

PRESS RELEASE
Gothenburg, October 26, 2007

Fingerprint Cards AB (publ), corporate identity no 556154-2381
Interim report for the period January – September 2007

Highlights of the first nine months:

- **The income for the interim period totalled MSEK 18.5 (8.0) and for the third quarter MSEK 7.8 (3.2).**
- **Net financial items for the interim period amounted to MSEK 1.1 (0.1) and for the third quarter MSEK 0.3 (0.1).**
- **The loss for January to October totalled MSEK – 21.4 (- 13.2) and for the third quarter MSEK – 9.2 (-4.1).**
- **The increased negative results include a SEK 2.5 Million write-down of the stock.**
- **Net earnings per share for the interim period was SEK – 1.76 (- 1.41).**
- **Liquid funds at the close of the interim period amounted to MSEK 42.7 (14.7).**
- **Order value as per 30 October amounted to MSEK 27.**

- **The Company's swipe sensor methodology patent now also granted in USA.**

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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 OMX Nordic Exchange (FING B).

Market development

The year's third quarter included some positive technical and strategic developments in the key segments for biometric technologies and solutions. The product market channels for biometrics continue to evolve in the direction of greater mobility and functionality, often with a degree of convergence that suggests there will be an increasing need to include an easy to use, well designed security package such as a biometric fingerprint module. The market for biometric solutions, operating on the grander scale with millions of registered identities and significant capital outlay on biometric equipment, was supported by some key customer announcements and by statements of market confidence by some key global players.

The market for biometric solutions continues to be dominated by the government systems. Two leading global contractors for this sector affirmed their positive views about biometric growth in the broader sector of Homeland Security – a market term now used globally. Defence contractor Lockheed Martin stated during the quarter that, based on its current portfolio along with opportunities emerging, it expects to see double-digit growth in coming years for homeland security solutions. A second major contractor Northrop Grumman, says that it expects around eight percent growth in the next three years, with an increase to nine percent in five years as more government programs take shape. Typically for such contractors, biometrics and border control, figure as one of the three major homeland security segments; the others are traditionally defence related.

This optimism is being driven by new programs such as the EU VIS database system, designed to share and verify biometric visa information about non-EU nationals applying for entry to the EU via any member state. Individual countries such as the UK awarded national contracts for such systems around the third quarter, with a typical requirement for some 1500 live-scan fingerprint capture systems. Reinforcing the breadth of deployment from visas, to borders, to national ID programs, the UK also began in the quarter the procurement of its £5.4 Billion National Identity Scheme. The first two components of this will be a completely new national biometric identification system, and a new applications system to include the capture of biometric information.

Issues of intellectual property continue to hover in the background for the industry, and will continue to influence the shape of competitive offerings. In September Cogent Inc withdrew its patent lawsuit against fingerprint sensor and systems manufacturer UPEK Inc, agreeing to licence aspects of its technology to UPEK for inclusion in UPEK's fingerprint technology and solutions. The financial terms of this were not disclosed.

Near the beginning of the quarter the high-profile Computex PC show in Taiwan, where 80 percent of the world's laptops are made, highlighted the increasing competitive importance of value added functionality for laptop computers. Integrated webcams and fingerprint sensors continue to spread throughout manufacturers' ranges and models. The show also heralded the mainstream arrival in 2007 of the ultra-mobile PC (UMPC), a fully-functional notebook computer with a full keyboard and 18cm screen, using increasingly compact and powerful processor technology and delivered at very competitive prices. The premium put on space and functionality is balanced by the need for such mobile solutions to have adequate security solutions on-board for data and network access. Among the first of these UMPC machines Samsung Electronics has introduced a model featuring a fingerprint swipe sensor.

The cell-phone segment indicated some interesting strategic consolidation around fingerprint biometrics during the quarter, when Toshiba added a new smart phone model – the G900 – to the smaller G500 model launched earlier in the year. Both models use a fingerprint swipe sensor, are 3G phones, and run the latest Windows™ Mobile operating system; all as part of a business phone package. Toshiba, one of the large laptop manufacturers, is using its *Portege* notebook brand for these phones, and indicates this as part of its convergence plan between portable computing and the business phone markets. Its stated plan is to reach a strong position in business phones early in 2009 and fingerprint biometrics play a part in this product strategy.

