. Other additional costs are recognized as an expense in the period in which they arise.

An additional cost is added to cost if the expense pertains to the exchange of identified components or portions thereof. An expense is also added to cost if a new component is created. Any non-depreciated carrying amounts for exchanged components, or portions of components, are scrapped and expensed in conjunction with the exchange. Repairs are expensed continuously.

(iv) Depreciation principles

Depreciation takes place on a straight-line basis in relation to the estimated useful life of the asset. Leased assets are depreciated over their estimated useful lives or their contractual lease term, if shorter. The estimated useful lives are as follows:

- plant and machinery 5 years
- equipment, tools, fixtures and fittings 5 years

Intangible assets

(i) Research and development

Development expenditure, aimed at achieving new or improved products or processes, is recognized as an asset in the statement of financial position, if the product or process is technically and commercially viable and the company has sufficient resources to complete the development process and subsequently use or sell the intangible asset. The carrying amount includes directly attributable expenses, such as materials and services used and consumed in connection with processing, registration of legal rights and borrowing costs in accordance with IAS 23. Other development expenditure is

recognized in profit or loss as an expense when it arises. Development expenditure recognized in the statement of financial position is recognized at cost less accumulated amortization and any impairment losses.

Research expenses aimed at obtaining new scientific or technical knowledge are recognized as an expense when they arise. Since all research originates from products and market demand, no research arises.

(ii) Amortization principles

Amortization is recognized in profit or loss straight-line over the estimated useful lives of the intangible assets, unless the useful lives are indeterminable. The useful lives are reassessed at least once a year. Intangible assets with an indeterminable useful life or that are not ready for use are tested for impairment every year and as soon as there is an indication suggesting that the asset has declined in value. Intangible assets with determinable useful lives are amortized from the date on which they became available for use. The estimated useful lives are as follows:

- Products 3-4 years
- Platforms 4-5 years

Useful lives are reassessed every year.

Inventories

Inventories are measured at the lowest of cost and the net selling price. The cost of the inventories is calculated by applying the first-in, first-out method (FIFO) and includes expenses arising in conjunction with the acquisition of inventory items and the transportation to their current location and condition. The cost of manufactured goods and work in progress includes a reasonable share of indirect costs based on normal capacity. The net selling price is the estimated sales price in the operating activities, less estimated expenses for completion and bringing about a sale. Inventories are measured at accrued cost.

Impairment

The Group's recognized assets are tested on every balance-sheet date to determine whether there are any indications of impairment. IAS 36 is applied to the impairment of assets that are not financial assets recognized in accordance with IAS 39, assets for sale and divestment groups recognized in accordance with IFRS 5, inventories and deferred tax assets. The carrying amounts of the exempted assets stated above are determined in accordance with the respective standard.

(i) Impairment of tangible and intangible assets

If there is an indication of impairment, the asset's recoverable amount is calculated. The recoverable amount of intangible assets is also calculated annually. If it is not possible to determine significant independent cash flows to an individual asset, and its fair value less selling expenses cannot be used, the assets are grouped when tested for impairment at the lowest level from which it is possible to identify significant independent cash flows, known as a cash-generating unit.

An impairment loss is recognized when an asset's carrying amount exceeds its recoverable amount. An impairment loss is recognized as an expense in profit or loss.

(ii) Impairment of financial assets

On each reporting occasion, the company tests whether there is objective evidence that a financial asset or group of assets requires impairment. Objective evidence comprises observable circumstances that have occurred and that have a negative impact on the possibility of recovering costs and significant or protracted decreases on the fair value of an investment in a financial investment classified as an available-for-sale financial asset.

Impairment testing of accounts receivable is determined based on historical experience of customer losses from similar receivables. Accounts receivable that require impairment are recognized at the present value of future cash flows. However, receivables with short terms are not discounted. Impairment losses on available-for-sale financial assets are recognized in profit or loss in net financial items.

(iii) Reversal of impairment

Impairment losses on assets encompassed by the scope of IAS 36 can be reversed if there is an indication suggesting that impairment no longer exists and a change has been made to the assumptions that

formed the basis of the calculation of the recoverable amount. A reversal only takes place to the extent that the asset's carrying amount following reversal does not exceed the carrying amount that would have been recognized, less depreciation/amortization where necessary, had the impairment loss not been recognized. Impairment losses on accounts receivable recognized at amortized cost are reversed if the previous reasons for recognizing an impairment loss no longer exist and full payment can be expected from the customer.

Earnings per share

The calculation of earnings per share is based on the net profit/loss for the year in the Group attributable to the Parent Company's owners and on the weighted average number of shares outstanding during the year. In calculating earnings per share after dilution, earnings and the average number of shares are adjusted to take into account the diluting effects of potential common shares, which arise during recognized periods from warrants issued to employees. The dilution of warrants affects the number of shares and only arises when the exercise price is lower than the share price.

Remuneration of employees

The Group has defined-contribution pension plans. Defined-contribution pension plans are classified as the plans whereby the company's obligation is limited to the contributions it has undertaken to pay. In such cases, the amount of the employee's pension depends on the contribution that the company pays to the plan or to an insurance company and the return on capital generated by the contributions. Consequently, the employee bears the actuarial risk and investment risk. The company's obligation regarding contributions to defined contribution plans is recognized as an expense in profit or loss in line with contributions being earned by the employee performing the services for the company over a period of time.

(i) Severance pay

An expense for severance pay when employees leave the company is recognized only if the company is demonstrably obligated, without a realistic possibility of withdrawing, by a formal detailed plan to terminate employment before the normal point in time. When severance pay is provided as an offer to encourage voluntary redundancy, an expense is recognized if it is probable that the offer will be accepted and the number of employees who will accept the offer can be reliably estimated.

(ii) Short-term remuneration

Short-term remuneration to employees is calculated without discounting and is recognized as an expense when the related services are received. A provision is recognized for the expected cost of profit-share and bonus payments when the Group has a valid legal or informal obligation to make such payments as a result of services being received by employees and that the obligation can be reliably calculated.

(iii) Share-based payments

An options program enables employees to acquire shares in the company. The expense recognized corresponds to the fair value of an estimate of the number of warrants that is expected to be earned, taking into consideration terms of services and performance that are not market conditions. This expense is adjusted in subsequent periods to eventually reflect the actual number of warrants earned. However, no adjustment is made for when warrants are forfeited due to only the non-fulfillment of market conditions and/or conditions that are not earnings conditions.

Social security contributions attributable to share-based instruments issued to employees as remuneration for services purchased are expensed over the period during which the services are performed. The provision for social security contributions is based on the fair value of the warrants on the reporting date. The fair value is calculated in accordance with the same measurement model as applied when the warrants were issued.

Provisions

A provision differs from other types of liabilities since there is uncertainty surrounding the point in time that payment will be received or the amount of payment to be received to settle the provision. A provision is recognized in the statement of financial position when there is an existing legal or informal obligation as a

result of an event that has occurred and it is probable that an outflow of economic resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are established at the amount corresponding to the best estimate of the amount required to settle the existing obligation on the balance-sheet date. Since the effect of the point in time at which payment is made is of importance, provisions are calculated by discounting the expected future cash flow at an interest rate before tax that reflects the current market assessment of the time value of money and, if applicable, the risks associated with the liability.

Contingent liabilities

A contingent liability is recognized when there is a potential commitment deriving from an event that has occurred and the existence of which is confirmed by only one or more uncertain future events or when there is a commitment that is not recognized as a liability or a provision since it is not probable that an outflow of resources will be required.

Parent Company accounting policies

The Parent Company's Annual Report is prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The statements regarding listed companies as issued by the Financial Reporting Board were also applied. Under RFR 2, in its Annual Report for the legal entity, the Parent Company is to apply all IFRS and statements adopted by the EU as far as possible within the framework of the Annual Accounts Act, the Pension Obligations Vesting Act and with respect to the relationship between accounting and taxation. The recommendation stipulates the exemptions and additions to IFRS that are to be made.

Differences between consolidated and Parent Company accounting policies

The differences between the consolidated and Parent Company accounting policies are presented below. The accounting policies for the Parent Company described below were applied consistently to all periods presented in the Parent Company's financial statements.

(i) Amended accounting policies

In addition or opposed to what is stated above for the Group, no amendments impacted the Parent Company in 2011.

(ii) Classification and presentation format

Earnings for the Group are recognized in the statement of comprehensive income and for the Parent Company in the income statement. In addition, the Parent Company uses the terms "balance sheet" and "cash-flow statement" for the statements that the Group refers to as "statement of financial position" and "statement of cash flows," respectively. The balance sheet for the Parent Company has been presented according to the format stipulated in the Annual Accounts Act, while the statement of comprehensive income, the statement of changes in shareholders' equity and the cash-flow statement are based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows.

(iii) Subsidiaries

Participations in subsidiaries are recognized in the Parent Company in accordance with the cost method.

(iv) Segment reporting

The Parent Company does not report segments according to the same distribution as the Group. The Parent Company's distribution of net sales matches the Group's segments and the distribution of revenues from external customers, as shown in Note 3.

(v) Tangible fixed assets

Tangible fixed assets in the Parent Company are recognized at cost less accumulated depreciation and any impairment in the same manner as for the Group, with the additional of any revaluations.

(vi) Leased assets

All lease agreements in the Parent Company are recognized as operating leasing.

(vii) Group contributions and shareholders' contributions for legal entities 1)

Group contributions paid or received in order to optimize the Group's tax expense are recognized in the Parent Company as an increase in the item "Participations in Group companies" in the balance sheet. A Group contribution received is recognized in the Parent Company in the same manner as dividends; that is, as financial income.

