

PRESS RELEASE
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First-quarter interim report, January-March 2001, Fingerprint Cards AB (publ)

New technology that was demonstrated to the market:

- Extremely small swipe sensor
- System-on-Card
- Verification module for handheld computers
- The Volvo Personal Communicator remote control

Fingerprint technology in the new computer security system of the Swedish Defense Forces. (For details please refer to "Significant events after the end of the accounting period".)

General remarks on operations

The Company is developing a technology for scanning and matching fingertip patterns for determination of individuals' identity, which replaces PIN codes and passwords in security applications. The technical solutions developed are licensed to companies in the fields of mobile telephony, data security, building access control and card-based solutions for e-commerce and other electronic transactions.

Market

During the first quarter the company demonstrated its technology at a number of international trade fairs. The first "System-on-Card, where the entire finger verification system with its sensor, processor and algorithm is integrated into a smart card, was demonstrated in collaboration with Biometric Associates, at the London-based trade fair "Optimising Wireless E-Commerce" in January and later at the "London Smart Card" trade fair. In March, the CeBIT electronics trade fair was the venue for the premiere demonstration of the company's latest technical sensor innovation, an extremely small swipe sensor that scans the finger pattern as a finger is drawn across a small sensor surface that is 11 mm wide and 2.5 mm long. The fact that it is so compact and thus less expensive to manufacture should open up further marketing opportunities for volume applications where component price is crucial. In the field of physical access control, a recently developed algorithm was demonstrated that allows doors to be opened using cardless systems. Another item on show at CeBIT was an advanced application project in which company technology has been incorporated into a Handspring™ handheld computer.

The first results of the collaboration with Volvo, in the form of a biometric remote control, the "Volvo Personal Communicator", were demonstrated by Volvo at the Detroit Motor Show.

The company marketing organisation is now fully staffed in accordance with the plan adopted last year. Its greater international market presence has yielded immediate results in the form of new interesting contacts in the USA as well as Europe and Asia. The interest in biometrics and primarily finger verification is growing throughout the world, as the security problems of many systems are acute and biometrics is the only known alternative to PIN codes. However, this technology is still awaiting its market breakthrough and no known biometrics companies are yet in the black.

Technical status

Company technology is constantly evolving and the technicians' organisation has now been enhanced with production technology expertise. This will provide the company with a stronger position in its efforts to develop cost-effective solutions with regard to the packaging and production of the sensors.

The first functioning swipe sensor prototype was supplied during the period and the initial test runs show that the system functions in accordance with its specifications. Great efforts have been devoted to algorithm development in order to handle the swiping movements of the fingers across the swipe sensor, one of the results of which has been a further patent application. In addition, considerable progress has been made with regard to the development of the surface layer of the sensors. Work on developing the next generation of ASIC processors is progressing according to plan, and the emphasis lies on minimising power consumption and cost.

A new application project in physical access control, was initiated during the period and a further number of projects are proceeding according to plan, including the collaboration with Ericsson. The "System-on-Card" project with Biometric Associates Inc. has achieved positive results by thinning the sensor chip in order to meet the requirements for thinness and flexibility that apply to standard smart cards.

Turnover and earnings

Turnover totalled MSEK 0.1 (0.4). The consolidated net loss was MSEK -7.1 (-4.1). All development costs have been written off. This poorer result, compared with that for the first quarter of the preceding year, is a consequence of the company's considerably more offensive commitment to both technological development and marketing.

Financial position

Operations are essentially financed by both an MSEK 55.5 issue of new shares, floated in the spring of 1998 and a preferential rights issue and a directed new issue, respectively, for MSEK 149 net, which were floated in April 2000. The consolidated equity/assets ratio was 96% (89%) and the consolidated available liquid assets including current investments as at March 31, 2001, amounted to MSEK 144.6 (MSEK 21.5). Other current receivables amounted to MSEK 5.6 (0.7). Consolidated operating capital amounted to MSEK 143.6 (19.0).

Fixed assets, investments and depreciation

During the first three months of the year, MSEK 0.1 (0.1) was invested in equipment. Previous development costs set up as an asset and patent rights are depreciated according to plan by 15% annually, equivalent to the expected economic life. Equipment is depreciated at 20% annually and PCs by 30% annually.

Personnel

At the end of the period, the number of employees totalled sixteen (seven). The project organisation includes a total of some ten persons.

Accounting principles

This interim report has been drawn up on the basis of recommendation RR20 of the Swedish Financial Accounting Standards Council regarding interim reporting. The interim report has been drawn up on the basis of the same accounting principles and calculating methods as in the 2000 Annual Accounts with the exception of the application of recommendation (RR9) of the Council on income taxes. RR9 is applied for the first time in this report, for which reason comparable figures have been adjusted. In recording a deferred tax liability attributable to a loss allowance, a calculation has been performed based on an estimate of the deficits for tax purposes accumulated at each date and subject to a tax rate of 28%. The application of this recommendation means that the deferred tax receivable for the company as at March 31, 2001, amounts to MSEK 15.2, which has been recorded in the balance sheet as a financial asset.

