

PRESS RELEASE
Gothenburg, May 24, 2004

Fingerprint Cards AB (publ) **First-quarter interim report January - March 2004**

Highlights of the first quarter:

- **First-quarter operating income totalled MSEK 0.2 (1.1)**
- **Net financial items amounted to MSEK 0.4 (1.5)**
- **The loss for the first quarter totalled MSEK –6.1 (-3.8)**
- **Liquid funds as at March 31 totalled MSEK 50.7 (82.5)**
- **Net earnings per share was SEK –0.96 (-0.60)**
- **Certus Sensor Platform launched**
- **Partner development delivers new smart card prototypes with swipe sensor system**

Late highlights after the end of the first quarter:

- **US patent granted for the Company's sensor architecture**

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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 O-list of the Stockholm Stock Exchange (FING B).

Market

The arrival of new products featuring biometric sensor technologies indicates that the market is growing. Requirements discussions held with partners and developers in all sectors brings the Company to estimate that the annual market for silicon chip based fingerprint sensors has now grown to between one and a half and two million units. The larger share of these is taken by a concentrated number of important IT players who have only recently become fully involved in the product deployment of biometric sensors. The community of laptop computer manufacturers adopting the technology is growing steadily, witnessed by a string of recent product announcements. This is showing a swing towards capacitive sensors away from optical units, which are larger, and no longer the more robust alternative. The IT market too is heavily focused on form factor size reduction as well as cost, and this is driving selection in favour of both silicon sensors in general, and to smaller units such as swipe sensors in particular. Uptake from the limited number of mobile phone companies who have adopted the technology has been encouraging in terms of the volumes in circulation, but these developments have yet to spread from the Asian domestic marketplace to other markets.

Sales

A steady demand was experienced going into the first quarter from the established markets for Physical Access control and Time & Attendance, as well as computer peripherals. The larger projects underway did not translate into sales during this quarter owing mainly to the predictable, temporary halt in procurement that accompanied the upgrade to the Certus Sensor Platform technology, which was officially launched during the quarter.

Among the longer term product developments underway it was important to note that one of the Company's development partners – a global smart card leader – has completed prototyping of an integrated smart card system featuring FPC swipe sensor systems technology. This is a significant technical breakthrough that offers to capitalise on the lower cost of swipe sensor technology; it also says a great deal about technical superiority in the areas of power consumption and algorithm performance of the FPC technology. The sensor is fully integrated to the smart card with all processing of the fingerprint done on the card, and with the fingerprint matching component securely located inside the core of the smart card chip. To comply with ISO card size and thickness requirements the Company has thinned the sensor chips to 200 microns (0.2 mm). Deployment of this type of smart card means that the host system or infrastructure requires no changes to accommodate biometrics for the next level of security and convenience, thus reducing the wider impact of transition to new technology. The prototypes will be shown to the market during the third quarter of this year.

Strategic partner

Fingerprint Cards has spoken previously of its commitment to use strategic alliances in its plan to reach volume markets. The opportune time to realise this is when strategic partners become confident that fingerprint technology, in particular the smaller sensors, will be the dominant technology in these potentially high-volume product markets. This point has been reached. To increase its striking power when marketing the swipe sensor technology to these market segments the Company has for some time been in discussion with a number of possible strategic partners. The ideal partner for the Company is an enterprise established as a supplier of components or systems to one or more of the market segments targeted, and where the Company's technology would show itself as an integrated and value adding part of that partner's portfolio. The partner would constitute an effective sales channel and bring influential supplier weight to future development.

Negotiations have in one case reached the point where there is good reason to believe that workable conditions for carrying through a deal are at hand. The business model agreed upon includes, but is not limited to, a controlled exclusive licence to the Company's swipe sensor technology for a particular market segment with a royalty per unit produced to be paid to the Company. All production, including packaging, will be taken care of by the licensee. The proposed agreement will also engage the licensee to become a part-owner of the Company, and for that reason the Board will ask the AGM later on today for an authorisation to issue new shares.

Technological development

To support demand for diversification of its fingerprint sensor and systems portfolio Fingerprint Cards has advanced to a core sensor technology – the Certus sensor platform – that will form a common platform for all packaged sensor and fingerprint solutions. The first sensors using this core technology became available during the first quarter.

The Certus sensor platform builds on the Company's patented reflective capacitive sensor technology – renowned for its sensitivity, and its resistance to wear and electrostatic discharge – and incorporates silicon design features that better suit the increasing market demands on cost, electronic interfacing, and on-board chip functionality. These include a supply voltage of 2.5V, auto finger detect, and on-chip testing capability. The move to a 0,35µ silicon chip process for Certus sensor platform production in Asia also ensures a healthy future for low cost volume production.

The next generation FPC1031 swipe sensor is more than a new version. This takes forward the satisfaction of real-world requirements for durability. Wear and ESD are the major threats to exposed electronic components. The Certus technology withstands wear at more than one million touch cycles, repeated discharges of 25 kV (level 4 ESD is 15kV) and a temperature range of -20 – +85.

Turnover and earnings

Consolidated turnover during the first quarter amounted to MSEK 0.2 (1.1). Consolidated earnings for the period amounted to MSEK -6.1 (-3.8).