Note 2 Distribution of income

Income per significant type of income	Group		Parent Company	
	2011	2010	2011	2010
SEK thousands				
Net sales:	68 621	60 929	68 621	60 929
Sale of goods	68 621	60 929	68 621	60 929

Note 3 Operating segments

The Group's business activities are divided into operating segments based on the parts of the operations reviewed by the company's chief operating decision maker, which is known as a "management approach." Since Group management reviews the results of the operations and decides on the allocation of resources based on the products manufactured and sold by the Group, these comprise the Group's operating segments. Accordingly, the Group's internal reporting is structured to enable Group management to review the performance and results of all products. The Group's segments have been identified based on this internal reporting structure. The following operating segments have been identified:

- Fingerprint sensors
- Other

The Group's operating segments	Fingerprint sensors		Other		Total and continuing operations	
	2011	2010	2011	2010	2011	2010
SEK thousands						
Income from external customers	68 621	60 929	-	-	60 929	60 929
Depreciation/amortization	-4 942	6 387	-	-	-4 942	6 387
Operating profit	2 737	1 604	-	-	2 737	1 604
Net financial items	623	406	-	-	623	406
Profit before tax	3 360	2 010	-	-	3 360	2 010

The Group's operating segments	Fingerprint sensors		Other		Total and continuing operations	
	2011	2010	2011	2010	2011	2010
SEK thousands						
Assets	116 813	86 329	-	-	116 813	86 329
Investments in fixed assets	-11 670	-20 402	-	-	-11 670	-20 402
Liabilities and provisions	10 528	8 283	-	-	10 528	8 283
Cash flow from operating activities	-22 200	-644	-	-	-22 200	-644
Cash flow from investing activities	-11 670	-20 402	-	-	-11 670	-20 402
Cash flow from financing activities	24 880	1 778	-	-	24 880	1 778

Geographical areas

Group	Income from external customers		Fixed assets	
	2011	2010	2011	2010
Sweden	315	269	32 536	23 685
Asia	68 001	59 800	3 653	2 932
Europe, Middle East and Africa	183	761	-	-
South and North America	122	98	-	-
Total	68 621	60 929	36 189	26 617

Income from external customers was attributed to individual countries according to the country in which the customer is domiciled.

Information regarding major customers

In 2011, the company generated income from a group totaling SEK 43,837,000, as well as a group totaling SEK 24,800,000. This income was recognized in the Fingerprint sensors operating segment and the geographical area of Asia.

Parent Company

Since the division of the Parent Company's operating segments matches that of the Group, all information above regarding the Group is also identical for the Parent Company's segments.

Note 4 Other operating expenses

Group and Parent Company, SEK 000s	2011	2010
Exchange-rate losses on operating receivables/liabilities	-1 556	-
	-1 556	-

Expenses for research and development in the Group and Parent Company during the year amounted to SEK 11.8M (21), of which SEK 9.4 M (16.7) was capitalized in the consolidated statement of financial position and in the Parent Company's balance sheet respectively and the remaining SEK 2.4 M (4.3) was expensed in the consolidated statement of comprehensive income and in the Parent Company's income statement, respectively.

Note 5 Employees, personnel costs and remuneration of senior executives

Expenses for remuneration of employees

Group and Parent Company, SEK 000s	2011	2010
Salaries and remuneration, etc.	15 103	10 690
Share-based payments	-	-
Pension expenses, defined-contribution plans	2 897	2 020
Social security contributions	4 842	3 709
	22 844	16 418

Average number of employees

	2011	of whom men	2010	of whom men
Parent Company and Group				
Sweden	19	95 %	14	100 %
Total Parent Company and Group	19		14	

Gender distribution in company management

Parent Company and Group	Dec. 31, 2011	Dec. 31, 2010
	Percentage of women	Percentage of women
Board of Directors	20 %	17 %
Other senior executives	0 %	0 %

If the company terminates employment, severance pay is payable in an amount corresponding to not more than six monthly salaries. The period of notice for the President is a maximum of six months.

Salaries and other remuneration specified by senior executives and other employees, and social security contributions

Tkr	2011			2010		
Parent Company and Group	Senior executives (5 people)	Other employees	Total	Senior executives (4 people)	Other employees	Total
Salaries and other remuneration	5 891	9 212	15 103	4 326	6 363	10 690
Of which President	1 984	-	-	1 609	-	1 609
Sweden and total	5 891	9 212	15 103	4 326	6 363	10 690
(of which, bonus, etc.)	-	-	-	-	-	-
Social security contributions ¹	3 594	4 145	7 739	2 459	3 247	5 727
¹ of which pension expenses	1 355	1 542	2 897	962	1 058	2 020

Of pension expenses, SEK 845,000 (449,000) pertains to the President. There were no outstanding pension commitments to the President at the end of the year or the preceding year.

Salaries and other remuneration of the senior executives of the Parent Company

SEK 000s	2011				2010			
	Basic salary	Variable remuneration	Pension expense	Total	Basic salary	Variable remuneration	Pension expense	Total
	Board fee				Board fee			
Chairman of the Board								
Mats Svensson, 2011/2012	85	-	-	85	-	-	-	-
Tommy Trollborg, 2010/2011	85	-	-	85	128	-	-	128
Board members								
Sigrun Hjelmqvist	100	-	-	100	50	-	-	50
Christer Bergman	100	-	-	100	80	-	-	80
Anders Hultqvist	100	-	-	100	80	-	-	80
Urban Fagerstedt	100	-	-	100	80	-	-	80
Mats Svensson	50	-	-	50	17	-	-	17
Geza Fülöp	-	-	-	-	30	-	-	30
President								
Johan Carlström	1 714	270	845	2 829	1 609	-	449	2 058
Other senior executives (4/3 people)	3 907	-	922	4 829	2 717	-	513	3 230
Total from the Parent Company	6 241	270	1 767	8 278	4 791	-	962	5 753

Variable salary pertains to bonus earned, which is linked to pre-determined performance targets. Bonus is paid on verification that the performance target has been reached and that it is not of a temporary nature.

Note 5, continued

Share-based payments

An Extraordinary General Meeting 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 a dilution effect of 7.26% of the total number of shares and 5.94% of the voting rights, which also means that the share capital will increase by SEK 686,000.

An Extraordinary General Meeting on November 9, 2010 resolved to issue 958,000 warrants with a term extending to May 11, 2013. Of the program, 938,000 warrants are held by the company's employees. The exercise price is SEK 15.74. On full subscription with the support of all

warrants in the program, 958,000 B shares can be issued, corresponding to 1.93% of the total number of shares and 1.63 of the total voting rights, and which also increases the share capital by SEK 191,600.

An Extraordinary General Meeting on November 17, 2011 approved the issue of 2,000,000 warrants with a term extending to December 18, 2014. Of the program, 1,800,000 warrants are held by the company's employees. The exercise price is SEK 13.64. On full subscription based on the exercise of all warrants in the program, 2,000,000 new B shares can be issued, corresponding to 3.60% of the total number of shares and 3.29% of the total number of voting rights, which will also raise the share capital by SEK 400,000.

Combined, the three warrants programs amount to 12.78% of the total number of shares and 10.51% of the voting rights in the company.

Note 6 Fees and remuneration to auditors

	Group		Parent Company	
SEK 000s	2011	2010	2011	2010
KPMG				
Audit	316	294	316	294
Audit-associated consulting services	-	-	-	-
Tax consultation	-	8	-	8
Other fees	43	101	43	76
Total fees paid to KPMG	359	403	359	403

Note 7 Operating expenses specified by type

Group and Parent Company, SEK 000s	2011	2010
Cost of materials	-29 885	-30 107
Personnel costs	-16 440	-12 764
Depreciation/amortization	-4 942	-6 386
Other operating expenses	-14 617	-10 052
	-65 884	-59 311

Note 8 Net financial items

Group, SEK 000s	2011	2010
Capital gains from the divestment of securities	-	188
Interest income	681	224
Financial income	681	412
	-58	-6
Other interest expense	-58	-6
Financial expenses	-6	-2

Parent Company, SEK 000s	2011	2010
Interest income	681	224
Financial income	681	224
Other interest expense	-55	-6
Financial expenses	-55	-6

Note 9 Taxes

Group, SEK 000s	2011	2010
Current tax expense		
Tax expense for the period	-	-
Deferred tax expense		
Deferred tax expense for the period	-	-
Total recognized tax expense		-

Parent Company, SEK 000s	2011	2010
Current tax expense		
Tax expense for the period	-	-
Deferred tax expense		
Deferred tax expense for the period	-	-
Total recognized tax expense		-

Reconciliation of effective tax

Group, SEK 000s	%	2011	%	2010
Profit before tax		3 360		2 010
Tax according to applicable tax rate for Parent Company	26.3 %	-884	26.3 %	-528
Non-deductible expenses	13.3 %	-446	5.2 %	-104
Listing costs				
Change in loss carry-forwards without capitalizing deferred tax	-39.6 %	1 330	-31.5 %	632
Recognized effective tax	- %	-	- %	-

Parent Company				
SEK 000s	%	2011	%	2010
Profit before tax		3 363		1 822
Tax according to applicable tax rate for Parent Company	26.3 %	-885	26.3 %	-479
Non-deductible expenses	13.3 %	-446	5.7 %	-104
Listing costs				
Change in loss carry-forwards without capitalizing deferred tax	-39.6 %	1 330	-32.0 %	583
Recognized effective tax	- %	-	- %	-

Note 9 Taxes, continued

The tax effects of items recognized in shareholders' equity amount to SEK 934,000 [-].

Unrecognized deferred tax assets

Deductible temporary differences and loss carry-forwards for which deferred tax assets were not recognized in the statement of financial position:

SEK 000s	2011	2010
Tax deficit	189 845	191 352

According to applicable tax regulations, deductible temporary differences do not expire. Deferred tax assets were not recognized since the company has not yet reported a profit. When the company starts reporting a profit, it will determine the amount to be capitalized as deferred tax assets.

Note 10 Earnings per share

SEK	Before dilution		After dilution (1)	
	2011	2010	2011	2010
Earnings per share	0.08	0.05	0.08	0.05

The amounts used in numerators and denominators are recognized below.

