



PRESS RELEASE
Gothenburg, April 29, 2009

Fingerprint Cards AB (publ), corporate identity no 556154-2381
Interim report for the period January – March 2009

Key events of the first three months:

- The income increased by 12 percent, to MSEK 7.4 (6.6).
- Gross profit for the first three months amounted to MSEK 1.3 (-0.4).
- The loss for January to March was MSEK – 4.4 (- 6.7).
- Net earnings per share was SEK – 0.22 (- 0.55).
- Liquid funds at the close of the period amounted to MSEK 15.8.
- Order value as per 31 March amounted to MSEK 26.3(18.4).
- Strategic co-operation begun with Japanese BgenuineTec Inc. for the development of a common product solution for mobile phones.

Significant events after the expiry of the period:

- Mr Johan Carlström appointed new CEO as from 6 May 2009.
- License agreement signed with new distributor for Argentina, Paraguay, and Uruguay.

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The Company's business situation

During the period a strategic co-operation was begun with Japanese company BgenuineTec Inc. (www.bgenuinetec.com). This company, formerly named Secure Design KK and listed on the AIM list of the London stock exchange, has lately gone through a major change while acquiring the Japanese biometric company Beyond LSI (BLSI) (www.beyondlsi.com). BLSI originates from Kunieda VLSI Laboratory of Tokyo Institute of Technology and has developed both an algorithm and a biometric processor ASIC. From this base of core technology the company builds biometric modules for applications such as PC logon, door locks and USB keys which are marketed through subsidiaries in Japan, South Korea and China. The officers in leading positions within BLSI now constitute the management team of BgenuineTec.

The algorithm developed by BLSI is also delivered to cell phone manufacturers and is today implemented in cell phones that are in the market. All IP rights to the algorithm have been acquired by BgenuineTec which has signed a Letter of Intent with Fingerprint Cards concerning a strategic co-operation with the aim that the combination of BLSI's algorithm and Fingerprint Card's swipe sensor will be offered to developers of cell phones primarily intended for the Chinese market. The special design of the algorithm means that the swipe sensor the Company now intends to develop, based on its new sensor platform, can be made extremely small with regard to the silicon area. The cost advantage of that, combined with the high image quality, superior power efficiency, and the robustness the Company's sensor technology is known for, means that a very competitive solution can be offered to the market. The goal is to deliver the market's smallest, the most robust and the most power efficient capacitive swipe sensor at a price that will fall below current market prices.

Sales during the period produced a gross profit margin of 18 percent despite half the sensor deliveries concerned the older packaging solution that was not cost efficient. Practically all stocks of the older sensor version have now been delivered and henceforth only deliveries of the new version will be made, which will further improve ongoing sales margins.

The prospects of fulfilling the plan to achieve a good 30 percent sales margin during the first half-year look very good. The specific projects, initiated during last year and aimed at further lowering the productions costs for the sensor component, have been evaluated during the period after completed tests. The results are positive and the plan is to implement the methods as early as the second quarter 2009, which will then have a gradual positive impact on deliveries made after the first half-year. The goal is to achieve a robust 40 percent gross profit margin during the second six months.

The Company keeps its prognosis of markedly increased sales for the present year. From this it follows that more capital will be tied up in production in the third and fourth quarters. The market for sensor technology is very expansive, above all in China where the Company has a strong trade mark. With the strategic co-operation now begun with BgenuineTec the Company is moreover given a strong opportunity to bring its sensor technology into the high volume cell phone market segment. The financial resources at present available to the Company are however insufficient for managing these entire engagements. The new stock issue carried through late last year was meant to fill the necessary funding up to profitability but the overall investment climate was the worst imaginable and the result of this new stock issue was too poor.

The Board of Directors will therefore recommend the shareholders that decisions are taken at the upcoming AGM to the effect that further capital will be raised to enable the Company to carry through these described plans. Working on the assumption that the Company has sufficient financial



resources then the financial goal of reaching a breakeven point some time during the second half year is kept.

Company sales during the period

Sales during the first quarter amounted to MSEK 7.4 representing an increase by 12 percent when compared with the first quarter of 2008. The gross profit margin was 18 percent which was a great improvement compared with the negative gross profit margin shown for the same period of last year. Based on delivered units sensor components accounted for 90 percent of the total volume with the remaining 10 percent composed mainly of processor ASICs. Of all deliveries 96 percent went to Asia.

To the Company's reseller in China, Hardware & Software Technologies (HST), 45 000 sensor components were delivered. Half of the deliveries were for sensors using the older packaging solution. The end-customers of HST are mainly developers of biometric IT security products delivered to banks in China and in addition developers of various products for physical access such as door locks. During the period a number of HST's customers had not yet completed the adjustment of their products to the Company's new packaging solution which has a slightly different physical form factor compared with the older solution.

