

PRESS RELEASE
Gothenburg, May 10, 2007

Fingerprint Cards AB (publ), corporate identity no 556154-2381
Interim report for the period January – March 2007

Highlights of the first three months:

- **The income for January to March totaled MSEK 5,1 (1,8)**
- **Net financial items amounted to MSEK 0,5 (0,1)**
- **The loss for January to March totaled MSEK – 5,4 (- 4,1)**
- **Net earnings per share for January to March was SEK – 0,44 (- 0,64)**
- **Liquid funds at March 31 amounted to MSEK 59,1 (35,1)**
- **Order worth MSEK 22 from China**
- **Order worth MSEK 21 from China**

Late highlights after the end of the first three months:

- **Part delivery to Japanese Secure Design KK worth MSEK 1.5**

For further details, please contact:

Lennart Carlson, CEO Fingerprint Cards AB
+46 31 60 78 20, investrel@fingerprint.se
Fingerprint Cards AB, Box 2412, S-403 16 Göteborg
www.fingerprints.com

Fingerprint Cards has developed electronic systems that determine personal identity by analysing the unique fingertip patterns of individuals. The systems comprise microchips with algorithms that scan, store and compare fingertip patterns without the help of any PC processor. Two types of capacitive sensors have been developed, an extremely small swipe sensor and a flatbed sensor. Processor ASICs and algorithms have been developed for each type of sensor. By virtue of its smallness, low power consumption and the possibility of very low production costs, the technology can be integrated in volume products such as smart cards and mobile (cell) phones, where the requirements for such features are extremely high. Other applications for the technology include access control systems for buildings and products for log on to computers and IT networks.

Fingerprint Cards has its head office in Gothenburg and is listed on the OMX Nordic Exchange (FING B).

Market development

The Company has commented on the stability and increasing maturity of the market in its 2006 Annual Report, and the market situation during the first quarter continues to support the assessment given there, that biometric technologies have become well-established and proven on a global scale and across many different types of applications and products.

The numbers of travel documents and identity documents featuring biometrics and requiring biometric enrolments now number millions per month in their issuance globally, and this is a significant achievement set against the numbers being issued at the close of 2005. This can also be contrasted with the number of identity programs that had matured operationally prior to 2006 making this, the first quarter of 2007, the beginning of the first fully operational year of large scale, international identity programs. By this point both fingerprint and face biometrics have both been assimilated successfully to many of these programs.

Expectations and demands on the technology continue to move forward. In Europe Portugal has announced procurement of a new National ID card system, with first issuance later this year, and featuring the extended use of fingerprint biometrics for match-on-card. The cardholder's fingerprint will be captured at enrolment for the document, and transferred to the secure embedded environment of the smart card chip where it can also be matched safely and securely. The Portuguese government anticipates that the fingerprint will serve to replace PIN codes for cardholder authentication and for the use of the digital certificate for electronic signature in situations such as e-voting.

In the IT and network security segments then the adoption of biometrics continues to be served by the number of new computers, laptop or notebook computers in particular, made available with fingerprint sensors and user authentication software. During 2006 the Company estimates that around fifteen million units reached the market, and this number is increasing monthly based on the increased number of manufacturers sponsoring adoption by the first quarter of 2007. A second phase has been reached in these markets where the authentication hardware supplied includes additional trusted components to ensure a safe applications environment, creating an embedded zone apart from the pc itself. Also serving this market segment is the constantly improving management of identity across applications. A good example of the maturation of this is the credentialing system for US federal employees: the Common Access Card. With standards for fingerprint security in place then this quarter began the year where all new employees must be given these new credentials, leading to the full credentialing of more than thirty million existing employees by the autumn of 2008.