(1) Earnings per share before and after dilution

Earnings for the year attributable to Parent Company's common shareholders before dilution

SEK 000s	2011	2010
Net loss for the year attributable to Parent Company's shareholders	3 360	2 010

Weighted average number of outstanding common shares before and after dilution

In thousands of shares	2011	2010
Total number of outstanding shares, January 1	39 669 586	39 669 586
New issue	3 940 000	-
Total number of outstanding shares, December 31	43 609 586	39 669 586
Weighted average number of common shares before dilution	42 428 822	39 976 467

An Extraordinary General Meeting 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 a dilution effect of 7.26% of the total number of shares and 5.94% of the voting rights, which also means that the share capital will increase by SEK 686,000.

An Extraordinary General Meeting on November 9, 2010 resolved to issue 958,000 warrants with a term extending to May 11, 2013. Of the program, 938,000 warrants are held by the company's employees. The exercise price is SEK 15.74. On full subscription with the support of all warrants in the program, 958,000 B shares can be issued, corresponding to 1.93% of the total number of shares and 1.63 of the total voting rights, and which also increases the share capital by SEK 191,600.

An Extraordinary General Meeting on November 17, 2011 approved the issue of 2,000,000 warrants with a term extending to December 18, 2014. Of the program, 1,800,000 warrants are held by the company's employees. The exercise price is SEK 13.64. On full subscription based on the exercise of all warrants in the program, 2,000,000 new B shares can be issued, corresponding to 3.60% of the total number of shares and 3.29% of the total number of voting rights, which will also raise the share capital by SEK 400,000.

Combined, the three warrants programs amount to 12.78% of the total number of shares and 10.51% of the voting rights in the company.

Note 11 Intangible fixed assets

Group and Parent Company SEK 000s	Capitalized development expenditure	
	Dec. 31, 2011	Dec. 31, 2010
Accumulated cost		
Opening balance	38 694	41 386
Scrapping	-5 038	-
Other investments	9 379	1 466
Closing balance	43 035	42 852
Accumulated amortization		
Opening balance	-13 357	-24 638
Scrapping	4 537	17 354
Amortization for the year	-4 034	-6 073
Closing balance	-12 854	-13 357
Accumulated impairment		
Opening balance	-2 462	-5 939
Scrapping	502	3 477
Impairment for the year	-	-
Closing balance	-1 960	-2 462
Carrying amounts		
At beginning of the year	22 876	12 275
At year-end	28 221	22 876

Amortization is included in the following rows of the statement of comprehensive income

	2011	2010
Development expenses	-4 034	-6 073

All intangible fixed assets pertain to internally generated capitalized expenditure for the development of fingerprint sensor technology. The useful life is determinable based on the expected commercial potential and earnings. The amortization period is based on estimated useful lives, which are 3-4 years for products and 4-5 years for platforms. Impairment losses are recognized after assessing the commercial potential of each project.

Note 12 Tangible fixed assets

Group and Parent Company SEK 000s	Dec. 31, 2011	Dec. 31, 2010
Accumulated cost		
Opening balance	4 919	3 145
Scrapping	-	-1 514
Transfer from Advance tangible fixed assets	437	-
Other acquisitions	1 344	3 288
Closing balance	6 701	4 919
Accumulated depreciation		
Opening balance	-1 615	-2 817
Scrapping	-	1 514
Depreciation for the year	-908	-313
Closing balance	-2 524	-1 615
Carrying amounts		
At the beginning of the year	3 304	328
At the end of the year	4 177	3 304
	Advance tangible fixed assets	
Accumulated cost		
Opening balance	437	-
Transfer to Machinery and equipment	-437	-
Other acquisitions	-	437
Closing balance	-	437
Accumulated depreciation		
Opening balance	-	-
Closing balance	-	-
Carrying amounts		
At the beginning of the year	437	-
At the end of the year	-	437

Note 12, continued

Group and Parent Company	Dec. 31, 2011	Dec. 31, 2010
SEK 000s		
Accumulated cost		
Opening balance	5 356	3 145
Scrapping	-	-1 514
Other acquisitions	1 344	3 725
Closing balance	6 701	5 356
Accumulated depreciation		
Opening balance	-1 615	-2 817
Scrapping	-	1 514
Depreciation for the year	-908	-313
Closing balance	-2 524	-1 615
Carrying amounts		
At the beginning of the year	3 740	328
At the end of the year	4 177	3 740
Depreciation is included in the following rows of the statement of comprehensive income	2011	2010
Administration	-60	-110
Market	-32	-20
Technology	-816	-183
Total	-908	-313

Note 13 Financial fixed assets

Group	Dec. 31, 2011	Dec. 31, 2011
SEK 000s	Non-current receivables	
Accumulated cost		
Opening balance	-	-
Scrapping	-	-
Other investments	947	-
Closing balance	947	-
Accumulated depreciation		
Opening balance	-	-
Scrapping	-	-
Depreciation for the year	-	-
Closing balance	-947	-
Carrying amounts		
At the beginning of the year	-	-
At the end of the year	947	-

The Group's financial fixed assets pertain to investments in endowment insurance to discharge agreed pension agreements. These commitments are recognized under Provisions.

Note 13 Financial fixed assets

Parent Company	Dec. 31, 2011			Dec. 31, 2010	
SEK 000s	Non-current receivables	Shares	Total	Shares	Total
Accumulated cost					
Opening balance	-	8 025	-	6 000	6 000
Scrapping	-	-	-	-	-
Other investments	947	820	1 767	2 025	2 025
Closing balance	947	8 845	9 792	8 025	8 025
Accumulated impairment					
Opening balance	-	-6 000	-6 000	-6 000	-6 000
Scrapping	-	-	-	-	-
impairment for the year	-	-6 000	-6 000	-6 000	-6 000
Closing balance	947	2 845	3 792	2 025	2 025
Carrying amounts					
At the beginning of the year	-	2 025	2 025	-	-
At the end of the year	947	2 845	3 792	2 025	2 025

Note 14 Financial Instruments

Group

Fair value estimates

Market capitalization of financial instruments was conducted using the most reliable market prices available. This means that all instruments that are market listed are valued using current spot prices. Following this, conversion to SEK occurs at spot price. The carrying amount less impairments comprises an approximate fair value for accounts receivable and accounts payable.

Fair value hierarchy

- Level 1: Listed prices on active markets for identical assets or liabilities
- Level 2: Other observed data than listed prices included in level 1, direct or indirect from the price listing.
- Level 3: Data for the asset or liability that is not fully based on observable market data.

Fair value hierarchy	2011				2010			
SEK 000s	Level				Level			
	1	2	3	Total	1	2	3	Total
Current financial receivables								
Financial assets at fair value via profit or loss	-	-	-	-	1 571	-	-	1 571
Cash and cash equivalents								
Financial assets at fair value via profit or loss	571	-	-	571	961	-	-	961
Total financial assets	571	-	-	571	2 532	-	-	2 532
Current financial liabilities								
Financial liabilities at fair value via profit or loss	394	-	-	394	-	-	-	-
Total financial liabilities	394	-	-	394	-	-	-	-

Fair value and carrying amount of financial liabilities and assets	Dec. 31, 2011		Dec. 31, 2010	
SEK 000s	Fair value	Carrying amount	Fair value	Carrying amount
Financial assets				
Current financial assets				
Financial assets at fair value via profit or loss	-	-	1 571	1 571
Accounts receivable	52 998	52 998	17 224	17 224
Accounts receivable	23 032	23 032	30 846	30 846
Total financial assets	76 030	76 030	49 641	49 641
Financial liabilities				
Current financial liabilities				
Financial liabilities at fair value via profit or loss	394	394	-	-
Accounts payable				
Financial liabilities at amortized cost	3 323	3 323	4 098	4 098
Total financial liabilities	3 717	3 717	4 098	4 098
By category				
Financial assets at fair value via profit or loss	-	-	1 571	1 571
Accounts receivable	76 030	76 030	48 070	48 070
Total financial assets	76 030	76 030	49 641	49 641
Financial liabilities at fair value via profit or loss	394	394	-	-
Financial liabilities at amortized cost	3 323	3 323	4 098	4 098
Total financial liabilities	3 717	3 717	4 098	4 098

Note 15 Inventories

Group and Parent Company

SEK 000s	Dec. 31, 2011	Dec. 31, 2010
Products in process	4 347	7 907
Finished products	-	-
	4 347	7 907

Inventories are measured at cost.

Note 16 Accounts receivable

Group and Parent Company

Accounts receivable are recognized in the Group and Parent Company after individual assessments of provision requirements. No bad-debt losses were recognized during the year or in preceding years.

SEK 000s	Dec. 31, 2011	Dec. 31, 2010
Total accounts receivable	52 997	17 224
Of which, due → 15 days	13	498
Of which, due → 30 days	18	200

Note 17 Prepaid expenses and accrued income

Group and Parent Company

SEK 000s	Dec. 31, 2011	Dec. 31, 2010
Rent	378	408
Exchange and listing expenses	183	708
Insurance expenses	32	28
Travel expenses	33	32
Interest income	195	-
Forward contracts	-	1 571
	821	2 746

Note 18 Cash and cash equivalents

Group, SEK 000s	Dec. 31, 2011	Dec. 31, 2010
<i>The following subcomponents are included in cash and cash equivalents</i>		
Cash and bank balances	23 032	30 846
Current investments equivalent to cash and cash equivalents	-	-
Total in accordance with the Consolidated statement of financial position	23 032	30 846
Total in accordance with the Consolidated statement of cash flows	23 032	30 846

Parent Company, SEK 000s	Dec. 31, 2011	Dec. 31, 2010
<i>The following subcomponents are included in cash and cash equivalents</i>		
Cash and bank balances	22 314	28 863
Current investments equivalent to cash and cash equivalents ²	-	-
Total in accordance with the Balance sheet	22 314	28 863
Total in accordance with the Cash-flows statement	22 314	28 863

Current investments were classified as cash and cash equivalents based on the following:

- They have an insignificant risk of value fluctuations.
- They can be easily converted to cash funds.
- They have a term of not more than three months from the acquisition date.

