

PRESS RELEASE
Gothenburg, August 16, 2007

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

Highlights of the first half-year:

- **The income for the interim period totalled MSEK 10.7 (4.8) and for the second quarter MSEK 5.6 (3.0).**
- **Net financial items for the interim period amounted to MSEK 0.8 (0.0) and for the second quarter MSEK 0.3 (0.0).**
- **The loss for January to June totalled MSEK – 12.1 (- 9.1) and for the second quarter MSEK – 6.7 (-5.0).**
- **Net earnings per share for the interim period was SEK – 1,00 (- 0,97).**
- **Liquid funds at the close of the interim period amounted to MSEK 51 (22,9).**

Highlights of the second quarter:

- **A further part delivery made to Secure Design KK.**
- **Distributor licence agreement signed for Germany, Switzerland and Austria.**
- **Order value as per 30 June amounted to MSEK 36.5.**

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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 year's second quarter brought no surprises or shocks to the markets for biometrics. A positive atmosphere of continuity has been the overall theme. In particular growth has been sustained quarter-on-quarter, and most companies have been reporting continuously improving results, though many are yet to reach profitability. Levels of new customer adoption have been maintained, with commercial leaders endorsing biometrics for entry to new markets such as internet payments; some of these adoptions are for biometrics such as voice recognition, but they play a key role in confirming the importance of biometrics, and in drawing attention to the fact that growing problems of identity fraud and password management can be solved.

Fraud continues to be a major problem; it moves and grows with new consumer habits. According to the UK's Associate of Payment and Clearing Services (APACS) the introduction of the PIN code to bank cardholder verification has improved matters and annual card fraud there has dropped to £418 Million from £439 Million in 2005. This has to be set against the rise of fraud in other payment areas; also in the UK the Financial Services Authority reports an 8000% increase in online fraud over the last two years. The growing movement of customers to digital platforms where the cardholder is 'not present' in the transaction will continue to drive new security solutions from the home PC, and the indications are that biometrics are likely to be at the back of these.

In the business IT sector there are two main development paths for an extended deployment of biometric user authentication. One system solution builds on using personal biometric identifiers such as a chip card or a USB key. The other possible solution is a system where storing and matching of templates is done on a central server. The need to deploy mobile laptop computing across this segment has created a window for integrated biometric equipment at the client computing level where mobile data security and access to client-stored passwords is a greater vulnerability. A recent survey in North America indicates that more than 25% of larger corporate businesses have already made initial deployments of biometrics and that more than 80% of these are preparing to expand this as they refresh their technology.

Players within the biometric market have continued to change shape. There continue to be some smaller entrants to the market, in areas such as algorithm development and supply, and this is likely to continue because of the low barrier to entry. At the hardware supply end of the market then the trend towards consolidation and strengthening has continued to narrow down the number of effective players, leading this supply group out of the private capital markets. The business climate for biometric IPOs now appears to be at its healthiest since 2001.

Many biometric suppliers have started from a single technology point, such as algorithm development, so strategic moves to capture the broader business value of integrated systems continued to be a trend during the second quarter. This accounts in part for the continuing dynamism and fluidity of the biometrics market. Solutions companies such as L1 have continued to acquire specialist companies to get closer to its target markets in the US Government sector.

Complexity of the applications environment continues to be a barrier to some wider biometric deployments, but efforts to define the problem and better understand the technology opportunities are persistent, and have been making progress. During the quarter the British Airports Authority released the results of its *miSense*¹ trials, which deployed fingerprint biometrics and self-service technology for a group of frequent travellers between London and Hong Kong. The trial was an opportunity to prove a business flow concept devised by the International Air Transport Association (IATA) in collaboration with a number of key suppliers to the aviation industry. Of those travellers participating and surveyed; 87% found the biometric enrolment easy or very easy; 72% found the main benefit to be faster journey times; 81% thought the biometric service concept was either good or excellent. The trial was able to demonstrate better and more secure passenger flow across international boundaries and with international co-operation across different business groups.

Looking to biometric products and not at large systems, the quarter also saw the release – in Japan only – of a new cell-phone by Hitachi. This includes a number of innovative features including a high resolution screen and a fingerprint swipe sensor, which it is claimed can be used for screen menu navigation as well as phone data security. To date Japan has been a pioneer in developing sophisticated cell-phone concepts, but its role appears to be that of a market laboratory and there has been little market adoption of such products elsewhere.