The Company has indicated that the banking and financial sectors have been showing a resurgence of interest in the use of biometrics for employees and customers; one thing that has changed however is that the major interest is in Asian markets and not in Western Europe. In China legislation governing executive responsibility for fraud has been introduced, which has been pushing the introduction of stronger access controls. New business ideas are also finding this geographical area suitable for introduction. In Singapore Citibank has begun introducing biometric credit cards to customers, initially in the age range of 25 to 34, as part of an overall biometric payment solution that actually enables payment without the card itself. The bank plans a wider roll out in Asia, and growth to a wider customer base when the technology has reached higher adoption levels.

All in, the market condition continues to be positive for biometric opportunities on a wide front of applications and products. The prospects for fingerprint technology continue to be the most widely distributed although it must be taken into account that different approaches to fingerprint recognition bring different business value and technology strengths in different segments. The market for embedded solutions appears to be increasing and demonstrating a willingness to grow as the cost of embedded solutions lowers, all without reducing the security advantages of an independent operational platform. Increasingly this approach is lending itself to a growing choice of applications, from physical access control, to logical access control, and into payment solutions.

The Company's business situation

The strong market response that the Company experienced during last year has continued and even strengthened during this first quarter. Production capacity, with reference to packaging of the sensor component, had by the year-end been raised considerably and with that the Company could start taking volume orders from customers where deliveries will be made on a regular basis in accordance with agreed delivery plans. With the orders the Company now has signed, deliveries and their

associated revenues will increase steadily throughout the year, in particular from the third quarter onwards.

Over and above the measures taken during last year, aimed at raising production volume, several projects were begun with a purpose to radically lower the production cost for the sensor component in the complete production chain; from the silicon and to the ready-packaged component. Essential parts of these projects have been validated during this first quarter and cost reductions will have an effect on production costs in the third quarter of this year and onwards.

The above mentioned projects are aimed at lowering production costs for the packaging solution that the Company is at present delivering. In parallel with that work is the ongoing development of a completely new low cost sensor packaging solution; one that is directed towards very high production volumes. In accordance with a plan set up by the Company and its subcontractor, the first prototype production of this new solution will take place during the fourth quarter of this year.

The development of the Company's new processor ASIC, to replace the present processor ASIC, is progressing according to plan. The new chip will have increased performance and will be more power efficient. Production will take place using a more advanced semiconductor process that will lower production cost by as much as 80% compared with the present chip. Pre-marketing work by the Company shows a healthy interest for this new chip, in particular for embedded high security IT solutions, embedded solutions for physical access, along with systems for time & attendance for work places. Market deliveries of the new processor are projected towards the end of the second quarter this year.

In conclusion, the Company's business situation at present is very positive. Essential orders, amounting to more than MSEK 43, have been landed already during the first three months of the year. The Company has assured the necessary production volumes for present plans, and measures taken aimed at lowering production costs at subcontractors are also running as planned. Deliveries, and thereby revenues will steadily increase from the third quarter onwards and the sales margins will improve gradually.

Company sales during the period

In January the Company received an order for sensors from its distributor for China, Hardware & Software Technologies (HST). The order value was MSEK 22 and thus the Company's largest single order to date. This was followed up with a further order in February worth MSEK 21. Deliveries on both these orders commenced during the quarter, will continue through the second quarter, before a sharp increase during both the third and fourth quarter. Deliveries on both these orders shall be completed by the close of the first quarter of 2008 at the latest.

The purposes for which the Company's technology is being supplied to are primarily various IT security products. HST has a number of customers manufacturing and delivering biometric log-on systems to China's banks; among them Wellcom, which is China's largest supplier of IT security products to Chinese banks. Using this technology the banks' personnel log-on biometrically to the bank's computer network, with the further and ongoing use of biometrics to record transactions executed over the bank's network. Other than these bank applications deliveries of the sensors will go to USB keys for user identification and applications for value transfer where receivers' identity is biometrically verified.

Smaller deliveries during the period were made to a customer in India that has developed a product for biometric verification of students within the educational system. After two years of development and testing production of this product has now commenced. In the USA a smaller delivery was made through the Company's new distributor to an end product developer of safeboxes for valuables. Examples of other new products/customers to whom smaller deliveries were made are Point-of-Sale terminals in France and safes in Italy.

