

PRESS RELEASE
Gothenburg, August 21, 2002

Half-yearly interim report, January-June 2002, Fingerprint Cards AB (publ)

The following comments are made on the second quarter:

- Five important agreements were signed
 - Bewator AB is to construct door locks using licensed Company technology
 - Sony Corp in Japan and Global Biometric Corp in the USA purchased licences for the Löffberg patent
 - Clere Electronics Ltd in the UK and Hardware & Software Technologies on Taiwan signed agreements for the distribution of Company technology in the United Kingdom and parts of Asia, respectively.
- The processor chip for the swipe sensor was delivered
- Second-quarter operating income totalled MSEK 3.6 (0.2), first half-year MSEK 4.0 (0.3)
- Net financial items amounted to MSEK 1.2 (1.6), first half-year MSEK 2.6 (3.3)
- The loss for the second quarter totalled MSEK -6.1 (-12.1), first half-year MSEK -13.9 (-21.9)
- Liquid funds as at June 30 totalled MSEK 106.6 (136.8)

General remarks on operations

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. The Company has developed in-house silicon sensors, processor chips and algorithms. Thanks to the small size and robustness of these devices, their low power consumption and the potential for low production costs, this technology can be implemented in 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 fingertip 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, round lot 500 shares).

The market

An external consultancy (Biometric & Authentication Consulting Ltd), which is completely devoted to the biometrics industry, was commissioned by Fingerprint Cards to survey the market for fingertip sensors, the quantities sold and the market segments within which they are used. In its report, the consultancy gives the total number of sensors sold in the past twelve months as around 555,000 units, of which, the older optical sensor technology accounted for 360,000 units, while the newer silicon-based sensors totalled 190,000. The completely predominant market segments were the IT market with computer login products, where over 90% of the sensors were used, the remaining 10% being taken by the market for physical access and building access control products. The forecast for the next twelve months is that sensor sales will more than double over the preceding twelve-month period and that the silicon-based sensors will increase significantly more than the optical ones.

The most vulnerable component of a biometric system is the sensor that scans the fingertip pattern. In order to achieve market acceptance, the sensor must be robust, which means that it should be able to be used a very large number of times, withstand reasonable mechanical damage, operate in high air humidity and great temperature differences, withstand sweat and other aggressive chemicals and also handle repeated electrostatic discharges. Optical sensors have had a clear lead over the silicon sensors developed in recent years. However, as suppliers of the latter have developed better surface coatings, these have become considerably more robust and an evident market breakthrough has been achieved. A further contributory fact is that the cost of silicon sensors has dropped to a level where these optical low-cost sensors can now compete only with the larger silicon sensors.

The manufacturing cost of silicon sensors is principally dependent on the quantity of silicon used. In other words, the smaller the silicon surface, the lower the cost. For products sold in large volumes such as mobile telephones, handheld computers and keyboards, the price of the sensor component will be decisive. With the introduction of swipe sensors with a silicon surface and thus a price only 20% of that of the current sensors, this technology will confer a very powerful competitive edge over optical sensors.

Identix in the USA, one of the largest suppliers of optical sensors, recently announced that they are withdrawing the launch of their recently developed DFR 400 optical low-cost sensors. The motive for this decision was, according to the company, the increasing competition that they see in the future, from silicon sensors, which are becoming increasingly more robust, smaller and less expensive. Instead, Identix will propose third-party silicon sensors to its customers and will adapt its software to this sensor type.

The fingertip technology whose sales still dominate the market comprises PC-based systems where the fingertip pattern-matching algorithm is executed in a PC processor. With access to such a large processor capacity, large, processor capacity-demanding algorithms can be used. The orientation of Fingerprint Cards technology is instead so-called integrated systems, which are defined by the fact that the system is independent of a PC processor. The Company has thus developed its own very low-current processor chips, whose function is to store and match fingertip patterns for identity verification. This demands a considerably more compact algorithm that can be executed in such a low-current processor. Fingerprint Cards have now developed two complete so-called embedded systems, one based on the Company's area sensor and the other, on the new swipe sensor. Embedded systems are required where security considerations demand that fingertip pattern data are not transmitted to an external processor or server or for products without access to a PC, e.g., various mobile products.

Sales of embedded systems have so far been very low, both to the IT and physical access markets, which are the only ones currently in existence that offer acceptable volumes of biometric components. This state of affairs is clearly reflected in sales to date by the Company. However, as previously stated, it has noted a rapidly growing interest in embedded systems and not least in low-cost technology based on the swipe sensor currently being introduced. Since year-end the number of companies that are evaluating Company technology and have purchased development kits, has now further risen to over eight, spread throughout the USA, Europe and Asia. Of these, ten have so far initiated prototype construction and in some cases discussed contracts.

