

STRONG GROWTH IN THE FIRST QUARTER

Precise Biometrics AB (publ), Corporate Identity No. 556545-6596
Interim Report for the period January – March 2010

- The group's net sales for the first quarter amounted to SEK 19.3 million (12.2).
- Losses for the first quarter were SEK -0.3 million (-2.6).
- Losses per share for the first quarter amounted to SEK 0.00 (-0.03).
- Liquid assets at the end of the quarter amounted to SEK 35.5 million (4.4).

Important event during the quarter

- Precise Biometrics has received an order for hardware worth SEK 4.3 million in a Match-on-Card project for government employees. The order is an additional follow-up order from an existing customer in the Middle East.

For further information

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Precise Biometrics is a market-leading provider of products and solutions for fingerprint recognition. The technology proves people's identities in a fast and secure way, while it reduces costs related to password management, identity theft and fraud.

Precise Biometrics serves business and government organizations throughout the world and its technology is licensed to close to 100 million users. Precise Biometrics is listed on NASDAQ OMX Stockholm small cap list (PREC). For more information, please visit www.precisebiometrics.com.



Strong growth in the first quarter

- Interview with the President & CEO, Thomas Marschall

How would you sum up the first quarter of 2010?

The first quarter this year saw an almost 60 per cent improvement in relation to sales, compared with the same period last year, and there was a very significant improvement in result. This was achieved in spite of the fact that the Company did not receive any major individual orders during the quarter. The main part of sales has consisted of follow-up orders for hardware to customers that have previously purchased Match-on-Card licenses.



Can you comment on the new business plan?

We will be demonstrating a continuation of our strong growth and the ambition is that within three to five years we will be a profitable company on the midcap list. We will also be focusing activities more explicitly on packaging our technology in custom-designed solutions for specific application areas. We are no longer a company primarily concerned with developing technology, we are now a company that with its unique and proved technology solves advanced problems for customers. This is essentially the main reason for the organizational change that will come into force from 1 July.

What will the new organization focus on?

We are undeniably a world leader in our industry, with almost 100 million contracted licenses for Precise Match-on-Card™. The important thing now is to build up a market-oriented organization that enables us to derive more benefit from our world-leading position, while also opening up new application areas and markets.

We will be focusing on solving problems for our customers. Precise Biometrics will also, above all in the new business areas, address end-customers directly with complete solutions and thereby become less dependent on partners. We will therefore be reinforcing the sales organization with new employees during this and the next quarter. We will also move from the present geographic segmentation and organize ourselves according to business areas.

How is the market developing?

In global terms, the market has matured and there is a considerably higher level of awareness about our technology and its advantages compared to a few years ago. We are getting more and more spontaneous inquiries and no longer need to promote the technology as much as we did before. The higher degree of maturity also means that it is somewhat easier to get an overview of the market and that there are less regional differences. This means that we can focus more on globally marketable solutions for our customers.

There has never been as much potential on the market as there is now, and we are involved in several interesting negotiations both with companies and government controlled activities. After last year's major order I still believe, for example, that it is reasonable to expect new orders from US government agencies. The greater interest being shown by corporate customers is motivated by two significant requirements: the need for cost-efficiency and to be able to compete with services that are more unique, more secure and more flexible when people need to identify themselves.

What is your view on the Company's financial position?

We entered 2010 with a strong financial position, which in combination with ongoing orders from existing customers means that we have a good level of sustainability. Our finances also allow us to conduct offensive marketing, for example the reinforcement of our sales organization. At the same time I would like to emphasize that we will not be implementing any increases in costs that are not directly business motivated or allocated to customer assignments.

Which uncertainty factors is the Company most exposed to?

My evaluation is that the recession is no longer the uncertainty factor it has been for the last two years. We can still see some sluggishness, but the market is on the way up and there are explicit demands for our solutions. I mostly relate the uncertainty that exists to the irregular flow of earnings. We still rely on individual large orders, which cause sales to fluctuate between different quarters. Nevertheless, ongoing sales to existing customers are increasing as are earnings from licenses, which will gradually lead to a more stable level of earnings and less variation between quarters.

Sales and resultFirst quarter 2010

Sales for the first quarter amounted to SEK 19.3 million (12.2). The gross margin amounted to 60%. During the corresponding period last year, with higher proportion of license sales, the gross margin amounted to 69%. The Group's net loss for the first quarter amounted to SEK -0.3 million (-2.6). Operating costs (see definition on page 9) amounted to SEK 11.7 million (10.8). Losses per share (average number of shares) for the first quarter amounted to SEK 0.00 (-0.03).

Financing and liquidity

Equity amounted as of March 31, 2010 to SEK 45.1 million (12.8) and equity/share to SEK 0.33 (0.13).