There were follow up deliveries to South Korea of approximately 4 000 sensors with the same amount of processors delivered. The main end-products for FPC technology are door locks and lock systems for mobile homes. These products are manufactured and marketed by a customer of Camos Tech, the Company's reseller in Seoul.

A new order was received from a former customer in France amounting to 3 000 sensors of which half was delivered during the period. This customer has developed a Point of Sale terminal to which the authorized operator gets access via fingerprint verification instead of using the less secure method with a key. Other deliveries to Europe concerned mainly development kits for which the Company has noticed an increased interest. This is a positive sign since this tool is used when new biometric products are being developed.

With a view to further widen the customer base for sensor and processor components the Company has also established co-operations with biometric suppliers that develop and market application specific biometric solutions such as modules by adding their own proprietary technology components – such as a fingerprint matching algorithm – to the finished product. The end customers for such modules are enterprises that, under their own name, market products like door locks and time & attendance systems. This kind of application specific module developers are generally based in Asia, and represent a very interesting market potential through the new sales channels they open up.

The order value as at 31 March amounted to MSEK 26.3. Orders are received in US dollars and the order value is translated to the Swedish Krona at the end of the reporting period.

Sales and result

Consolidated net sales for the period January to March amounted to MSEK 7.4 (6.6). The volume of delivered products did not increase compared with the same period 2008. The sales increase was a result of the strengthened US dollar. The consolidated loss for the interim period amounted to MSEK – 4.4 (- 6.7).



Gross profit for the first quarter amounted to MSEK 1.3 (-0,4). The reason behind this was reduced production costs and a strengthened US dollar.

Net sales by the parent company for the interim period amounted to MSEK 7.4 (6.6). The consolidated loss amounted to MSEK - 4.4 (- 6.7).

Financial position

Equity, as of March 31, 2009, amounted to MSEK 53.9 (60.6). The consolidated equity/assets ratio was 88 % (85). Consolidated available liquid assets as at March 31, 2009, totaled MSEK 15.8 (28.3). Other current receivables amounted to MSEK 7.3 (9.4). The consolidated working capital amounted as at 31 March to MSEK 33.6 (42.7).

The parent company's available liquid assets up to 31 March 2009 amounted to MSEK 15.8 (28.2).

Fixed assets, capital expenditure and depreciation

During the first three months investments in equipment amounted to MSEK 0 (0) and development cost has been set up as an asset during the period with MSEK 0.1 (2.0).

Development costs have been 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 totaled thirteen (thirteen), of whom none (0) were women.

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 195 000 share options have been subscribed for by the employees and 175 000 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 33 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 2.13 per cent and the votes by 1.67 per cent.

The personnel cost for the share options, as at March 31 2009, amounted to MSEK 0.1 (0.1). The equity has been increased by the same amount.

Technology development and production

Last year's launch of the new packaging solution of the area sensor is now enabling low production costs, high quality and improved lead times. The production is running according to plan, after the industrialization and ramp-up of production volumes during last fall and winter. The production of the old packaging solution for the area sensor has been phased out and the stock remaining at the turn of the year has been shipped to customers during the first quarter.



The Company is continuously investigating new ways to improve the product quality and to reduce the production costs. This includes yield optimization of the current production processes, in close collaboration with existing suppliers, but also evaluation of new production methods and new suppliers. As has been reported previously, the Company is running two specific projects aimed at further reducing the production costs for the Company's area sensor. The two projects have undergone close scrutiny during the period, and based on the positive results obtained the plan is to implement selective new production methods during the second quarter. These changes are expected to gradually lower the cost of delivered goods starting in the second half of this year.

The continued development of the Company's new sensor technology, intended to serve as the foundation for the next generation sensors with higher resolution, lower power consumption and scalability to varying sensor sizes and resolutions, has progressed during the period. The plan is to manufacture prototypes using live silicon and validate the functionality at the beginning of the third quarter.

As an immediate application of the new sensor technology, the Company is planning to develop a new swipe sensor for application in mobile phones. The new sensor will be adapted to an algorithm developed by the Japanese company BgenuineTec. The algorithm is already being used in mobile phones available in the market today. The Company has started a strategic collaboration with BgenuineTec aimed at a joint product solution based on the Company's sensor technology and BgenuineTec's software and previously established contacts in the marketplace. In addition to providing excellent performance, the design of BgenuineTec's algorithm will enable the use of a smaller silicon area compared to traditional sensors based on capacitive technology, and this is of particular importance when designing for the mobile phone market segment. By combining the immediate cost advantage of a smaller silicon area with the robustness and high image quality distinguishing the Company's sensor technology, then a framework for providing a very competitive product solution to the market has been established.