Note 19 Shareholders' equity

Group or Parent Company

Classes of shares	Number of shares	
	2011	2010
Issued on January 1		
Class A shares at beginning of the year	1 200 000	1 200 000
New share issue Class A shares	-	-
Total Class A shares	1 200 000	1 200 000
Class B shares at beginning of the year	38 469 586	38 469 586
New share issue Class B shares	3 940 000	-
Total Class B shares	42 409 586	38 469 586
Total shares outstanding	43 609 586	39 669 586
Quotient value	0.20	0.20

On December 31, 2011, the company's registered share capital encompassed 43,609,586 common shares (39,669,586).

Holders of common shares are entitled to receive dividends that are determined in the future and the shareholding entitles the holder to one vote per share at General Meetings.

In April 2011, a private placement at SEK 7.00 per share was implemented. The placement comprised a total of 3,940,000 Class B shares and raised capital in an amount of SEK 27.6 M before issue expenses of SEK 3.6 M. Following subscription, the number of Class B shares increased by 3,940,000 to a total of 42,409,586. The number Class A shares remained unchanged at 1,200,000 shares.

Capital management

Under the Board's policy, the Group's financial objective is to achieve a healthy financial position that assists in maintaining the confidence of investors, creditors and the market and that forms a basis for continuing the development of the business activities. The debt/equity ratio is zero since FPC's financing comprises only contributed capital. Neither the Group nor the Parent Company has paid any dividends to date. No changes were made to the Group's capital management during the year.

Neither the Parent Company nor the subsidiary is exposed to external capital requirements.

Parent Company's shareholders' equity

The reconciliation of opening and closing balances for the Parent Company's components of shareholders' equity is presented above in a separate statement of changes in shareholders' equity after the Parent Company's balance sheet.

Description of the type and purpose of reserves under shareholders' equity:

Restricted funds

Restricted funds may not be reduced by profit distribution.

Statutory reserve

The aim of the statutory reserve is to save a portion of any net profit that is not utilized to cover losses brought forward. Amounts that were contributed to the share premium reserve before January 1, 2006 were transferred to and are included in the statutory reserve. In accordance with the transition rules of the amendments to the Annual Accounts Act, funds contributed to the share premium reserve before January 1, 2006 are to be transferred to the statutory reserve in the first annual report prepared after January 1, 2006. For the companies whose fiscal year is the calendar year, the share premium reserve was transferred to the statutory reserve in the 2005 Annual Report. The statutory reserve continues to comprise restricted shareholders' equity in the Parent Company. Share premium reserves arising after January 1, 2006 are recognized as non-restricted shareholders' equity in the Parent Company.

Non-restricted shareholders' equity

The following funds, combined with the net loss for the year, comprise non-restricted shareholders' equity, which is also available for dividends.

Share premium reserve

When shares are issued at a premium, meaning that a higher amount is to be paid for the shares than their quotient value, an amount corresponding to the amount received in addition to the quotient value of the share is transferred to the share premium reserve. Amounts added to the share premium reserve from January 1, 2006 are included in non-restricted shareholders' equity.

Retained earnings

Retained earnings comprise the preceding year's retained earnings and earnings less profits distributed during the year.

Note 20 Other liabilities

Group and Parent Company

SEK 000s	Dec. 31, 2011	Dec. 31, 2010
Other current liabilities		
Employee withholding taxes	346	254
Total other current liabilities	346	254

Note 21 Accrued expenses and deferred income

Group and Parent Company

SEK 000s	Dec. 31, 2011	Dec. 31, 2010
Vacation pay	595	377
Social security contributions	1369	961
Production costs	286	1130
Salaries	1211	540
Board fees	285	373
Forward contracts	752	-
Forward agreements	394	-
Audit	250	150
Other costs	540	400
	5 682	3 931

Note 22 Financial risks and risk management

Group and Parent Company

The Group is exposed to various financial risks through its business activities.

Financial risks pertain to fluctuations in the company's earnings and cash flow due to changes in exchange rates and interest rates, as well as refinancing and credit risks. The Group's finance policy for the management of financial risks was prepared by the Board and forms a framework of guidelines and regulations in the form of risk mandates and limits for the financial operations. Financial transactions and risks are managed by the Parent Company's finance function. The objective is to:

- Manage and control financial risk in business activities
- Minimize negative impact on earnings from changes in market rates for currencies and interest
- Plan and ensure adequate liquidity for business activities
- Optimize the utilization of capital and cash flows.

Funding risk

The funding of working capital and development capital has thus far been performed through the issue of shares. The Group has no borrowings and the policy is to continue minimizing the borrowing requirement through the utilization of share issues to cover capital requirements. The funding risk comprises the risk that adverse variables impact the availability of funds and the cost of capital in the form of unfavorable terms. Funding risk can be bridged by developing operations and planning. The objective is for the Group to meet its funding commitments and in parallel maintain readiness to secure additional funding.

Liquidity risk

Liquidity risk is the risk that the Group encounters problems meeting its obligations associated with financial liabilities. The Group has rolling liquidity planning, which is updated every month. The Group's forecasts cover a minimum six-month rolling liquidity planning over the medium-term. Liquidity planning is used to manage liquidity risk and costs for financing the Group. The aim is that the Group will be able to meet its financial commitments and to well in advance have the necessary preparedness. It should be possible to offset upswings and downturns without incurring significant unforeseeable costs. Available liquidity at year-end amounted to SEK 23.0 M (30.8).

In accordance with the finance policy, there should always be sufficient cash funds and confirmed credit lines totaling a minimum of SEK 5 M available to cover the liquidity requirements of the following month. The company's financial liabilities, which comprise credit from suppliers, amounted to SEK 2.3 M (4.1) at year-end and have a short maturity structure of one to two months.

Market risks

Market risk is the risk that the fair value of or future cash flows from a financial instrument will vary due to changes in market prices. IFRS divides market risks into three types: currency risk, interest-rate risk and other price risks. The market risks that primarily impact the Group comprise currency risks and commodity price risk, while interest-rate risk has less of an impact since the company has no deposits.

The Group's aim is to manage and control market risks within established parameters and simultaneously optimize the results of risk-taking within specific parameters. These parameters are established in a bid to ensure that market risks will have only a margin effect on the Group's earnings and financial position in the short term (6-12 months). However, protracted changes in exchange rates, interest rates and the price of electricity will impact consolidated earnings in the longer term.

Currency risk

Currency risk is the term for the risk that the fair value and cash flows of financial instruments will fluctuate when the value of foreign currencies changes. The Group is exposed to different types of currency risks. The main exposure derives from the Group's sales and purchases in foreign currencies. These currency risks comprise the risk of fluctuations in the value of financial instruments, accounts receivable and accounts payable, and the currency risk inherent in expected and contractual payment flows. Such risks are designated transaction exposure.

Currency risks are hedged in their entirety if they are attributable to monetary assets and liabilities, contractual sales or other binding commitments. Up to 90% of the net exposure of highly probable forecast currency flows are hedged for up to one year in advance. Standardized forward contracts and currency options are used for these purposes. Hedge accounting under IAS 39 is not currently applied in the financial statements. The actual performance of any hedges is recognized in the consolidated statement of comprehensive income/Parent Company income statement.

Net profit for the year includes exchange-rate differences in a negative amount of SEK 1,556,000 (pos: 623,000). This is recognized in operating profit but no amount is recognized in net financial items.

Transaction exposure

The Group's transaction exposure and hedges on the balance-sheet date were as follows.

1-12 months		
SEK M	Net flows	Level of hedging
2011		
USD and Total	38.1	92%
2010		
USD and Total	30.6	66%

Transaction exposure was hedged using currency derivatives (forward contracts).

The net fair value of forward contracts used to hedge forecast flows was a negative SEK 0.4 M (positive: 1.6) on December 31, 2011. Of this figure, SEK - (1.6) was recognized in the consolidated statement of financial position as assets and SEK 0.4 (-) as liabilities.

The fair value of the currency derivatives is expected to be recognized in profit or loss according to the following table:

SEK 000s	Within 1 year	1 years - 3 years	3 years - 8 years	> 8 years	Total
Earnings effect	-393	-	-	-	-393

In 2011, cash-flow hedges were concluded in a nominal amount of SEK 35.5 M.

Sensitivity analysis of currency risk before hedging with effects of forward contracts

If the SEK were to have strengthened 10% against other currencies on December 31, 2011, this would have entailed a change of SEK 5.1 M in shareholders' equity and SEK 5.1 M in profit. The sensitivity analysis is based on all other factors (such as interest) remaining unchanged.

Note 22, continued**Commodity price risk**

Commodity price risk pertains to the change in the price of input goods and its impact on earnings. For the Group, commodity price risk primarily comprises changes in the price of silicon and to a lesser degree gold. However, the risk is slight in relation to total production costs. Silicon costs have not yet affected the price of the intermediate product wafer to any significant extent. Instead, the economic climate and the capacity of sub-suppliers are the main factors that impact pricing. Gold accounts for less than 1% of production costs and its fluctuations are not of significant importance to the total production costs.

Credit risks in accounts receivable

The risk that the Group's/company's customers are unable to fulfill their obligations, meaning that payment is not received from customers, comprises a customer credit risk. Credit checks are performed on the Group's customers and result in an assessment for each transaction. For significant accounts receivable, the risk of credit losses is reduced by taking out credit insurance, bank guarantees or other collateral on customers with low credit ratings or insufficient credit history. Based on historical data, the Group has concluded that no impairment of accounts receivable that have not yet fallen due for payment was necessary on the balance-sheet date. A provision of SEK 1.0 M was posted for past due accounts receivable.

