

PRESS RELEASE
Gothenburg, May 9, 2006

Fingerprint Cards AB (publ), corporate identity no 556154-2381
First-quarter interim report for the period January – March 2006

- **The income for January to March totaled MSEK 1,8 (0,8)**
- **Net financial items amounted to MSEK 0,1 (0,1)**
- **The loss for January to March totaled MSEK –4,1 (-4,4)**
- **Liquid funds as at March 30 totaled MSEK 35,1 (29,1)**
- **Net earnings per share for January to March was SEK –0,44 (-0,70)**
- **Order worth MSEK 1 for access control systems in South Korea**
- **Order worth MSEK 7.3 for bank and automobile security applications in China**

Late highlights after the end of the first quarter:

- **Follow-up order from South Korea worth MSEK 3.1**

For further details, please contact:

Lennart Carlson, CEO Fingerprint Cards AB
+46 31 60 78 20, investrel@fingerprint.se
Fingerprint Cards AB, Box 2412, S-403 16 Göteborg
www.fingerprints.com

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).

The market for biometrics

The first quarter of 2006 was notable for its diversity of market growth as well as the significant progression of several key market initiatives.

By the first quarter government-led projects had begun to translate into a range of commercial opportunities fostered by standards and interoperability agreements reached at the end of the previous year. In the USA the Homeland Security programs began to reach a number of regional procurement initiatives featuring biometrics and identity management in border and transportation security control and for government employee identification and credentialing. Most of this was made possible by the new standards for Information Protection (FIPS201) and Personal Identity Verification (HSPD-12) established by the US Government late in 2005.

On an international level the roll-out of biometric passports featuring integrated chips was underway amongst smaller EU countries such as Sweden, and with some of the largest volume passport issuers such as the UK announcing a successful start to the integration of biometrics to national identity documents. At the end of the quarter the market received a boost with the exciting news that the UK National Identity Cards program would go ahead following the successful passing of national legislation. This is planned from 2008, and includes a proposed wide deployment of biometrics for identity verification.

Commercial sector applications for biometrics moved forward with some significant new deployments amongst applications in the retail sector where fingerprint biometrics are replacing cards and signatures or PIN codes to bring greater customer convenience and payments security, as well as loyalty program benefits to the retailers themselves. Examples of these have been introduced in supermarket chains in Europe and the USA.

Similar benefits fighting identity fraud and widening access to financial services are being realised by new banking applications in regions such as Central America where nearly six million customers have been biometrically enrolled to one bank's identity verification system: this is probably the largest banking application in the world using biometrics for customers. The technology creates opportunities for a less well-off customer base and the bank saves on costs and losses through the replacement of banking identity cards with fingerprint biometrics.

Diversity and depth of products featuring fingerprint biometrics was improving during the quarter: laptop manufacturers Toshiba announced that they widened the range of laptops featuring biometric sensors and logon as standard; and Lenovo, manufacturers of the IBM Thinkpad series, also passed the one million mark with fingerprint enabled machines. The demand for strong authentication technology in smaller products continued to be evident with the revelation that the US Military in Iraq lost sensitive intelligence data stored on stolen USB key memory devices: a risk that might have been avoided through the use of products featuring biometric authentication linked with data encryption.

Company sales

During the quarter the Company received several orders from its distributors on the Asian market. The distributors market and sell the Company's technology in their respective regions to customers developing different end products in which the fingerprint technology is integrated. In many cases the distributors also develop their own products in which the technology is used. A number of partner projects concerning concrete products and applications have now reached the stage that sales and production have commenced. When the end-customer starts planning for production, then the Company receives orders for the biometric components via the distributor. Deliveries for several of these projects began during the period and volumes will gradually increase during the year. A part of the order value for the period was a follow-up on orders received during the last quarter of 05.

In February the Company's distributor in South Korea, Camos Tech Co., Ltd., placed an order worth MSEK 1 concerning the Company's complete identification system, i.e. sensor, processor ASIC and algorithm. The application is an access control system for hotels, offices and bank premises which has been developed within the the Camos group and is marketed internationally by the parent company Camos Co. Ltd. In Seoul. Deliveries from the Company will take place during the second quarter.

From the Company's distributor in Taiwan and China, Hardware & Software Technologies Co. Ltd.(HST), another order worth MSEK 7.3 was received in February this being the Company's largest single order till now. This order is partly a follow-up on the order HST placed in December 05. The order comprises among other things two very interesting applications with a potential for future good volumes. One of these is an IT security system for banks in China with one of that country's biggest banks as one of the customers. The system has been developed by HST in co-operation with a Chinese partner and the application concerns biometric logon to the bank's computer network for its employees.

The other application is a biometric automobile security product which has been developed by an HST customer. The product may be assembled when manufacturing the vehicle or may be delivered and installed as an accessory and requires authorisation of the driver's identity before the vehicle can be started. Deliveries of technology from the Company has commenced during the current period for this HST order and will go on for the rest of this year.

The total value of orders now received by the Company where deliveries will be made during the rest of the year amounts to MSEK 14 and this includes the order received in April after the end of the first quarter.

Technology development

A substantial part of the resources in the technology development department are allocated to industrialisation work concerning the production of sensor packaging. The purpose is to increase production volume and to decrease unit cost in order to considerably improve Company sales margin for this component.

Turnover and earnings

Consolidated turnover during the period January – March amounted to MSEK 1,8 (0,8) of which MSEK 0.3 (0) concerned royalty. Consolidated earnings for the period January – March amounted to -4,1 (-4,4).

