



PRESS RELEASE
Gothenburg May 28, 2002

First-quarter interim report January - March 2002, Fingerprint Cards AB (publ)

Highlights of the first quarter:

- Growing interest from companies evaluating the technology
- Unique single-chip solutions for mobile telephony and smart cards
- Wide product range from corporate partners at the CeBIT show
- Media focus on potential of embedded technology
- Operating income for the quarter MSEK 0.3 (0.1), net financial items MSEK 1.4 (1.7)
- Loss for the quarter MSEK -7.9 (-9.8)
- Liquid funds MSEK 109.5 (144.6)

Late highlights after the end of the first quarter:

- Bewator AB, Stockholm, has bought a technology license for its door systems.
- A license for the Löfberg patent has been sold to the Global Biometric Corp. in New York.
- Affärsstrategerna AB has converted their 200,000 A-shares to B-shares.
- Sony Corp. in Japan has purchased a non-exclusive license for the Löfberg patent.
- A non-exclusive license for component sales has been sold to Clere Electronics of the United Kingdom

Operations in general

The Company is developing a fingertip verification system that determines personal identity through electronic scanning and analysis of fingertip patterns. The technology is completely chip-based and scans, stores and compares fingertip patterns without the aid of external processor power. Thanks to the small size and robustness of these devices, their low power consumption and the potential for very low production costs, this technology can be implemented in very small volume products such as smart cards and mobile (cell) phones, where the standards for such features are extremely high. The Company licenses its technology to manufacturers of products in which finger pattern recognition technology is integrated in order to verify user identity. Small and medium-sized licensees are provided with technology by the Company from its own warehouse, while larger licensees conclude direct delivery agreements with the chip manufacturers, for which royalties are paid to the Company.

Fingerprint Cards has its head office in Gothenburg and is listed on the O-list of the Stockholm Stock Exchange (FING B).

The market

Several examples from the market show that finger verification technology has begun to be used in even more large-sale systems. The Hong Kong authorities (Source: Biometric Technology Today, April 2002) have therefore decided on a national ID card in the form of a biometric smart card, which is to replace the current plastic-laminated photo cards. These cards will store data on at least two of the cardholder's fingertip patterns and the first 1,200,000 of them will begin to be issued in the middle of 2003. A later phase of this plan is to extend these new and more secure identity documents to the entire population of 6,800,000.

In the wake of the September 11 attacks on the USA, the Visionics Corp. has received a further order for five airport systems for biometrically secured check-in with fingerprint technology, which thus brings the total number of airports to forty-four. At the same time more than 70,000 United Airlines employees will be identified through fingertip verification.

In the past six months Fingerprint Cards has gained a considerably wider circle of companies that are seriously evaluating its technology. Their products range over the entire field from door systems and attendance control to high-volume products such as smart cards and cell phones. In the latter examples, where the entire biometric system is to be integrated in the product, the company enjoys excellent potential and very little competition, thanks to its advanced embedded systems. The requirements for robustness, low power consumption, small size and very low price, reduce the number of biometric suppliers to a minimum.



In the unique solution that the Company is now offering the manufacturers of mobile products, the entire system comprises a single tiny chip, where swipe sensors and processors are integrated for both scanning and processing. Data on fingertip patterns and matching decisions are generated on the SIM card and the manufacturing cost of this biometric chip is around USD 6, even in volumes as low as one million chips annually. In collaboration with an established chip manufacturer, the Company is also offering the market a single-chip solution for smart cards. The Company's area sensor is attached to an underlying processor chip that performs both biometric and smart card functions. Prior to attachment both chips are thinned down and the module becomes only 0.1 mm thick. This solution brings many benefits: security is enhanced, the requirements for flexibility and thickness in ISO standard 7816 are observed and the solution is much less expensive as the former three processors are integrated into a single one for the entire card.

At this year's CeBIT show, several corporate partners demonstrated new product developments with Company technology. Entry Systems AB demonstrated an attendance control system and DESKO GmbH, a check-in and boarding system, while Comex Electronics AB displayed its data security system for the Swedish Defense Forces. Other participants included Biometric Associates Inc. with its self-identifying smart cards and AcciMetrix Inc., who showed their biometrically secured gun holster developed for Uncle Mike's.

This holster application received considerable media coverage in both the USA and Sweden. Tougher legislation is expected in the USA in order to restrict weapons to their legitimate owners and since there are said to be 200 million guns in the USA, this may prove an interesting product. In Sweden, widely seen reports were shown on both the national news and in regional news programs.

