

PRESS RELEASE
Gothenburg October 23, 2002

Third-quarter interim report, January-September 2002, Fingerprint Cards AB (publ)

The following principal comments are made on the third quarter:

- The Company is the first to offer the market a complete fingertip verification system for USD 10 through a directed marketing campaign aimed at two thousand international corporations
- Third-quarter operating income amounted to MSEK 0.1 (0.1) and MSEK 4.1 (0.4); for January to September
- Net financial items amounted to MSEK 1.4 (1.6) and MSEK 4.0 (4.9); for January to September
- The third-quarter loss totaled MSEK -8.4 (-5.9) and MSEK -22.3 (-27.8) for January to September.
- Liquid funds as at September 30, comprised MSEK 98.5 (128,3)

Events occurring after the end of the third quarter:

- Entry Systems AB signed a license agreement after an order for a time & attendance system from an international hotel chain
- AcciMetrix in the USA is ordering further components to a value of MSEK 0.6

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

During the period the Company commenced the market launch of its unique swipe sensor concept. At a price of below ten US dollars, excluding the customer's choice of packaging, the market is now being offered a complete biometric system. Fingerprint Cards is thus taking its place as a global technology leader in an emerging high-volume sensor market. The FPC 1030 swipe sensor, which in an initial stage is being launched through a directed campaign aimed at two thousand international corporations, meets market demands as to cost and robustness as decisive factors in the successful breakthrough of this technology.

Silicon sensors, which offer the greatest potential for cost reduction in biometric systems, have a manufacturing cost proportional to their silicon surface area and the manufacturing volume. With a volume of 500,000 sensors, for example, Fingerprint Cards can sell the FPC 1030 swipe sensor at a price as low as six US dollars, excluding the customer's choice of packaging.

The competitive price of the FPC1030 swipe sensor, as an individual component or part of a fully embedded system, offers realistic potential for a volume market that demands such a system, particularly for mobile electronics products such as handheld terminals and mobile (cell) phones. This market has remained untouched by biometrics mainly due to the absence of applications and services that require high-security authentication. This is especially true of mobile e-commerce, which has been lacking a secure transaction infrastructure. However, there are now positive signs from leading market actors that signal a willingness to solve this problem.

The Company has attracted significant market interest in its development work on the FPC 1030 swipe sensor and a large number of evaluation kits have already been delivered. A select group of companies were already provided in the second quarter with the swipe sensor system based on an FPGA development platform, for evaluation and feedback, and this has now been followed up by delivery of the fully chip-based embedded system.

Technical status

The most vulnerable component of a biometric system is the sensor that scans the fingertip pattern and, in order to achieve market acceptance, must be robust. It must be capable of repeated use, withstand sweat and other aggressive chemicals and also handle repeated electrostatic discharges of up to 15kV. The Company's FPC 1030 swipe sensor meets all these demands, while a further prominent property is its ability to scan the fingertip pattern from the deeper skin layers, unlike competing sensor technologies. The reflective capacitance measurement method employed by Fingerprint Cards allows the application of a protective layer on the sensors up to twenty times thicker than on other sensors on the market.

System performance in terms of incorrect rejection has been improved by means of well adapted ergonomic solutions. The form factor used in the FPC 6000 evaluation kit is an excellent example of the Company's development efforts.

In order to further capitalize on Fingerprint Cards' sensor technology for area and swipe sensors, other algorithm developers have started work on adapting their algorithms to the Company's sensors, which is leading to a wider market for the Company's sensors. As previously announced, Fingerprint Cards' sensors and algorithms are adapted to the BioAPI standard, a fact that also facilitates the use of Company technology by application and algorithm developers.

Financial position

Operations are in principle financed by new issues in 1998 and 2000 for a total of MSEK 205. The consolidated equity/assets ratio as at September 30, 2002, was 97.2% (96.9%). The consolidated available liquid assets including current investments as at September 30, 2002, amounted to MSEK 98.5 (MSEK 128.3). Other current receivables amounted to MSEK 2.7 (2.7). The consolidated operating capital as at September 30, 2002, amounted to MSEK 99.3 (126.8). The Company option program of 450,000 option certificates gives the bearers the right to purchase an equivalent number of shares on the following terms: 150,000 options at SEK 67 in April 2003, 150,000 options at SEK 192 in May 2003 and 150,000 options at SEK 67 in April 2004. The theoretical maximum dilution is 7% of the equity and 5% of the voting rights.

Fixed assets, investments and depreciation

During the third quarter, no investments were made in equipment (0.1). During the first nine months of the year, investments in equipment totaled MSEK 0.2 (0.2). Previous development costs of MSEK 9.2 set up as an asset were depreciated by 15% and patent rights for MSEK 5.9 were depreciated according to plan by 20% annually, which is an increase of five percentage points for 2002 and is estimated to correspond to the expected economic life. Equipment is depreciated at 20% annually.

Personnel

The number of employees as at September 30, was twenty-one (fourteen) of whom four (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.

