

PRESS RELEASE

Gothenburg, April 21, 2010

Fingerprint Cards breaks even, doubles its sales and reports a gross margin of 50%.

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

Fingerprint Cards published this interim report earlier than announced because the report was completed earlier than expected.

Interim report for the period January – March 2010

Notable events during the reporting period:

- Net sales for the first quarter increased 108% to SEK 15.4 M (7.4).
- Gross profit totaled SEK 7.7 M (1.3).
- Profit after financial items amounted to SEK 0.1 M (loss: 4.4).
- Earnings per share totaled SEK 0.00 (loss: 0.22).
- Cash and cash equivalents and current investments amounted to SEK 47.0 M (15.8) at the end of the period.
- The order backlog on March 31, 2010 was SEK 22.1 M (26.3)
- Jens Reckman was appointed as the company's new CFO and became a member of the management team.
- The warrants program for all employees, the management team and the President, which was adopted by the Extraordinary General Meeting on March 3, 2010, was fully subscribed.
- A pilot order totaling SEK 1.3 M was received from CamosTech in Korea.
- Alphatech was appointed as the distributor for Brazil.

Significant events after the closing date:

- Implantaire selected as the distributor for India.
- SEB is the new bank partner; operating credit of SEK 15 M secured.

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Fingerprint Cards AB (Fingerprint Cards) develops 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 Fingerprint Cards' 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. Fingerprint Cards' technology can also be used in IT and Internet products for security and access control. Fingerprint Cards AB (Fingerprint Cards) is listed on Nasdaq OMX Stockholm (FING B) and has its head office in Gothenburg, Sweden.



CEO's comments on the interim report

Following a year filled with hard work, many questions and crucial decisions, it is gratifying to present a quarterly report that my employees and I are proud of. It also feels wonderful to wake up and go to work full of energy that can be channeled into our development activities and focused on securing new customers and business.

During 2009, nearly all of our time was dedicated to organizing the company's production, finances and sales, as well as recruiting key employees and implementing an incentive structure in the company. I can now step back and take a more long-term approach to ensuring future growth and profitability. The company has undergone a transformation, and the energy, enthusiasm and belief in the future of our employees, management and the Board of Directors is now inspiring.

Sales for the first quarter of 2010 increased 108% year-on-year and 13.2% compared with the fourth quarter of 2009. The company also achieved a gross margin of 50% and net profit of SEK 110,000. The quarter can be summarized as a milestone in Fingerprint Cards' history.

The implementation of production improvements resulted in a stronger production outcome, particularly in our packaging operations, which are conducted by a sub-supplier in the Philippines with support from company employees. The development of a new swipe sensor is proceeding as planned. The necessary resources have been secured, and early market contacts have confirmed that demand exists and will grow substantially in 2012 and onwards.

In conclusion, I would like to point out that Fingerprint Cards has now moved a step closer to the market by increasing its focus on sales and establishing closer contact with its partners, thus gaining better insight into the overall business situation. We expect sales for the next quarter to grow compared with the first quarter of 2010 and the gross margin to stabilize at a higher level than in 2009.

Earnings and position

The period was characterized by sales increases and earnings improvements. The Group's net sales for the first quarter amounted to SEK 15.4 M (7.4), making this the fourth consecutive quarter with increased sales. Sales rose 108% compared with the year-earlier period.

Gross profit for the first quarter totaled SEK 7.7 M (1.3), up SEK 6.4 M year-on-year and SEK 5.3 M compared with the preceding quarter. The improvement derived from the actions taken to eliminate production disturbances, increased volumes and lower production costs as a result of larger purchasing quantities.

Profit for the period after tax amounted to SEK 0.1 M (loss: 4.4).

The Parent Company's net sales totaled SEK 15.4 M (7.4). Profit after financial items amounted to SEK 0.1 M (loss: 4.4). The order backlog on March 31, 2010 was SEK 22.1 M (26.3).

Production and technical development

The considerable efforts made by Fingerprint Cards during earlier quarters to improve the production situation for the company's area sensors are now generating results. A significantly more even production flow was achieved during the first quarter of the year, particularly in view of the production disturbances experienced in the preceding quarter. A higher and more consistent production rate facilitated a delivery rate that exceeded that of all previous quarters. Despite this delivery record, Fingerprint Cards was able to build up a safety inventory of finished sensors that can be used as a buffer in the event of future production disturbances or, preferably, in the event that the level of demand exceeds the rate of production.