On certain markets the Company will, as a complement, be working through distributors, who will maintain their own stocks of Company components. The latter will be so familiar with the technology that they can assist small and medium-sized companies in building applications and also supply them with components for production in reasonable volumes. Customers planning for larger volumes after a startup stage will be transferred to Fingerprint Cards, in order to ensure access to the lower component prices that are a prerequisite for volume production. The Company is far ahead in the process of qualifying distributors in both Asia and the USA.

Important events in the field of technology

Design work on the processor chip for the Company swipe sensor concluded during the quarter. The first prototypes are planned to leave production and be delivered during the second quarter of the year. A number of evaluation units have been developed during this period, based on a FPGA standard platform with programmable chips, in order to simulate the specially designed and awaited chip. A small number of customers have therefore had an opportunity of evaluating the Company's swipe sensor concept.

A study has been implemented of different ways of applying both the area and the swipe sensors in distinct products and finding styling designs that naturally place the finger in the correct position, thereby facilitating positive scanning of the fingertip pattern and ensuring system performance. For the swipe sensor, where the finger is swiped over the sensor surface, stable guidance of the movement of the fingers, is especially important. Styling designs that meet high standards of functionality, ergonomics and esthetics, have been produced.

New surface coatings have been developed for Company sensors. The Fingerprint Cards sensor technology allows protective layers that are up to twenty times thicker compared with competing sensors. Extensive trials have been held in order to evaluate optimal solutions. In addition to wear resistance, standards have been set for such matters as electrostatic discharge and, not least, cost-effective production solutions for the application. A number of materials with good properties have been identified and tested. In some cases application can be done directly on the wafer in the factory, which cuts the production costs. A wafer is a silicon plate on which the individual chips are not separated.

In order to cut sensor production costs, different materials and assembly methods have been tested. Depending on the environments and the ways in which the sensor system will be used, modules based on a variety of substrates have been developed, as have test methods to determine the function of the individual chips at wafer level. Total production costs have been cut through efficient weeding out of unusable chips prior to packaging, thanks to which tested unpackaged chips could also be delivered. The Company's efforts in the industrialization process aim to simplify matters for the customer and cut costs in the product flow. Continuing evaluations are made constantly of production technology with regard to various areas of application.



Turnover and earnings

Consolidated turnover during the first quarter amounted to MSEK 0.3 (0.1) and consolidated earnings for the first quarter, to MSEK -7.9 (-9.8).

Financial position

Operations are essentially financed by new issues of shares in 1998 and 2000, for a total of MSEK 205. The consolidated equity/assets ratio as at March 31, 2002 was 96.6% (95.8%). Consolidated available liquid assets including current investments as at March 31, 2002, totalled MSEK 109.5 (144.6). Other current receivables amounted to MSEK 5.5 (5.6). The consolidated working capital amounted as at March 31 to MSEK 112 (143.5). The two equally large Company option programs directed at the staff, with redemption rates of SEK 192 and SEK 67, respectively, for a total of 600,000 shares can result in a maximum dilution of 9.4% of the capital and 5.5% of the voting rights.

Fixed assets, investments and depreciation

During the first quarter, MSEK 0.1 (0.1) was invested in equipment. Previous development costs of MSEK 9.2 set up as an asset were depreciated by 15% and patent rights for MSEK 6.9 were depreciated according to plan by 20% annually, which is a rise of five percentage points for 2002 and is estimated to be equivalent to the expected service life. Equipment is depreciated by 20% annually.

Personnel

As at March 31, the number of employees totalled twenty (sixteen), of whom five were women (two).

Accounting principles

This interim report has been prepared in accordance with the recommendations and statements of the Swedish Financial Accounting Standards Council. The accounting principles for reporting have been amended, with effect from 2002, through application of functionally separated earnings accounting. Comparative periods have been re-calculated.

Significant events after the end of the accounting period

In the middle of April Bewator AB bought a license for the use of company technology in its door locks. Bewator, which for over a year has been evaluating this technology and building testing systems in collaboration with Fingerprint Cards, intends to develop a product for commercial introduction. The company has a turnover of more than MSEK 500 and operations in more than forty countries.

A further license was sold in April to the Global Biometric Corp. in New York. The license is limited to Fingerprint Cards' Löfberg patent and is to be used for the development of smart cards or a unit with the same function as a smart card but without its shape factor.

In a press released dated May 3, 2002, Affärsstrategerna AB notified their intention to re-issue their holding of 200,000 A-shares as till B-shares. After re-issue, they will own 778,200 B-shares, equivalent to 12.3 % of the share capital and 8.6 % of the voting rights, according to the press release.