Significant events after the end of the accounting period

Fingerprint Cards has signed a license agreement with Entry Systems AB of Gothenburg Sweden, who have undertaken a lengthy evaluation of the Company's technology and designed a finished time & attendance monitoring system. An order for such a system has now been placed by an international hotel chain, with system delivery scheduled to commence during the current quarter.

AcciMetrix Inc. in the USA have ordered further chips to a value of MSEK 0.6 for a biometric lock developed on behalf of one of their companies, 9g Products. The product in question is a security cabinet for storing documents, valuables and handguns in offices and homes. The market launch is scheduled for the end of this year and the product will retail for USD 399.

Biometric Associates Inc. (BAI) in the USA have placed orders to a value of MSEK 0.35 on a previous call-off contract worth MSEK 1.8. BAI supplies smart cards to Federal authorities, where the entire Fingerprint Cards system of sensor, processor and algorithm is integrated into the card proper. This solution is technically more advanced than "match-on-card" solutions, where the fingertip pattern reader is not located on the card and the bulk of the matching process does not take place there either.

Future reporting dates

Press release on unaudited figures for 2002, February 27, 2003
Annual report for 2002, April 2003

Gothenburg, October 23, 2002

Fingerprint Cards AB (publ)

The Board

This interim report has not been examined by the Company auditor.

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STATEMENTS OF INCOME, THE GROUP (MSEK)	Jul-Sep <u>2002</u>	Jul-Sep <u>2001</u>	Jan-Sep <u>2002</u>	Jan-Sep <u>2001</u>	Jan-Dec <u>2001</u>
Operating income					
Net turnover	0.1	0.1	4.1	0.4	2.1
Operating expenses					
Administration	-1.8	-1.9	-6.4	-7.3	-11.9
Development costs	-5.9	-3.6	-15.5	-21.1	-26.6
Market costs	<u>-2.2</u>	<u>-2.1</u>	<u>-8.4</u>	<u>-4.7</u>	<u>-6.2</u>
Operating profit/loss	-9.8	-7.5	-26.3	-32.7	-42.6
Net financial items	1.4	1.6	4.0	4.9	6.3
Net profit/loss for the period	-8.4	-5.9	-22.3	-27.8	-36.3
BALANCE SHEETS THE GROUP (MSEK)			30 Sep <u>2002</u>	30 Sep <u>2001</u>	31 Dec <u>2001</u>
Assets					
Intangible assets			2.7	5.6	4.9
Tangible assets			<u>1.0</u>	<u>1.2</u>	<u>1.2</u>
Total fixed assets			3.7	6.8	6.1
Inventory			1.1	0.0	0.0
Current receivables			2.7	2.7	5.4
Current investments			95.7	125.3	116.3
Cash and bank deposits			<u>2.8</u>	<u>3.0</u>	<u>2.9</u>
Total current assets			102.3	131.0	124.6
Total assets			106.0	137.8	130.7
Equity and liabilities					
Equity			103.0	133.6	125.1
Current liabilities, non-interest bearing			3.0	4.2	5.6
Total equity and assets			106.0	137.8	130.7
CHANGE IN EQUITY, THE GROUP (MSEK)			Jan-Sep <u>2002</u>	Jan-Sep <u>2001</u>	Jan-Dec <u>2001</u>
Opening equity			125.1	161.2	161.2
Option premiums received			0.2	0.2	0.2
Net profit/loss for the period			<u>-22.3</u>	<u>-27.8</u>	<u>-36.3</u>
Closing equity			103.0	133.6	125.1
CASH FLOW ANALYSES, THE GROUP (MSEK)			Jan-Sep <u>2002</u>	Jan-Sep <u>2001</u>	Jan-Dec <u>2001</u>
Earnings for the period			-22.3	-27.8	-36.3
Depreciation			2.7	2.0	2.6
Gjorda utranteringar			0.0	0.0	0.2
Other items not included in cash flow			<u>0.0</u>	<u>-0.9</u>	<u>0.1</u>
Cash flow from current operations before changes to working capital			-19.6	-26.7	-33.6
Increase in inventory			-1.2	0.0	0.0
Increase/decrease in current receivables			2.7	3.2	-0.8
Increase/decrease in current liabilities			-2.6	-2.1	-0.6
Cash flow from current operations			-20.6	-25.6	-35.0
Cash flow from investment operations			-0.2	-0.2	-0.5
Cash flow from financing operations			0.2	0.2	0.2
Change in liquid funds incl. curr. investments			-20.6	-25.6	-35.3
KEY RATIOS, THE GROUP	Jul-Sep <u>2002</u>	Jul-Sep <u>2001</u>	Jan-Sep <u>2002</u>	Jan-Sep <u>2001</u>	Jan-Dec <u>2001</u>
Net earnings per share (SEK)	-1.32	-0.92	-3.51	-4.39	-5.72
Net earnings per share after full conversion (SEK)	-1.24	-0.88	-3.28	-4.01	-5.22
Equity per share (SEK)			16.23	21.04	19.71
Equity per share after full conversion (SEK)			22.34	30.41	29.19
Equity/assets ratio (%)			97.2	96.9	95.7
No. of shares (thousands)			6,348	6,348	6,348
No. of shares after full conversion (thousands)			6,798	6,948	6,948