

PRESS RELEASE
Gothenburg, May 24, 2005

Fingerprint Cards AB (publ) **First-quarter interim report January - March 2005**

Highlights of the first quarter:

- **First-quarter operating income totalled MSEK 0.8 (0.2)**
- **Net financial items amounted to MSEK 0.1 (0.4)**
- **The loss for the first quarter totalled MSEK -4.4 (-6.1)**
- **Liquid funds as at March 31 totalled MSEK 29.1 (50.7)**
- **Net earnings per share was SEK -0.70 (-0.96)**
- **First deliveries of advanced biometric sub-systems modules began to customers**
- **A first order was received from Control Module Inc for Time & Attendance use**
- **Customers HST and Electronic Trade Solutions take new products to market**

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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 pace of the larger projects involving biometric technologies shows no signs of slowing down. The European Commission recently concluded its plans to introduce two fingerprints to all new European Passports, announcing that this would be a mandatory feature from early 2008. Unlike a number of other large data base driven biometric systems this is focused, to begin with, on the well-understood use of the fingerprint as a means of the passport holder confirming that this passport was issued to him or her. The fingerprint data stored in the European passport will be interoperable with a wide commercial choice of fingerprint systems.

Another large project was announced during the quarter. The Thai National Identity Card will be issued to 64 million citizens over the next three to four years, with twelve million cards issued in the coming year. All citizens will receive a smart card where the chip stores fingerprint data and where this will be verified, when necessary, using match-on-card technology. This is the first large-scale project to adopt such an approach, and it represents the widening of interest in locally stored and controlled usage of biometrics.

Positive signs in the volume markets for low cost biometric hardware included an aggressive marketing campaign by IBM for its ThinkPad™ notebook computers featuring swipe sensor technology, and the launch by Hewlett Packard of its newest range of iPaq™ handheld computers also featuring swipe sensor technology. Fast growing concern around the management of passwords was reflected by a number of corporate studies including one by Japanese company Hitachi that indicated how businesses are moving significantly towards biometric provision in an effort to eliminate password security problems and their administration cost.

At the integration and solutions delivery level a number of market players announced their 2004 results, many of whom showed consolidation of their access to new market opportunities such as identity management programs, and in some cases significant increases in gross revenues, indicating the steadily increasing market penetration of biometric solutions that can be expected to continue in 2005.

Company Sales

Sales in 2004 were disappointing, owing substantially to the late readiness of the Company's development partners, or in some cases to their hesitation about the timing of market entry for new products.

Early in the quarter deliveries of Fingerprint Cards' advanced biometric sub-systems modules began, and there has been considerable interest in these from developers and potential resellers in North America and Europe. These modules are complete biometric systems, comprising sensor, algorithm and processor with a communication interface to the customer application. The modules offer the Company a larger per unit share of the value of each deployment of biometric systems hardware. For each door or product secured by the Company's systems components then these new modules bring an element of integration revenue to Fingerprint Cards. Their purpose is to shorten the lead-time in customer product development work and a positive response on this has been received by the Company.

In March a first order was made by US company Control Module Inc (CMI). This was valued at 1MSEK, and was for FPC sensors to be used in CMI's latest Genus™ product line, a series of terminals designed for Time & Attendance applications. During CMI's thirty-five year history it has delivered more than 100,000 Time & Attendance systems, and it counts some 160 *Fortune 500* companies as clients.

Supplies of technology to a number of the Company's direct customers continued throughout the period and the new modules introduced have brought new customers. Two existing customers also took new products to market during the quarter: HST introduced a fingerprint locking safe aimed at hotels and offices in the Taiwanese and Chinese markets; for the financial services market and other IT based transactions then Electronic Trade Solutions introduced a range of PIN pad and keyboard featuring an integrated FPC swipe sensor.

Strategic developments

From the beginning the Company's business model has been centered on its expectations from licensing revenue and technology transfer fees in the volume markets for biometric components and systems. During the last years the Company's main concern has been that the market has not been growing fast enough to support this model, and that the opportunities to supply systems components to these volume markets was becoming driven by the selling price of sensors above other aspects. These concerns are continued into 2005. While a swipe sensor is necessary to meet demands for low cost, the added production costs of this remain open to a good deal of competition and the Company's competitors have some advantages here by virtue of their semiconductor industry origins.

In view of this the Company has been looking for a licensing partner for its swipe sensor technology; one engaged in semiconductor related business and with access to cost effective production. Talks with such a partner have continued into this quarter but have not yet proved conclusive. There is a clear interest for such a licence since the Company has a good technology, with a robust sensor giving a high image quality, and supported by a strong patent portfolio. Fingerprint Cards has also been in discussion with other companies with the potential to bring new strengths to the Company's position or greater access to the present significant markets for biometrics.

The Company's track record is gaining strength in established markets such as Physical Access and Time & Attendance, and other areas where fully embedded systems have an advantage or where the quality and robustness of the technology required are overriding requirements. The modules now being delivered strengthen and widen this route to market.

Technology development

New FPC modules enabling faster and simpler integration of biometrics into different customer specific products help customers to shorten their development lead time. These modules are complete biometric systems, comprising sensor, algorithm and processor with a communications interface to the customer's application. The first deliveries of these began to customers from the beginning of the quarter.

Turnover and earnings

Consolidated turnover during the first quarter amounted to MSEK 0.8 (0.2). Consolidated earnings for the period amounted to MSEK -4.4 (-6.1).