Cash flow from current operations during the quarter amounted to SEK -4.7 million (-6.5). Liquid assets as of March 31, 2010 amounted to SEK 35.5 million (4.4).

Market and sales – Q1 2010

During the first quarter of the year sales have mainly consisted of deliveries of fingerprint readers to existing Match-on-Card customers, mainly in the government sector.

Related to marketing, a large number of trade events have also taken place in this quarter. For example, Precise Biometrics together with Sun Microsystems took part in the GSMA Mobile World Congress, the largest annual event in the mobile communication sector. Precise Biometrics demonstrated matching of fingerprints on SIM cards in mobile telephones in an application for ticketless travel. Together with Gemalto, Precise Biometrics also participated in the RSA Conference and HIMSS events in the US. The RSA Conference dominates the field in IT events, and HIMSS is the most important trade event for IT solutions in the healthcare sector. Gemalto demonstrated Gemalto.NET Bio, which is based on Precise Match-on-Card™ and the Windows Biometric Framework for Windows 7.

New business areas will be established in the new organization that comes into force on 1 July 2010. These will focus on solutions that can be marketed directly towards end-customers, as opposed to the present situation where sales are much more based on cooperation and integration with partners. The advantage of being able to address end-customers directly is that it is easier to influence the sales and decision-making processes. It also provides the opportunity to establish in-depth relations with a group of customers or market segments, and to develop and market streamlined solutions to solve tangible business problems. The process of working towards these new groups of customers was initiated in the first quarter of the year.

Parent company

Parent company sales for the first quarter amounted to SEK 17.2 million (10.3). Operating profit before tax for the first quarter amounted to SEK -0.4 million (1.1).

At the end of the first quarter 24 persons were employed in the parent company. Liquid assets at the end of the first quarter amounted to SEK 28.1 million (4.2). The parent company had no debts to credit institutions at the end of the first quarter. Investments in tangible fixed assets have been made to an amount of SEK 0.04 million (0.01)

During the first quarter costs for development work were capitalized to an amount of SEK 0.6 million (0.2).

Organization and staff

The parent company of Precise Biometrics has its head office in Lund, Sweden. The organization also consists of the subsidiaries Precise Biometrics Inc. in Washington DC, USA, Precise Biometrics Solutions AB with office in Karlstad, Precise Biometrics Asia Ltd. with office in Hong Kong, as well as the dormant companies Precise Biometrics Services AB and Loqware Sweden AB (in the process of liquidation).

During 2010 Precise Biometrics will close the subsidiary Precise Biometrics Asia Ltd. We are still positive towards the developments in the Asian market, but our Asian marketing activities will be organized from the headquarters in Lund.

As of March 31, 2010 the group had 35 (41) employees, 33 in Sweden, 1 in the US and 1 in Hong Kong. Of these employees, 25 (32) were men and 10 (9) were women.

Investments in tangible fixed assets

In the first quarter the group has invested SEK 0.04 million (0.01) in tangible fixed assets.

Capitalization and depreciation of development work

During the first quarter costs for development work have been capitalized to an amount of SEK 0.6 million (0.3). Depreciation of capitalized costs for development work amounted in the first quarter to SEK 0.4 million (0.3).

Patents

The group's long-term patent strategy focuses on establishing a strong protection around Precise Match-on-Card™ as our core technology. The patents portfolio has been successively improved since 2001 and at the end of the first quarter in 2010 included 74 registered patents and 32 applications for patents in 21 different product families. Precise Biometrics has 13 different patent families just for the Match-on-Card technology.

Shares

The company's share is listed on the Small Cap list of the Nasdaq OMX Nordic.

The total number of registered shares at the end of the quarter was 134,960,800. During the quarter the average turnover per day was SEK 3,232 thousand and the list price ranged from SEK 2.58 to 1.94.

The main shareholders as of March 31, 2010

<i>Name</i>	<i>Percentage of share capital</i>	<i>No. of shares</i>
Avanza Pension Försäkring	6.3%	8,507,594
Swedbank Robur fonder	3.9%	5,315,932
Stockpicker fonder	3.0%	4,061,468
Nordnet Pensionsförsäkring	2.0%	2,724,003

Source: SIS Ägarservice

Risk factors

Precise Biometrics is exposed to both commercial and financial risks, which to a large extent lie outside the reach and influence of the company. For a full account of identified risks, please refer to the Annual Report for 2009, that was submitted 1st of April 2010. No further essential risks or uncertainties have arisen after the submission of the Annual Report.

Future report dates

Interim Report Q2	July 20, 2010
Interim Report Q3	October 21, 2010
Year-end Report	February 4, 2011

Accounting principles

This interim report has been prepared in accordance with IAS 34, Interim reporting and the Swedish Company Accounts Act.

