

STRONG START TO 2013

PRECISE BIOMETRICS AB (PUBL), CORPORATE IDENTITY NO. 556545-6596 INTERIM REPORT FOR THE PERIOD JANUARY – MARCH 2013

- The group's net sales for the first quarter was SEK 16.8 million (4.7)
- The group's operating result for the quarter was SEK -1.0 million (-9.8).
- The group's net result for the quarter was -1.3 (-9.8).
- Earnings per share for the first quarter was SEK -0.00 (-0.05).
- Available cash at the end of the quarter amounted to SEK 7.7 million (7.0).

IMPORTANT EVENTS DURING THE QUARTER

- A market-leading global provider of financial information services chooses Precise Biometrics as their new fingerprint algorithm vendor following a thorough test of the market. The customer is aiming to increase the performance of existing and forthcoming fingerprint enabled devices by using Precise Biometrics' technology.
- One of the largest mobile Operators in the US has started selling Precise Biometrics' Tactivo™. The Operator has placed an initial order of 5,000 Tactivo units. The order has been delivered during March.
- Precise Biometrics announced that the Company will shortly release Tactivo for Android. Development of Tactivo for Android and further mobile platforms is already in progress and will be launched end of Q2, with prototypes available for selected partners in May.
- The credit facility that was obtained during the first quarter 2012 was re-paid in January 2013. The company utilized, before the repayment, SEK 20.0 million of the credit facility of SEK 30.0 million. Within the framework of the credit facility agreement, and until the end of May 2013, the company can obtain order financing.
- The Board of Directors of Precise Biometrics has proposed the Annual General Meeting on April 23, 2013 to decide to undertake a rights issue with preferential rights for Precise Biometrics' shareholders of approximately SEK 55 million. The rights issue is implemented to finance increased working capital due to new orders, continued development of Tactivo by increasing resources for production, product development and sales and marketing efforts worldwide. The rights issue is guaranteed up to a level of 70% of the rights issue, approximately SEK 38.5 million.

IMPORTANT EVENTS AFTER THE END OF THE QUARTER

- Tactivo was FIPS 201 (Federal Information Processing Standard) certified for the US General Service Administration (GSA) Approved Products List as the first and so far only mobile smart card reader.

FOR FURTHER INFORMATION, PLEASE CONTACT

Thomas Marschall, President & CEO, Precise Biometrics AB.
Telephone +46 46 31 11 10, or +46 734 35 11 10 E-mail thomas.marschall@precisebiometrics.com

Patrik Norberg, CFO, Precise Biometrics AB
Telephone +46 46 31 11 47, or +46 734 35 11 47 E-mail patrik.norberg@precisebiometrics.com

Precise Biometrics is a market-leading provider of solutions for fingerprint recognition to prove people's identities. With top-of-the-line expertise in fingerprint verification, Precise Biometrics offers fast, accurate and secure authentication of a person.

The technology adds value to ID, enterprise and bank cards as well as access to mobile solutions (smart phones and tablets), computers and networks.

Precise Biometrics serves business and government organizations throughout the world and its technology is licensed to close to 160 million users.

For more information, please visit www.precisebiometrics.com and www.idApps.com.

STRONG START TO 2013

INTERVIEW WITH THOMAS MARSCHALL,
CEO AND PRESIDENT, PRECISE BIOMETRICS

How would you describe the first quarter?

I'm very happy to say that we got off to a strong start in 2013. Sales have gone up significantly, along with our margins. We didn't manage to break-even because as our operating costs includes continued investments within our mobile segment.

The main factor behind this development is the market breakthrough of our product series TactivoTM, the world's first mobile case with embedded fingerprint and smart card reader.

The main reason of the breakthrough is due to the order of 5 000 Tactivo units from one of the largest mobile operators in the US. Further effect came from license earnings on fingerprint algorithms in our agreement with a market leading US based global supplier of information services.



What is happening in the market?

The market for enhanced mobile security continues to grow. Starting in 2013 we are seeing fingerprint technology being used in a wide range of applications to access sensitive information via smartphones and tablets. We anticipate that the US government will require their agencies and contractors to use card readers to gain access to information via mobile units. Consequently we see large market opportunities now that Tactivo, as the first and so far only mobile smart card reader, has been FIPS 201 certified for the US General Service Administration (GSA) Approved Products List.