Financial position

Operations are essentially financed by new stock issues in 1998 and 2000 and 2005, totaling MSEK 227. The consolidated equity/assets ratio as at March 30, 2005 was 94,1 % (95,6). Consolidated available liquid assets including current investments as at March 30, 2006, totaled MSEK 35,1 (29,1). Other current receivables amounted to MSEK 1,8 (0,9). The consolidated working capital amounted as at March 30 to MSEK 40,5 (32,8). The Company option program of 150,000 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 2006. The theoretical maximum dilution is 2 % of the equity and 2 % of the voting rights.

Fixed assets, capital expenditure and depreciation

During the first three months no investments were done in equipment (0). Development cost has been set up as an asset during the period with MSEK 0,3 (0). Development costs were depreciated according to plan by 15 % and equipment is depreciated by 20% annually.

Personnel

The number of employees as at March 30 was 12 (11), of whom none (none) were women.

Accounting principles

This interim report was prepared in accordance with IAS 34, Interim Financial Reporting. The consolidated financial statements are made up in accordance with the International Financial Reporting Standards, IFRS. For further details see note 1 in the Fingerprint Cards AB's Annual Report 2005.

Important events after the end of the period

In April the Company received a further order from its South Korean distributor, Camos Tech Co. Ltd, The order is worth MSEK 3.1 and concerns the Company's complete identification system, i.e. sensor, processor ASIC and algorithm, to be used in the access control system that Camos has developed and which is marketed internationally to hotels, offices and bank premises. Deliveries will take place during the year.

Other reporting dates

Interim report January - June, August 16 2006
Interim report January – September, October 27 2006
Interim statement January – December, February 2007

Gothenburg, May 9, 2006

Fingerprint Cards AB (publ)

The Board

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

EXAMINATION REPORT

I have summarily examined this interim report on the unaudited figures in accordance with the recommendations published by 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 9, 2006

KPMG Bohlins AB

Jan Malm

Authorized Public Accountant

INCOME STATEMENT, GROUP	Jan-March	Jan-March	Jan-Dec
(MSEK)	<u>2006</u>	<u>2005</u>	<u>2005</u>
Net turnover	1,8	0,8	2,7
<u>Cost of goods sold</u>	<u>-1,4</u>	<u>-0,6</u>	<u>-2,7</u>
Gross margin	0,4	0,2	0,0
Operating expenses			
Administrative expenses	-1,6	-1,7	-6,5
Development expenses	-1,9	-2,1	-7,4
<u>Selling expenses</u>	<u>-1,1</u>	<u>-1,0</u>	<u>-4,1</u>
Operating profit/loss	-4,2	-4,5	-18,0
<u>Net financial items</u>	<u>0,1</u>	<u>0,1</u>	<u>0,5</u>
Net profit/loss for the period	-4,1	-4,4	-17,5

BALANCE SHEETS, GROUP	31 March	31 March	31 Dec
(MSEK)	<u>2006</u>	<u>2005</u>	<u>2005</u>
Assets			
Intangible assets	13,7	16,0	14,0
<u>Tangible assets</u>	<u>0,4</u>	<u>0,6</u>	<u>0,4</u>
<i>Total fixed assets</i>	<i>14,1</i>	<i>16,6</i>	<i>14,4</i>
Inventory	7,0	5,1	5,6
Current receivables	1,8	0,9	1,0
Current investments	0,0	24,9	29,9
<u>Cash and bank balances</u>	<u>35,1</u>	<u>4,2</u>	<u>10,1</u>
<i>Total current assets</i>	<i>43,9</i>	<i>35,1</i>	<i>46,6</i>
Total assets	58,0	51,7	61,0
Equity and liabilities			
Equity	54,6	49,4	58,7
Current liabilities, non-interest bearing	3,4	2,3	2,3
Total equity and assets	58,0	51,7	61,0

CHANGE IN EQUITY, GROUP	Jan-March	Jan-March	Jan-Dec
(MSEK)	<u>2006</u>	<u>2005</u>	<u>2005</u>
Opening equity	58,7	53,8	53,7
New share issue	0,0	0,0	22,5
<u>Net profit/loss for the period</u>	<u>-4,1</u>	<u>-4,4</u>	<u>-17,5</u>
Closing equity	54,6	49,4	58,7

CASH FLOW ANALYSES, GROUP	Jan-March	Jan-March	Jan-Dec
(MSEK)	<u>2006</u>	<u>2005</u>	<u>2005</u>
Earnings for the period	-4,2	-4,5	-18,0
Depreciation	0,7	0,7	2,8
Interest received	0,0	0,2	0,6
Other items	0,0	-0,1	-0,5
<u>Change in working capital</u>	<u>-1,1</u>	<u>1,7</u>	<u>1,5</u>
Cash flow from current operations	-4,6	-2,0	-13,6
Cash flow from investment operations	-0,3	0,0	0,0
Cash flow from financing operations	0,0	0,0	22,5
Change in liquid funds incl. curr. investments	-4,9	-2,0	8,9

KEY RATIOS, GROUP	Jan-March	Jan-March	Jan-Dec
	<u>2006</u>	<u>2005</u>	<u>2005</u>
Net earnings per share (SEK)	-0,44	-0,70	-2,56
Net earnings per share after full conversation (SEK)	-0,44	-0,70	-2,56
Equity per share (SEK)	5,84	7,78	6,28
Equity per share after full conversation (SEK)	6,24	8,83	6,67
Equity/assets ratio (%)	94,1	95,6	96,2
No of shares average (thousands)	9 348	6 348	6 848
No. of shares after full conversation average (thousar)	9 498	6 648	7 073
No. of shares (thousands)	9 348	6 348	9 348
No. of shares after full conversation (thousands)	9 498	6 648	9 498