Financial position

Operations are essentially financed by new stock issues in 1998 and 2000, totaling MSEK 205. The consolidated equity/assets ratio was 91.4 % (96.2). Consolidated available liquid assets including current investments as at March 31, 2003, totalled MSEK 50.7 (82.5). Other current receivables amounted to MSEK 2.4 (4.8). The consolidated working capital amounted as at March 31 to MSEK 53.8 (85.2). 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 2004, 150,000 options at SEK 31 in June 2005 and 150,000 options at SEK 31 in June 2006. The theoretical maximum dilution is 7% of the equity and 5% of the voting rights.

Fixed assets, capital expenditure and depreciation

During the first quarter, the investment in equipment totalled MSEK 0.1 (0.0). Previous development costs of MSEK 9.2 that have been set up as an asset was depreciated according to plan by 15% annually. Development cost set up as an asset during 2002 and 2003, MSEK 12.9, and development cost set up as an asset during the period, MSEK 1.5, is depreciated when commercialization starts. The intangible assets have been valued in accordance with Recommendation RR 15, issued by the Swedish Financial Accounting Standards Council. Equipment is depreciated by 20% annually.

Personnel

At year-end the number of employees totalled twenty (twenty-one), of whom three (three) were women and seventeen (eighteen) were men.

Accounting principles

This interim report has been prepared in accordance with the recommendations and statements of the Swedish Financial Accounting Standards Council.

Significant events after the interim period

The Company's patent application No. 09/622 347 in the USA regarding sensor architecture has been approved and a patent has been granted. The patent describes a method for real-time programming of the sensor's ten of thousands of individual cells for various tasks in enrolment and verification of the finger pattern.

Other reporting dates

Second-quarter interim report April-June, August 18, 2004
Third-quarter interim report July-September, October 20, 2004
Press release on annual accounts for 2004, February 2005
Annual report for 2004, April 2005

Gothenburg, May 24, 2004

Fingerprint Cards AB (publ)

The Board

This press statement on the unaudited figures has been summarily examined by the Company auditor.

STATEMENTS OF INCOME, THE GROUP (MSEK)	Jan-Mar <u>2004</u>	Jan-Mar <u>2003</u>	Jan-Dec <u>2003</u>
Operating income			
Net turnover	0.2	1.1	5.2
Cost of sold goods	<u>-0.1</u>	<u>0.0</u>	<u>-2.1</u>
Gross margin	0.1	1.1	3.1
Operating expenses			
Administration	-1.9	-2.0	-8.3
Development costs	-2.6	-2.2	-9.7
Market costs	<u>-2.1</u>	<u>-2.2</u>	<u>-9.4</u>
Operating profit/loss	-6.5	-5.3	-24.3
Net financial items	0.4	1.5	3.1
Net profit/loss for the period	-6.1	-3.8	-21.2

BALANCE SHEETS THE GROUP (MSEK)	31 Mar <u>2004</u>	31 Mar <u>2003</u>	31 Dec <u>2003</u>
Assets			
Intangible assets	14.5	6.6	13.1
<u>Tangible assets</u>	<u>1.0</u>	<u>0.9</u>	<u>1.0</u>
<i>Total fixed assets</i>	15.5	7.5	14.1
Inventory	7.2	1.6	4.6
Current receivables	2.4	4.8	2.7
Current investments	48.1	80.8	58.1
<u>Cash and bank deposits</u>	<u>2.6</u>	<u>1.7</u>	<u>2.4</u>
<i>Total current assets</i>	60.3	88.9	67.8
Total assets	75.8	96.4	81.9
Equity and liabilities			
Equity	69.3	92.7	75.4
Current liabilities, non-interest bearing	6.5	3.7	6.5
Total equity and assets	75.8	96.4	81.9

CHANGE IN EQUITY, THE GROUP (MSEK)	Jan-Mar <u>2004</u>	Jan-Mar <u>2003</u>	Jan-Dec <u>2003</u>
Opening equity	75.4	96.5	96.5
Option premiums received	0.0	0.0	0.1
<u>Net profit/loss for the period</u>	<u>-6.1</u>	<u>-3.8</u>	<u>-21.2</u>
Closing equity	69.3	92.7	75.4

CASH FLOW ANALYSES, THE GROUP (MSEK)	Jan-Mar <u>2004</u>	Jan-Mar <u>2003</u>	Jan-Dec <u>2003</u>
Earnings for the period	-6.5	-5.3	-24.3
Depreciation	0.2	0.9	2.1
Write-down	0.0	0.0	-0.6
Interest received	0.3	0.5	5.4
Other items	-0.1	-0.2	-0.6
<u>Change in working capital</u>	<u>-2.1</u>	<u>-4.3</u>	<u>-4.7</u>
Cash flow from current operations	-8.2	-8.4	-22.7
Cash flow from investment operations	-1.6	-0.7	-8.5
Cash flow from financing operations	0.0	0.0	0.1
Change in liquid funds incl. curr. investments	-9.8	-9.1	-31.1

KEY RATIOS, THE GROUP	Jan-Mar <u>2004</u>	Jan-Mar <u>2003</u>	Jan-Dec <u>2003</u>
Net earnings per share (SEK)	-0.96	-0.60	-3.34
Net earnings per share after full conversation (SEK)	-0.96	-0.60	-3.34
Equity per share (SEK)	10.92	14.60	11.88
Equity per share after full conversation (SEK)	10.19	13.64	11.09
Equity/assets ratio (%)	91.4	96.2	92.1
No of shares average (thousands)	6,348	6,348	6,348
No. of shares after full conversation average (thousar)	6,798	6,798	6,786
No. of shares (thousands)	6,348	6,348	6,348
No. of shares after full conversation (thousands)	6,798	6,798	6,798