What is important in this context is that Precise Biometrics is currently developing a Tactivo version supporting Android, which will be launched at the end of the second quarter. The new product will increase our market share as we now have solutions for more than 90 per cent of all the smartphones and tablets in our focus segment. We now consider ourselves to be a market leader for mobile smart card readers. We also expect to launch Tactivo for additional platforms in the next few quarters.

What is the background to the planned share issue?

Our two business areas, Mobile and IAM, have seen several important achievements that will form the basis for the development of Precise Biometrics in the years to come.

The launch of Tactivo is a breakthrough on the large market for smartphones and tablets, where the current order from one the most important mobile operators in the US confirms the great interest in Tactivo. The business area IAM also got off to a good start in 2013 with the prestigious order from a US based leading supplier of financial information services.

In addition to this we have had a series of initial orders for Tactivo from companies and government agencies on the international market which can lead to larger orders in the future. We have also secured several interesting partnership agreements, most recently with the mobile technology company OpenPeaks who will be integrating Tactivo into their new security solutions.

To maintain this momentum and have enough working capital to implement our ambitious plan for growth in the next few years, we have decided to propose a new issue of shares with preferential

rights for shareholders in the Company.

How do you see 2013 developing?

I can confirm that Precise Biometrics now has a very exciting product program that addresses a large and well-defined market. In 2012 we built up an interesting pipeline of customers and partners and we anticipate that 2013 will be the year when we will begin to harvest the fruits of our efforts in the mobile market.

We will continue to follow the expansion of iPhone and iPad with the objective of presenting new versions of Tactivo about four to six months after every new release from Apple. We expect to release the new version of Tactivo for Android in the second quarter, and we will also be launching Tactivo for other operative systems, additional apps and other new solutions. This will further reinforce our commercial customer solutions in the attractive mobile market.

Our ambition is that the Tactivo sales will increase quarter by quarter and result in a significantly better turnover in 2013. On top of this there is the new expanding market for our algorithms and the ID card segment in the business area IAM. We remain committed to our ambitions previously presented in Plan 2015.

SALES AND RESULT**First Quarter January to March 2013**

Sales for the first quarter were SEK 16.8 million (4.7). The improvement in sales is impacted by the order from the US based provider of financial information services, and the order from one of the largest mobile operators in US. The gross margin amounted to 78% (73%). The increase in margin is due to a higher proportion of license sales and higher margin on hardware sales with main impact from Tactivo.

Operating costs (for definition see Key Figures) amounted to SEK 14.2 million (13.3). The higher level compared to previous year is impacted by further costs in our Mobile business area. The Group's net loss for the first quarter is SEK -1.3 million (-9.8).

Earnings per share (average number of shares) for the first quarter was SEK -0.00 (-0.05).

FINANCING AND LIQUIDITY

As of March 31, 2013 equity amounted to SEK 46.9 million (37.3) and equity/share to SEK 0.18 (0.20)

Cash flow from current operations amounted to SEK -6.6 million (-19.6). Available cash as of March 31 2013 amounted to SEK 7.7 million (7.0). The credit facility that the company obtained during the first quarter 2012 was re-paid in January 2013. The company utilized, before the repayment, SEK 20.0 million of the credit facility of SEK 30.0 million. Within the framework of the credit facility agreement, and until the end of May 2013, the company can obtain order financing.

NEW SHARE ISSUE

The Board of Directors of Precise Biometrics has decided to propose the Annual General Meeting on April 23, 2013 to decide to undertake a rights issue with preferential rights for Precise Biometrics' shareholders of approximately SEK 55 million. The rights issue is implemented to finance increased working capital due to new orders, continued development of Tactivo by increasing resources for production, product development and sales and marketing efforts worldwide. The rights issue is guaranteed up to a level of 70% of the rights issue, approximately SEK 38.5 million.

MARKET AND SALES – Q1 2013

In the first quarter of the year Precise Biometrics received two significant orders, one within each business area (IAM and Mobile).

The first order came from a US based market-leading global provider of financial information services. The customer has chosen Precise Biometrics as their new fingerprint algorithm vendor following a thorough test of the market. Precise Biometrics' solution for embedded systems, which includes the top ranked algorithms in NIST/Minex tests, was the main reason for the selection. The customer is aiming to increase the performance of existing and forthcoming fingerprint enabled devices by using Precise Biometrics' technology. Their key objective is a smooth and secure user experience.

