

**PRESS RELEASE**  
**Gothenburg, August 16, 2006**

**Fingerprint Cards AB (publ), corporate identity no 556154-2381**  
**Half-yearly interim report January - June 2006**

*Highlights of the first half-year:*

- **First half-year income totaled MSEK 4.8 (1.3)**
- **Net financial items amounted to MSEK 0.0 (0.2)**
- **The loss for the first half-year totaled MSEK -9.1 (-8.9)**
- **Liquid funds as at June 30 totaled MSEK 22.9 (25.2)**
- **Net earnings per share was SEK -0.97 (-1.40)**
- **Order worth MSEK 3.1 for access control systems in South Korea**
- **The AGM in May authorised the Board to issue three million new B shares**

*Late highlights after the end of the second quarter:*

- **Follow-up order from Japan worth MSEK 9**

**For further details, please contact:**

Lennart Carlson, CEO Fingerprint Cards AB  
+46 31 60 78 20, [investrel@fingerprint.se](mailto:investrel@fingerprint.se)  
Fingerprint Cards AB, Box 2412, S-403 16 Göteborg  
[www.fingerprints.com](http://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**

By the mid point of 2006 biometric technologies have become more appropriately deployed, reflecting a better appreciation of their value to particular applications; the different types of technologies and products have begun to find their optimum place and to engage more fully with genuine market opportunities and not only experimental projects. In the market segments already active with biometrics the deployments have increased in number and in size; there were also new signs of market opportunities for the technology as it continues to gain confidence and a wider appeal to the public.

Government projects typically take some time to mature, but this is balanced by the number of new projects announced. Not all of these new projects are USA or EU opportunities, and finding the opportunities is a very global business. In Qatar, a new National ID Project was announced, including fingerprint biometrics for match-on-card security, which reflects a high degree of technology deployment and an advanced approach to the privacy of personal biometric information. Qatar expects to issue more than 750,000 biometric smart cards. Government projects continue to be dominated by fingerprint technologies. In the EU planners for the Visa applications system VIS recently estimated the collection of some twenty million sets of fingerprints each year, beginning from 2007. Not all large projects are led by fingerprints. The capture of facial images for the growing number of biometric passports is now underway, with Sweden among the leaders, featuring enrolment kiosk systems that include facial cameras as well as fingerprint sensors to anticipate the future deployment of fingerprints to all EU passports. Other biometrics such as iris recognition also have a role to play in government programmes, in particular for their use in policing large biometric databases to keep them clear of duplicate, false enrolments. The different technologies are finding their place.

Biometric technologies, fingerprint in particular, have now become so well entrenched across the laptop notebook computer industry that most leading vendors include them somewhere within their product portfolios. The usefulness of the biometric components and authentication sub-systems, as well as their much wider availability now appears to be shaping the applications markets themselves. With legislation for data protection and access to personal records in fields such as healthcare, as well as increasingly well understood information security standards in both the USA and Europe, then biometric equipment is increasingly being seen as a standard part of any systematic preparation for a secure application, in particular for businesses dependent on mobile or remote workforces. The increased use seen in the first half of 2006 is mainly a reflection of the business community's technology refreshment cycle and business planning, rather than any delayed indication of the suitability of biometrics. It can be added that the current positioning of biometric options within computer manufacturers' product ranges has the effect of showing a future commitment to biometric provision and maintains this within the overall reduction of cost in putting computer and data resources at employees' disposal. The end use cost of biometrics continued to drop throughout the period. It is interesting to note that many of the data security applications are being redesigned around the laptop or notebook computer, whose prices have been dropping fast as a result of competition, and not the traditional desktop technology. As the product and sales balance continues to shift in this IT market then it continues to be supportive of the lower cost, smaller fingerprint sensors that have been dominating the mobile computing market. There was little evidence in the first half of 2006 that the older optical sensors, or any sensor technology other than capacitive silicon was making market progress at this level of IT product integration.

New applications continue to emerge where biometrics are seen as central, and where they gain a new market segment opportunity. The United States Census Bureau recently announced its plans to protect data captured for the forthcoming 2010 US national census using as many as 500,000 PDA handheld computers featuring silicon chip fingerprint technology. This is perhaps the first mainstream application to demonstrate the viability of a truly PDA born use for biometrics. Certainly, there have been handheld uses of biometrics to assist with more centralised applications, but this is perhaps the first wholesale mobile application designed around the advantages of biometrics. Mobile devices are clearly becoming more relevant to business – both private and government – and they are capable of carrying huge amounts of sensitive data very inexpensively. Whether or not these devices operate as mobile wireless telephones is not important; what matters is the realisation of the manufacturing volume and the need for smaller, power efficient biometric systems components.