Significant events after the end of the accounting period

The company demonstrated its technology at a trade fair in Las Vegas, Card Technology Security Technology 2001, which ran from May 14 to May 17.

The Swedish Defense Materiel Administration (FMV) has appointed Comex Electronics AB as the principal supplier for the development of a new advanced computer security system, capable of being used throughout the defense forces' organization. Biometrics is to be used for user identity verification and Fingerprint Cards has been chosen as the supplier of the finger verification technology. A leading international smart-card producer is also participating as a sub-contractor and a prototype system is to be developed under the guidance of Comex Electronics, after which FMV will consider the issue of a series delivery. Fingerprint Cards and Comex Electronics have signed a license agreement. (Please refer to today's press release).

Other financial reporting dates

Half-yearly interim report January-July 2001, August 28, 2001

Third-quarter interim report January-September, October 23, 2001

Press release on unaudited figures for 2001, February 2002

Göteborg, May 22, 2001

Fingerprint Cards AB (publ)

The Board

The interim report has been summarily examined by the company auditors.

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INCOME STATEMENTS (MSEK)	THE GROUP		
	Jan- Mar 2001	Jan- Mar 2000	Jan- Dec 2000
Operating income			
Net turnover	0.1	0.4	3.6
Operating expenses			
Development costs	-6.2	-2.5	-14.0
Personnel costs	-2.8	-1.2	-6.4
Other external costs	-1.9	-2.0	-6.0
Depreciation	-0.7	-0.6	-2.7
Operating loss	-11.5	-5.9	-25.5
Net financial items	1.7	0.3	4.8
Net loss after financial items	-9.8	-5.6	-20.7
Deferred tax	2.7	1.5	5.6
Net loss for the period	-7.1	-4.1	-15.1
Number of shares (000s)	6.348	4.870	6.348
Number of shares after full conversion (000s)	6.948	4.870	6.648
Earnings per share, in SEK	-1.12	-0.84	-2.38
Earnings per share after full conversion, in SEK	-1.02	-0.84	-2.27

BALANCE SHEETS (MSEK)	THE GROUP		
	31-Mar-2001	31-Mar-2000	31-Dec-2000
Assets			
Intangible assets	6.7	9.0	7.3
Financial assets	15.2	8.4	12.6
<u>Tangible assets</u>	<u>1.2</u>	<u>0.4</u>	<u>1.2</u>
Total fixed assets	23.1	17.8	21.1
Current receivables	5.6	0.7	4.6
Current investments	144.1	18.6	152.2
<u>Cash and bank deposits</u>	<u>0.5</u>	<u>2.9</u>	<u>2.2</u>
Total current assets	150.2	22.2	159.0
Total assets	173.3	40.0	180.1
Equity and liabilities			
Equity	166.7	35.5	173.8
Long-term liabilities, interest-bearing	0.0	1.3	0.0
<u>Current liabilities, non-interest bearing</u>	<u>6.6</u>	<u>3.2</u>	<u>6.3</u>
Total equity and assets	173.3	40.0	180.1

CHANGE IN SHAREHOLDERS' EQUITY (MSEK)	THE GROUP		
	31-Mar-2001	31-Mar-2000	31-Dec-2000
Opening shareholders' equity	173.8	39.6	39.6
New issue	0.0	0.0	149.3
Earnings for the period	-7.1	-4.1	-15.1
Closing shareholders' equity	166.7	35.5	173.8

CASH FLOW ANALYSES (MSEK)	THE GROUP		
	31-Mar-2001	31-Mar-2000	31-Dec-2000
Cash flow from current operations before changes in operating capital	-10.4	-4.8	-20.4
Increase/decrease in current receivables	0.4	0.1	-1.0
Increase in current liabilities	0.3	0.2	3.4
Increase/decrease in current investments	8.1	1.6	-132.3
Cash flow from current operations	-1.6	-2.9	-150.3
Investment operations	-0.1	-0.1	-2.7
Financial operations	0.0	0.0	149.3
Change in liquid assets	-1.7	-3.0	-3.7

KEY RATIOS	THE GROUP		
	31-Mar-2001	31-Mar-2000	31-Dec-2000
Equity per share (SEK)	26.26	7.29	27.38
Equity-assets ratio (%)	96.2	88.8	96.5

EXAMINATION REPORT

We have summarily examined this interim report in accordance with the recommendations published by the Swedish Institute of Authorised Public Accountants (FAR). A summary examination is considerably restricted in comparison with an audit. No findings indicate that the interim report does not comply with the stipulations of the Annual Accounts Act.

Göteborg, May 22, 2001

Ernst & Young AB

Jonas Cullberg
Authorised Public Accountant