The second order is the company's first major Tactivo order. One of the largest mobile Operators in the US has placed an initial order of 5,000 Tactivo units. The order has been delivered in March. The Operator will offer Tactivo to their extensive base of US Government and Corporate customers. Through their comprehensive sales force, Tactivo will get substantial exposure to one of Precise Biometrics' core geographic and segment markets. The Tactivo devices will provide the

Operator's customers the ability to use government mandated PIV credentials ("personal identity verification") for remote access on mobile devices. A very important driver of this agreement is the expectation that before the end of the Government budget year in September 2013, a new policy will be announced, mandating the use of the PIV credentials for all Government employees and Government contractors on Mobile devices.

The remaining sales in Q1 has consisted of both license and hardware sales within the business area IAM. The hardware sales have primarily been to a government customer in Middle East. License sales have in large consisted of ongoing sales to one of Scandinavia's largest gym chains as well as license sales to the ongoing NID-projects and to the partner NXP Semiconductors.

The quarter's significant and breakthrough order within each business unit, IAM and Mobile, establishes a good foundation and opportunity for the expected strong growth for Precise Biometrics in 2013.

PARENT COMPANY

Parent company sales for the year amounted to SEK 11.7 million (3.5). Operating loss before tax for the interim period amounted to SEK -0.3 million (-10.9).

Available cash at the end of the quarter amounted to SEK 5.6 million (3.3).

The credit facility that the company obtained during the first quarter 2012 was re-paid in January 2013. The company utilized, before the repayment, SEK 20.0 million of the credit facility of SEK 30.0 million. Within the framework of the credit facility agreement, and until the end of May 2013, the company can obtain order financing. Within the framework of the credit facility agreement, and through the end of May 2013, the company can obtain order financing.

The Board of Directors of Precise Biometrics has decided to propose the Annual General Meeting on April 23, 2013 to decide to undertake a rights issue with preferential rights for Precise Biometrics' shareholders of approximately SEK 55 million. The rights issue is implemented to finance increased working capital due to new orders, develop Tactivo through increased resources for production, product development and sales and marketing efforts worldwide. The rights issue is guaranteed up to a level of 70% of the rights issue, approximately SEK 38.5 million.

ORGANIZATION AND EMPLOYEES

The organization consists of Precise Biometrics AB with the head office in Lund, Sweden and an office in Karlstad, Sweden. The organization also consists of the subsidiary Precise Biometrics Inc. in Washington DC, USA.

As of March 31, 2013 the group had 37 (36) employees, 29 in Sweden and 8 in the US.

INVESTMENTS IN TANGIBLE FIXED ASSETS

During the first quarter the group has invested SEK 0.0 million (0.2) in tangible fixed assets.

CAPITALIZATION AND DEPRECIATION OF DEVELOPMENT WORK

Development work costs of SEK 3.2 million (2.2) were capitalized during the quarter with main impact from new investments related to Tactivo.

Depreciation of capitalized costs for development work amounted to SEK 0.8 million (0.4) during the interim period.

PATENTS

At the end of the quarter the patents portfolio includes 61 registered and 16 pending applications for patents in 17 different product families.

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. There is no guarantee that the current capital will be sufficient until the Company achieves a positive cash flow. Neither is there any guarantee that new capital can be acquired if the need should arise, or that such capital can be acquired on preferential terms. For a full account of identified risks, please refer to the Annual Report for 2012, which was submitted April 2, 2013. No further essential risks or uncertainties have arisen after the submission of the Annual Report.

FUTURE REPORT DATES

Interim report Q2	July 18, 2013
Interim report Q3	October 23, 2013
Year-end report	February 7, 2014

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, 2013, did not have a material effect on the financial statements.

For information on the applied accounting principles please refer to the Annual Report for 2012. This quarterly report has not been subjected to review by the Company's auditors.

Lund, April 23, 2013

The board of directors

Lisa Thorsted, Chairman

Erwin F Leichtle

Lena Widin Klasén

Eva Maria Matell

Torbjörn Clementz

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

Precise Biometrics AB (publ) may be required to disclose the information provided herein pursuant to the Securities Markets Act. The information was submitted for publication at 13.00 on April 23, 2013.