The company's efforts to improve and stabilize production also resulted in a stronger production outcome during the first quarter of the year, which contributed to reducing production costs. The



close cooperation between Fingerprint Cards and its sub-suppliers in the area will continue, with the aim of further improving the production outcome and reducing production lead times.

As previously announced, Fingerprint Cards has decided to invest in a manufacturing machine specifically designed for the production of sensors. The purpose of this investment is to further harmonize the production operations of the company's packaging sub-suppliers and thus ensure production capacity. Production of the machine is progressing as planned, and installation and qualification procedures are scheduled for the second quarter of the year.

Technical development work continued to focus on the development of a new swipe sensor. The project is organized into three sub-projects: silicon development, packaging development and algorithm and software development. All three sub-projects are progressing according to schedule, and the strict demands on sensor functionality, power consumption and size are expected to be fulfilled. While work in the first quarter primarily involved the development of a new design, the second quarter will see this design starting to be implemented in hardware. Prior to the start of this transition, Fingerprint Cards' sub-suppliers have also been involved in the process to ensure that the solutions developed are suitable for high-volume production.

Market and sales during the period

Sales continued to increase during the first quarter to SEK 15.4 M, up more than 108% year-on-year and more than 13% compared with the preceding quarter. Fingerprint Cards continued to grow in the Asian market, which is the company's principal market, and the FPC1011F area sensor accounted for most of all deliveries during the first quarter of the year. Other deliveries pertained to modules, processors and silicon for Fingerprint Cards' various products.

During the period and in cooperation with HST, our distributor in China, the company continued to strengthen its market position in the bank security segment in China, which accounts for most of its sales. The company's technology is currently used in more than 125 national, provincial, local, private and cooperative Chinese banks.

Fingerprint Cards' distributors currently account for most of the company's sales. At the end of the quarter, Fingerprint Cards' network of distributors covered more than 17 countries. A new distributor agreement was signed in Brazil during the quarter and another in India in April. The agreements were signed with Alphatech Servicos e Com Ext Ltda., which now represents Fingerprint Cards in Brazil, and Implantaire Technologies (India) Private Limited, which will serve as Fingerprint Cards' representative in India as of the second quarter.

During the quarter, our distributor in South Korea, CamosTech, placed an order worth SEK 1.3 M for a pilot series of identification units to be used by disabled persons in South Korea. The purpose of the system is to check that the right person is utilizing the discounts or free benefits afforded to disabled people in the country. Fingerprint Cards' technology creates a strong link between the individual and the discounted service, which prevents these benefits from being abused.

Future prospects

The global economic situation has eased somewhat and the company's ability to provide forecasts has improved slightly. Combined with Fingerprint Cards taking several steps to move closer to the market, with an increased focus on sales and closer contact with its partners, this has enabled the company to gain a better overview of the business situation. The company expects sales for 2010 to increase by between 75 and 100% compared with 2009, and the gross margin for 2010 to surpass the margin for 2009. During the second quarter of 2010, the company anticipates increased sales compared with the first quarter of the year. However, the gross margin for full-year 2010 is expected to be lower than that for the first quarter.



Organization and employees

The number of employees on March 31, 2010 was 12 (13), of whom none (none) were women.

Financial position

Shareholders' equity in the Group amounted to SEK 75.2 M (53.9) on March 31, 2010. The equity/assets ratio in the Group was 88.3% (87.9) on March 31, 2010. Cash and cash equivalents at the Group's disposal, including current investments, amounted to SEK 47.0 M (15.8) at the end of the period. Working capital totaled SEK 59.9 M (33.6) on March 31, 2010.

The Parent Company's cash and cash equivalents, including current investments, amounted to SEK 46.2 M (15.8) on March 31, 2010.

Fixed assets, investments, depreciation and amortization

During the first quarter of 2010, investments in equipment amounted to SEK 0.9 M (0.1) and development costs of SEK 3.4 M (0.1) were capitalized.

The company's warrants program

The Annual General Meeting on May 31, 2007 resolved to issue 370,000 subscription warrants, of which 140,000 were subscribed by current employees and the remainder cancelled. The term of the warrants is 3.5 years, extending to November 30, 2010. Following recalculation due to share issues in the company, the exercise price, which was originally SEK 38.00, is now SEK 23.60. The personnel costs for the warrants in the subsidiary will not be recognized until they have been transferred to future employees. On full subscription with the support of all warrants in the 2007 warrants program, 222,600 new Class B shares may be issued, corresponding to a dilution effect of 0.6% of the total number of shares and 0.4% of the voting rights.