The second quarter of the year also saw a more successful return to an early expectation for biometric technologies: their use in Automated Teller Machines. Three of Japan's largest banks announced plans for the introduction of these biometric cash machines using fingerprint technology. The effort has been led by the Sumitomo-Mitsui Bank, which has already installed 2,100 of an expected 6,600

machines. The total number of ATMs featuring biometrics could exceed 30,000 in a short while. All of these banks have particular concerns about the rising cost of card misuse, estimated at an annual increase of 6%, and they see biometrics as the means of stopping this. These businesses also identify themselves as technology leaders. The banks have reported low false rejection rates, which may reflect the market's admission that fingerprint technology has improved since banks last considered this application nearly ten years ago.

## **Company sales and business situation**

The Company's distributors continue to generate orders. During the period a follow-up order was received from Camos Tech Co. Ltd in South Korea. The order value was MSEK 3.1 and concerned complete identification systems that will be used in access control systems for hotels, offices and bank premises. Deliveries will be completed before the year-end. In this case it is a question of products that have been developed by a company belonging to the same group as the distributor. Most of Fingerprint Cards' distributors have developed their own products where the fingerprint technology is used, however, generally they resell the Company's biometric components to customers in the region for which they have a distributor license.

During the first half year the Company has been working hard preparing for increased production capacity in sensor packaging. Sensor packaging is the bottleneck in the production chain. The result of these efforts will be shown from August onwards when production volume will start rising considerably and will continue to do so during the autumn. The silicon production at the semiconductor level does not itself have any such volume limitations.

Producing the processor ASIC does not involve any bottlenecks. The ASIC is packaged by the semiconductor using a standard package solution. By the turn of the year the Company will moreover have the first prototypes of the new processor ASIC that is under development. This component will be more powerful in terms of processing capacity, more power efficient and much smaller in size compared to the present ASIC. Production cost per unit will be 80% lower compared to the present component implying that the Company's sales margin on this component will improve considerably. There are also possibilities of simplifying the sensor packaging production and thereby drastically lower production cost. Such measures would however require an investment in production equipment. At the same time a considerable increase in business volume also requires more working capital. Capital is tied up in production and lead time for silicon production is moreover long at present with semiconductors as a whole being very busy producing silicon for cell phone cameras.

At the last general meeting with the shareholders the Board got an authorization to issue new shares and the intention is to make use of that and bring in the necessary funds for the forecasted increased sales volume and investments in production.

The Company's collected order value at the time of the release of this interim report and where deliveries will be made during the rest of the year is MSEK 18.

## **Technology development**

A substantial part of the resources in the technology development department have been allocated to industrialisation work with the view to considerably increase sensor packaging production output. The result of these efforts will be shown already in August and even more so during the autumn. The project of designing a new processor ASIC is on schedule with first prototypes expected by the turn of the year.

## **Turnover and earnings**

Consolidated turnover during the period January – June amounted to MSEK 4.8 (1.3). Consolidated earnings for the period January – June amounted to MSEK –9.1 (-8.9).

## **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 June 30, 2006 was 92.2 % (94.7). Consolidated available liquid assets including current investments as at June 30, 2006, totalled MSEK 22.9 (25.2). Other current receivables amounted to MSEK 11.0 (1.0). The consolidated working capital amounted as at June 30 to MSEK 35.6 (29.0).

## **Fixed assets, capital expenditure and depreciation**

During the first six months no investments were done in equipment (0). Development cost has been set up as an asset during the period 0.9 (0). Development costs were depreciated according to plan by 15 % and equipment is depreciated by 20% annually.

## **Personnel**

The number of employees as at 30 June was eleven (twelve), 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.

## **Significant events after the end of the accounting period**

The Company's distributor in Japan, Secure Design, placed a further order for complete area sensor systems to be delivered this calendar year. The order value is MSEK 9 and concerns Secure Design's IT security product *ITube*, a USB memory key with multiple applications designs.

## **Other reporting dates**

Third-quarter interim report July-September, October 27, 2006  
Press release on annual accounts for 2006, February 2007  
Annual report for 2006, April 2007

Gothenburg, August 16, 2006

## **Fingerprint Cards AB (publ)**

### **The Board**

This press statement 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, August 16, 2006