Income statement, Group

(Figures in thousands SEK)

	Q1	Q1	Full year
	2013	2012	2012
Net sales	16 796	4 716	28 281
Cost of goods sold	-3 623	-1 280	-12 495
Gross profit/loss	13 173	3 436	15 786
Selling expenses	-6 762	-5 676	-25 812
Administrative expenses	-3 154	-3 793	-13 909
R&D costs	-3 976	-3 411	-18 239
Other operating income and changes in value	-278	-390	-729
	-14 170	-13 270	-58 689
Operating result	-997	-9 834	-42 903
Financial costs	-316	-15	-4 049
Result after financial items	-1 313	-9 849	-46 952
Tax	-	-	-
Result for the period	-1 313	-9 849	-46 952
Result attributable to:			
Owners of the parent	-1 313	-9 849	-46 952
<i>Result per share (before dilution), SEK</i>	<i>-0,00</i>	<i>-0,05</i>	<i>-0,23</i>
<i>Result per share (after dilution), SEK</i>	<i>-0,00</i>	<i>-0,05</i>	<i>-0,23</i>

Groups statement of profit or loss and other comprehensive income

(Figures in thousands SEK)

	Q1 2013	Q1 2012	Full year 2012
Profit/loss for the period	-1 313	-9 849	-46 952
Other comprehensive income:			
Items that can be reclassified into profit or loss			
Change in accumulated exchange rate differences	-8	139	143
	-8	139	143
Comprehensive income for the period, net of tax	-8	139	143
Total comprehensive income for the period	-1 321	-9 710	-46 809
Attributable to:			
Owners of the parent	-1 321	-9 710	-46 809
Total comprehensive income for the period	-1 321	-9 710	-46 809

Balance Sheet, Group

(Figures in thousands SEK)

	<u>3/31/2013</u>	<u>3/31/2012</u>	<u>12/31/2012</u>
Assets			
Intangible fixed assets	20 788	14 545	18 358
Tangible fixed assets	1 728	1 129	1 829
Inventories	10 194	17 621	10 985
Accounts receivable - trade ¹⁾	11 382	4 599	10 803
Other current receivables	7 885	6 308	6 092
Cash and bank balances	7 688	7 002	37 584
Total assets	59 665	51 204	85 651
Equity and liabilities			
Equity	46 874	37 278	48 195
Current liabilities	12 791	13 926	37 456
Total equity and liabilities	59 665	51 204	85 651
Pledged assets	24 000	26 400	24 000
Contingent liabilities	NONE	NONE	NONE

¹⁾ Include a receivable concerning contract manufacturer totalling SEK 1.7 million (1.7) for 2013

Cash Flow Statement, Group

(Figures in thousands SEK)	Q1 2013	Q1 2012	Full year 2012
Cash flow from operating activities before changes in working capital	-523	-9 387	-44 620
Cash flow from changes in working capital	-6 096	-10 196	-4 252
Cash flow from operating activities	-6 619	-19 583	-48 872
Cash flow from investing activities	-3 277	-2 345	-9 143
Cash flow from financing activities	-20 000	-	66 669
Cash flow for the period	-29 896	-21 928	8 654
Liquid funds at the beginning of the period	37 584	28 930	28 930
Liquid funds at the end of the period	7 688	7 002	37 584

Key Figures, Group

	3/31/2013	3/31/2012	12/31/2012
Working capital (thousands SEK)	24 358	21 603	28 008
Liquid ratio	211%	129%	145%
Equity/assets ratio	79%	73%	56%
Return on average equity	neg	-	neg
Capital employed (thousands SEK)	46 874	38 472	68 195
Return on capital employed	-	-	neg
Profit/loss per share (SEK)	-0,00	-0,05	-0,23
EBITDA (thousands SEK)	-49	-9 316	-40 100
Equity per share (SEK)	0,18	0,20	0,18
Number of shares	264 523 168	188 945 120	264 523 168
Number of employees at the end of the period	37	36	37
Average number of employees during the period	37	36	37