The Extraordinary General Meeting on March 3, 2010 resolved to issue 3,925,000 subscription warrants with a term extending until August 31, 2012. The exercise price is SEK 7.48. On full subscription with the support of all warrants in the 2010 warrants program, 3,925,000 new Class B shares may be issued, corresponding to a dilution effect of 9.0% of the total number of shares and 7.2% of the voting rights.

These warrants programs jointly correspond to a dilution effect of approximately 9.5% of the total number of shares and about 7.6% of the total voting rights in the company.

Significant uncertainties and risks

In addition to the usual business risks, the following risk areas could be identified as being unique for the Fingerprint Cards Group (Fingerprint Cards).

- *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. The departure of such key persons from Fingerprint Cards could result in operational disruption and increased costs for recruitment of replacements.

- *Loss of major customers*

At present, Fingerprint Cards is very dependent on the Chinese market where the Company has an established reseller with a strong position for the company's technology. A loss of such an important reseller could severely disrupt the company's earnings.

- *Suppliers and production*

Fingerprint Cards has no production of its own. All manufacture, sales and delivery of the company's technology and products depends on fulfillment of contract requirements with respect to, for example, volume, quality and delivery time. Production and delivery problems affecting Fingerprint Cards' suppliers could have a negative impact on the company through delays or quality problems.



affecting deliveries to customers. Although production is planned up to six months in advance, binding orders from customers are normally not received that far in advance. Uncertainty in sales forecasts could lead to excessive stock accumulation that could cause liquidity problems.

- *Significant development projects*

Since the end of 2009, the company has been conducting a significant development project regarding a new swipe sensor product for such applications as mobile telephony. The project is being conducted in close cooperation with consultants and suppliers. Well-functioning cooperation is essential for success. Since the project is extensive and complex, delays in the time schedule cannot be ruled out. Serious delays, disruptions or unforeseen events could have a negative impact on the company's future operations.

- *Capital*

It cannot be ruled out that further capital may be needed to finance Fingerprint Cards' operations and continued expansion. This need may arise in a less favorable market situation and on terms that are less favorable than the Board considers them to be today. External financing in a more difficult credit and investment climate could affect the company's operations, while borrowing, if at all possible, may entail restrictions that would limit the company's flexibility. It cannot be guaranteed that capital can be raised when the need arises or on acceptable terms.

- *Exchange rates*

Purchasing and sales are largely denominated in USD. Net exposure in USD is hedged to 80-90%. Fluctuations in exchange rates in the remaining portion may affect earnings.

Future reporting dates

2009 Annual Report	To be published in week 21 (May 24-28) 2010
Annual General Meeting	June 17, 2010
Interim report April-June	August 19, 2010
Interim report July-September	October 29, 2010

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.

Publication in accordance with Swedish legislations

Fingerprint Cards AB (publ) discloses this information in accordance with the Securities Market Act (2007:528) and/or the Financial Instruments Trading Act (1991:980). The information was issued for publication on April 21, 2010, at 8:00 a.m.

Gothenburg, April 21, 2010

Fingerprint Cards AB (publ)

Tommy Trollborg
Chairman

Géza Fülöp
Board member

Anders Hultqvist
Board member

Christer Bergman
Board member

Urban Fagerstedt
Board member

Johan Carlström
CEO



Auditors' review report

Introduction

We have reviewed this interim report for Fingerprint Cards AB (publ), Corp. Reg. No. 556154-2381 for the period January 1, 2010 to March 31, 2010. 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 Swedish Annual Accounts Act. Our responsibility is to express an opinion on this interim report based on our review.

Scope and focus of the review

We conducted our review in accordance with the Swedish Standard on Review Engagements SÖG 2410, Review of Interim Reports Performed by the Independent Auditor of the Entity, issued by FAR SRS. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially smaller in scope than an audit conducted in accordance with the Standards on Auditing in Sweden (RS) and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain such assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, a conclusion expressed on the basis of a review does not provide the same level of assurance as a conclusion expressed on the basis of an audit.