¹ View the full public report at <http://www.misense.org>

Company sales during the period

During the first six months sales doubled compared to the corresponding period last year. More than half of the deliveries went to China where the Company's distributor Hardware & Software Technologies Co. (HST) has established a strong position for Fingerprint Cards' sensor technology, above all within the IT security product segment for the financial sector. Thus far this has resulted in two volume orders received during the first quarter one valued at MSEK 22 which was followed by a second one valued at MSEK 21. HST's customers are made up of those enterprises developing, manufacturing and delivering the end products to the market, and in the case of IT security for the Chinese banks HST delivers the Company's sensors to the four main developers in this segment. Deliveries concerning these Chinese orders were of about the same volume during the past two quarters and so far about 18 % of the total order value has been delivered.

Beyond China deliveries during the first quarter was also made to customers in the US, India, France and Italy representing applications such as safe boxes, ID control for schools, payment systems and safes. Apart from the safe boxes these deliveries concerned products and systems in their market start up phase.

During the second quarter system components were delivered to the Company's Japanese customer Secure Design KK. The value of that delivery amounted to MSEK 1.5 and the technology is used in Secure Design's IT security product *ITube*. With that the Company has made total deliveries amounting to MSEK 2.25 out of the original total order value of MSEK 9. A follow-up order was received and a new delivery was made to a customer in France that has developed a POS terminal (Point of Sale) for biometric identification of personnel using the terminal for registration of customer payments received.

Deliveries during the second quarter also included a customer in Argentina buying the Company's modules based on the area sensor technology. These modules are complete biometric systems comprising the sensor, the processor ASIC and the algorithm. The customer has developed a payment system that is based on a smart card that can store electronic money. The card also stores personal data used when identity is biometrically verified and hence the system may also be used for physical access as well as for time & attendance.

A new customer has made a first installation of a time & attendance system at a European airport and this is probably the first time the Company's technology is being used in an airport environment.

Noticeable market activities during the second quarter included CDI (Components Distributor Inc., the Company's distributor for USA) exhibiting on the Sensors Expo 2007 show in Chicago where Company personnel assisted. In addition a distributor licence agreement was signed with German *admatec GmbH* for the geographical region Germany-Austria-Switzerland. *admatec* also works with systems integration with specialisation on card readers and display products.

During the first half year Company sales amounted to MSEK 10.7 out of which MSEK 5.6 concerned the second quarter. The order value as per 30 June amounted to MSEK 36.5. The remaining part, MSEK 6.75, of the Secure Design KK order is not included in the stated order value.

The Company's business situation

The market for the Company's sensor technology in China looks continuously positive, and new end-customers within the IT security segment have been added during this half year. Deliveries concerning the orders received during the first quarter will increase considerably during the second half year and the Company has built up its stock in order to meet planned delivery schedules. Final delivery for these present orders shall be made by the end of the first quarter 2008.

Positive signs can also be noted from several other markets. Product and systems developers to which the Company has made smaller deliveries during the last year have advised that serial production will commence. Based on the information the Company has received it is however not possible to predict future volumes. Several of these developers use the Company's complete modules which make integration work easier for the customer and the benefit for the Company is that it delivers more hardware.

Over a longer period of time a number of heavy and costly projects have been run, directed at the reduction of production costs for the Company's hardware components. These projects are vital for the Company's future and will strengthen competitiveness at the same time as bringing sales margins up to an acceptable level. During the period the Company received first delivery of its new processor ASIC design and the full functionality of this chip has now been verified with respect to the area sensor. The project has had a few delays but the first samples will soon be delivered to customers. A second important project, aimed at radically lowering the cost of silicon production for the area sensor, has also been completed during the period and a first volume production order has been placed for delivery this summer.

A third important project concerns the development of a completely new packaging solution for both the area and the swipe sensor. This solution will be very cost efficient and adapted to high production volumes. The development work is done in cooperation with highly qualified sub-contractors; is running in according to plan; and a first prototype production is scheduled for the fourth quarter of this year.

The extensive projects that have been run with the aim to drastically lower the Company's production costs and establish a sound sub-contractor structure will form the basis for a future profitable business platform. The volume orders the Company has received up till now are taken at competitive market prices and they will not produce a positive sales margin until the new cost efficient packaging solution for the sensor is in production. Smaller orders for the sensor component may be taken at higher prices giving a positive margin at the present production cost level and the newly designed processor ASIC will produce a very healthy sales margin once deliveries have started. Over all this implies that the Company's sales margin should gradually improve during the coming half year. How fast this will happen is hard to predict and the sales mix will be an important factor thereby.

The Company's aim is still to reach an overall sales margin of approximately 35% and a condition for reaching that aim is that the above mentioned project concerning a new sensor packaging solution will be successfully carried through since this component accounts for a large part of the total sales. The financial aim of reaching break-even on an annual basis toward the end of 2008 remains.

