

Gothenburg August 14, 2009

ADDITIONAL ORDERS AND SUCCESSES IN THE CHINESE MARKET

Fingerprint Cards AB (publ), corp. reg. no. 556154-2381

Interim report for the period January – June 2009

Notable events during the reporting period:

- Net sales for the reporting period increased by 20% to SEK 15.0 M (12.5). For the second quarter, sales increased by 27% to SEK 7.6 M (6.0).
- Gross profit amounted to SEK 3.5 M (loss: 1.7) for the six-month period and to SEK 2.2 M (loss: 1.2) for the second quarter.
- Before tax, a loss of SEK 8.8 M (loss: 13.5) was reported for the six-month period and a loss of SEK 4.4 M (loss: 6.8) for the second quarter.
- Earnings per share amounted to a loss of SEK 0.44 (loss: 1.11) for the six-month period and to a loss of SEK 0.22 (loss: 0.56) for the second quarter.
- Cash and cash equivalents amounted to SEK 11.1 M (22.7) at the end of the period.
- The order value was SEK 15.9 M (11.8) on June 30, 2009.

Significant events after the closing date:

- An order was received from China valued at slightly more than SEK 10 M (July 21, 2009).
- An order was received from China valued at slightly more than SEK 25 M (August 12, 2009).

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Fingerprint Cards AB (FPC) has developed biometric technology that through analysis and matching of an individual's unique fingerprint verifies the person's identity. The technology consists of biometric sensors, processors, algorithms and modules that can be used separately or in combination with each other. The competitive advantages offered by FPC's technology include unique image quality, extreme robustness, low power consumption and complete biometric systems. With these advantages and the ability to achieve extremely low manufacturing costs, the technology can be implemented in volume products, such as smart cards and mobile telephones, where extremely rigorous demands are placed on such characteristics. FPC's technology can also be used in IT and Internet products for security and access control. Fingerprint Cards AB (FPC) is listed on Nasdaq OMX Stockholm (FING B) and has its head office in Gothenburg, Sweden.



CEO's comments on the interim report

When I accepted the challenge to become the CEO of Fingerprint Cards a few months ago, I did so with anticipation and a strong belief in the company's potential. After having visited a number of our distributors and other partners in Asia and Europe, I am pleased to report that they share my optimism regarding the market potential for our products. The introduction of our latest sensor, FPC1011F, was very well received in the market, and deliveries of FPC1011F will also enable us to show a much better gross profit than previously. During the second quarter, sales increased 27% and the gross margin was 29%, while production is proceeding as planned. In other words, the prospects for the second half of the year look good.

As a new CEO, it is always a challenge to adjust quickly to a company and to get to know the company and its products. Employees with very extensive knowledge of our market, technology and production are invaluable in this respect. Being able to rely on an experienced Board of Directors with solid business knowledge and expertise in both the biometric and the mobile phone market is an additional strength.

The resolutions passed by the Annual General Meeting will now enable us to plan for expansion into the market for mobile phones and to decide how such an expansion can be financed.

In summary, we are in the process of changing the company to become more active and expansive in pursuing the market. My focus will be on increasing sales with sound cost controls. We will further strengthen our position in the Chinese market, while increasing our marketing efforts in attractive new markets. We will also launch a new business segment based on a focused initiative aimed at the mobile phone market.

In conclusion, I would like to emphasize that the major order that we announced a few days ago represents one of the largest orders ever secured by the company, which is yet further proof of our success in strengthening our position in the Chinese market.

Sales and earnings

The Group's net sales amounted to SEK 15.0 M (12.5) for the six-month period and SEK 7.6 M (6.0) for the second quarter. The increase in sales was due to the stronger exchange rate for USD, compared with the corresponding period in the preceding year.

Gross profit increased to SEK 3.5 M (loss: 1.7) for the six-month period and SEK 2.2 M (loss: 1.2) for the second quarter. This was due to a continued reduction in production costs and a strengthened USD:

A loss of SEK 8.8 M (loss: 13.5) was reported for the six-month period and a loss of SEK 4.4 M (loss: 6.8) for the second quarter.

The Parent Company's net sales amounted to SEK 15.0 M (12.5) for the six-month period and SEK 7.6 M (6.0) for the second quarter. A loss of SEK 8.8 M (loss: 13.5) was reported for the six-month period and a loss of SEK 4.3 M (loss: 6.8) for the second quarter.

The order value on June 30, 2009 was SEK 15.9 M (11.8).



Technological development and production

Development of the new packaging solution for the area sensor is now entirely completed, and production has been fine tuned. The next step is to launch partially new methods in ongoing production to optimize production even more and further reduce production costs for the company's area sensor. These changes and methods will be implemented in full during the current calendar year.