Maturity structure of past due, non-impaired accounts receivable

SEK 000s	2011		2010	
	Carrying amount, non-impaired receivables	Collateral	Carrying amount, non-impaired receivables	Collateral
Not past due accounts receivable	52 966	6 160	16 727	-
Past due accounts receivable 0 – 30 days	17	-	297	-
Past due accounts receivable → 30 days – 90 days	-	-	200	-
Past due accounts receivable → 90 days	1 039	-	-	-
Provision for past due accounts receivable	-1 025	-	-	-
Total	52 997	6 160	17 224	-

During the year, a provision of SEK 1,026,000 was posted for accounts receivable.

	2011			2010		
	No. of customers	% total, no. of customers	% of value	No. of customers	% total, no. of customers	% of value
Exposure ← SEK 1 M	10	67	3	9	82	3
Exposure SEK 1 M – SEK 10 M	2	13	16	2	18	97
Exposure → SEK 10 M	3	20	81	-	-	-
Total	15	100	100	11	100	100

Interest-rate risk

Interest-rate risk is the risk that the value of financial instruments will vary due to changes in market interest rates. Interest-rate risk could lead to changes in fair value and in cash flows. A significant factor that could impact the interest-rate risk is the fixed-interest periods. The Group's interest-rate risk is limited to the risk arising on reinvestment in interest-bearing investments. On the assets side, current investments are regularly reinvested.

Note 23 Operating leasing**Group and Parent Company****Lease agreements where the company is the lessee**

Non-terminable leasing payments amounted to:

SEK 000s	2011	2010
Within one year	1 762	1 710
Between one and five years	6 342	7 768
Total	8 104	9 478

Operating leases comprise lease contracts for premises.

The largest contract expires on January 31, 2012 following which a new agreement will come into effect, which will apply until June 31, 2016. This contract corresponds to 89% of expensed minimum leasing fees in 2011. There is the option of renegotiation and extension. The contract includes continuous adjustments to track the consumer price index.

Expenses fees for operating leases amount to:

Parent Company		
SEK 000s	2011	2010
Minimum leasing fees	1 705	1 980
Variable fees	-	-
Total leasing costs	1 705	1 980

Note 24 Related parties

Related parties

The Parent Company is a related party to its subsidiaries, refer to Note 25.

Summary of related-party transactions

Group and Parent Company

SEK 000s	Year	Sale of goods/ services to related parties	Purchase of goods/ services to related parties	Other (for example, interest, dividends)	Receivables from related parties at December 31	Liabilities to related parties at December 31
Related parties						
Other related parties	2011	-	182	-	-	-
Other related parties	2010	-	430	-	-	-

Transactions with related parties are priced at market-based terms.

Transactions with key persons in senior positions are limited to individual, less clearly defined consultancy assignments for which specific expertise is required. The following remuneration was received by key persons in senior positions:

SEK 000s	2011	2010
Short-term remuneration of employees	8 278	5 753
Remuneration after termination of employment	-	-
Other long-term remuneration	-	-
Share-based payments	-	-
Severance pay	-	-

Information regarding remuneration of key persons in senior positions is presented in Note 6.

Note 25 Group companies

Parent Company's holdings in subsidiaries	Registered offices of subsidiary, country	Participating interest as a %	
		2011	2010
Fingerprint System			
Databärare AB	Sweden	100 %	100 %
SEK 000s		2011	2010
Accumulated cost			
At beginning of the year		8 025	6 000
Shareholders' contribution (from incentive program)		820	2 025
Closing balance December 31		8 845	8 025
Accumulated impairment			
At beginning of the year		-6 000	-6 000
Closing balance December 31		-6 000	-6 000
Carrying amount, December 31		2 845	2 025

Specification of Parent Company's direct holdings of participations in subsidiaries

			Dec. 31, 2011	Dec. 31, 2010
Subsidiaries / Corp. Reg. No. / Registered offices	Number of participations	Participations in %	Carrying amount	Carrying amount
Fingerprint Security System Databärare AB 556239-5938, Göteborg	1 000	100	2 845	2 025

Note 26 Statement of cash flows

Cash and cash equivalents – Group

SEK 000s	Dec. 31, 2011	Dec. 31, 2010
The following subcomponents are included in cash and cash equivalents:		
Cash and bank balances	23 032	30 846
Total in accordance with the statement of financial position	23 032	30 846
Total in accordance with the statement of cash flows	23 032	30 846

Cash and cash equivalents – Parent Company

SEK 000s	Dec. 31, 2011	Dec. 31, 2010
The following subcomponents are included in cash and cash equivalents:		
Cash and bank balances	22 314	28 863
Total in accordance with the balance sheet	22 314	28 863
Total in accordance with cash-flow statement	22 314	28 863

Current investments were classified as cash and cash equivalents based on the following:

- They have an insignificant risk of value fluctuations.
- They can be easily converted to cash funds
- They have a term of not more than three months from the acquisition date

Interest paid and dividends received

Group and Parent Company

SEK 000s	2011	2010
Interest received	682	412
Interest paid	-55	-6

Adjustments for non-cash items

Group and Parent Company

SEK 000s	2011	2010
Depreciation/amortization	4 942	6 386
Impairment	-	-
Other provisions	1 177	-
	6 120	6 386

Note 27 Other provisions

Group and Parent Company

SEK 000s

Accumulated provision	Dec 31, 2011	Dec 31, 2010
Opening balance	-	-
New provision	1 177	-
Closing balance	1 177	-
Carrying amount		
At beginning of year	-	-
At end of year	1 177	-

Other provisions pertain to provisions made pursuant to the pension agreement for the President. The pension agreement is a defined-contribution plan. Settlement is performed as of the date the employee turns 65.

Note 28 Important estimates and judgments

Company management has discussed with the Audit Committee the development, choice and disclosures regarding the Group's most important accounting policies and estimates and the application of these policies and estimates.

Important judgments in the application of the Group's accounting policies:

In 2011, development expenditure was capitalized. The capitalization is based on the anticipated commercial potential of the products to which the expenses pertain, and in this instance primarily the swipe sensors, for which the development project was completed at the end of 2011. The estimates focused on determining the future duration in which the products would be able to generate earnings and, by their very nature, these estimates depend on trends in the market, the performance of competitors and technological developments. The Group has SEK 190 M in accumulated loss carryforwards. Despite the full-year profit reported for 2011, these were not recognized as assets in the consolidated statement of financial position or balance sheet respectively. The assessment is that despite profit being reported for operations over two full years, the period with positive results is too brief and consequently, the continued development will thus be followed and judgment made when this asset is recognized in the consolidated statement of financial position and statement of comprehensive income.

Note 29 Information regarding the Parent Company

Fingerprint Cards AB is a limited liability company registered in Sweden, with its registered offices in Gothenburg. The Parent Company's shares are registered on the NASDAQ OMX Nordic Exchange Stockholm. The address of the head office is: Västra Hamngatan 8, SE-403 16 Gothenburg, Sweden.

The 2011 consolidated financial statements comprise the Parent Company and its subsidiaries, jointly designated the Group.

Note 30 Events after the balance-sheet date

January 2012:

Fingerprint Cards secures a record order from China valued at SEK 44 M.

March 2012:

Investigation of serious insider offence.

FPC enters into a collaboration agreement with global leader in module production.

FPC appoints Carnegie as liquidity provider.

April 2012

Fingerprint Cards appoints Carnegie as Liquidity Provider.

May 2012

FPC and CrucialTec launch the Biometric Track Pad to leading customers, targeting sales of 20-40 million units in 2012-14.

Fingerprint Cards (FPC) will further extend partnership with Maxis in China and especially towards the Chinese banking sector.

FPC appoints Göran Malm and Tord Wingren as new members of Advisory Board.

Note 31 Assets pledged

Group and Parent Company

SEK 000s	2011	2010
Assets pledged for unutilized operating credit: bank balances	-	15 000
	-	15 000

Assurance by the Board

The Board of Directors and President hereby give their assurance that the Annual Report has been prepared in accordance with generally accepted accounting policies in Sweden and that the consolidated financial statements have been prepared in accordance with the international accounting standards referred to in the Regulation (EC) no 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards. The Annual Report and the consolidated financial statements provide a true and fair view of the Parent Company's and the Group's financial position and earnings. The Administration Report for the Parent Company and the Group provides a fair review of the performance of the Parent Company's and the Group's operations, financial position and earnings, and describes the significant risks and uncertainties faced by the Parent Company and the companies included in the Group.

As stated above, the Annual Report and the consolidated financial statements were approved for issue by the Board of Directors on May 16, 2012. The consolidated statement of comprehensive income and statement of financial position and the Parent Company's income statement and balance sheet will be adopted by the Annual General Meeting on May 31, 2012.

Gothenburg, May 16, 2012

Mats Svensson
Chairman

Anders Hultqvist
Board member

Christer Bergman
Board member

Urban Fagerstedt
Board member

Sigrun Hjelmqvist
Board member

Johan Carlström
President

Our auditors' report was submitted on May 16, 2012
KPMG AB

Johan Kratz
Authorized Public Accountant

Audit Report

To the annual meeting of the shareholders of Fingerprint Cards AB (publ),
Corporate Registration Number 556154 2381.

Report on the annual accounts and consolidated financial statements

We have audited the annual accounts and the consolidated financial statements of Fingerprint Cards AB (publ) for the 2011 fiscal year. The company's annual accounts and consolidated financial statements are included in the printed version of this document on pages 24-48.

Responsibilities of the Board of Directors and the President for the annual accounts and consolidated financial statements

The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts and consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for the internal control deemed necessary by the Board of Directors and the President for the preparation of annual accounts and consolidated financial statements that are free from material misstatement, whether such misstatement is due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the annual accounts and consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the annual accounts and consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated financial statements. The auditor chooses such procedures based on such assessments as the risk of material misstatement in the annual accounts and consolidated financial statements, whether such misstatement is due to fraud or error. In making these risk assessments, the auditor considers internal control measures relevant to the company's preparation and fair presentation of the annual accounts and consolidated financial statements in order to design audit procedures that are appropriate taking the circumstances into account, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of December 31, 2011 and its financial performance and cash flows for the year in accordance with the Annual Accounts Act, and the consolidated financial statements have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of December 31, 2011 and its financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report and corporate governance report are consistent with the other parts of the annual accounts and consolidated financial statements.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the Parent Company and the Group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated financial statements, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of Fingerprint Cards AB for the 2011 fiscal year.

Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal concerning the appropriation of the company's profit or loss, and the Board of Directors and the President are responsible for administration under the Companies Act.

Auditors' responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal complies with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated financial statements, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President is liable to the company. We also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President be discharged from liability for the fiscal year.

Gothenburg, May 16 2012
KPMG AB

Johan Kratz
Authorized Public Accountant

Corporate Governance Report

Corporate governance describes the ways in which rights and responsibilities are distributed among the various corporate bodies according to the laws, rules and processes to which they are subject. Corporate governance defines the decision-making systems and structure through which shareholders directly or indirectly control the company. Fingerprint Cards AB (publ.) (FPC) is listed on the NASDAQ OMX Stockholm. A Swedish public limited liability company with listed securities is obliged to comply with the rules that affect the company's governance, of which the most important are:

- The Swedish Companies Act
- Rule Book for Issuers, NASDAQ OMX Stockholm
- The Swedish Corporate Governance Code from February 1, 2010.

The Code states the purpose of corporate governance as being "to ensure that companies are managed as efficiently as possible on behalf of the shareholders". Swedish limited liability companies with publicly traded shares are also subject to legislation governing securities and their trading, market and price-sensitive information, of which the most important are:

- The Financial Instruments Trading Act
- The Swedish Act concerning Reporting Obligations for Certain Holdings of Financial Instruments
- The Market Abuse Penalties Act.

Shareholdings

For information on shareholders whose holdings directly or indirectly exceed one tenth of the voting rights for all of the shares in the company, refer to page 25 of the Administration Report.

Annual General Meeting

Ultimately, it is FPC's approximately 9,000 shareholders who determine corporate governance. Shareholders exercise their rights at General Meetings of Shareholders. The Annual General Meeting (AGM) is the supreme governing body. The AGM resolves on any amendments of the Articles of Association, which is the fundamental governance document, approves the financial results and balance sheet, discharges the Board from liability, elects a new Board, elects auditors, resolves on remuneration of the Chairman of the Board, Board members and auditors and resolves on guidelines for the remuneration of senior executives and changes in the number of shares and their structure.

Notification of the AGM is dispatched no earlier than six and no later than four weeks prior to the Meeting. The notice includes information regarding the manner of and the last date for notification of attendance, the right to vote at the Meeting, a numbered agenda showing the matters to be dealt with, information on the appropriation of earnings, and the main content of other proposals.

Shareholders or their representatives may vote for the full number of shares owned or represented. One Class A share confers 10 votes and one Class B share confers one vote at the Meeting. The ways of notifying intention to attend the Annual General Meeting include an e-mailing option in accordance with the instructions in the official notification. For participation as a representative, the shareholder must issue a power of attorney to the representative. If the shares are registered



with a nominee, they must be re-registered in the shareholder's name in the share register no later than the record date of the Meeting. The record date is noted in the notification of the meeting. Official notification of an Extraordinary General Meeting (EGM), at which the matter of the Company's Articles of Association is to be dealt with, must be issued no earlier than six weeks and no later than four weeks prior to the Meeting. Notification of any other EGMs must be issued no earlier than six and no later than three weeks ahead of the Meeting.

Proposals concerning matters to be dealt with by the Meeting must be addressed to the Board and be submitted well in advance of the issuance of the notification of the Meeting. Ahead of the AGM on May 31, 2012, requests from shareholders to have a matter discussed at the AGM must be received no later than April 12, 2012 to be included in the official notification of the Meeting.

Most resolutions at the AGM are passed by a simple majority. In certain cases, the Swedish Companies Act states that resolutions must be passed by a qualified majority. This concerns, for example, resolutions regarding amendments of the Articles of Association, which require the support of at least two-thirds of shareholders in terms both of the votes cast and the shares represented at the Meeting.

Minutes of the General Meetings were published on FPC's website: www.fingerprints.com

AGM 2011

The AGM for the 2010 fiscal year was held in Gothenburg on June 16, 2011. Notification of the meeting was published on May 19, 2011 in Dagens Industri and Post- och Inrikes tidningar. Shareholders attending the Meeting represented 23.99 percent of the number of votes and 5.17 percent of the number of shares. Resolutions passed by the Meeting included:

- Approval of the Income Statement and Balance Sheet for fiscal year 2010.
- Approval of the appropriation of profit where profit was brought forward to the next fiscal year.
- Discharge of liability for the Board and President for 2010.
- Resolution that the number of Board members should be five.
- Determination of the remuneration of the Board and auditors.
- Election of Board members and auditors including election of Mats Svensson as the new Chairman of the Board.
- Election of the members of the Nomination Committee.
- Adoption of the new Articles of Association.
- Determination of guidelines for senior executives.
- Authorization of the Board during the period up until the next AGM to make decisions regarding the issuance of up to 9,000,000 Class B shares. Preferential rights for shareholders may be disappplied on issuance.
- Authorization of the Board during the period up until the next AGM to make decisions regarding the issuance of up to 9,000,000 Class B shares. Issuance is to be conducted subject to preferential rights for shareholders.

Extraordinary General Meeting 2011

An EGM was held on November 17, 2011 in Stockholm. Notification of the Meeting was published on October 27, 2011. Shareholders attending the Meeting represented 22.96 percent of the number of votes and 3.88 percent of the number of shares. The Meeting passed resolutions regarding:

- Approval of the Board's motion regarding the issuance of warrants.

Nomination Committee and the nomination process

The AGM determines the composition of the Nomination Committee. At the 2011 AGM, the proposals of the Nomination Committee regarding Board members were presented, and the following nominees were subsequently elected as Board members: Christer Bergman, Urban Fagerstedt, Anders Hultqvist, Sigrun Hjelmqvist; and Mats Svensson, as Chairman of the Board.

The period in office of the Nomination Committee extends until such time as a new Nomination Committee is appointed. The Nomination Committee is to appoint from its own numbers a chairman who must not be the Chairman of the Board. Should a shareholder who is represented by a member of the Nomination Committee cease to be among the largest shareholders in terms of the number of votes, or should a member of the Nomination Committee for some other reason resign from the Nomination Committee ahead of the 2012 AGM, the members of the Nomination Committee are entitled, in consultation, to appoint another representative on behalf of the major shareholders, to replace the member.

FPC's Nomination Committee consists of:

- Dimitrij Titov (Chairman of the Nomination Committee, independent in relation to the company)
- Tommy Trollborg (Independent in relation to the company)
- Lars Söderfjäll (Representing the shareholder Sunfloro AB, which holds 22.05 percent of the votes).

The tasks of the Nomination Committee ahead of the Annual General meeting for the 2011 fiscal year are to issue:

- A proposal regarding the Chairman of the meeting
- A proposal regarding Board members
- A proposal regarding the Chairman of the Board
- A proposal regarding remuneration of the Board
- A proposal regarding auditing fees
- A proposal regarding the composition of the Nomination Committee ahead of the AGM 2012.

Shareholders may submit proposals to the Nomination Committee to: investrel@fingerprints.com

Board of Directors

The Board comprises five members. FPC's Board has ultimate responsibility for the control of operations between AGMs. Board members are elected annually by the AGM for the period up until the end of the next AGM. Changes in the composition of the Board between the AGMs may be made through a resolution of an Extraordinary General Meeting, or by a member choosing to resign prematurely from his/her assignment. Board members have broad-based and extensive experience from business and industry and all members are or have been corporate presidents or senior executives. A number of them have other assignments as board members for relevant companies as viewed from management, market, technology or international perspectives.

The Swedish Corporate Governance Code (the Code) includes provisions to the effect that a majority of the Board

members elected at the AGM are to be independent in relation to the company and executive management, and that at least two of the independent members are also to be independent vis-à-vis shareholders who control ten percent or more of the shares or votes in the company. An assessment by the Nomination Committee concluded that all five members are independent in relation to the company and executive management. Three of the members are independent in relation to major shareholders. In line with the Code, the Chairman of the Board is also elected at the AGM. There are no rules determining the maximum period during which a Board member may remain in office. The Articles of Association state that the Board must consist of four to seven members and the Board currently comprises five members.

The Board is responsible for FPC's organization and manages FPC's business on behalf of the shareholders. The

Board continuously assesses FPC's financial situation and ensures that FPC is organized so that bookkeeping, management of funds and the company's financial situation in general are controlled in a satisfactory manner. The Board appoints the President and makes decisions concerning matters involving the strategic direction of operations and the Company's overall organization. The Board sets corporate policy and instructions for ongoing operations, which are headed by the President. In turn, the President ensures that the Board is kept continuously aware of events that are of significance for the Group's development, financial results, position and liquidity. The President may be elected to the Board; however, in line with the Swedish Companies Act, the said person may not be elected as Chairman of the Board in a public limited liability company.

Board members in 2011 (the members are presented separately on page 46 of the Annual Report).

Name	Function	Elected	Stepped down	Committee work	Independent* vis-à-vis		Board meeting attendance	Annual fee (SEK)
					Company	Major shareholders		
Mats Svensson	Chairman of the Board	Nov. 9, 2010	-	Nomination Committee Remuneration Committee Auditing Committee	Yes	No	12	170 000
Christer Bergman	Member	Aug. 8, 2008	-	Remuneration Committee Auditing Committee	Yes	Yes	11	100 000
Urban Fagerstedt	Member	June 4, 2009	-	Remuneration Committee Auditing Committee	Yes	No	10	100 000
Sigrun Hjelmqvist	Member	June 4, 2009	-	Remuneration Committee Auditing Committee	Yes	Yes	12	100 000
Anders Hultqvist	Member	June 17, 2010	-	Remuneration Committee Auditing Committee	Yes	Yes	12	100 000
Tommy Trollborg	Chairman of the Board	May 23, 2008	June 17, 2011	Remuneration Committee Auditing Committee	Yes	Yes	5	170 000

*Independent is defined in line with the Swedish Code of Corporate Governance.