Company sales during the period

Sales for the first nine months amounted to SEK 18 million, representing a rise of 125 % compared to the corresponding period last year when the Company delivered technology amounting to SEK 8 million. A much greater number of end-product developers entered the commercialization phase with

their products this year, using FPC technology, and these have started volume production which means orders for the Company.

The biometric enabled products show a great application spread but fundamentally it is a question of verifying a user's identity. The Company's technology for fingerprint verification is now being deployed in such diverse products as motor cars, door locks, time & attendance systems, safe boxes and safes, memory or USB keys, in card based payment systems, and in PC peripherals for log-on to computers and networks.

For the most part the Company sells its technology through regional distributors where it is now represented in key markets like North America, parts of Europe, together with a number of regions in the Far East. In markets where the Company is not represented by a distributor then sales are made directly to the customer. Success has been most evident in the Chinese market where the Company's distributor Hardware & Software Technologies (HST) placed orders during the period amounting to SEK 43 million. Thus far 35 % of this order value has been delivered, and deliveries will continue throughout this year and also into next year. HST with its head office in Taiwan, and three branch offices in mainland China, has represented the Company for more than five years in these markets. An impressive organization has been built up and fifteen technical and sales employees are now dedicated to Fingerprint Cards' technology.

HST develops and sells some proprietary biometric products of its own, such as door locks, safe boxes and time & attendance systems; however in the first place it resells Fingerprint Cards' technology to other developers of biometric end-products. This work has been particularly successful in the segment for IT security products for banks where HST has managed to establish customer relationships with 4 of the 5 largest providers of such products, which means that the Company's sensor technology is now to be found in more than 75 % of all the biometric enabled IT security products that are being delivered to Chinese banks. HST estimates that this product segment will grow significantly already from next year on. In the first stage the banks with nationwide coverage are introducing biometric log-on for their personnel, and this will be followed up with the banks providing their customers with biometric equipment for internet banking. In a second stage the middle sized and the regional banks will implement in turn. HST also foresees good sales opportunities for the Company's new processor ASIC because embedded systems account for a good share of deliveries to the banks. In an embedded system verification of the user's identity is done in a processor chip locally in the log-on unit rather than in the PC processor or on a server elsewhere.

Deliveries during the period were dominated by shipments to China. An order for a few thousand modules was received from an Argentine customer, but delivery will not be made until the start of October. The application in that case is a card based payment system with biometric card readers. Other deliveries during the period were small. Of the total orders received from China, amounting to SEK 43 million, 35 % of the order value has been delivered so far. The delivery plan for the remainder has been adjusted so that a further 15 % will be delivered before the year-end with the remaining 50 % to be delivered during the first two calendar quarters of next year. According to the original delivery schedule final delivery should have been made by end of the first quarter 2008.

For the first three quarters the Company's sales amounted to SEK 18.3 million, of which SEK 7.6 million related to the third quarter. The increased negative sales margin owed to the fact that sales were dominated by sensor deliveries to China to which sales are made in dollars, a currency that has fallen sharply against the Swedish krona since the middle of 2007. The sales margin has deteriorated furthermore since the Company had to make a write-down of its stock value amounting to SEK 2.5 million. The stock, made up by finished products and work in progress, is to a great extent produced in dollars at a rate that was 8 – 10 % higher than the rate on the prevailing balance sheet day (30 September 2007). Since a great deal of that stock is made up of components for delivery to the China order, one taken to a negative margin, then this write-down was necessary. The Company has taken measures to lower production cost considerably for the sensor component, thereby producing a future acceptable sales margin for this, something further described below under "The Company's business situation".

The order value as at 30 September amounted to SEK 29 million calculated at the current dollar rate.

The Company's business situation

There are good reasons for the Company to have an optimistic view on the near future. The biometric industry as a whole is experiencing rapid growth in terms of deliveries to both the public and the commercial sector. It is now well established in important product segments such as mobile PCs, and it has taken its first steps into the mobile phone segment. Future prospects look equally good also for most other product segments. Seen from a sensor perspective the volumes delivered to the market are doubled each year.

The fingerprint sensor is the Company's most important component and together with the algorithm it constitutes the basis of the technology offered to the market. For execution of the algorithm and matching of finger patterns the Company has developed a proprietary processor ASIC, and with that complete embedded systems for finger verification are offered. Market conditions for the Company's technology look favorable and particularly so in the important Chinese market for which the Company's distributor predicts a strong growth for next year.