Market development

Biometrics continue to generate a great deal of excitement in the potential for new applications and ways of deploying new aspects of the technology, but fingerprint technology above all continues to be the dominant approach with the most proven and adopted type of biometric technology.

The first quarter brought no surprises and market information continued to support the steady growth of biometric solutions in the hands of governments and private business. The pressure on the wider reduction of identity fraud and on the regulatory frameworks introduced to create stronger accountability in business sectors such as banking and healthcare support the steady conversion by businesses to stronger forms of authentication and accountability such as biometrics. Fingerprint biometrics have been affirmed as the most reliable, proven, and affordable of these technologies and are therefore supported by the widest community of solutions developers who provide the tools to connect the functionality of biometrics to the real-world business need.

Governmental preparation for the adoption of fingerprint technology to passports and government identity systems continued towards full endorsement in Europe as member states prepare for an introduction of fingerprint enrolment and storage to new passport identity documents. This development, which is due to achieve significant momentum by the end of 2009, involves the investment in a fingerprint capture infrastructure and will lead logically to fingerprint verification



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services in subsequent years. The diversification of fingerprint capture technologies was proven by the number of law enforcement agencies who have begun conversion to mobile technology platforms where size, power consumption, and environmental reliability of sensors are of primary concern. The indications at the beginning of the year suggested that mobile business platforms will continue to grow in market importance throughout 2009-10.

The importance of mobile platforms is also reflected in the continuing commitment of computer manufacturers to include biometric logon, data, and network access provision in their computing products. At the leisure user end of the market this functionality is designed for convenience of password management, but at for business machine users the first quarter showed that further development of biometric security – and for embedded fingerprint technology in particular – might develop through two routes. In the first place a more substantial biometric sub-system might be deployed in the computer using the basis of a Trusted Computer architecture, where all biometric functionality takes place on a processor independent from that of computer. In the second place, the introduction by Microsoft of a Window Biometric Framework opens the door for a more robust and widely available set of network security solutions featuring fingerprint biometric technology available in laptop computers. The combination of both routes will provide strong trust and security reasons to buy mobile computing that features embedded fingerprint technology.

Significant events after the expiry of the first three months

Mr Johan Carlström was appointed as the new CEO from 6 May 2009. Mr Carlström is 46 years old, from Stockholm and qualified with an MBA. He has 16 years industry experience including at Ericsson, Comdisco Systems and Allgon. This includes solid experience of international sales within the Telecom and IT industries. His latest employment was in the Telecom sector as Global Account Manager for US based Ulticom. In early February the present CEO, Mr Lennart Carlson, gave notice of the termination of his employment. He will stay with the Company during his 12 month notice period, acting as a support resource for the new CEO and the Company during the transition.

A distributor license agreement was signed with Cash Pass Argentina S.A. (Cash Pass). Cash Pass will market and sell the Company's full range of products in Argentina, Paraguay and Uruguay. Cash Pass already has an extensive knowledge of FPC technology, having used the FPC system modules in their Cash PA\$\$ concept, which comprise products and system solutions primarily designed for the insurance and financial sectors.

Essential risk and uncertainty factors

Beyond the usual business risks the following risk areas could be identified for the Company and its business situation.

Dependence on key personnel

Biometrics is still a relatively new area, showing high growth and requiring high technical knowledge and skill from employed personnel. The Company has a number of key persons important to the successful development of Fingerprint Cards' operations. Should such key persons leave Fingerprint Cards it could, at least in the short term, have a negative impact on the operations. A number of employees possess unique knowledge of the Company's technology and have a long experience of its business. A loss of one or several of such key employees could for a transition period disturb operations. Replacing highly qualified members of the staff could take considerable time and could be costly.



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Furthermore, recruiting new personnel that can be successfully integrated into the organisation is important for Fingerprint Cards' future development. There is no guarantee that Fingerprint Cards will manage to recruit or keep personnel that are essential for running and developing its operations and this could bring negative consequences for the Company's business, results and financial position.

Loss of larger customers

A large part of the Company sales goes to the Chinese market where the Company has an established reseller who has built up a strong position for the Company's technology during a long period. A loss of such an important reseller could incur a severe disruption of the Company's operations.

Suppliers

Fingerprint Cards has no production of its own. To be able to manufacture, sell and deliver products the Company depends on subcontractors and that these suppliers deliver contracted volumes, at the right time and to the specified quality. Faulty or unforthcoming deliveries from the Company's suppliers can lead to delayed deliveries from Fingerprint Cards to its customers, or that such deliveries contain faulty products and this could have negative effects on the Company's operations, results or its financial position.