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 in Sales and result): Operating costs excluding costs for products sold, participations in associated companies and goodwill write-down, but including depreciation and write-downs and after 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, 2012	75 578	564 635	584	-593 809	46 988
Comprehensive income					
Comprehensive income for the period	-	-		-9 849	-9 849
Other comprehensive income					
Exchangerate differences	-	-	139	-	139
Total comprehensive income	0	0	139	0	139
Total comprehensive income	0	0	139	-9 849	-9 710
Closing balance as at March 31, 2012	75 578	564 635	723	-603 658	37 278
Opening balance as at January 1, 2013	105 809	582 420	727	-640 761	48 195
Comprehensive income					
Comprehensive income for the period	-	-	-	-1 313	-1 313
Other comprehensive income					
Exchangerate differences	-	-	-8	-	-8
Total comprehensive income	0	0	-8	0	-8
Total comprehensive income	0	0	-8	-1 313	-1 321
Closing balance as at March 31, 2013	105 809	582 420	719	-642 074	46 874

Turnover and profitability by segments Q1 2013

(Figures in thousands SEK)

	IAM		MOBILE		TOTAL SEGMENTS	
	2013	2012	2013	2012	2013	2012
Net sales	10 718	4 716	6 078	-	16 796	4 716
Expenses ¹⁾	<u>-8 407</u>	<u>-7 172</u>	<u>-11 390</u>	<u>-8 695</u>	<u>-19 797</u>	<u>-15 867</u>
Result ²⁾	2 311	-2 456	-5 312	-8 695	-3 001	-11 151

1) The above expenses in the segments include Cost of goods sold as well as direct and share of indirect operation expenses.

2) Group Result (see Income statement) also includes capitalization and depreciation of development work and other operating income and changes in value. This amount totals for Q1 SEK 2,004 thousand (1,317).

Income statement, Parent company

(Figures in thousands SEK)

	Q1 2013	Q1 2012	Full year 2012
Net sales	11 746	3 532	24 512
Cost of goods sold	-1 135	-4 429	-23 421
Gross profit/loss	10 611	-897	1 091
Selling expenses	-3 333	-3 014	-12 628
Administrative expenses	-3 154	-3 584	-13 908
R&D costs	-3 976	-1 814	-18 239
Other operating income and changes in value	-277	-1 715	-2 432
	-10 740	-10 127	-47 207
Operating result	-129	-11 024	-46 116
Financial costs	-211	124	-3 630
Result after financial items	-340	-10 900	-49 746
Tax	-	-	-
Result for the period	-340	-10 900	-49 746

Balance Sheet, Parent company

(Figures in thousands SEK)

	<u>3/31/2013</u>	<u>3/31/2012</u>	<u>12/31/2012</u>
Assets			
Intangible fixed assets	20 788	14 468	18 358
Tangible fixed assets	1 728	1 025	1 829
Participations in group companies	1 058	1 058	1 058
Inventories	9 409	17 574	9 810
Accounts receivable - trade ¹⁾	3 434	2 674	5 954
Other current receivables	43 587	35 677	38 715
Cash and bank balances	5 588	3 309	35 197
Total assets	85 592	75 785	110 921
Equity and liabilities			
Equity	75 170	66 217	75 511
Other provisions	138	69	117
Current liabilities	10 284	9 499	35 293
Total equity and liabilities	85 592	75 785	110 921
Pledged assets	24 000	24 000	24 000
Contingent liabilities	NONE	NONE	NONE

¹⁾ Include a receivable concerning contract manufacturer totalling SEK 1.7 million (1.7) for 2013.

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)8 519 993 57

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)8 505 564 73. When asked to state a reference number please dial 346782 and finish with (#).

Please visit www.precisebiometrics.com/financial-reports where a presentation can be downloaded.

FOR FURTHER INFORMATION

Thomas Marschall, President and CEO, Precise Biometrics
Tel. +46 46 31 11 10 or +46 734 35 11 10
E-mail thomas.marschall@precisebiometrics.com

Patrik Norberg, CFO, Precise Biometrics AB
Tel. +46 46 31 11 47 or +46 734 35 11 47
E-mail patrik.norberg@precisebiometrics.com

Precise Biometrics AB (headquarters)
Box 798
SE-220 07 Lund
Tel. +46 46 31 11 00
Fax: +46 46 31 11 01
E-mail: info@precisebiometrics.com

Precise Biometrics is a market-leading provider of solutions for fingerprint recognition to prove people's identities. With top-of-the-line expertise in fingerprint verification, Precise Biometrics offers fast, accurate and secure authentication of a person.

The technology adds value to ID, enterprise and bank cards as well as access to mobile solutions, computers and networks.

Precise Biometrics serves business and government organizations throughout the world and its technology is licensed to close to 160 million users.

For more information, please visit www.precisebiometrics.com.