Sales during the period mounted to MSEK 5.1. The order value at 31 March was fully MSEK 41. This order value includes a part delivery worth MSEK 1.5 that was made to Secure Design KK shortly after the close of the reporting period. The remaining part of the Secure Design order from last year has not been included in the stated order value.

Technology development and production

Operations within technology development and production have to a great extent focused on a continued rise in production capacity and to making production of the Company's products at subcontractor level more cost efficient. The organisation has been strengthened in the areas of logistics, quality assurance and product development. New technical solutions, foremost that for packaging of the sensor component are under development, and new subcontractors are being phased in. A change over to a more efficient handling of the silicon in the production process provides a simpler and more cost effective handling and is expected to result in an improved production yield.

The project concerning the Company's new processor ASIC is going according to plan. Work on prototype production is ongoing with an Asian semiconductor as well as preparations for volume production. This includes among other the development of test equipment for production tests.

Turnover and earnings

Consolidated turnover for the period January to March amounted to MSEK 5,1 (1,8). The consolidated loss for the period January to March was MSEK - 5,4 (- 4,1).

Net turnover by the parent company amounted to MSEK 5,1 (1,8) and earnings to MSEK - 5,4 (- 4,1).

Financial position

Equity, as of March 31, 2007, amounted to MSEK 95,5 (54,6). The consolidated equity/assets ratio was 92,4 % (94,1). Consolidated available liquid assets including current investments as at March 31, 2007, totaled MSEK 59,1 (35,1). Other current receivables amounted to MSEK 8,6 (1,8). The consolidated working capital amounted as at March 31 to MSEK 79,3 (40,5).

The parent company's available liquid assets up to 31 March 2007, short term investments included, amounted to MSEK 59 (35).

Fixed assets, capital expenditure and depreciation

During the year investments in equipment amounted to MSEK 0.1 (0). Development cost has been set up as an asset during the period with MSEK 2,8 (0,3). Development costs were depreciated according to plan by 15 % and equipment was depreciated by 20% annually.

Personnel

At year-end the number of employees totaled twelve (eleven), of whom none (none) were women.

Accounting principles

This interim report was prepared in accordance with IAS 34, Interim Financial Reporting. The consolidated financial statements are made up in accordance with the International Financial Reporting Standards, IFRS. For further details see note 1 in the Fingerprint Cards AB's Annual Report 2006.

Significant events after the end of the period

Early in April a part delivery worth MSEK 1.5 was made to Japanese Secure Design KK .The technology will be used for an IT security product named *ITube*, a USB memory with an embedded system for finger verification.

Future reporting dates

Interim report January - June, August 16 2007
Interim report January – September, October 26 2007
Press release on annual accounts for 2007, February 2008

Gothenburg, May 10, 2007
Fingerprint Cards AB (publ)

The Board

Review Report

Introduction

We have reviewed the interim report of Fingerprint Cards AB (publ), corporate identity number 556154-2381 for the period 1 January 2007 – 31 March 2007. The board of directors and the managing director are responsible for preparing and presenting this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express an opinion on this interim report based on our review.

Scope of the review

We have conducted our review in accordance with Standard for review SÖG 2410 – Review of financial interim report information performed by the auditor of the company – issued by FAR. A review consists of inquiries in the first place to persons responsible for financial and accounting issues, to perform an analytical review and take other review procedures. A review is significantly less in scope than an audit in accordance with generally accepted auditing standards and good auditing practice in Sweden. The review procedures made at a review do not secure that we are aware of all significant circumstances, which could have been identified if an audit had been performed. Therefore, the expressed conclusion based on a review does not have the security, which an expressed conclusion based on an audit has.

Conclusion

During our review we have not identified any circumstances, which indicate that the interim report is not in all in compliance with the requirements of IAS 34 and the Annual Accounts Act.