The Company's production of components takes place at subcontractors. Such production is both planned and ordered long in advance, up to six months before delivery is made. Binding orders with delivery plans from customers are not generally received that long in advance. Unsuccessful prognoses concerning sales and deliveries to customers can lead to overly large stock accumulation that could cause the Company liquidity problems.

Essential development projects

The Company has run for some time an essential development project aimed at developing a new packaging solution for the area sensor; one designed for very high production volumes, and with a radically reduced production cost. This project is run in collaboration with a highly qualified subcontractor with extensive experience of this kind of production. Production commenced in the third quarter of 2008 when also minor deliveries to customers were made. A number of production issues were worked out during the fourth quarter and the produced volumes and deliveries to customers were increased significantly. Consequently, the risk associated with severe and unforeseen disruption in the industrialisation phase should have decreased considerably; However, as volume production has only been running for a short period, the risks cannot be omitted. Having a well-run and smooth production is essential for the Company's future competitiveness and extensive disruptions in this process would have a negative impact on the Company's business situation.

Need for additional capital

Further capital infusion is needed to finance Fingerprint Cards' operation and continued expansion. This might have to be done in a less favorable market situation and at terms that are less favorable when compared to the present situation. External financing under such conditions could bring negative effects on Fingerprint Cards' operations or on the shareholders' rights. Should the Company obtain financing through issue of new shares or other share related instruments this could cause dilution effects for the Company's shareholders while debt-financing, should such be available to the Company, could involve restricting terms which could limit the Company's flexibility. It cannot be



guaranteed that capital can be raised or that it can be raised on terms that are acceptable to the Company.

Accounting principles

This interim report was prepared in accordance with IAS 34, Interim Financial Reporting. The interim report for the parent company was prepared in accordance with the Swedish Annual Accounts Act and RFR 2.2. The Group applies the accounting principles and calculation methods used in the 2008 Annual Report apart from changes in accounting principles described below.

New accounting principles

IAS 1 Structure of financial reports. This revised standard became effective on January 1, 2009 and has principally entailed changes in format of the Income statement. Adaptation to IAS 1 has so far not affected the presentation of the financial information.

IFRS 8, Business segments. The IFRS 8 replaces IAS 14, Segments reporting, and requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. Adaptation to IFRS 8 has so far not affected the presentation of the financial information compared to previous reports.

Future reporting dates

Interim report January – June, August 14, 2009

Interim report January – September, October 30, 2009

Press release on Annual Accounts 2009, February. 2010

Gothenburg, April 29, 2009

Fingerprint Cards AB (publ)

The Board

Review Report

Introduction

We have reviewed the Interim report January – March for Fingerprint Cards AB (publ), corporate identity number 556154-2381 for the period 1 January 2009 – 31 March 2009. The board of directors and the managing director are responsible for preparing and presenting this press release on Annual Accounts in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express an opinion on this press release on Annual Accounts 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



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expressed conclusion based on a review does not have the security, which an expressed conclusion based on an audit has.

Conclusion

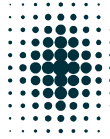
During our review we have not identified any circumstances, which indicate that the interim report is not in all in compliance with the requirements of IAS 34 and the Annual Accounts Act.

