

**Half-yearly interim report, January-June 2000, Fingerprint Cards AB (publ)****General remarks on operations**

The Company is developing a technology for scanning and matching fingertip patterns for determination of individuals' identity, which replaces PIN codes and passwords in security applications. The technical solutions developed are intended to be licensed to companies in the fields of mobile telephony, data security, building access control and card-based solutions for e-commerce and electronic transactions.

**Commercial status and market**

Powerful factors are powering the development of the use of biometrics in various security applications. The USA too has now legislated to equate a digital signature with one on paper. A natural carrier of the former is the smart card, where the signature is protected by a PIN or biometrics. In the USA, the General Services Administration has allocated USD 1,5 billion to a programme to provide Federal agencies with multi-functional smart cards, which will individually carry the biometric identity of the holder. These cards are to be used in systems for such purposes as computer access, agency/supplier e-commerce and physical access.

Fingerprint Cards is holding far advanced discussions with American companies on the implementation of the Company's technology in both PKI-based e-commerce systems and ID-cards containing a digital signature. The other developments projects, to which the Company is committed, for applications in vehicles, physical access, laptops and mobile telephony, are progressing according to plan.

**Technical status**

The continual refinement of the algorithms for registration and verification is now providing security performance beyond what can be achieved with any comparable system. The tolerance against imperfect finger placement or injured or dirty fingers has been considerably enhanced. During this summer a further 70,000 finger patterns were collected in field tests of the Company's system. The development platform for in-house, high-performance microprocessors previously announced is now in place in the Company's newly established laboratory. Here, tests are now also undertaken on hardened protective surfaces for the sensor, in order to accommodate all reasonable applications. In this endeavour, the Company collaborates with external expertise at Chalmers University of Technology in Göteborg, the Technical University in Delft in the Netherlands and others. A number of demonstration and evaluation systems have been manufactured and supplied to clients and potential clients. Detailed design of the previously defined line sensor is proceeding according to plan. This sensor aims at an even lower component price for certain applications. The development of a unique identification system, able to handle a large number of individuals in the Company's integrated systems for such applications as building access control, is in progress.

**Turnover and earnings**

Turnover totalled MSEK 1.0 (0.9). The consolidated net loss was MSEK -8,7 (-8,5). All development costs have been written off.

**Financial position**

During the second quarter, a new issue was floated, directed towards institutional investors, as well as a preferential issue, which together netted MSEK 148,8 after issue costs. The consolidated equity/assets was 97,6%. Consolidated available liquid assets including current investments as at June 30, 2000, amounted to MSEK 165.0. Other current receivables amounted to MSEK 3,0. Consolidated operating capital amounted to MSEK 163,7.

**Fixed assets, investments and depreciation**

During the first six months of the year, MSEK 0.2 was invested in equipment. Development costs of MSEK 9.2 set up as an asset and patent rights for MSEK 5.9 were depreciated according to plan by 15% annually, equivalent to the expected economic life. Equipment is depreciated at 20% annually and personnel PCs by 30% annually.

**Personnel**

During the second quarter, a further four graduate engineers and one doctor of technology were engaged. As at the last day of June, the number of employees thus totalled twelve (seven). The project organisation includes a total of some twenty-five persons.

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

The Company has been accepted as a member of Radicchio, founded by Gemplus, Sonera SmartTrust, EDS and Ericsson. This organisation is expected to become a world-leading authority and set industrial standards for the field of secure e-commerce in mobile applications.

Of the 300,000 options in the option programme, which corresponds to a dilution of 4.7%, all the employees subscribed for a total of 290,000. The redemption value has been set at SEK 192 for both the two- and three-year programmes.

A further two people have been engaged, an assistant financial controller and a graduate engineer.

<b>INCOME STATMENTS</b> (MSEK)	The Group		The Parent Company	
	010100 <u>300600</u>	010199 <u>300699</u>	010100 <u>300600</u>	010199 <u>300699</u>
<b>Operating income</b>				
Net turnover	1,0	0,9	1,0	0,9
<b>Operating expenses</b>				
Personnel costs	-2.1	-0.9	-2.1	-0.9
Development costs	-4.2	-7.4	-4.2	-7.4
Other external costs	-3.2	-0.6	-3.2	-0.6
Depreciation	-1.2	-1.2	-0.7	-0.7
<i>Operating profit/loss before net financial items</i>	-9.6	-9.2	- 9.2	-8.7
Net financial items	1.0	0.7	1.0	0.7
<i>Profit/loss for the period</i>	-8.7	-8.5	-8.3	-8.1
<b>BALANCE SHEETS</b> (MSEK)	The Group		The Parent Company	
	<u>300600</u>	<u>300699</u>	<u>300600</u>	<u>300699</u>
<b>Assets</b>				
Fixed assets	9.0	11.0	11.3	12.4
Current assets	<u>168.0</u>	<u>34.6</u>	<u>168.0</u>	<u>34.6</u>
<i>Total assets</i>	<u>177.0</u>	<u>45.6</u>	<u>179.3</u>	<u>47.0</u>
<b>Equity and liabilities</b>				
Equity	172.8	41.3	175.0	42.7
Long-term liabilities	0.0	1.3	0.0	1.3
Current liabilities	<u>4.2</u>	<u>3.0</u>	<u>4.3</u>	<u>3.1</u>
<i>Total equity and assets</i>	<u>177.0</u>	<u>45.6</u>	<u>179.3</u>	<u>47.0</u>
<b>CASH FLOW ANALYSES</b> (MSEK)	The Group		The Parent Company	
	<u>300600</u>	<u>300699</u>	<u>300600</u>	<u>300699</u>
Cash flow from current operations before changes in working capital	-7,5	-7,3	-7,5	-7,3
Increase in current receivables	-2,7	0,0	-2,7	0,0
Increase in current liabilities	1,9	-1,7	1,9	-1,7
<u>Increase in investments</u>	<u>-123,8</u>	<u>9,9</u>	<u>-123,8</u>	<u>9,9</u>
Cash flow from current operations	-132,1	0,9	-132,1	0,9
Investment operations	-1,5	0,0	-1,5	0,0
<u>Financial operations</u>	<u>148.8</u>	<u>0.1</u>	<u>148.8</u>	<u>0.1</u>
<i>Change in liquid assets</i>	-15,2	1,0	15,2	1,0
<b>KEY RATIOS</b>	The Group		The Parent Company	
	<u>300600</u>	<u>300699</u>	<u>300600</u>	<u>300699</u>
Earnings per share (SEK) 1/	neg.	neg.	neg.	neg.
Equity per share (SEK)	27,2	8.49	27,2	8.76
Equity-assets ratio (%)	97,6	90.6	97,6	90.9
Number of shares (thousands)	6 348	4 870	6 348	4 870
1/After full dilution				

**OTHER REPORTING DATES**

Third-quarter interim report January September, October 24, 2000  
Press release on unaudited figures for 2000, February 2001

Göteborg, August 29, 2000

**Fingerprint Cards AB (publ)****The Board**

*The interim report has been summarily examined by the Company auditors.*

**EXAMINATION REPORT**

We have summarily examined this interim report in accordance with the recommendations published by the Swedish Institute of Authorised Public Accountants (FAR). A summary examination is considerably restricted in comparison with an audit. No findings indicate that the interim report as at 30 June 2000 does not comply with the stipulations of the Annual Accounts Act.

Göteborg, August 29, 2000

**Ernst & Young AB**

**Jonas Cullberg**  
**Authorised Public Accountant**

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