Further development of the company's new sensor platform, which will form the foundation for the next generation of sensors with higher resolution, lower power consumption and a structure that can be matched to varying sizes for future sensors, continued during the period. The plan is to produce silicon prototypes and to verify function during the second half of the year in order to prepare for the market's requirements for various area and swipe sensor products.

Based on the new sensor platform, the company plans to develop a new swipe sensor specifically intended for mobile phones. The new sensor will be adapted for algorithms that can process information from a swipe sensor (with a very small surface) that reads a fingerprint. Such an algorithm is marketed by the Japanese company Bgenuine Tec and is already implemented in mobile phones on the market. The company has signed a Letter of Intent for a strategic partnership with Bgenuine Tec, which is intended to result in development of a joint solution based on the company's sensor technology and Bgenuine Tec's software. Bgenuine Tec's algorithm has a design that enables use of a sensor with a significantly smaller silicon surface than traditional capacitive sensors. The cost advantages of a small silicon surface are obvious, and combined with the robustness and excellent image quality that characterizes the company's sensor technology in other respects, the opportunities exists to develop a highly competitive solution.

Market and sales

Sales during the second quarter amounted to SEK 7.6 M, up 27% on the corresponding period in 2008. The company's primary market is Asia, and 90% of deliveries during the second quarter consisted of the new FPC1011F area sensor.

The strongest market segment in which the company is active is bank security in China, which currently accounts for about 80% of the company's sales. Together with HST, our distributor in China, the company is working actively to retain and further strengthen the company's position in this segment. End users of the company's products include some of the major Chinese banks, such as China Construction Bank, and several regional banks in China. Up until now, the company's products have been used in security applications for bank personnel. There are also plans to include bank customers in these security systems.

New application areas and market segments are being developed. An important reason for this is that the company's partners in the Chinese market are beginning to view area sensors as a competitive alternative to swipe sensors even in products with potential for high sales volumes. This is because products fitted with area sensors are easier to use and, accordingly, new product development projects in China are beginning to use area sensors as an alternative in products in which biometrics have an important function, such as products for portable logins in the field of bank security and company and government computer systems.



Moreover, the company has supplied sensors to partners in countries including South Korea, India, France, Canada and the US. It is strategically important for the company to have sufficient resources to be able to address several geographic markets with high sales volumes. The goal in these markets is to repeat the success that the company's products have achieved in China.

In addition to bank security and projects involving portable units, interest for the company's sensor technology has increased in several card-based development projects. CardLab launched a prototype in 2008 that attracted attention and resulted in several new development projects in this potentially high-volume segment. One of the principal reasons for the increased interest from various card projects is that the company's technology enables integration of a complete biometric system into a card. Another strong contributing factor is that the company's technology requires very little power, which is a prerequisite for integrating biometrics in a card, smart card or other forms of small, portable devices. Integration in a card is flexible and can be used for verification of access to the card or as part of a Match-on-Card application. Match-on-Card means that the biometric comparison takes place in the card's built-in processor and can be integrated with the card's other applications.

The aim of the company's strategic partnership with Bgenuine Tec is to develop and supply the market's smallest, most robust and most power-efficient capacitive swipe sensor at a price lower than the market currently pays. The primary market for this partnership is mobile phones, where Bgenuine Tec already has experience and solutions based on its algorithm. With the company's sensor technology and expansion of competence in this area, both parties see great opportunities for penetrating this market.

Future prospects

As previously reported, the new sensor solution has been positively received in the market. This means that the company is beginning to achieve the volume required to be able to further increase its gross margin, which is an important component in achieving the profitability for which the company is striving. Assuming that the company can gain access to the financial resources required to increase production at the rate demanded by the market and that is planned, the company will reach a level of profitability during the autumn equivalent to the break-even point.

In view of the global economic uncertainty and the fact that the company is active in a market that is dependent on large projects with new technology being introduced on a broad scale, and works in markets characterized by great seasonal variations, it is very difficult to predict market trends. Accordingly, the company's Board of Directors has chosen to refrain from providing new forecasts. On the other hand, the plans that were described in previous reports have not been changed.

Organization and personnel

The company is organized in a marketing department, a technology department and a department for accounting, finance and administration. Together with the company's CEO, the department managers comprise the company's management team. The company's offices are in Gothenburg, and marketing is currently handled through daily contact and regular visits to the company's distributors and other partners.



On June 30, 2009, the company had 14 (13) employees, none (0) of whom were women.

Financial position

Shareholders' equity in the company totaled SEK 49.6 M (53.9) on June 30, 2009. The equity/assets ratio was 91% (89) at the end of the period. Cash and cash equivalents at the Group's disposal, including short-term investments, totaled SEK 11.1 M (22.8). Other current receivables amounted to SEK 8.3 M (8.7). Working capital totaled SEK 29.4 M (35.2) on June 30, 2009.