The Board's working procedures

Pursuant to the Swedish Companies Act, the Board has established working procedures and an instruction for the President that state how work is to be allocated between the Board as a whole, its committees and between the Board Chairman and President. This is a complement to the Swedish Companies Act and the Articles of Association. The Board reviews, evaluates and adopts work procedures at least once annually. In addition to the Board's working procedures and instructions, policies are in place that state the purpose, framework and responsibility for individual business activities and functions. As stated in the work procedures for the Board of Directors and other provisions, the Chairman of the Board is responsible for ensuring that the work of the Board is conducted efficiently and that the Board fulfils its obligations.

These include organizing and supervising the work of the Board and creating optimal conditions for its work. In addition, the Chairman of the Board ensures that Board members are continuously updated and that they increasingly familiarize themselves with the company's operations, and that new members receive a suitable introduction. The Chairman is to

be available as an adviser and discussion partner for the President but also evaluates the latter's work as well as presenting the resulting assessment to the Board. The Chairman is responsible for the evaluation of the Board's performance and informs the Nomination Committee of the results of the evaluation.

Board meetings

During 2011, the Board held 12 meetings. A high level of activity was maintained and decisions by the Board or consultation with the Board were required on an ongoing basis; one Extraordinary General Meeting, decisions made concerning the issue of warrants, the second consecutive year with positive earnings, debriefing and development projects. FPC's employees participate in Board meetings when required as presenters of information.

The annual work cycle of the Board commences with the statutory meeting after the AGM, at which the Board's working procedures and the instruction for the President are adopted. Recurring items on the agenda for subsequent meetings include the company's executive management debriefings as

regards business conditions, operations, organization, financial results, position and trends in cash and cash equivalents. The business plan and budget are dealt with by the Board in the autumn and prior to Christmas.

In conjunction with interim quarterly and six-month reports and the year-end report, meetings are held to make decisions regarding the publication of reports. Ahead of the AGM, meetings are held in order to get a decision on notification, the annual report, corporate governance documents and other matters for the AGM.

Remuneration Committee

The Remuneration Committee evaluates and prepares matters regarding remuneration and employment terms for executive management, and draws up guidelines for the remuneration of the President and senior executives for approval by the AGM. The Remuneration Committee monitors the remuneration trend among comparable players to ensure that the Company's pay offering is competitive. The Board sets the President's remuneration. Remuneration of other senior executives is decided by the President following consultation with the Remuneration Committee. At FPC, the entire Board handles the Remuneration Committee's tasks.

Audit Committee

The task of the Audit Committee is to support the work of the Board in ensuring high-quality internal control, financial reporting and external auditing. Among other responsibilities, this involves examining interim and year-end reports ahead of publication and dealing with all critical accounting issues and assessments. The Board meets the external auditor on at least two occasions. At FPC, the entire Board handles the Audit Committee's tasks.

Auditing

At the 2010 AGM, KPMG, – with Johan Kratz as the auditor-in-charge, was elected as FPC's auditor. Johan Kratz has been an authorized public accountant since 1995. He is also auditor at companies including Concordia Maritime AB, Eka Chemicals AB and Nobel Biocare AB.

The auditor examines the administration, financial statements, internal procedures and control systems, interim financial statements and interim reports, six-month accounts, including interim report and annual accounts, including the annual report. Each year, the Board meets with the auditor to receive the auditor's report as to whether the company's organization is appropriately configured to ensure that accounting, management of funds and conditions in general are controlled satisfactorily. The auditor reported to the Board on one occasion and the President an additional occasion in respect of the 2011 fiscal year. During 2011, the auditor attended the AGM on June 16, 2011.

President

FPC's President, Johan Carlström, is in charge of the company's business operations. The allocation of responsibility between the Board and the President is defined in written instructions for the President as adopted by the Board. The President reports to the Board and regularly presents a report on how operations are progressing in terms of the goals and strategies established and decisions made by the Board.

Internal control

FPC has a relatively small organization. The President has, to a certain extent, delegated responsibility for internal control to department managers. Responsibility entails that there are appropriate instructions and procedures for operations that must be monitored regularly and reported on. Responsibility is limited by defined amounts and proximity to the managers' own positions.

Responsibility for internal controls, compliance with rules and operational risks are thus an integral part of executive responsibility. The financial policy, which was updated in 2011, includes frameworks for investments, cash management, currency hedging and the granting of credit in connection with sales. Credit is granted only if there is good reason to assume that the credit recipients will meet their obligations; otherwise, sales are conducted against advance payment. FPC seeks to ensure the continuance of its low customer bad-debt losses, thereby contributing to profitability and a solid financial position.

Guidelines for remuneration of the Board

The Chairman and Members of the Board are remunerated in accordance with AGM resolutions. No separate remuneration is paid for committee work. Remuneration for 2011/2012 amounted to SEK 170,000 for the Chairman of the Board and SEK 100,000 for Board members, totaling SEK 570,000. Board members appointed during the year receive fees in relation to the remaining period up to the next AGM.

Guidelines for remuneration of senior executives

The Remuneration Committee, which is appointed from among Board members, prepares guidelines in respect of pay and other employment terms for the President and senior executives and presents the Board with proposals in respect of these issues. The Board decides on pay and other remuneration of the President. Remuneration of the President and other senior executives comprises basic salary, variable remuneration, other benefits, pension and financial instruments. Variable remuneration may not exceed 40 percent of basic salary. Other senior executives are those people who, in addition to the President, constitute Group Management. At annual pay reviews from 2011 onwards, reviews will allocate the major portion of any increase to increase the proportion of variable remuneration up to the ceiling of 40 percent. The period of notice amounts to a maximum of six months for both parties. If the company terminates employment, severance pay is payable in an amount corresponding to not more than six monthly salaries. During the notice period, a maximum of six months, employees are entitled to their full salary and other benefits. Resolutions concerning share and share-price-based incentive programs are made by a General Meeting of shareholders. All pension provisions are of the defined-contribution category.

For 2012, the board has no proposals for amending the guidelines pertaining to the remuneration of senior executives:

External information is provided via the website (www.fingerprints.com) and through press releases. Inquiries regarding information, investment and the Nomination Committee may be made to investrel@fingerprints.com.

Internal control

Pursuant to the Swedish Code of Corporate Governance, the Board is to ensure that the company maintains adequate internal controls and keep itself continuously informed of and evaluate how the company's system for internal control functions. Furthermore, the Board submits a report on the organization of the internal control of the financial reporting and, if internal control is not in place, evaluates the need of such a function and motivates its opinion.

Control environment

The fundamental platform in the control environment consists of the guidelines and controlling documents including the Board's working procedures and instruction to the President as described earlier in the corporate governance report, as well as the allocation of responsibility and authority that is adapted to the business organization. It is primarily the President's responsibility as part of daily operations to maintain the control environment as designated by the Board. The President reports regularly to the Board in line with set procedures. In addition to the above, reports are submitted by the auditor.

Risk

Risk assessment is performed on a continuous basis and comprises the identification and management of any risks that could impact business activities and financial reporting. The primary risk within the framework of financial reporting is the risk of material errors in the financial reporting.

Risk management comprises part of the business activities' procedures and various methods are utilized to ensure that risks are managed in compliance with regulations, instructions and procedures with the aim of providing correct information.

Control activities

Control activities are designed to manage the risks that the Board and Group management assess as essential for the internal control of the financial reports. Control activities aimed at preventing, identifying and correcting errors and deviations are evaluated. Assignment of responsibility and organization comprise the structure for the control. Follow-up is performed in each respective area of responsibility as it is for the entire operations. Allocation of attestation rights and authority is part of the structure for control activities as are clear rules for decisions regarding investment, sales, procurement and contracts. Control activities are based on the business concept, strategies and goals, that is, on critical issues for operations. A high degree of IT security is a prerequisite for favorable internal control of the financial reporting.

External financial reporting with accompanying controls is performed on a quarterly basis and internal financial reporting is performed monthly. Controls are performed based on a business plan which is broken down by budget. The budget is revised during the year and is utilized to produce forecasts and forms the basis for the follow up of actual results. In reporting, analysis and comments are reported on trends vis-à-vis the set goals. Control of development projects is performed through ongoing project monitoring and reporting of subprojects. Performance and costs expended are related to plans and budgets and the anticipated remaining project expenses for project completion are reported. Liquidity and cash flow are

followed up on an ongoing basis with the updating of forecasts and the resultant liquidity planning.

Continuous analysis of the financial reports is crucial to ensure that the financial reporting does not contain any material errors.

Control activities are integral features throughout the financial reporting procedures.

Information and communication

FPC's policies and guidelines are of particular importance for correct accounting, reporting and information. FPC collaborates with news agencies and communication consultants regarding external communication. The information is intended to increase awareness of FPC and increase confidence in FPC, its management and employees, while promoting business activities.

A communication policy is in place that provides guidelines governing internal and external communication. The aim is to ensure that disclosure requirements are complied with in a correct and complete manner.

Follow-up

Compliance with the Board's working procedures, instructions, policies and procedures are followed up by the Board and Group management. The financial situation and business outlook are dealt with at Board meetings. The Board reviews financial reports and decides on publication prior to the publication of financial reports. Interim, six-month and annual closing financial statements, with accompanying financial reports, are reviewed by the auditor. Each month, a report is submitted to the Board in the form of the President's report, which includes sections for business functions. The Executive Management Group meets frequently and regularly reviews business developments, financial trends, the company's position and influential events. The Board meets with the auditor during the year to review the audit of internal control and other assignments. Against this background, the Board has made the assessment that a separate internal audit function is not required.

Board of Directors

Gothenburg, May 9, 2012

Auditors' report on the Corporate Governance Report

To the Annual General Meeting of the Fingerprint Cards (publ) Corp. Reg. No. 556154-2381

It is the Board of Directors who is responsible for the 2011 Corporate Governance Report on pages 49–53 and its preparation in accordance with the Annual Accounts Act.