Technology development and production

During the period bottlenecks in the sensor production were removed and resources focused on making sensor production more effective and on the development of new, more cost efficient packaging solutions for the sensor. The project aimed at radically lowering the silicon cost has been successfully completed and a first production volume order for delivery July/August has been placed.

Delivery of a first production of the newly designed processor chip was received during the second quarter for testing. Full functionality has been verified with respect to the area sensor and tests with respect to the Company's swipe sensor are underway. After completed documentation deliveries to customers using the area sensor in embedded solutions can commence.

The development work concerning a completely new packaging solution for the Company's two sensor technologies is advancing in accordance with plan indicating that prototype production might commence during the fourth quarter.

Turnover and earnings

Consolidated turnover for the interim period amounted to MSEK 10.7 (4.8) and for the second quarter MSEK 5.6 (3.0). The consolidated loss for the interim period amounted to MSEK - 12.1 (-9.1) and for the second quarter MSEK - 6.7 (- 5.0).

Net turnover by the parent company for the interim period amounted to MSEK 10.7 (4.8) and for the second quarter MSEK 5.6 (3.0). The consolidated loss for the interim period amounted to MSEK - 12.1 (-9.1) and for the second quarter MSEK - 6.7 (- 5.0).

Financial position

Equity, as of June 30, 2007, amounted to MSEK 88.9 (49.6). The consolidated equity/assets ratio was 93.7 % (92.2). Consolidated available liquid assets including current investments as at June 30, 2007,

totalled MSEK 51 (22.9). Other current receivables amounted to MSEK 4.8 (11). The consolidated working capital amounted as at 30 June to MSEK 73 (35.6). The parent company's available liquid assets up to 30 June 2007, short term investments included, amounted to MSEK 50.9 (22.8).

Fixed assets, capital expenditure and depreciation

During the interim period investments in equipment amounted to MSEK 0.2 (0) and development cost has been set up as an asset during the period with MSEK 3.1 (0.9). During the second quarter investments in equipment amounted to MSEK 0.2 (0) and development cost has been set up as an asset during the period with MSEK 0.1 (0.6). Development costs were depreciated according to plan by 15 % and equipment was depreciated by 20% annually.

Personnel

At the close of the interim period the number of employees totalled twelve (eleven), of whom none (none) were women.

Essential risk and uncertainty factors

According to new rules for interim reports, valid from 1 July 2007, the Company shall describe essential risk and uncertainty factors in its business covering the coming six months operation.

The biggest risk for the Company is that its project, to develop a new cost efficient sensor packaging solution, would fail. This project is crucial for the Company since the present packaging solution is not cost efficient when produced in high volumes.

The project is run in cooperation with highly qualified sub-contractors, who have established expert knowledge of the production equipment in question and of comparable product solutions. According to the project plan that the Company and its partners are following, prototype production will commence during the fourth quarter of this year. Should delays in the project occur, or should the prototype production show significant production problems for the developed solution, then this could have an adverse effect on the Company's market prospects and timing for larger customer orders.

Further risks and uncertainty factors relevant to the Company's business operation are, in the Company's opinion, to be seen as normal business risks. Examples of these are:

- That the Company would lose key personnel
- That larger customers would be lost
- That larger debtor customers would fail to settle their accounts
- That the Company would lose important sub-contractors

Issue of share options to employees

At the Annual General Meeting held on May 31, 2007 it was decided to issue 370 000 share options to employees, out of which 180.000 share options have been subscribed for by the employees and 190 000 share options have been subscribed for by the Company's subsidiary, Fingerprint Security Systems AB, for future transfer to new employees. The personnel cost for the share options held by the Company's subsidiary will be accounted for when transfer to new employees takes place. The strike price was set at SEK 38 and subscription of shares shall take place starting 1 June 2010 and ending 30 November 2010. The share capital will be diluted by a maximum of 3.04 per cent and the votes by 2.49 per cent.

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. Accounting principles and calculation methods remain unchanged from those applied in the 2006 Annual Report. The Parent Company applies the accounting and valuation principles used in the last Annual Report. For further details see note 1 in the Fingerprint Cards AB's Annual Report 2006.

Future reporting dates

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

The Board and the President hereby offer their assurances that this Interim Report offers a true and accurate view of the company's and group's operations, position and profits, and states the significant risks and uncertainty factors facing the company and those companies that are part of the group.

