

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

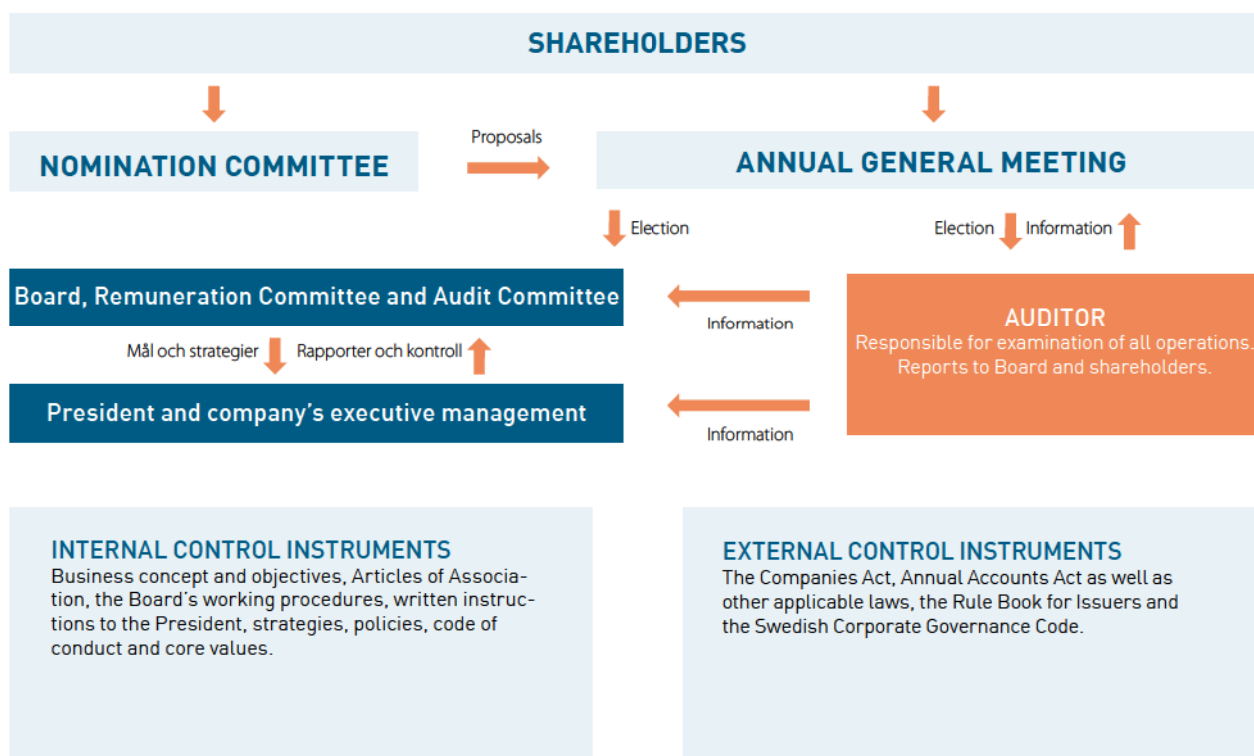
For information on shareholders whose holdings directly or indirectly exceed one tenth of the voting rights for all of the shares in the company, refer to page 25 of the Administration Report.

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