The Parent Company's cash and cash equivalents, including short-term investments, amounted to SEK 11.1 M (22.7) on June 30, 2009.

Fixed assets, investments, depreciation and amortization

During the reporting period, investments in fixtures amounted to SEK 0.1 M (0). Development costs of SEK 0.7 M (0.1) were capitalized.

Capitalized development costs are amortized at an annual rate of 15%. Fixtures are depreciated by 20% annually. Depreciation and amortization totaling SEK 1.7 M (1.7) were charged against earnings for the period, of which SEK 0.9 M (0.8) related to the second quarter.

The company's warrants program

The Annual General Meeting on May 31, 2007 resolved to issue 370,000 subscription warrants, of which 195,000 were subscribed by current employees and 175,000 were allotted to the subsidiary Fingerprint Security System Databärare AB and reserved for future employees. The personnel costs for the warrants in the subsidiary will not be recognized until they have been transferred to future employees. The term of the warrants is 3.5 years, and the exercise price is SEK 33. The dilution effect on full subscription will be 2.13% of the capital and 1.67% of the voting rights.

Costs of SEK 0.3 M for the warrants program were charged against earnings for the period. Shareholders' equity was increased by a corresponding amount.

Uncertainties and risks

No significant changes in the risks faced by the Parent Company and the Group occurred during the period. For a description of risks and uncertainties, refer to the 2008 Annual Report (page 18).

Future reporting dates

Interim report for January – September 2009,
Year-end report 2009,

October 30, 2009
February 2010



Certification

The Board of Directors and the CEO certify that this interim report provides a fair and accurate impression of the operations, financial position and earnings of the Parent Company and the Group and that it describes the significant risks and uncertainties faced by the Parent Company and the companies included in the Group.

Gothenburg, August 14, 2009

The Board of Directors

Tommy Trollborg
Chairman

Christer Bergman

Urban Fagerstedt

Géza Fülöp

Anders Hultqvist



Auditors' Review report

Introduction

We have reviewed the interim report for Fingerprint Cards AB (publ), reg no 556154-2381, for the period 1 January -30 June 2009. The board of directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the Standard on Review Engagements SÖG 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by FAR/SRS. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing in Sweden RS and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim report is not prepared, in all material respects, in accordance with IAS 34, the Annual Accounts Act.

Gothenburg, August 14, 2009
KPMG AB

Jan Malm
Authorized Public Accountant



Consolidated statement of comprehensive income (MSEK)	Apr-Jun <u>2009</u>	Apr-Jun <u>2008</u>	Jan-Jun <u>2009</u>	Jan-Jun <u>2008</u>	Full year <u>2008</u>
Net turnover	7.6	6.0	15.0	12.5	27.5
Cost of goods sold	<u>-5.4</u>	<u>-7.2</u>	<u>-11.5</u>	<u>-14.2</u>	<u>-28.5</u>
Gross profit/loss	2.2	-1.2	3.5	-1.7	-1.0
Market	-1.3	-1.3	-2.5	-2.6	-4.8
Administration	-2.3	-1.8	-4.3	-3.6	-6.6
Research and development	-2.9	-2.8	-6.1	-6.3	-11.7
Other operating income/expenses	<u>-0.1</u>	=	<u>0.5</u>	=	<u>-0.2</u>
Operating profit/loss	-4.4	-7.1	-8.9	-14.1	-24.3
Financial net	-	0.3	0.1	0.6	1.0
Tax	-	-	-	-	-
Profit/loss for the period	-4.4	-6.8	-8.8	-13.5	-23.3
Other comprehensive income	=	=	=	=	=
Total comprehensive income	-4.4	-6.8	-8.8	-13.5	-23.3
Total comprehensive income attributable to Shareholder of the parent	-4.4	-6.8	-8.8	-13.5	-23.3
Profit/loss per share, SEK	-0.22	-0.56	-0.44	-1.11	-1.92
Profit/loss per share after full dilution, SEK	-0.22	-0.56	-0.44	-1.11	-1.92
Consolidated balance sheet (MSEK)			30 Jun 2009	30 Jun 2008	31 Dec 2008
Assets					
Intangible assets			19.8	18.3	20.8
Tangible assets			<u>0.4</u>	<u>0.3</u>	<u>0.3</u>
Total fixed assets			20.1	18.7	21.1
Inventory			14.9	10.6	15.4
Accounts receivables - trade			7.2	7.4	8.4
Current receivables			1.1	1.3	1.5
Cash and bank deposits			<u>11.1</u>	<u>22.8</u>	<u>22.7</u>
Total current assets			34.3	42.1	47.9
Total assets			54.5	60.8	69.0
Equity and liabilities					
Equity			49.6	53.9	58.1
Current liabilities, non-interest bearing			4.9	6.9	10.8
Total equity and assets			54.5	60.8	69.0
Change in Equity (MSEK)			Jan-Jun <u>2009</u>	Jan-Jun <u>2008</u>	31 Dec <u>2008</u>
Opening equity			58.1	67.2	67.2
Share options to employees			0.3	0.3	0.5
On-going new share issue			-	-	13.7
Net profit/loss for the period			<u>-8.8</u>	<u>-13.5</u>	<u>-23.3</u>
Closing equity			49.6	53.9	58.1