New IFRS, additions to IAS and IFRIC interpretations taking effect January 1, 2010, will not have a material effect on the financial statements.

For information on the applied accounting principles please refer to the Annual Report for 2009.

This quarterly report has not been subjected to review by the Company's auditors.

Lund, April 21, 2010

Thomas Marschall, President and CEO, Precise Biometrics AB (publ)

Income statement, Group

(Figures in thousands SEK)

	Q1	Q1	Full year
	2010	2009	2009
Net sales	19,280	12,196	68,655
Cost of goods sold	-7,767	-3,760	-32,863
Gross profit/loss	11,513	8,436	35,792
Selling expenses	-4,186	-5,327	-30,445
Administrative expenses	-3,001	-2,994	-12,554
R&D costs	-4,670	-3,508	-12,092
Other operating income and changes in value	112	990	-977
	-11,745	-10,839	-56,068
Operating profit/loss	-232	-2,403	-20,276
Financial costs	-98	-178	-1,492
Profit/loss after financial items	-330	-2,581	-21,768
Tax	-	-	-4
Profit/loss for the period	-330	-2,581	-21,772
Profit/loss attributable to:			
Owners of the parent	-330	-2,581	-21,772
<i>Results per share, SEK</i>	<i>0.00</i>	<i>-0.03</i>	<i>-0.19</i>

Comprehensive income, Group *(according to IAS 1)*

(Figures in thousands SEK)	Q1 2010	Q1 2009	Full year 2009
Change in accumulated exchange rate differences	4	-595	621
Comprehensive income for the period, net of tax	4	-595	621
Profit/loss for the period	-330	-2,581	-21,772
Total comprehensive income for the period	-326	-3,176	-21,151
Total comprehensive income attributable to:			
Owners of the parent	-326	-3,176	-21,151

Balance Sheet, Group

(Figures in thousands SEK)	3/31/2010	3/31/2009	12/31/2009
Assets			
Intangible fixed assets	4,087	9,370	3,802
Tangible fixed assets	805	1,197	868
Inventories	5,870	4,736	6,047
Accounts receivable - trade	11,982	7,237	16,758
Other current receivables	5,030	2,667	4,734
Cash and bank balances	35,497	4,448	40,884
Total assets	63,271	29,655	73,093
Equity and liabilities			
Equity	45,082	12,751	45,408
Current liabilities	18,189	16,904	27,685
Total equity and liabilities	63,271	29,655	73,093
Pledged assets	23,400	17,400	26,400
Contingent liabilities	-	-	-

Cash Flow Statement, Group

(Figures in thousands SEK)	Q1 2010	Q1 2009	Full year 2009
Cash flow from operating activities			
before changes in working capital	-50	-2,700	-14,276
Cash flow from changes in working capital	-4,649	-3,840	-6,931
Cash flow from operating activities	-4,699	-6,540	-21,207
Cash flow from investing activities	-688	-278	-1,299
Cash flow from financing activities	-	-77	52,047
Cash flow for the period	-5,387	-6,895	29,541
Liquid funds at the beginning of the period	40,884	11,343	11,343
Liquid funds at the end of the period	35,497	4,448	40,884

Key Figures, Group

	3/31/2010	3/31/2009	12/31/2009
Working capital (thousands SEK)	40,190	2,184	40,738
Liquid ratio	289%	85%	225%
Equity/assets ratio	71%	43%	62%
Return on average equity	-	-	neg
Capital employed (thousands SEK)	46,400	12,751	46,900
Return on capital employed	-	-	neg
Profit/loss per share (SEK)	0.00	-0.03	-0.19
EBITDA (thousands SEK)	131	-1,707	-12,662
Equity per share (SEK)	0.33	0.13	0.34
Number of shares	134,960,800	101,220,600	134,960,800
Number of employees at the end of the period	35	41	36
Average number of employees during the period	35	43	38

Definitions - Key Figures

Working capital: Current assets less current liabilities

Liquid ratio: Current assets less inventories divided by current liabilities

Equity/assets ratio: Equity as of the balance sheet date divided by total assets as of the balance sheet date

Return on equity: Profit/loss for the period divided by average equity

Capital employed: Balance sheet total minus non-interest-bearing liabilities and provisions

Return on capital employed: Profit/loss after financial items plus financial expenses divided by the average capital employed

Profit/loss per share: Profit/loss after tax divided by the average number of shares. The options are not included in the calculation due to calculation of potential shares would result in an improvement in loss per share which is not permitted according to IAS 33

EBITDA: Profit/loss before net financial items, depreciations, write-downs and tax

Equity per share: Equity at the end of the period divided by the number of shares at the end of the period
Quarterly earnings ratios are not disclosed

Operating costs (as described on pg 4): Operating costs excluding costs for products sold, and excluding participations in associated companies, but including depreciation and write-downs and capitalization of costs for development work.