Financial position

Operations are essentially financed by new stock issues in 1998 and 2000, totaling MSEK 205. The consolidated equity/assets ratio as at March 31, 2005 was 95.6 % (91.4). Consolidated available liquid assets including current investments as at March 31, 2005, totalled MSEK 29.1 (50.7). Other current receivables amounted to MSEK 0.9 (2.4). The consolidated working capital amounted as at March 31 to MSEK 32.8 (53.8). The Company option program of 300,000 option certificates gives the bearers the right to purchase an equivalent number of shares on the following terms: 150,000 options at SEK 31 in June 2005 and 150,000 options at SEK 31 in June 2006. The theoretical maximum dilution is 5 % of the equity and 3 % of the voting rights.

Fixed assets, capital expenditure and depreciation

During the first quarter no investments were done in equipment (0.1). Furthermore no development cost has been set up as an asset during the period (1.5). Development costs were depreciated according to plan by 15 % and equipment is depreciated by 20% annually.

Personnel

The number of employees as at 31 March was eleven (twenty), of whom none (three) were women.

Accounting principles

From the 1st of January 2005 Fingerprint Cards prepares the consolidated financial statements in full compliance with IFRS (International Financial Reporting Standards). The regulation adopted by the EU's Council of Ministers requires that all exchange-listed companies within the union apply the regulation from the fiscal year 2005. The transition from national accounting standards to IFRS places special demands on the first report submitted in accordance with the new standards. The rules specify the comparison year 2004 shall also be reported in accordance with IFRS. The effect of the transition has shown to be limited for the Company, and that Swedish GAAP corresponds well to IFRS regulations.

Other reporting dates

Second-quarter interim report April-June, August 17, 2005
Third-quarter interim report July-September, October 28, 2005
Press release on annual accounts for 2005, February 2006
Annual report for 2005, April 2006

Gothenburg, May 24, 2005

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	Jan-Mar	Jan-Mar	Jan-Dec
(MSEK)	<u>2005</u>	<u>2004</u>	<u>2004</u>
Operating income			
Net turnover	0.8	0.2	2.9
Cost of sold goods	<u>-0.6</u>	<u>-0.1</u>	<u>-2.3</u>
Gross margin	0.2	0.1	0.6
Operating expenses			
Administration	-1.7	-1.9	-6.6
Development costs	-2.1	-2.6	-8.1
<u>Market costs</u>	<u>-1.0</u>	<u>-2.1</u>	<u>-9.3</u>
Operating profit/loss	-4.5	-6.5	-23.5
Net financial items	0.1	0.4	1.9
Net profit/loss for the period	-4.4	-6.1	-21.6

BALANCE SHEETS THE GROUP	31 Mar	31 Mar	31 Dec
(MSEK)	<u>2005</u>	<u>2004</u>	<u>2004</u>
Assets			
Intangible assets	16.0	14.5	16.6
<u>Tangible assets</u>	<u>0.6</u>	<u>1.0</u>	<u>0.7</u>
<i>Total fixed assets</i>	<i>16.6</i>	<i>15.5</i>	<i>17.3</i>
Inventory	5.1	7.2	5.8
Current receivables	0.9	2.4	2.3
Current investments	24.9	48.1	28.8
<u>Cash and bank deposits</u>	<u>4.2</u>	<u>2.6</u>	<u>2.2</u>
<i>Total current assets</i>	<i>35.1</i>	<i>60.3</i>	<i>39.1</i>
Total assets	51.7	75.8	56.4
Equity and liabilities			
Equity	49.4	69.3	53.8
Current liabilities, non-interest bearing	2.3	6.5	2.6
Total equity and assets	51.7	75.8	56.4

CHANGE IN EQUITY, THE GROUP	Jan-Mar	Jan-Mar	Jan-Dec
(MSEK)	<u>2005</u>	<u>2004</u>	<u>2004</u>
Opening equity	53.8	75.4	75.4
<u>Net profit/loss for the period</u>	<u>-4.4</u>	<u>-6.1</u>	<u>-21.6</u>
Closing equity	49.4	69.3	53.8

CASH FLOW ANALYSES, THE GROUP	Jan-Mar	Jan-Mar	Jan-Dec
(MSEK)	<u>2005</u>	<u>2004</u>	<u>2004</u>
Earnings for the period	-4.5	-6.5	-23.5
Depreciation	0.7	0.2	1.2
Interest received	0.2	0.3	2.2
Other items	-0.1	-0.1	-0.4
<u>Change in working capital</u>	<u>1.7</u>	<u>-2.1</u>	<u>-4.5</u>
Cash flow from current operations	-2.0	-8.2	-25.0
Cash flow from investment operations	0.0	-1.6	-4.4
Cash flow from financing operations	0.0	0.0	0.0
Change in liquid funds incl. curr. investments	-2.0	-9.8	-29.4

KEY RATIOS, THE GROUP	Jan-Mar	Jan-Mar	Jan-Dec
	<u>2005</u>	<u>2004</u>	<u>2004</u>
Net earnings per share (SEK)	-0.70	-0.96	-3.40
Net earnings per share after full dilution (SEK)	-0.70	-0.96	-3.40
Equity per share (SEK)	7.78	10.92	8.48
Equity per share after full dilution (SEK)	7.43	10.19	9.49
Equity/assets ratio (%)	95.6	91.4	95.4
No of shares average (thousands)	6,348	6,348	6,348
No. of shares after full dilution average (thousands)	6,648	6,798	6,698
No. of shares (thousands)	6,348	6,348	6,348
No. of shares after full dilution (thousands)	6,648	6,798	6,648