During the past 2 – 3 years market prices for fingerprint technology have dropped as volumes have risen. In 2006 as well as the current year the Company therefore allocated substantial resources aimed at bringing about a cost efficient production of its hardware components: the sensor and the processor. By mid-year the new processor design work was successfully finished. The outcome is a processor ASIC that is more power efficient, has increased functionalities, is compatible with both the area and the swipe sensor; and at the same time production cost per unit has been lowered by 80 %. Fingerprint Cards now has a superior component that can compete with alternative DSP processors for embedded systems and still deliver a good sales margin.

The cost of producing the sensor component can be divided into two parts; the cost for the silicon and cost for packaging of this, namely in bringing the sensor to a point that it can be mechanically and electrically integrated in a product and withstand significant use. Through two projects the Company has addressed these issues, with the aim of halving the production cost of finished sensor components. One project, to substantially decrease the cost of silicon, was accomplished by mid-year and the first deliveries of the new silicon have been received and will have a beneficial affect on packaging production costs during the fourth quarter of this year for deliveries mainly during the first quarter of next year.

In the second project a completely new packaging design is being developed; one suited to high volumes with greater cost efficiency. The Company's development partner for this work is one of the market's largest packaging companies with extensive experience of this type of production. The project is still running according to plan so the first prototype will be produced during this fourth quarter. After prototype acceptance a qualification process will follow, and pre-production will commence and continue during next year's first quarter. Volume production is planned to take off from next year's second quarter onwards.

There are two main reasons for the Company's sales margin deteriorating during the third quarter. Deliveries to China, where orders have been taken at a price deliberately falling short of production cost, constituted almost the entire sales for the period, and, secondly, the much weakened dollar has had a substantial impact. The deterioration in the dollar value means fewer Swedish kronor for every dollar. Beyond that, but due to the dollar fall, the Company had to make a substantial write-down of its stock value which was described in the above section. A substantial part of the Company's production costs are at present paid for in Swedish kroner or in Euros, while sales are almost entirely in dollars. This state of affairs will prevail until production of the new packaging solution will commence, and that production will be paid for in dollars.

The conclusion is that the prospects of improving sales margins as early as this half-year look rather slim. The conditions for improved margins this year would be a stronger dollar, which is not plausible, and that a greater part of sales during the fourth quarter can be made to low volume customers paying a higher price; and this is not likely either. A positive part of the situation is that only 50 % of the China orders shall be delivered before the year-end which improves the possibility that the remaining 50 % of these orders may be delivered with at least an improved margin. Only once the new packaging solution is in production will the Company achieve its planned 35 % overall sales margin.

The indications about future sales developments the Company has received, not least those regarding the Chinese market, taken with the fact that efficiency projects underway are running to plan, give

reason to retain the Company's financial goal of reaching break-even, calculated on an annual basis, by the fourth quarter of next year.

Technology development and production

The work to make production more efficient and reduce production costs for the Company's products goes on. This has now resulted in a production capacity that can meet market demands. Phasing in the new silicon provider, and introduction of the Company's new processor ASIC have successfully been carried through during the period now producing a substantially lower production cost for the processor component.

One of the most important activities aimed at further lowering production costs is to get the new sensor packaging solution ready. The project runs according to plan leading to prototype production during the fourth quarter of this year and qualification of the product and production process during the first quarter of next year. Volume production is planned for next year's second quarter.

The Company's new processor ASIC, FPC2020, is now available for delivery to the market. FPC2020 gives the Company a stronger position in the market for embedded systems thanks to the competitive price, low power consumption and high performance. Identification of an individual from a population of 500 users is done within a couple of seconds.

The United States Patent and Trademark Office has granted the Company's patent application no 10/398 172 regarding the swipe sensor methodology. The European Patent Organization (EPO), has already granted and registered the patent in Sweden, UK, Italy, Germany and France. The patent describes a system based on a sensor that reads partial images from a moving fingerprint, and where the sensor surface is considerably smaller than the fingerprint itself. The information extracted from each partial fingerprint image is read for later verification then erased from memory. This method makes it possible to store the individual's biometric identity without building up the complete image of the fingerprint.

Turnover and earnings

Consolidated turnover for the interim period amounted to MSEK 18.5 (8.0) and for the third quarter MSEK 7.8 (3.2). The consolidated loss for the interim period amounted to MSEK - 21.4 (-13.2) and for the third quarter MSEK - 9.2 (- 4.1). The losses include a write-down of the inventory amounting to MSEK 2.5.