Changes in equity, Group

(Figures in thousands SEK)

	Capital stock	Other paid in capital	Reserves	Balanced profit/ year's profit	Total equity
Opening balance as at January 1, 2009	40,488	500,155	-466	-524,173	16,004
Comprehensive income for the period	-	-	621	-21,772	-21,151
Transactions with the shareholders					
Stock option program ¹⁾	-	-77	-	-	-77
New share issue ²⁾	13,496	37,136	-	-	50,632
Closing balance as at December 31, 2009	53,984	537,214	155	-545,945	45,408
Comprehensive income for the period	-	-	4	-330	-326
Closing balance as at March 31, 2010	53,984	537,214	159	-546,275	45,082

¹⁾ Repurchase of 450,000 share options.

²⁾ New share issue totalling 33 740 200 new shares at a rate of SEK 1.60 with deductions for issue costs SEK 3,352 thousand.

Turnover and profitability by Regions Q1 2010
(Figures in thousands SEK)

	North America		Europe		Middle East & Africa		Asia	
	2010	2009	2010	2009	2010	2009	2010	2009
Net sales	9,009	129	4,070	6,287	5,191	2,077	98	517
Expenses ¹⁾	<u>-5,126</u>	<u>-579</u>	<u>-2,097</u>	<u>-4,234</u>	<u>-3,481</u>	<u>-1,161</u>	<u>51</u>	<u>-796</u>
Operating profit/loss	3,883	-450	1,973	2,053	1,710	916	149	-279

	Latin America		Other		Total	
	2010	2009	2010	2009	2010	2009
Net sales	912	3,186	-	-	19,280	12,196
Expenses ¹⁾	=	=	=	=	<u>-10,653</u>	<u>-6,770</u>
Operating profit/loss	912	3,186	-	-	8,627	5,426

1) The above expenses in Regions include Cost of goods sold as well as operation expenses for each region.

Income statement, Parent company
(Figures in thousands SEK)

	Q1	Q1	Full Year
	2010	2009	2009
Net sales	17,176	10,281	57,397
Cost of goods sold	-8,791	-1,770	-28,493
Gross profit/loss	8,385	8,511	28,904
Selling expenses	-3,188	-4,035	-20,562
Administrative expenses	-2,803	-2,851	-10,390
R&D costs	-3,158	-3,992	-12,092
Other operating income and changes in value	312	3,556	-3,174
	-8,837	-7,322	-46,218
Operating profit/loss	-452	1,189	-17,314
Financial costs ¹⁾	30	-56	-6,507
Profit/loss after financial items	-422	1,133	-23,821
Tax	-	-	-
Profit/loss for the period	-422	1,133	-23,821

¹⁾ Include a write-down of the value in the subsidiary Precise Biometrics Solutions AB amounting SEK 5.5 million in 2009

Balance Sheet, Parent company

(Figures in thousands SEK)

	<u>3/31/2010</u>	<u>3/31/2009</u>	<u>12/31/2009</u>
Assets			
Intangible fixed assets	3,947	4,383	3,655
Tangible fixed assets	437	741	479
Participations in group companies	1,058	6,540	1,058
Inventories	5,870	4,736	6,047
Accounts receivable - trade	4,862	6,040	6,176
Other current receivables	46,853	44,452	54,865
Cash and bank balances	28,080	4,161	28,494
Total assets	91,107	71,053	100,774
Equity and liabilities			
Equity	79,341	58,861	79,763
Other provisions	225	638	284
Current liabilities	11,541	11,554	20,727
Total equity and liabilities	91,107	71,053	100,774
Pledged assets	21,000	15,000	24,000
Contingent liabilities	2,000	2,000	2,000

Telephone conference

On the occasion of today's Interim Report we have the pleasure to invite investors and journalists to the following informative meeting during the day

- The conference starts at 14:30 (CET)
- To participate, please call +46 (0)8 506 269 04

An operator will note your name and connect you to the conference. She/he will also provide you with information about what to do if you have any questions.

The presentation will be held in English but afterwards there will be an opportunity to ask questions in Swedish.

Participating on behalf of Precise Biometrics

- Thomas Marschall, President and CEO
- Patrik Norberg, CFO

A recording from the conference will be available for three days after the telephone meeting. To listen to the conference afterwards dial +46 (0)8 506 269 49. When asked to state a reference number please dial 242399 and finish with (#).

Please visit www.precisebiometrics.com/presentations where a presentation can be downloaded.

For further information

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