A number of the Company's most established customers have reported delays to their projects and sales plans. Accimetrix in the USA, who have built a biometrically secured holster, expect that production of a larger prototype series will not commence until during the last quarter of this year. Comex Electronics, who are to supply a new data security system to FMV (Sweden's Defence Procurement Administration), have been hit by delays, for which reason series delivery cannot be considered until the start of 2003, while further orders from Biometric Associates in the USA, who use Company technology in their production of smart cards, have been postponed. A major reason for this greater hesitance that the Company detects in a number of its established contacts, is, of course, the continued instability in the world economy.

Sales during the second quarter

Bewator AB, Stockholm, purchased a licence during this period after having spent much time evaluating Company technology and is now building a building access control system for a market launch during the first six months of 2003. In addition, two licences for the Company's Löfberg patent, which describes an embedded system for fingertip pattern verification in personalised products, were sold. Global Biometric Inc. in the USA is constructing an identification product for computers and also for physical access and is using fingertip pattern technology from a competitor of Fingerprint Cards bought one licence. The second licence was sold to Sony Corp. in Japan, which has for some time been selling a product for computer login called the FIU-710 "Puppy" Fingerprint Identification Unit. Sony uses fingertip technology developed in house in its product, which is a so-called embedded system.

During this period, two licences that give distributors the right to re-sell Fingerprint Cards technology on specific geographical markets, were also sold to Clere Electronics Ltd for the United Kingdom and to Hardware & Software Technology Co. (HST) on Taiwan for that country plus Kina and Hong Kong. Both these companies are well-established electronics corporations with a good insight into biometrics, while especially HST has very interesting contacts with Asian volume manufacturers of laptops, small handheld computers and other mobile products, within which segments Fingerprint Cards technology has its greatest advantages. These distributors will maintain their own stocks of Company components and assist their customers in working to integrate fingertip technology into their products. Negotiations are being conducted with several possible distributors for other geographical markets.

Technical status

The delivery of the processor chip in June now gives the Company a complete embedded system based on the swipe sensor. A hundred development kits are being assembled for delivery to the market at the beginning of September. The manner in which the algorithm gradually implements verification, as the fingertip is swiped over the sensor surface, minimises the memory needs of the processor chip. The obvious benefits of the swipe sensor are its compact size and thus its low price. The Company's swipe sensor concept constitutes a very powerful competitive advantage.

Fingerprint Cards sensors are very robust, hard wearing and resistant to repeated electrostatic discharges of over 15 kilovolts. The reflective method of measuring the capacitance in the fingertip pattern, an important aspect of the Company's sensor design, allows the application of a considerably thicker protective layer to the sensors of more than fifty microns (thousandths of a millimetre), which is up to twenty times more than could be seen in analyses of competitive capacitive sensors which employed a so-called direct method. In a direct measurement method an electric charge is applied to the sensor plates, while in a reflective method a charge is pulsed to the finger via the sensor frame, which allows considerably stronger signals to be achieved and in turn makes possible a thicker protective layer on the sensors.

Turnover and earnings

Consolidated turnover during the second quarter amounted to MSEK 3.6 (0.2) and for the period January-June, to MSEK 4.0 (0.3). The consolidated loss for the second quarter amounted to MSEK -6.1 (-12.1) and for the period January-June, the loss was MSEK -13.9 (-21.9).

Financial position

Operations are essentially financed by new issues in 1998 and 2000 to a total of MSEK 205. The consolidated equity/assets ratio as at June 30, 2002 was 96.5% (94.9). Consolidated available liquid assets including current investments as at June 30, 2002, totalled MSEK 106.6 (136.8). Other current receivables amounted to MSEK 3.0 (2.8). The consolidated working capital amounted as at March 31 to MSEK 106.7 (132.1). The re-issue of 200,000 A-shares as B-shares was implemented during the second quarter. Of the Company option programs aimed at the staff, some 150,000 have fallen due without conversion having taken place. The remaining options, 450,000, give the holders the right to purchase a corresponding number of shares on the following terms: 150,000 options at SEK 67 in April 2003, 150,000 options at SEK 192 in May 2002 and 150,000 options at SEK 67 in April 2004. The theoretical maximum dilution is 7% of the capital and 5% of the voting rights.

Fixed assets, investments and depreciation

During the second quarter, MSEK 0.1 (0.1) was invested in equipment. During the first six months of the year, the investment in equipment totalled MSEK 0.1 (0.2). 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, an increase of five percentage points for 2002 and estimated as equivalent to the expected economic life. Equipment is depreciated by 20% annually.

Personnel

The number of employees as at the last day of June thus totalled eighteen (seventeen), of whom three (three) are women.

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

Future reporting dates

Nine-month interim report, January-September, October 23, 2002
Press release on unaudited figures for 2002, February 2003
2002 Annual Report, April 2003

Göteborg , August 21, 2002

Fingerprint Cards AB (publ)**The Board**

The interim report has not been examined by the Company auditors.

For further details, please contact: President Lennart Carlson or Chief Financial Officer Bengt Alberts on tel.