Gothenburg, April 29, 2009

KPMG AB

Jan Malm

Authorized Public Accountant



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Consolidated statement of comprehensive income	Jan-Mar	Jan-Mar	Full year
(MSEK)	<u>2009</u>	<u>2008</u>	<u>2008</u>
Net sales	7,4	6,6	27,5
Cost of goods sold	<u>-6,1</u>	<u>-7,0</u>	<u>-28,5</u>
Gross profit/loss	1,3	-0,4	-1,0
Market	-1,2	-1,3	-4,8
Administration	-2,0	-1,8	-6,6
Research and development	<u>-3,2</u>	<u>-3,4</u>	<u>-11,7</u>
Operating profit/loss	-5,1	-7,0	-24,1
Financial net	0,7	0,3	0,8
Tax	=	=	=
Profit/loss for the period	-4,4	-6,7	-23,3
Other comprehensive income	=	=	=
Total comprehensive income	-4,4	-6,7	-23,3
Total comprehensive income attributable to Shareholder of the parent	-4,4	-6,7	-23,3
Profit/loss per share, SEK	-0,22	-0,55	-1,92
Profit/loss per share after full dilution, SEK	-0,22	-0,55	-1,92
 Consolidated balance sheet	 31 Mar	 31 Mar	 31 Dec
(MSEK)	<u>2009</u>	<u>2008</u>	<u>2008</u>
Assets			
Intangible assets	20,0	17,6	20,8
Tangible assets	<u>0,3</u>	<u>0,3</u>	<u>0,3</u>
Total fixed assets	20,3	17,9	21,1
Inventory	17,9	15,8	15,4
Accounts receivables - trade	6,4	8,4	8,4
Current receivables	0,9	1,0	1,5
Liquid assets	<u>15,8</u>	<u>28,3</u>	<u>22,7</u>
Total current assets	41,0	53,5	47,9
Total assets	61,3	71,4	69,0
Equity and liabilities			
Equity	53,9	60,6	58,1
Current liabilities	<u>7,4</u>	<u>10,8</u>	<u>10,8</u>
Total equity and assets	61,3	71,4	69,0
 Change in Equity	 Jan-Mar	 Jan-Mar	 31 Dec
(MSEK)	<u>2009</u>	<u>2008</u>	<u>2008</u>
Opening equity	58,1	67,2	67,2
Share options to employees	0,1	0,1	0,5
On-going new share issue	-	-	13,7
Net profit/loss for the period	<u>-4,4</u>	<u>-6,7</u>	<u>-23,3</u>
Closing equity	53,9	60,6	58,1



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Cash flow statement (MSEK)	Jan-Mar <u>2009</u>	Jan-Mar <u>2008</u>	Full year <u>2008</u>
Operating profit/loss for the period	-5,1	-7,0	-24,1
Adjustments for items not included in the cash flow	1,6	-0,1	2,1
Change of inventory	-2,5	3,5	4,6
Change in current receivables	2,6	-3,9	-3,6
Change in current liabilities	<u>-3,4</u>	<u>4,0</u>	<u>3,9</u>
Cash flow from current operations	-6,8	-3,5	-17,1
Cash flow from investment operations	-0,1	-2,0	-7,8
Cash flow from financial operations	=	=	<u>13,7</u>
Change in liquid assets	-6,9	-5,5	-11,1
Liquid assets at the start of the period	22,7	33,8	33,8
Liquid assets at the end of the period	15,8	28,3	22,7

Business segments (MSEK)	Products		Others		Group total	
	Jan-Mar	Jan-Mar	Jan-Mar	Jan-Mar	Jan-Mar	Jan-Mar
	2009	2008	2009	2008	2 009	2008
Net sales	7,4	6,0		0,6	7,4	6,6
Operating profit/loss per segment	-5,1	-7,4		0,4	-5,1	-7,0
Financial net					0,7	0,3
Prot/loss for the period					-4,4	-6,7

Key figures	Jan-Mar <u>2009</u>	Jan-Mar <u>2008</u>	31 Dec <u>2008</u>
Net sales growth (%)	12	29	33
Gross margin (%)	18	neg	neg
Equity per share (SEK)	2,72	4,99	7,86
Equity per share after full dilution (SEK)	2,66	4,84	7,86
Equity/assets ratio (%)	87,9	84,9	92,4
No of shares average (thousands)	19 835	12 153	12 153
No. of shares after full dilution average (thousands)	20 257	12 369	12 153
No. of shares (thousands)	19 835	12 153	12 153
No. of shares after full dilution (thousands)	20 257	12 523	12 153

Income statement, Parent company (MSEK)	Jan-Mar <u>2008</u>	Jan-Mar <u>2008</u>	Full year <u>2008</u>
Net turnover	7,4	6,6	27,5
Cost of goods sold	<u>-6,1</u>	<u>-7,0</u>	<u>-28,5</u>
Gross profit/loss	1,3	-0,4	-1,0
Operating expenses	<u>-6,4</u>	<u>-6,6</u>	<u>-23,1</u>
Operating profit/loss	-5,1	-7,0	-24,1
Net financial items	0,7	0,3	0,8
Tax	=	=	=
Net profit/loss for the period	-4,4	-6,7	-23,3



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Balance sheet, Parent company	31 Mar	31 Mar	31 Dec
(MSEK)	<u>2008</u>	<u>2008</u>	<u>2008</u>
Assets			
Total fixed assets	20,3	17,9	21,1
Inventory	17,9	15,8	15,4
Accounts receivables and other receivables	7,3	9,4	9,9
Liquid assets	<u>15,8</u>	<u>28,2</u>	<u>22,7</u>
Total assets	61,3	71,3	69,1
Equity and liabilities			
Equity	53,3	60,0	57,6
Current liabilities	<u>8,0</u>	<u>11,2</u>	<u>11,4</u>
Total equity and assets	61,3	71,2	69,0