As a basis for our opinion that the Corporate Governance Report has been prepared and is consistent with the other parts of the annual accounts and the consolidated accounts, we have read the Corporate Governance Report and assessed its statutory content based on our knowledge of the company.

In our opinion, the Corporate Governance Report has been prepared and its statutory content is consistent with the other parts of the annual accounts and consolidated financial statements.

Gothenburg, May 16, 2012

KPMG AB

Johan Kratz Authorized Public Accountant

A Company with a unique competence

Creating a structure for FPC that works in a growing market

FPC is a company with unique competencies and a flexible organizational size that is active in a developing and expanding market. The major challenge is to navigate correctly and make the correct strategic decisions.

This means that we, the members of the Board, must be extremely attentive, become familiar with customers in new markets and make correct analyses. Thanks to the wide-ranging competencies of the Board members, the monitoring of the business environment is comprehensive, providing us with superior conditions for our decision-making. Also, we are keenly aware of the challenge we face to chart the right course and optimize the deployment of resources at the disposal of the company.

Our primary focus is on four areas: customer requirements, product development, development of existing product applications and market penetration. The first focus – customer requirements – naturally involves an understanding of the market, its driving forces and the customer requirements that we should target. The two other focuses involve the overarching decisions for product development and a broadening of existing products and services. The fourth focus – market penetration – involves customer focus, and the markets that FPC should target. For a company the size of FPC, this involves selecting the right direction in a developing global market.

My role as Chairman of the Board largely entails maintaining structured Board work. This applies to all the various aspects: strategy, budget, monitoring and evaluation, combined with the capacity to identify the interplay among them. Board work

follows an annual plan, with each meeting devoted to a primary issue. Between these decision-making meetings, the Board members naturally also monitor business development and engage in a continuous dialog.

I also contribute my experience in terms of industrial expansion. How does a company establish a presence in new markets, what are the choices we must make to achieve expansion and how are resources to be prioritized?

FPC has exciting products designed for an equally exciting market. These represent favorable conditions for our continuing efforts, both on the Board and in the organization, to realize our mission: "Beyond keys and pin codes – FPC makes life easy to live through secure identification."



Mats Svensson
Chairman of the Board FPC

Board of Directors

Mats Svensson

Chairman of the Board since 2011 and Board member since 2010.

Born: 1964.

Occupation: Independent investor, consultant, advisor and Board member in the railway industry.

Education: Graduate in business administration at Lund University, Cardo Leadership Development Program.

Previous assignments in the past five years: Product Manager at Faiveley Transport.

Holdings in FPC: 1,080,000 Class A shares via Sunfloro AB.

Dependent as major shareholder.

Christer Bergman

Board member since 2008.

Born: 1955.

Occupation: Executive Vice President Biometric Solutions, Fujitsu Frontech North America and Executive Vice President Novexus LLC.

Education: Graduate engineer from Lund University, Graduate engineer from the University of California Berkeley and graduate officer from the Swedish Naval Academy.

Other assignments: Board of Directors WWC Group BV and Ubiqo AB.

Previous assignments during the past five years: Chairman of the Board of Quard Technology A/S and Swecard AB. President and Board member of Precise Biometrics AB. President of Precise Biometrics Inc. President and Chairman of the Board of IdentiPHI Inc. Board member of SweCard AB.

Holdings in FPC: 100,000 Class B shares.

Independent of major shareholders and company management.

Anders Hultqvist

Board member since 2009.

Born: 1951.

Occupation: President of Anders Hultqvist AB, General Agent for Scandinavia for Westa GmbH.

Education: Degree from the Stockholm School of Commerce, with a focus on marketing and communication, reserve officer training as purser in the Swedish Air Force.

Holdings in FPC: 298,000 Class B shares.

Independent of major shareholders and company management.

Urban Fagerstedt

Board member since 2009.

Born: 1959.

Occupation: Vice President R&D, Huawei Technologies Sweden AB.

Education: Graduate engineer and degree in electro-technology from the Faculty of Engineering, Lund University.

Other assignments: Owner and Chairman of the Board of Fagerstedt Dynamics AB. Previous assignments in the past five years: Vice President and General Manager of Design unit Radio Networks i Ericsson AB. Chairman of the Board of Fagerstedt Dynamics Radio AB. Board member of Netcom Consultants AB.

Holdings in FPC: 1,080,000 Class A shares via Sunfloro AB.

Dependent as major shareholder.

Sigrun Hjelmquist

Board member since 2010.

Born: 1956.

Education: Graduate engineer from KTH Stockholm.

Other assignments: Chairman of C2SAT AB and Almi Invest östra Mellansverige and Stockholm, as well as Board member of Addnode AB, Bluetest AB, Setra Group AB, OneMedia AB, Silex AB, RAE Systems Inc, Atea ASA, Eolus Vind AB and Com Hem AB.

Holdings in FPC: 6,000 Class B shares

Independent of major shareholders and company management.



Executive Management



Johan Carlström

CEO since 2009.

Born: 1963.

Education: Graduate in economics from the universities of Uppsala and Stockholm.

Holdings in FPC: 1,080,000 Class A shares via Sunfloro AB, 115,000 Class B shares, 2,981,000 warrants.



Pontus Jägemalm

CTO since 2009.

Born: 1971.

Education: Graduate Engineer and Ph.D. in Solid State Physics from Chalmers Institute of Technology.

Holdings in FPC: 598,000 warrants.



Jens Reckman

CFO since 2009.

Born: 1963.

Education: Master of Business Administration and other qualifications from Gothenburg University.

Holdings in FPC: 578,000 warrants.



Thomas Rex

VP Sales & Marketing since 2011.

Born: 1963.

Education: M.Sc. in Electrical Engineering from the Faculty of Engineering, Lund University.

Holdings in FPC: 1,000,000 warrants.

Shareholder information

FPC's website for investors

At www.fingerprints.com, up-to-date information is available regarding the company, its share and insider information in addition, a report and press release archive is available as is the opportunity to subscribe for reports and press releases.

The Annual Report is available via FPC's website

For environmental and expense reasons, FPC has elected not to distribute its Annual Report to shareholders. The Annual Report, interim reports and press releases are available to investors via the company's website.

Forthcoming financial reports

Interim Report, January-March 2012	April 27, 2012
Interim Report, January-June 2012	August 18, 2012
Interim Report, January-Sep. 2012	October 27, 2012
Year-end Report	February 2013

Annual General Meeting 2012

The 2012 Annual General Meeting will be held on May 31, 2012 at Radisson Blu Scandinavia Hotel, Södra Hamngatan 59, Gothenburg, Sweden.

Notification

Shareholders wishing to attend the Annual General Meeting must be included on the share register maintained by Euroclear Sweden AB on Friday, May 25, 2012 and no later than 4 p.m. on May 25, 2012 have notified their intention to attend the meeting to:

Fingerprint Cards AB, Box 2412, SE-403 16 GOTHENBURG, SWEDEN or by e-mailing: investrel@fingerprints.com.

Contact information

Fingerprint Cards AB

Box 2412

SE-403 16 GOTHENBURG

SWEDEN

Street address: Västra Hamngatan 8, Gothenburg, Sweden

Telephone: + 46 (0)31-60 78 20

Fax: + 46 (0)31-13 73 85

E-mail: investrel@fingerprints.com

Website: www.fingerprints.com

Glossary and definitions

Algorithm

A systematic procedure for how to conduct a calculation or solve a problem in a given number of steps. In FPC's specific case, the method refers to the comparison of two fingerprints with each other.

Area sensor

A sensor with the size of a fingertip that can scan an entire fingerprint simultaneously. The fingertip is simply drawn against the sensor surface; refer to swipe sensor.

ASIC (Application Specific Integrated Circuit)

An integrated circuit in the form of a silicon chip that is designed to perform 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, in which each chip is 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.

Enrolment

Compilation of biometric data used to create a template. [The process in which information is compiled from the individual and subsequently 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.

OEM

Original Equipment Manufacturers, companies that manufacture the end product that is sold in the open market.

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, meaning the basic technology.

Swipe sensor

A sensor with a width equal to a fingertip but much narrower throughout the length of the finger. The fingertip is drawn across the sensor surface and part of the fingertip is scanned step-wise; see area sensors. The fingerprint is thus scanned in this manner.

Template

An arrangement of unique data that represents a certain fingerprint.

Verification

The comparison of compiled biometric data with a given template for the purpose of verifying matching of the two. By this means, the authentication of an individual can be made with a high degree of certainty.

Wafer

A thin circular silicon disc that contains several 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

Added value per share

Operating profit/loss plus payroll costs and fringe benefits divided by the average number of employees.

Average credit year

Average value of accounts receivable over a year 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

The average weighted number of shares outstanding, plus the average number of shares that could be issued as a result of current remuneration and personnel programs.

Earnings per share

Earnings for the fiscal year 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

Earnings for the fiscal year attributable to the Parent Company's shareholders divided by the weighted average of the number of shares outstanding, plus the average number of shares that could be issued as a result of current remuneration and personnel programs.

Equity/assets ratio

Shareholders' equity divided by total assets.

Inventory turnover rate

Cost of goods sold divided by average inventories.

Gross margin

Gross margin as a percentage of net sales.

Net margin

Profit/loss for the fiscal year as a percentage of net sales.

Order backlog

The difference between order bookings for the fiscal year and worked-up sales, plus order backlog at the beginning of the fiscal year.

Operating margin

Operating profit/loss as a percentage of net sales.

Shareholders' equity per share

Shareholders' equity attributable to the Parent Company's shareholders divided by the number of shares outstanding, before dilution, at the end of the fiscal year.

Shareholders' equity per share after dilution

Shareholders' equity attributable to the Parent Company's shareholders divided by the number of shares outstanding, before dilution, at the end of the fiscal year.

Working capital

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

Beyond keys and pins



FINGERPRINTS