Net turnover by the parent company for the interim period amounted to MSEK 18.5 (8.0) and for the third quarter MSEK 7.8 (3.2). The consolidated loss for the interim period amounted to MSEK - 21.4 (-13.2) and for the third quarter MSEK - 9.2 (- 4.1). The losses include a write-down of the inventory amounting to MSEK 2.5.

Financial position

Equity, as of September 30, 2007, amounted to MSEK 79.8 (45.5). The consolidated equity/assets ratio was 90.4 % (91.4). Consolidated available liquid assets including current investments as at September 30, 2007, totaled MSEK 42.7 (14.7). Other current receivables amounted to MSEK 6.8 (7.8). The consolidated working capital amounted as at 30 September to MSEK 63.6 (31).

The parent company's available liquid assets up to 30 September 2007, short term investments included, amounted to MSEK 42.6 (14.6).

Fixed assets, capital expenditure and depreciation

During the interim period investments in equipment amounted to MSEK 0.2 (0.1) and development cost has been set up as an asset during the period with MSEK 4.2 (2.0). During the third quarter investments in equipment amounted to MSEK 0 (0.1) and development cost has been set up as an asset during the period with MSEK 1.1 (1.1).

Development costs were depreciated according to plan by 15 % and equipment was depreciated by 20% annually.

Personnel

At the close of the interim period the number of employees totalled twelve (eleven), of whom none (none) were women.

Essential risk and uncertainty factors

The Company's operations entail a number of risk and uncertainty factors, which are described in the half-year report. As of 30 September no new significant risks or uncertainty factors have arisen apart from the prevailing uncertainties regarding the dollar development. A further weakened dollar would have an adverse effect on the Company's sales margins.

For the coming six months the Company will continue to sell in dollars while production will be paid in the Swedish kroner and Euro, and these conditions will prevail until the end of next year's first quarter when an essential part of the production will be paid for in dollars instead.

Issue of share options to employees

At the Annual General Meeting held on May 31, 2007 it was decided to issue 370 000 share options to employees, out of which 180.000 share options have been subscribed for by the employees and 190 000 share options have been subscribed for by the Company's subsidiary, Fingerprint Security Systems AB, for future transfer to new employees. The personnel cost for the share options held by the Company's subsidiary will be accounted for when transfer to new employees takes place. The strike price was set at SEK 38 and subscription of shares shall take place starting 1 June 2010 and ending 30 November 2010. The share capital will be diluted by a maximum of 3.04 per cent and the votes by 2.49 per cent.

The personnel cost for the share options, as at September 30, amounted to MSEK 0.3. The equity has been increased by the same amount.

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. Accounting principles and calculation methods remain unchanged from those applied in the 2006 Annual Report. The Parent Company applies the accounting and valuation principles used in the last Annual Report. For further details see note 1 in the Fingerprint Cards AB's Annual Report 2006.

Future reporting dates

Press release on annual accounts for 2007, February 29, 2008

Gothenburg, October 26, 2007
Fingerprint Cards AB (publ)

The Board

Review Report

Introduction

We have reviewed the interim report of Fingerprint Cards AB (publ), corporate identity number 556154-2381 for the period 1 January 2007 – 30 September 2007. The board of directors and the managing director are responsible for preparing and presenting this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express an opinion on this interim report based on our review.

Scope of the review

We have conducted our review in accordance with Standard for review SÖG 2410 – Review of financial interim report information performed by the auditor of the company – issued by FAR. A review consists of inquiries in the first place to persons responsible for financial and accounting issues, to perform an analytical review and take other review procedures. A review is significantly less in scope than an audit in accordance with generally accepted auditing standards and good auditing practice in Sweden. The review procedures made at a review do not secure that we are aware of all significant circumstances, which could have been identified if an audit had been performed. Therefore, the expressed conclusion based on a review does not have the security, which an expressed conclusion based on an audit has.

Conclusion

During our review we have not identified any circumstances, which indicate that the interim report is not in all in compliance with the requirements of IAS 34 and the Annual Accounts Act.