Cash flow statement (MSEK)	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Full year
	2009	2008	2009	2008	
Earnings for the period	-4.4	-7.1	-8.9	-14.1	-24.3
Adjustments for items not included in the cash flow	0.8	0.3	1.8	0.2	2.3
Change of inventory	3.0	5.8	0.5	9.3	4.6
Change in current receivables	-0.9	1.1	1.7	-2.8	-3.6
Change in current liabilities	-2.5	-4.0	-5.9	0.0	3.9
Cash flow from current operations	-4.0	-3.8	-10.8	-7.3	-17.1
Cash flow from investment operations	-0.7	-1.7	-0.8	-3.7	-7.8
Cash flow from financial operations	=	=	=	=	13.7
Change in liquid funds incl. curr. investments	-4.7	-5.5	-11.6	-11.0	-11.1
Liquid assets at the start of the period	15.8	28.3	22.7	33.8	33.8
Liquid assets at the end of the period	11.1	22.8	11.1	22.8	22.7

Business segments (MSEK)	Products		Others		Group total	
	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun
	2009	2008	2009	2008	2009	2008
Net sales	15.0	11.9		0.6	15.0	12.5
Operating profit/loss per segment	-8.9	-14.5		0.4	-8.9	-14.1
Financial net					0.1	0.6
Profit/loss for the period					-8.8	-13.5

Key figures	Jan-Jun	Jan-Jun	31 Dec
	2009	2008	2008
Net sales growth (%)	20	17	33
Gross margin (%)	23	neg	neg
Equity per share (SEK)	2.50	4.44	4.78
Equity per share after full dilution (SEK)	2.45	4.30	4.64
Equity/assets ratio (%)	91.0	88.7	92.4
No of shares average (thousands)	19,835	12,153	12,153
No. of shares after full dilution average (thousands)	20,205	12,523	12,522
No. of shares (thousands)	19,835	12,153	12,153
No. of shares after full dilution (thousands)	20,205	12,523	12,522

Income statement, Parent company (MSEK)	Jan-Jun	Jan-Jun	Full year
	2009	2008	
Net turnover	15.0	12.5	27.5
Cost of goods sold	-11.5	-14.2	-28.5
Gross profit/loss	3.5	-1.7	-1.0
Operating expenses	-12.4	-12.4	-23.3
Operating profit/loss	-8.9	-14.1	-24.3
Net financial items	0.1	0.6	1.0
Tax	=	=	=
Net profit/loss for the period	-8.8	-13.5	-23.3



Balance sheet, Parent company (MSEK)	30 Jun <u>2009</u>	30 Jun <u>2008</u>	31 Dec <u>2008</u>
Assets			
Intangible assets	20.1	18.7	21.1
Inventory	14.9	10.6	15.4
Accounts receivables - trade	8.4	8.7	9.9
Cash and bank deposits	11.1	22.7	22.7
Total assets	54.4	60.7	69.1
Equity and liabilities			
Equity	49.0	53.4	57.6
Current liabilities, non-interest bearing	<u>5.4</u>	<u>7.3</u>	<u>11.4</u>
Total equity and assets	54.4	60.7	69.0

Accounting principles

The interim report for the Group was prepared in accordance with IAS 34 Interim Reporting. The interim report for the Parent Company was prepared in accordance with the Annual Accounts Act and RFR 2.2 Reporting of Legal Entities issued by the Swedish Financial Reporting Board. The Group applies the same accounting principles and calculation methods (see Note 1 in the 2008 Annual Report) apart from the changes described below.

New accounting principles

IAS 1 Presentation of Financial Reports. This revised recommendation became effective on January 1, 2009. The changes primarily concern expansion of the consolidated income statement to include other items in comprehensive income. At present, the Group has no items affected by this change in accounting.

IFRS 8 Operating Segments. This standard replaces IAS 14 Segment Reporting and contains rules governing how monitoring and presentation of operating segments must be implemented. The information must be presented from the perspective of company management and agree with internal reporting. The introduction of IFRS 8 did not entail any change, compared with previous reporting.