Gothenburg, August 16, 2007

Perc Brodén
Chairman

Jan Burenius

Lennart Carlson
CEO & President

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 – 30 June 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, August 16, 2007
KPMG Bohlins AB

Jan Malm
Authorized Public Accountant

STATEMENTS OF INCOME, THE GROUP	<i>Apr-Jun</i>	<i>Apr-Jun</i>	<i>Jan-Jun</i>	<i>Jan-Jun</i>
(MSEK)	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Operating income				
Net turnover	5.6	3.0	10.7	4.8
Cost of goods sold	<u>-6.1</u>	<u>-2.5</u>	<u>-11.1</u>	<u>-3.8</u>
Gross margin	-0.5	0.5	-0.4	1.0
Operating expenses				
Administration	-2.1	-1.6	-4.1	-3.2
Development costs	-3.1	-2.5	-5.9	-4.4
Market costs	<u>-1.3</u>	<u>-1.4</u>	<u>-2.5</u>	<u>-2.5</u>
Operating profit/loss	-7.0	-5.0	-12.9	-9.1
Net financial items	<u>0.3</u>	<u>0.0</u>	<u>0.8</u>	<u>0.0</u>
Net profit/loss for the period	-6.7	-5.0	-12.1	-9.1

BALANCE SHEETS THE GROUP	<i>30 Jun</i>	<i>31 Dec</i>
(MSEK)	<u>2007</u>	<u>2006</u>
Assets		
Intangible assets	15.5	13.7
Tangible assets	<u>0.4</u>	<u>0.3</u>
<i>Total fixed assets</i>	15.9	14.0
Inventory	23.2	16.6
Current receivables	4.8	6.7
Current investments	42.7	34.8
Cash and bank deposits	<u>8.3</u>	<u>36.3</u>
<i>Total current assets</i>	79.0	94.4
Total assets	94.9	108.4
Equity and liabilities		
Equity	88.9	100.9
Current liabilities, no n-interest bearing	<u>6.0</u>	<u>7.5</u>
Total equity and as sets	94.9	108.4

CHANGE IN EQUITY, THE GROUP	<i>Jan-Jun</i>	<i>Jan-Jun</i>
(MSEK)	<u>2007</u>	<u>2006</u>
Opening equity	100.9	58.7
Share options to employees	0.1	-
Net profit/loss for the period	<u>-12.1</u>	<u>-9.1</u>
Closing equity	88.9	49.6

CASH FLOW ANALYSES, THE GROUP	<i>Jan-Jun</i>	<i>Jan-Jun</i>
(MSEK)	<u>2007</u>	<u>2006</u>
Earnings for the period	-12.9	-9.1
Adjustments for items not included in the cash flow	1.9	1.0
Change of inventory	-6.6	-0.2
Change in current receivables	2.2	-9.6
Change in current liabilities	<u>-1.5</u>	<u>1.8</u>
Cash flow from current operations	-16.9	-16.1
Cash flow from investment operations	-3.2	-0.9
Change in liquid funds incl. curr. investments	-20.1	-17.0

KEY RATIOS, THE GROUP	<i>Apr-Jun</i>	<i>Apr-Jun</i>	<i>Jan-Jun</i>	<i>Jan-Jun</i>
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Net earnings per share (SEK)	-0.55	-0.53	-1.00	-0.97
Net earnings per share after full dilution (SEK)	-0.55	-0.53	-1.00	-0.97
Equity per share (SEK)			7.32	5.31
Equity per share after full dilution (SEK)			7.32	5.31
Equity/assets ratio (%)			93.7	92.2
No of shares average (thousands)			12,153	9,348
No. of shares after full dilution average (thousands)			12,214	9,348
No. of shares (thousands)			12,153	9,348
No. of shares after full dilution (thousands)			12,523	9,348

STATEMENTS OF INCOME, THE GROUP

(MSEK)	<i>Jan-Jun</i>	<i>Jan-Jun</i>
	<u>2007</u>	<u>2006</u>
Operating income		
Net turnover	10.7	4.8
Cost of goods sold	<u>-11.1</u>	<u>-3.8</u>
Gross margin	-0.4	1.0
Operating expenses		
Administration	-4.1	-3.2
Development costs	-5.9	-4.4
Market costs	<u>-2.5</u>	<u>-2.5</u>
Operating profit/loss	-12.9	-9.1
Net financial items	0.8	0.0
Net profit/loss for the period	-12.1	-9.1

BALANCE SHEETS THE GROUP

(MSEK)	<i>30 Jun</i>	<i>30 Jun</i>
	<u>2007</u>	<u>2006</u>
Assets		
Intangible assets	15.5	13.7
Tangible assets	0.4	0.3
<i>Total fixed assets</i>	15.9	14.0
Inventory	23.2	5.9
Current receivables	4.8	10.9
Current investments	42.7	-
Cash and bank deposits	8.2	22.8
<i>Total current assets</i>	78.9	39.6
Total assets	94.8	53.6
Equity and liabilities		
Equity	88.4	49.0
Current liabilities, non-interest bearing	6.4	4.6
Total equity and assets	94.8	53.6