Gothenburg, October 26, 2007
KPMG Bohlins AB

Jan Malm
Authorized Public Accountant

STATEMENTS OF INCOME, THE GROUP	<i>Juli - Sept</i>	<i>Juli - Sept</i>	<i>Jan-Sept</i>	<i>Jan-Sept</i>
(MSEK)	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Operating income				
Net turnover	7.8	3.2	18.5	8.0
Cost of goods sold	<u>-12.6</u>	<u>-2.9</u>	<u>-23.7</u>	<u>-6.7</u>
Gross margin	-4.8	0.3	-5.2	1.3
Operating expenses				
Administration	-1.8	-1.5	-6.0	-4.7
Development costs	-1.9	-2.0	-7.8	-6.4
Market costs	<u>-1.0</u>	<u>-1.0</u>	<u>-3.5</u>	<u>-3.5</u>
Operating profit/loss	-9.5	-4.2	-22.5	-13.3
Net financial items	<u>0.3</u>	<u>0.1</u>	<u>1.1</u>	<u>0.1</u>
Net profit/loss for the period	-9.2	-4.1	-21.4	-13.2

BALANCE SHEETS THE GROUP	<i>30 Sept</i>	<i>31 Dec</i>
(MSEK)	<u>2007</u>	<u>2006</u>
Assets		
Intangible assets	15.9	13.7
Tangible assets	<u>0.3</u>	<u>0.3</u>
<i>Total fixed assets</i>	16.2	14.0
Inventory	22.6	16.6
Accounts receivable - trade	5.1	1.1
Current receivables	1.7	5.6
Current investments	35.7	34.8
Cash and bank deposits	<u>7.0</u>	<u>36.3</u>
<i>Total current assets</i>	72.1	94.4
Total assets	88.3	108.4
Equity and liabilities		
Equity	79.8	100.9
Current liabilities, non-interest bearing	8.5	7.5
Total equity and assets	88.3	108.4

CHANGE IN EQUITY, THE GROUP	<i>Jan-Sept</i>	<i>Jan-Sept</i>
(MSEK)	<u>2007</u>	<u>2006</u>
Opening equity	100.9	58.7
Share options to employees	0.3	-
Net profit/loss for the period	-21.4	-13.2
Closing equity	79.8	45.5

CASH FLOW ANALYSES, THE GROUP	<i>Jan-Sept</i>	<i>Jan-Sept</i>
(MSEK)	<u>2007</u>	<u>2006</u>
Earnings for the period	-22.5	-13.3
Adjustments for items not included in the cash flow	3.0	1.7
Change of inventory	-6.0	-7.2
Change in current receivables	0.4	-6.2
Change in current liabilities	<u>1.0</u>	<u>1.9</u>
Cash flow from current operations	-24.1	-23.1
Cash flow from investment operations	-4.4	-2.1
Change in liquid funds incl. curr. investments	-28.5	-25.2

KEY RATIOS, THE GROUP	<i>Juli - Sept</i>	<i>Juli - Sept</i>	<i>Jan-Sept</i>	<i>Jan-Sept</i>
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Net earnings per share (SEK)	-0.76	-0.44	-1.76	-1.41
Net earnings per share after full dilution (SEK)	-0.76	-0.44	-1.76	-1.41
Equity per share (SEK)			6.57	4.87
Equity per share after full dilution (SEK)			7.32	5.36
Equity/assets ratio (%)			90.4	91.4
No of shares average (thousands)			12,153	9,348
No. of shares after full dilution average (thousands)			12,317	9,348
No. of shares (thousands)			12,153	9,348

STATEMENTS OF INCOME, THE PARENT COMPANY

(MSEK)

Operating income

Net turnover

Cost of goods sold

Gross margin**Operating expenses**

Administration

Development costs

Market costs

Operating profit/loss

Net financial items

Net profit/loss for the period

Jan-Sept

2007

Jan-Sept

2006

18.5

4.8

-23.7-3.8**-5.2****1.0**

-6.0

-3.2

-7.8

-4.4

-3.5-2.5**-22.5****-9.1**1.10.0**-21.4****-9.1****BALANCE SHEETS, THE PARENT COMPANY**

(MSEK)

Assets

Intangible assets

Tangible assets

Total fixed assets

Inventory

Accounts receivable - trade

Current receivables

Current investments

Cash and bank deposits

*Total current assets***Total assets****Equity and liabilities**

Equity

Current liabilities, non-interest bearing

Total equity and assets

30 Sept

2007

30 Sept

2006

15.9

14.2

0.30.3

16.2

14.5

22.6

12.8

5.1

1.9

1.7

5.9

35.7

-

6.9

14.6

72.0

35.2

88.2**49.7**

79.3

45.0

8.94.7**88.2****49.7**