Conclusion

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

Gothenburg, April 21, 2010
KPMG AB

Jan Malm
Authorized Public Accountant

**Condensed consolidated statement of comprehensive income**

	Jan.-Mar. 2010	Jan.-Mar. 2009	Jan.-Dec. 2009
(SEK M)			
Net sales	15.4	7.4	38.5
Cost of goods sold	<u>-7.7</u>	<u>-6.1</u>	<u>-28.7</u>
Gross profit	7.7	1.3	9.8
Sales expenses	-1.5	-1.2	-5.4
Administrative expenses	-1.9	-2.0	-9.6
Research and development costs	-4.4	-3.2	-18.6
Other operating income/expenses	<u>0.2</u>	<u>=</u>	<u>-0.8</u>
Operating profit/loss	0.1	-5.1	-24.6
Net financial items	0.0	0.7	0.1
Tax	<u>=</u>	<u>=</u>	<u>=</u>
Profit/loss for the period	0.1	-4.4	-24.6
Other comprehensive income/loss	<u>=</u>	<u>=</u>	<u>=</u>
Total comprehensive income/loss for the period	0.1	-4.4	-24.6
Profit/loss for the period attributable to:			
Parent Company shareholders	0.1	-4.4	-24.6
Minority interest	-	-	-
Profit/loss for the period	0.1	-4.4	-24.6
Comprehensive income/loss for the period attributable to:			
Parent Company shareholders	0.1	-4.4	-24.6
Minority interest	-	-	-
Comprehensive income/loss for the period	0.1	-4.4	-24.6
Profit/loss per share for the period			
before dilution, SEK	0.00	-0.22	-1.51
after dilution, SEK	0.00	-0.22	-1.51

Condensed consolidated balance sheet

	Mar. 31 2010	Mar. 31 2009	Dec. 31 2009
(SEK M)			
Assets			
Intangible fixed assets	14.2	20.0	12.3
Tangible fixed assets	<u>1.3</u>	<u>0.3</u>	<u>0.3</u>
Total fixed assets	15.5	20.3	12.6
Inventory	11.6	17.9	9.1
Prepaid suppliers	-	-	0.3
Accounts receivable	9.3	6.4	9.7
Current receivables	1.8	0.9	2.0
Current investments	36.0	-	44.1
Cash and cash equivalents	<u>11.0</u>	<u>15.8</u>	<u>6.0</u>
Total current assets	69.9	41.0	71.2
Total assets	85.2	61.3	83.8
Shareholders' equity and liabilities			
Shareholders' equity	75.2	53.9	74.3
Current liabilities	<u>10.0</u>	<u>7.4</u>	<u>9.5</u>
Total shareholders' equity and liabilities	85.2	61.3	83.8



Consolidated statement of changes in shareholders' equity

(SEK M)	Jan.-Mar. <u>2010</u>	Jan.-Mar. <u>2009</u>	Jan.-Dec. <u>2009</u>
Shareholders' equity on the opening date	74.3	58.1	58.1
Employee warrants program	0.8	0.1	0.5
New issue	-	-	40.2
Profit/loss for the period	<u>0.1</u>	<u>-4.4</u>	<u>-24.5</u>
Shareholders' equity on the closing date	75.2	53.9	74.3

Condensed consolidated cash flow statement

(SEK M)	Jan.- Mar. <u>2010</u>	Jan.- Mar. <u>2009</u>	Jan.- Dec. <u>2009</u>
Operating profit/loss	0.1	-5,1	-24.7
Adjustments for non-cash items	1.6	1,6	10.2
Change in inventory	-2.5	-2,5	6.3
Change in current receivables	0.9	2,6	-1.8
Change in current liabilities	<u>0.6</u>	<u>-3,4</u>	<u>-1.4</u>
Cash flow from operating activities	0.5	-6,8	-11.4
Cash flow from investing activities	-4.4	-0,1	-1.5
Cash flow from financing activities	<u>0.8</u>	-	<u>40.3</u>
Change in cash and cash equivalents	-3.1	-6,9	27.4
Cash and cash equivalents on the opening date	50.1	22,7	22.7
Cash and cash equivalents on the closing date	47.0	15,8	50.1

Group operating segments

(SEK M)	Products		Other		Group	
	Jan.- Mar. 2010	Jan.-Mar. 2009	Jan.- Mar. 2010	Jan.- Mar. 2009	Jan.- Mar. 2010	Jan.- Mar. 2009
	Net sales	15.4	7.4	-	-	15.4
Segment earnings	0.1	-5.1	-	-	0.1	-5.1
Net financial items						0.7
Profit/loss for the period						-4.4

Key data

	Jan.- Mar. <u>2010</u>	Jan.- Mar. <u>2009</u>	Jan.- Dec. <u>2009</u>
Net sales growth (%)	108	12	40
Gross profit margin (%)	50	18	25
Shareholders' equity per share (kronor)	1.90	2.72	1.87
Shareholders' equity per share after full conversion (SEK) (1)	1,73	2,72	1.87
Equity/assets ratio (%)	88.3	87.9	88.7
Average number of shares (000s)	39,670	19,835	22,159
Average number of shares after full conversion (000s) (1)	43 595	20 257	22,159
Number of shares (000s)	39,670	19,835	39,670
Number of shares after full conversion (000s) (1)	43,595	20,257	39,670

(1) The company has two warrants programs.