+46 31-60 78 20 or fax. +46 31-13 73 85

Fingerprint Cards AB, Box 2412, SE 403 16 Göteborg, Sweden. www.fingerprint.se investrel@fingerprint.se

| STATEMENTS OF INCOME, THE GROUP | Apr-Jun | Apr-Jun | Jan-Jun | Jan-Jun | Jan-Dec |
|--|-------------|--------------|--------------|--------------|--------------|
| (MSEK) | 2002 | 2001 | 2002 | 2001 | 2001 |
| Operating income | | | | | |
| Net turnover | 3.6 | 0.2 | 4.0 | 0.3 | 2.1 |
| Operating expenses | | | | | |
| Administration | -2.3 | -7.4 | -4.8 | -13.8 | -11.9 |
| Development costs | -5.4 | -4.2 | -9.5 | -7.4 | -26.6 |
| Market costs | -3.2 | -2.3 | -6.2 | -4.4 | -6.2 |
| Operating profit/loss | -7.3 | -13.7 | -16.5 | -25.2 | -42.6 |
| Net financial items | 1.2 | 1.6 | 2.6 | 3.3 | 6.3 |
| Net profit/loss for the period | -6.1 | -12.1 | -13.9 | -21.9 | -36.3 |
| BALANCE SHEETS THE GROUP | | | 30 Jun | 30 Jun | 31 Dec |
| (MSEK) | | | <u>2002</u> | <u>2001</u> | <u>2001</u> |
| Assets | | | | | |
| Intangible assets | | | 3.5 | 6.2 | 4.9 |
| <u>Tangible assets</u> | | | <u>1.1</u> | <u>1.2</u> | <u>1.2</u> |
| Total fixed assets | | | 4.6 | 7.4 | 6.1 |
| Inventory | | | 1.1 | 0.0 | 0.0 |
| Current receivables | | | 3.0 | 2.8 | 5.4 |
| Current investments | | | 92.8 | 131.3 | 116.3 |
| <u>Cash and bank deposits</u> | | | <u>13.8</u> | <u>5.5</u> | <u>2.9</u> |
| Total current assets | | | 110.7 | 139.6 | 124.6 |
| Total assets | | | 115.3 | 147.0 | 130.7 |
| Equity and liabilities | | | | | |
| Equity | | | 111.3 | 139.5 | 125.1 |
| Current liabilities, non-interest bearing | | | 4.0 | 7.5 | 5.6 |
| Total equity and assets | | | 115.3 | 147.0 | 130.7 |
| CHANGE IN EQUITY, THE GROUP | | | Jan-Jun | Jan-Jun | 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 | 0.2 | 0.2 |
| <u>Net profit/loss for the period</u> | | | <u>-13.9</u> | <u>-21.9</u> | <u>-36.3</u> |
| Closing equity | | | 111.4 | 139.5 | 125.1 |
| CASH FLOW ANALYSES, THE GROUP | | | Jan-Jun | Jan-Jun | Jan-Dec |
| (MSEK) | | | <u>2002</u> | <u>2001</u> | <u>2001</u> |
| Earnings for the period | | | -13.9 | -21.9 | -36.3 |
| Depreciation | | | 1.8 | 1.3 | 2.6 |
| Other items not included in cash flow | | | 1.2 | 0.0 | 0.1 |
| Cash flow from current operations before changes to working capital | | | -10.9 | -20.6 | -33.6 |
| Increase in inventory | | | -1.2 | 0.0 | 0.0 |
| Increase/decrease in current receivables | | | 1.0 | 2.6 | -0.8 |
| Increase/decrease in current liabilities | | | -1.6 | 1.9 | -0.6 |
| Cash flow from current operations | | | -12.6 | -16.0 | -35.0 |
| Cash flow from investment operations | | | -0.1 | -0.2 | -0.5 |
| Cash flow from financing operations | | | 0.2 | 0.2 | 0.2 |
| Change in liquid funds incl. curr. investments | | | -12.5 | -16.0 | -35.3 |
| KEY RATIOS, THE GROUP | Apr-Jun | Apr-Jun | Jan-Jun | Jan-Jun | Jan-Dec |
| | <u>2002</u> | <u>2001</u> | <u>2002</u> | <u>2001</u> | <u>2001</u> |
| Net earnings per share (SEK) | -0.94 | -1.91 | -2.19 | -3.45 | -5.72 |
| Net earnings per share after full conversation (SEK) | -0.88 | -1.74 | -2.04 | -3.15 | -5.22 |
| Equity per share (SEK) | | | 17.53 | 21.98 | 19.71 |
| Equity per share after full conversation (SEK) | | | 23.58 | 31.26 | 29.19 |
| Equity/assets ratio (%) | | | 96.5 | 94.9 | 95.7 |
| No. of shares (thousands) | | | 6,348 | 6,348 | 6,348 |
| No. of shares after full conversation (thousands) | | | 6,798 | 6,948 | 6,948 |