

NEW CUSTOMER AGREEMENTS AND CONTINUED INVESTMENTS

INTERIM REPORT FOR THE PERIOD JANUARY – MARCH 2017

Growth in the fingerprint market is still strong. Revenues from several of our customers are growing. As previously indicated, sales during the first quarter were lower than in the previous year and are a consequence of the ongoing market and customer transformation. Together with investments in the business for growth, operating profit ended up negative.

- Net sales for the period totaled SEK 19.2 (24.2) million.
- The operating profit/loss for the period totaled SEK -2.7 (6.3) million.
- Profit/loss after tax for the period totaled SEK -3.4 (6.3) million.
- Earnings per share for the period totaled SEK -0.01 (0.02).
- Cash flow from operating activities for the period improved to SEK 17.1 (7.5) million. Cash and cash equivalents were SEK 119.2 (58.6) million at the end of the period.

SIGNIFICANT EVENTS

- The acquisition of NexID Biometrics was completed, which is an important step in order to be able to offer increased security of the company's fingerprint software through liveness detection.
- Licensing agreements were signed with NXP, a leading hardware vendor in the embedded market, and Zeitec, a Taiwanese sensor manufacturer. Another licensing agreement was signed after the end of the quarter with the Korean sensor manufacturer Melfas.
- Extended licensing agreement with an existing sensor customer with guaranteed licensing revenue of at least SEK 17.5 million over 2017 and 2018.
- During the quarter, six smartphones were launched with Precise BioMatch™ Mobile and another four after the end of the quarter.

KEY INDICATORS

Amounts in SEK thousand unless otherwise stated	2017 Q1	2016 Q1	2016 Full year	Rolling 12 months
Net sales	19,185	24,230	97,223	92,178
Net sales growth, %	Neg	3.3%	72.6%	Neg
Gross margin, %	85.1%	81.8%	78.8%	79.4%
Operating profit/loss	-2,671	6,263	18,005	9,072
Operating margin, %	Neg	25.9%	18.5%	10.0%
Cash flow from operating activities	17,123	7,462	37,658	47,319
Cash and cash equivalents	119,249	58,584	135,753	119,249

PRESENTATION OF THE INTERIM REPORT

In connection with today's interim report, we issue an invitation to an information event today at 10:00. Please see the last page of the interim report for further information about participation.

CEO COMMENTS

Growth in the fingerprint market remains strong while the market is evolving with increased competition between established and new sensor manufacturers. Revenues from many of our customers are growing steadily and compensating to a large extent for the expected loss of revenues from Fingerprint Cards. Net sales during the first quarter were, as previously indicated, lower than in the previous year. I am not satisfied with the company's negative operating result. It is a consequence of the ongoing revenue transition that we are carrying out at the same time as we are investing in our business for growth and a future positive revenue development. We have increased resources in the business area Fingerprint Technology to meet the market's demand for increasingly advanced solutions and our customers' requirements for closer cooperation.

During the quarter, Precise BioMatch Mobile was integrated into six mobile devices. In recent months, we were integrated into two phones through the partnership with Silead. It is important and very gratifying that our two-year partnership with Silead resulted in a leading Chinese mobile phone manufacturer using our software in their sensors. This is a proof of our common solution being able to meet the tough requirements on the market and it creates conditions for integration in further mobile phone models and with other mobile phone manufacturers. The partnership with Silead shows that it takes time to gain acceptance with the very biggest mobile phone manufacturers; the upside is that the volumes can be huge. Many of our customers are in corresponding evaluation processes, which is why we devote significant resources to work closely with our customers on the integration of the fingerprint solution with mobile phone manufacturers.

In April, Elan MicroElectronics launched a payment card with fingerprint technology, with our software, that is to be delivered to premium customers of a South Korean bank. It is one of the first commercial payment cards with fingerprint technology and shows that the market for payment cards with fingerprint technology is expanding rapidly. We are involved in several card projects through existing customers and expect initial volumes during the second half of 2017.

During the quarter, we signed new licensing agreements with Taiwanese company Zeitec and NXP Semiconductors. After the end of the quarter we signed a licensing agreement with the Korean company Melfas. The licensing agreement with NXP, a leading hardware vendor in the embedded market, opens exciting opportunities in several product areas. These agreements confirm our leading position in fingerprint software. We now have a total of 27 licensing agreements for the global distribution of our software for mobile devices, smart cards, wearables and other product areas.

In the beginning of the year we finalized the acquisition of NexID Biometrics. The work with integrating liveness detection in Precise BioMatch Mobile is ongoing and we plan that the product will be ready for the market in the second half of the year. Fingerprint technology will to an increasing extent be used in mobile payments, which is why we expect liveness detection will become a requirement to identify false fingers and increase security for mobile payments and other areas of application. We have received good feedback from our customers and expect the liveness solution to start generating revenues under the first six months in 2018.

We will continue to strengthen our leading position in a rapidly growing market through additional investments in product development to meet customers' requirements for biometric performance and user-friendliness. Requirements that are becoming increasingly challenging as sensors become smaller and new sensor technologies reach the market. We will also grow our customer-focused organization to guarantee the success of our customers with mobile phone manufacturers and thus our royalty revenues.

