



## Press Release

### Digital Identification Solutions: Adjusted EBIT margin exceeds 10% for the first time - best quarter since 2005

Stuttgart / Germany, 12 November 2007 - The Digital Identification Solutions Group (A0JELZ) which is listed on the Frankfurt Stock Exchange (Entry Standard) has achieved the following consolidated unaudited results for the first three quarters of 2007:

€mn	Jan-Sep 2006	Jan-Sep 2007	Change
Sales	10.4	11.1	7%
Gross Profit	4.0	5.1	28%
EBIT	0.3	(0.4)	n/m
EBIT adjusted	0.3	(0.1)	n/m
EBT	(0.8)	(0.4)	100%
Order book	1.4	3.3	135%

The third quarter 2007 turned out to be unique for a number of reasons:

In August, 100% of vps ID Systeme, a German software company, was acquired. As such the Group now controls a critical component of the value chain. The integration of vps proceeds according to schedule. The sales and profit contribution in Q3 was € 0.3 mn and € (0.1) mn respectively.

Several sizeable projects were acquired and implemented in Q3. Among these, the South Carolina Drivers' License, a couple of government orders in the UAE, a large project in the United Kingdom and an additional order by the Spanish Football League stand out.

At the same time, to the surprise of the market, the Group practically overhauled its entire hardware portfolio. In total 10 product innovations were introduced in September, which offer a range of new security features (e.g. electronic UV personalization).

€mn	Jul-Sep 2006	Jul-Sep 2007	Change
Sales	2.8	4.6	64%
EBIT adjusted	0.0	0.5	> 100%

These product introductions were laced with substantial marketing efforts. Over a period of three months, 17 dedicated events spanning the globe were held. As a result, earnings were reduced by a one-time charge of € 0.2 mn.

Still, the Group managed to generate an operating profit of € 0.2 mn in the third quarter. The main factors which contributed to this result were: higher gross margins, the product mix, the lean organization, the ongoing drive to eliminate costs and to optimize procedures, the solution approach and the weak Japanese Yen. Even the ongoing weakness of the US\$ - while reducing sales by € 0.3 mn – helped earnings, since a number of products are bought in the US.

Adjusted for one-off items, the Group managed to generate an operating margin in excess of 10% for the first time. This compares with 5.6% which was achieved for the full year 2006.

The company's segments contributed to sales as follows:

€mn	Jan-Sep 2006	Jan-Sep 2007	Change
<b>Hardware</b>	4.0	3.8	-5%
<b>Media</b>	5.6	6.5	16%
<b>Software and Services</b>	0.8	0.8	6%

The slight decrease in hardware has to do with the fact that two large passport orders were completed in H1 2006. The strong increase of media sales confirms the business model and results from an installed base which grew by some 1.000 units.

While costs are roughly linear, Group Sales tilt strongly towards Q4. Consequently, a substantial improvement in earnings in the last quarter is expected. The final accounting period of the year started well, and the current order book is satisfactory. As a result, as long as there are no delays beyond the Groups' control with existing and promised orders, the forecasts for the year 2007 is maintained.

The share repurchase program will be continued shortly; the next trading window is November 14 until December 11. Digital Identification Solutions can still buy back 150,000 shares. Regarding the details of this program, please refer to the Press Release dated 30 August 2007. The company will keep you informed about the program's progress.

Digital Identification Solutions AG

The Managing Board

### **About Digital Identification Solutions**

The Digital Identification Solutions Group is a global provider of advanced identification solutions with a worldwide installed base of more than 6,000 systems. In September 2007 the Group has introduced the latest *EDIsecure®* XID 5xxie Retransfer Printer generation successfully into the world market. The company has sales, marketing and support operations in Europe, the Middle East, Asia, Mexico and the United States. Together with its vast network of certified partners, Digital Identification Solutions is in a position to deliver state-of-the-art solutions virtually anywhere in the world. The company combines cutting-edge technology, extensive industry know-how and an impressive array of references in the private and public sector.

For further information please visit [www.digital-identification.com](http://www.digital-identification.com)

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