The first program from 2007 extends until November 30, 2010. The exercise price is SEK 23.60. Since the exercise price exceeds the market price, the program was *not* considered in calculating the number of shares after conversion. On full subscription, the program would result in a maximum of 222,600 new Class B shares.

The second program from 2010 extends until August 31, 2012. The exercise price is SEK 7.48. The program was considered in calculating the number of shares after conversion. On full subscription, the program would result in a maximum of 3,925,000 new Class B shares.



Condensed statement of comprehensive income, Parent Company

	2009			2010
	<u>Apr.-Jun.</u>	<u>Jul.-Sep.</u>	<u>Oct.-Dec.</u>	<u>Jan.-Mar.</u>
(SEK M)				
Net sales	7.6	9.9	13.6	15.4
Cost of goods sold	<u>-5.4</u>	<u>-6.0</u>	<u>-11.2</u>	<u>-7.7</u>
Gross profit	2.2	3.9	2.4	7.7
Sales expenses	-1.3	-1.6	-1.3	-1.5
Administrative expenses	-2.3	-2.8	-2.5	-1.9
Research and development costs	-2.9	-2.8	-9.7	-4.4
Other operating income/expenses	<u>-0.1</u>	<u>-0.8</u>	<u>-0.6</u>	<u>0.2</u>
Operating profit/loss	-4.4	-4.1	-11.7	0.1
Net financial items	-	-	0.1	0.1
Tax	=	=	=	=
Profit/loss for the period	-4.4	-4.1	-11.6	0.1
Other comprehensive income/loss	=	=	=	=
Total comprehensive income/loss for the period	-4.4	-4.1	-11.6	0.1

Condensed income statement, Parent Company

	Jan.- Mar.	Jan.-Mar.	Jan.-Dec.
	<u>2010</u>	<u>2009</u>	<u>2009</u>
(SEK M)			
Net sales	15.4	7.4	38.5
Cost of goods sold	<u>-7.7</u>	<u>-6.1</u>	<u>-28.7</u>
Gross profit	7.7	1.3	9.8
Operating expenses	<u>-7.6</u>	<u>-6.4</u>	<u>-34.5</u>
Operating profit/loss	0.1	-5.1	-24.7
Net financial items	0.1	0.7	0.1
Tax	=	=	=
Profit/loss for the period	0.1	-4.4	-24.6
Other comprehensive income/loss	=	=	=
Total comprehensive income/loss for the period	0.1	-4.4	-24.6
Profit/loss for the period attributable to:			
Parent Company shareholders	0.1	-4.4	-24.6
Minority interest	-	-	-
Profit/loss for the period	0.1	-4.4	-24.6
Comprehensive income/loss for the period attributable to:			
Parent Company shareholders	0.1	-4.4	-24.6
Minority interest	-	-	-
Comprehensive income/loss for the period	0.1	-4.4	-24.6
Profit/loss per share for the period			
before dilution, SEK	0.00	-0.22	-1.51
after dilution, SEK	0.00	-0.22	-1.51





Condensed balance sheet, Parent Company (SEK M)	31 Mar. <u>2010</u>	31 Mar. <u>2009</u>	31 Dec. <u>2009</u>
Assets			
Fixed assets	15.5	20.3	12.6
Inventory	11.6	17.9	9.1
Accounts receivable and other receivables	11.1	7.3	11.9
Cash and cash equivalents	<u>46.2</u>	<u>15.8</u>	<u>50.1</u>
Total assets	84.4	61.3	83.7
Shareholders' equity and liabilities			
Shareholders' equity	73.8	53.3	73.7
Current liabilities	<u>10.6</u>	<u>8.0</u>	<u>10.0</u>
Total shareholders' equity and liabilities	84.4	61.3	83.7

Accounting policies

The Group applies the International Financial Reporting Standards (IAS/IFRS) as approved by the EU. This interim report was prepared in accordance with IAS 34 Interim Financial Reporting.

The application of these accounting policies agrees with those found in the Annual Report for the fiscal year ending December 31, 2008 and must be read together with them.

As of January 1, 2009, the company applies the following new or amended IFRS:

No new or amended IFRS which have become effective in 2010 have had any significant impact on the financial result or position of the Group.