Gothenburg, May 10, 2007
KPMG Bohlins AB

Jan Malm
Authorized Public Accountant

INCOME STATEMENT, GROUP	Jan-March	Jan-March	Jan-Dec
(MSEK)	<u>2007</u>	<u>2006</u>	<u>2006</u>
Operating income			
Net turnover	5,1	1,8	11,1
Cost of goods sold	<u>-5,0</u>	<u>-1,4</u>	<u>-10,9</u>
Gross margin	0,1	0,4	0,2
Operating expenses			
Administrative expenses	-2,0	-1,6	-6,4
Development expenses	-2,8	-1,9	-9,5
Selling expenses	<u>-1,2</u>	<u>-1,1</u>	<u>-4,3</u>
Operating profit/loss	-5,9	-4,2	-20,0
Net financial items	0,5	0,1	0,3
Net profit/loss for the period	-5,4	-4,1	-19,7

BALANCE SHEETS, GROUP	31 March	31 March	31 Dec
(MSEK)	<u>2007</u>	<u>2006</u>	<u>2006</u>
Assets			
Intangible assets	15,9	13,7	13,7
Tangible assets	<u>0,3</u>	<u>0,4</u>	<u>0,3</u>
<i>Total fixed assets</i>	<i>16,2</i>	<i>14,1</i>	<i>14,0</i>
Inventory	19,5	7,0	16,6
Current receivables	8,6	1,8	6,7
Current investments	49,5	0,0	34,8
Cash and bank deposits	<u>9,6</u>	<u>35,1</u>	<u>36,3</u>
<i>Total current assets</i>	<i>87,2</i>	<i>43,9</i>	<i>94,4</i>
Total assets	103,4	58,0	108,4
Equity and liabilities			
Equity	95,5	54,6	100,9
Current liabilities, non-interest bearing	<u>7,9</u>	<u>3,4</u>	<u>7,5</u>
Total equity and assets	103,4	58,0	108,4

CHANGE IN EQUITY, GROUP	Jan-March	Jan-March	Jan-Dec
(MSEK)	<u>2007</u>	<u>2006</u>	<u>2006</u>
Opening equity	100,9	58,7	58,7
New share issue	0,0	0,0	62,0
Net profit/loss for the period	<u>-5,4</u>	<u>-4,1</u>	<u>-19,7</u>
Closing equity	95,5	54,6	100,9

CASH FLOW ANALYSES, GROUP	Jan-March	Jan-March	Jan-Dec
(MSEK)	<u>2007</u>	<u>2006</u>	<u>2006</u>
Earnings for the period	-5,9	-4,2	-20,0
Depreciation	0,7	0,7	2,8
Interest received	0,2	0,0	0,6
Other items	-0,1	0,0	-0,7
Change in working capital	<u>-4,0</u>	<u>-1,1</u>	<u>-11,2</u>
Cash flow from current operations	-9,1	-4,6	-28,5
Cash flow from investment operations	-2,9	-0,3	-2,3
Cash flow from financing operations	0,0	0,0	62,0
Change in liquid funds incl. curr. investments	-12,0	-4,9	31,2

KEY RATIOS, THE GROUP	Jan-March	Jan-March	Jan-Dec
	<u>2007</u>	<u>2006</u>	<u>2006</u>
Net earnings per share (SEK)	-0,44	-0,44	-2,08
Net earnings per share after full conversation (SEK)	-0,44	-0,44	-2,08
Equity per share (SEK)	7,86	5,84	9,07
Equity per share after full conversation (SEK)	7,86	5,75	9,07
Equity/assets ratio (%)	92,4	94,1	93,1
No of shares average (thousands)	12 153	9 348	9 496
No. of shares after full conversation average (thousar	12 153	9 498	9 496
No. of shares (thousands)	12 153	9 348	11 122
No. of shares after full conversation (thousands)	12 153	9 498	11 122