The Sony Corporation of Japan has bought a non-exclusive license for Fingerprint Cards' Löfberg patent which entitles it to continue to market and sell its FIU-710 "Puppy" Fingerprint Identification Unit in the USA, a product for PC login containing a complete fingertip verification system, sensor, processor and algorithm and thus covered by the Company's system patent.

Clere Electronics of the United Kingdom has purchased a non-exclusive license and will operate there as a Company distributor. This electronics company, which is quite familiar with Company technology, will give its customers technical support and supply them with biometric components from its own warehouse.

Other reporting dates

Six-monthly interim report January-June, August 21, 2002

Nine-monthly interim report January-September, October 23, 2002

Press release on annual accounts for the financial year 2002, February 2003

Annual report for 2002, April 2003



Gothenburg, May 28, 2002

Fingerprint Cards AB (publ)

The Board

This interim report has been summarily examined by the Company auditor.

EXAMINATION REPORT

I 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 or of the Stock Exchange.

Gothenburg, May 28, 2002

Ernst & Young AB

Jonas Cullberg

Authorized Public Accountant

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STATEMENTS OF INCOME, THE GROUP	jan-mars	jan-mars	jan-dec
(MSEK)	<u>2002</u>	<u>2001</u>	<u>2001</u>
Operating income			
Net turnover	0,3	0,1	2,1
Operating expenses			
Administration	-3,2	-2,3	-11,9
Development costs	-3,5	-8,0	-26,6
Market costs	-2,9	-1,3	-6,2
Operating profit/loss	-9,3	-11,5	-42,6
Net financial items	1,4	1,7	6,3
Net profit/loss for the period	-7,9	-9,8	-36,3
BALANCE SHEETS THE GROUP	mars	mars	dec
(MSEK)	<u>2002</u>	<u>2001</u>	<u>2001</u>
Assets			
Intangible assets	4,2	6,7	4,9
<u>Tangible assets</u>	<u>1,2</u>	<u>1,2</u>	<u>1,2</u>
<i>Total fixed assets</i>	5,4	7,9	6,1
Inventory	1,2	0,0	0,0
Current receivables	5,5	5,6	5,4
Current investments	106,2	144,1	116,3
<u>Cash and bank deposits</u>	<u>3,3</u>	<u>0,5</u>	<u>2,9</u>
<i>Total current assets</i>	116,2	150,2	124,6
Total assets	121,6	158,1	130,7
Equity and liabilities			
Equity	117,4	151,4	125,1
Current liabilities, non-interest bearing	4,2	6,7	5,6
Total equity and assets	121,6	158,1	130,7
CHANGE IN EQUITY, THE GROUP	jan-mar	jan-mar	jan-dec
(MSEK)	<u>2002</u>	<u>2001</u>	<u>2001</u>
Opening equity	125,1	161,2	161,2
Option premiums received	0,2	0,0	0,2
<u>Net profit/loss for the period</u>	<u>-7,9</u>	<u>-9,8</u>	<u>-36,3</u>
Closing equity	117,4	151,4	125,1
CASH FLOW ANALYSES, THE GROUP	jan-mar	jan-mar	jan-dec
(MSEK)	<u>2002</u>	<u>2001</u>	<u>2001</u>
Earnings for the period	-7,9	-9,8	-36,3
Depreciation	0,9	0,7	2,6
<u>Other items not included in cash flow</u>	<u>-1,4</u>	<u>-1,2</u>	<u>0,1</u>
Cash flow from current operations before changes to working capital	-8,4	-10,3	-33,6
Increase in inventory	-1,2	0,0	0,0
Increase/decrease in current receivables	1,2	0,4	-0,8
<u>Increase/decrease in current liabilities</u>	<u>-1,4</u>	<u>0,4</u>	<u>-0,6</u>
Cash flow from current operations	-9,8	-9,5	-35,0
Cash flow from investment operations	-0,1	-0,1	-0,5
Cash flow from financing operations	0,2	0,0	0,2
Change in liquid funds incl. curr. investments	-9,7	-9,6	-35,3
KEY RATIOS, THE GROUP	jan-mar	jan-mar	jan-dec
	<u>2002</u>	<u>2001</u>	<u>2 001</u>
Net earnings per share (SEK)	-1,24	-1,54	-5,72
Net earnings per share after full conversation (SEK)	-1,14	-1,47	-5,22
Equity per share (SEK)	18,49	23,85	19,71
Equity per share after full conversation (SEK)	28,08	31,44	29,19
Equity/assets ratio (%)	96,6	95,8	95,7
No. of shares (thousands)	6 348	6 348	6 348
No. of shares after full conversation (thousands)	6 948	6 648	6 948