OUTLOOK

Our view of the revenue development during the year remains unchanged. We expect, as previously announced, a weaker revenue development during the first half of the year, to be followed by a gradual increase in revenues with bigger volumes from our various customer partnerships during the second half of the year. Net sales for the full year are expected to be on par with net sales in 2016, and we expect a positive net result for the full year.

MARKET AND SALES

Precise Biometrics has two business areas: Fingerprint Technology and Mobile Smart Card Solutions.

In the Fingerprint Technology business area, Precise Biometrics develops and sells fingerprint software for convenient and secure authentication of people’s identity in smartphones, smart cards and products with small fingerprint sensors.

The Mobile Smart Card Solutions business area consists of Tactivo, a product portfolio of smart card readers for smartphones and tablets. Tactivo enables convenient and secure mobility in organizations that require smart cards to log into IT systems.

FINGERPRINT TECHNOLOGY



Precise BioMatch™ Mobile, an algorithm solution for mobile phones and tablets.

Precise BioMatch™ Embedded, an algorithm solution for, e.g., smart cards, wearables, locks and cars.

Precise Match-on-Card™, an algorithm solution for national ID cards.

MOBILE SMART CARD SOLUTIONS



Tactivo™ for iPad

Tactivo™ for iPhone

Tactivo™ mini for iOS

Tactivo™ mini for Android

Fingerprint Technology

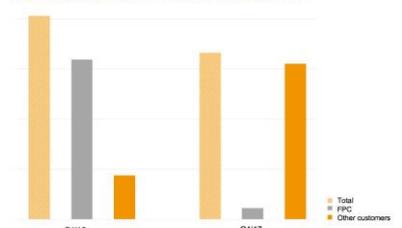
Six mobile devices were launched during the quarter with Precise BioMatch Mobile. Another four devices with Precise Biometrics’ algorithm solution were launched after the end of the quarter. The company received royalty revenues from nine customers.

Precise Biometrics concluded a licensing agreement during the quarter with Zeitec and NXP. Zeitec is a Taiwanese sensor manufacturer and NXP is a leader in the field of secure, connected solutions for embedded applications. The agreement with NXP is a framework agreement for licensing fingerprint software that opens for opportunities for collaboration in several areas for secure authentication. The first business agreement under the framework agreement covers the licensing of software for integration into NXP’s fingerprint readers. After the quarter, Precise Biometrics concluded another licensing agreement with a South Korean sensor manufacturer, Melfas. Precise Biometrics has signed 22 licensing agreements in the last 18 months and now has licensing agreements with 27 customers, which represents an effective global distribution channel for the company’s algorithm solutions. About half of the company’s customers have licensing agreements that cover both mobile devices (Precise BioMatch Mobile) and new product areas (Precise BioMatch Embedded).

Revenues from the agreement on mobile devices with FPC continue to fall since the customer’s decision to move over to its proprietary algorithm solution. Revenues from other customers are growing, but are not yet compensating in full for the lost revenues from FPC.

In addition to the general increase in interest for fingerprint technology, we see a clear trend that secure payments are becoming an increasingly important area. The liveness detection technology that the company

REVENUES BUSINESS AREA FINGERPRINT TECHNOLOGY



acquired from NexID Biometrics is generating a high level of interest from both existing and new customers to reduce fraud. Furthermore, Precise Biometrics' partner Oberthur announced that their Secure Element Pearl By OT, including Precise BioMatch Embedded, has been certified for secure financial payments in China.

Within the area of smart cards, the number of concrete pilot projects is growing. Precise Biometrics is involved in several projects in secure payments and smart cards, which may generate initial royalty revenues as early as late 2017.

Mobile Smart Card Solutions

Sales of Tactivo were in line with our expectations, even though volumes remain low. Sales were primarily to US government agencies, banks in the Middle East and South America, and the Swedish healthcare market. The City of Gothenburg has started the rollout of Tactivo, which is planned to continue during the year. There are several interesting pilot projects under way at both German government agencies and in the Swedish healthcare market. The pilot projects are proceeding well, especially in Germany, but these are slow-moving customer segments where it often takes a long time to move on to large-scale implementations.

NET SALES AND EARNINGS

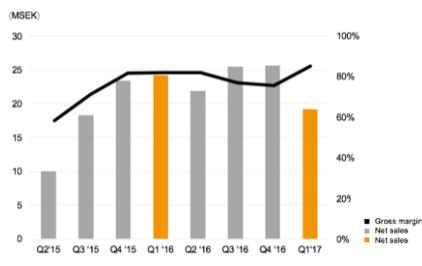
Net sales for the first quarter totaled SEK 19.2 (24.2) million. Most net sales during the quarter came from the Fingerprint Technology business area, which achieved sales of SEK 16.6 (20.3) million. The business area's net sales were affected in comparison with the previous year by reduced revenues from the customer Fingerprint Cards, while revenues from other customers are rising gradually. Revenues from the Mobile Smart Card Solutions business area totaled SEK 2.6 (3.9) million.