**KPMG Bohlins AB**

**Jan Malm**  
Authorized Public Accountant

<b>STATEMENTS OF INCOME, THE GROUP</b> (MSEK)	Apr-Jun <u>2006</u>	Apr-Jun <u>2005</u>	Jan-Jun <u>2006</u>	Jan-Jun <u>2005</u>	Jan-Dec <u>2005</u>
<b>Operating income</b>					
Net turnover	3.0	0.5	4.8	1.3	2.7
Cost of goods sold	<u>-2.5</u>	<u>-0.5</u>	<u>-3.8</u>	<u>-1.2</u>	<u>-2.7</u>
<b>Gross margin</b>	0.5	0.0	1.0	0.1	0.0
<b>Operating expenses</b>					
Administration	-1.6	-1.5	-3.2	-3.3	-6.5
Development costs	-2.5	-2.1	-4.4	-4.1	-7.4
<u>Market costs</u>	<u>-1.4</u>	<u>-1.0</u>	<u>-2.5</u>	<u>-1.9</u>	<u>-4.1</u>
<b>Operating profit/loss</b>	<b>-5.0</b>	<b>-4.5</b>	<b>-9.1</b>	<b>-9.1</b>	<b>-18.0</b>
<u>Net financial items</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>	<u>0.2</u>	<u>0.5</u>
<b>Net profit/loss for the period</b>	<b>-5.0</b>	<b>-4.4</b>	<b>-9.1</b>	<b>-8.9</b>	<b>-17.5</b>

<b>BALANCE SHEETS THE GROUP</b> (MSEK)	30 Jun <u>2006</u>	30 Jun <u>2005</u>	31 Dec <u>2005</u>
<b>Assets</b>			
Intangible assets	13.7	15.3	14.0
<u>Tangible assets</u>	<u>0.3</u>	<u>0.6</u>	<u>0.4</u>
<i>Total fixed assets</i>	<i>14.0</i>	<i>15.9</i>	<i>14.4</i>
Inventory	5.9	5.3	5.6
Current receivables	11.0	1.0	1.0
Current investments	0.0	22.9	29.9
<u>Cash and bank deposits</u>	<u>22.9</u>	<u>2.3</u>	<u>10.1</u>
<i>Total current assets</i>	<i>39.8</i>	<i>31.5</i>	<i>46.6</i>
<b>Total assets</b>	<b>53.8</b>	<b>47.4</b>	<b>61.0</b>
<b>Equity and liabilities</b>			
Equity	49.6	44.9	58.7
<u>Current liabilities, non-interest bearing</u>	<u>4.2</u>	<u>2.5</u>	<u>2.3</u>
<b>Total equity and assets</b>	<b>53.8</b>	<b>47.4</b>	<b>61.0</b>

<b>CHANGE IN EQUITY, THE GROUP</b> (MSEK)	Jan-Jun <u>2006</u>	Jan-Jun <u>2005</u>	Jan-Dec <u>2005</u>
Opening equity	58.7	53.8	53.7
Option premiums received	0.0	0.0	22.5
<u>Net profit/loss for the period</u>	<u>-9.1</u>	<u>-8.9</u>	<u>-17.5</u>
<b>Closing equity</b>	<b>49.6</b>	<b>44.9</b>	<b>58.7</b>

<b>CASH FLOW ANALYSES, THE GROUP</b> (MSEK)	Jan-Jun <u>2006</u>	Jan-Jun <u>2005</u>	Jan-Dec <u>2005</u>
Earnings for the period	-9.1	-9.1	-18.0
Depreciation	1.4	1.4	2.8
Interest received	-0.1	0.3	0.6
Other items	-0.2	-0.2	-0.5
<u>Change in working capital</u>	<u>-8.1</u>	<u>1.7</u>	<u>1.5</u>
<b>Cash flow from current operations</b>	<b>-16.1</b>	<b>-5.9</b>	<b>-13.6</b>
<b>Cash flow from investment operations</b>	<b>-0.9</b>	<b>0.0</b>	<b>0.0</b>
<b>Cash flow from financing operations</b>	<b>0.0</b>	<b>0.0</b>	<b>22.5</b>
<b>Change in liquid funds incl. curr. investments</b>	<b>-17.0</b>	<b>-5.9</b>	<b>8.9</b>

<b>KEY RATIOS, THE GROUP</b>	Apr-Jun <u>2006</u>	Apr-Jun <u>2005</u>	Jan-Jun <u>2006</u>	Jan-Jun <u>2005</u>	Jan-Dec <u>2005</u>
Net earnings per share (SEK)	-0.53	-0.69	-0.97	-1.40	-2.56
Net earnings per share after full dilution (SEK)	-0.53	-0.69	-0.97	-1.40	-2.56
Equity per share (SEK)			5.31	7.07	6.28
Equity per share after full dilution (SEK)			5.31	8.15	6.67
Equity/assets ratio (%)			92.2	94.7	96.2
No of shares average (thousands)			9,348	6,348	6,848
No. of shares after full dilution average (thousands)			9,348	6,648	7,073
No. of shares (thousands)			9,348	6,348	9,348
No. of shares after full dilution (thousands)			9,348	6,498	9,498