The gross margin increased during the period to 85.1% (81.8%), which can be explained by a higher proportion of sales in the Fingerprint Technology business area and an improvement in the margin in the Mobile Smart Card Solutions business area. Gross profit was charged with depreciation of acquired intangible assets (NexID Biometrics) of SEK 0.1 million, which had 0.8%-units impact on the gross margin.

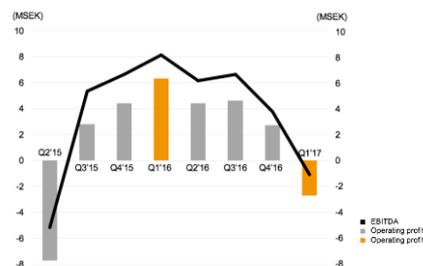
Operating expenses during the period rose because of increased resources in the Fingerprint Technology business area and totaled SEK 19.0 (13.6) million. The increased costs are explained by added personnel resources and costs related to the ongoing revenue shift in combination with higher sales costs in Asia and USA.

The operating profit/loss for the period totaled SEK -2.7 (6.3) million as a consequence of lower net sales and increased operating expenses. Earnings for the period totaled SEK -3.3 (6.3) million. The operating profit/loss at EBITDA level totaled SEK -1.1 (8.2) million. Earnings per share (average number of shares) for Q1 totaled SEK -0.01 (0.02).

NET SALES & GROSS MARGIN



OPERATING PROFIT & EBITDA



OPERATIONAL CASH FLOW



FINANCIAL NET AND TAX

Net financial items for the period were SEK -0.6 (0.0) million and tax totaled -0.1 (0.0) million.

CASH FLOW AND INVESTMENTS

Cash flow from operating activities improved and totaled SEK 17.1 (7.5) million. During the first quarter the Group invested SEK 0.2 (0.1) million in property, plant and equipment. Depreciation of property, plant and equipment during the period totaled SEK 0.3 million (0.3).

CAPITALIZATION AND AMORTIZATION OF DEVELOPMENT WORK

Development expenses of SEK 1.8 (0.9) million were capitalized during the first quarter. Amortization of capitalized development expenses during the first quarter totaled SEK 1.1 (1.6) million.

FINANCIAL POSITION

The acquisition of NexID Biometrics was completed during the period and the purchase price of SEK 31.4 million was paid.

Cash and cash equivalents at the end of the period totaled SEK 119.2 (58.6) million.

Equity at the end of the quarter totaled SEK 159.5 (89.1) million, and equity per share was SEK 0.44 (0.26).

PARENT COMPANY

The parent company's net sales for the period totaled SEK 18.5 (22.2) million. The parent company's earnings were charged with amortization of goodwill totaling SEK 0.4 (0.0) million. Earnings before tax for the period totaled SEK -4.5 (5.2) million.

Cash and cash equivalents at the end of the quarter totaled SEK 116.8 (51.7) million, and equity SEK 157.5 (86.4) million.

ORGANIZATION AND STAFF

The organization consists of a head office in Lund, Sweden and offices in Karlstad, Sweden and Potsdam, USA. To secure a local presence in key markets, sales consultants are hired in the US, Taiwan, China and Korea. At the end of the quarter the Group had a workforce of 42 (35) people, including consultants. The number of employees was 31 (24), of which 28 (24) were in Sweden.

REPORTING DATES

Q2 2017 Interim Report	August 16, 2017
Q3 2017 Interim Report	November 14, 2017
Year-end Report 2017	February 13, 2018

RISK FACTORS

The Group's and the parent company's business risks and risk management as well as the management of financial risks are described in detail in the Annual Report for 2016. There have been no incidents of significant importance during the year that would affect or change these descriptions of the Group's or the parent company's risks and how they are managed.

ACCOUNTING POLICIES

This interim report has been prepared in accordance with IAS 34 Interim Reporting. The recognition and measurement policies as well as the bases of estimates applied in the Annual Report for 2016 have been used in this interim report as well. Acquisition costs related to the business combination (see Note 1) were capitalized in the parent company and increased the amount of goodwill. This item was recorded as an expense in the Group.

Work by the company to evaluate IFRS 15 Revenue from contracts with customers started in 2016 and proceeded as planned during the first quarter. Compared with the current policies, the change is expected to have a limited effect on the Group's revenue recognition. Otherwise, the new standards and interpretations that came into force from fiscal year 2017 did not have any material impact on financial reporting.

For more information on the accounting policies applied, please refer to the Annual Report for 2016.

CHANGES IN ACCOUNTING POLICIES FOR DEPRECIATION AND IMPAIRMENT OF CAPITALIZED DEVELOPMENT EXPENSES

The depreciation and impairment of capitalized development expenses was previously recorded in the income statement under the item R&D expenses. As from the third quarter of 2016, depreciation and impairment of capitalized development expenses in respect of product development are recorded as Cost of Goods Sold. This reclassification means that recorded R&D expenses decrease and that recorded Cost of Goods Sold increases. The comparative figures in this report have been recalculated in accordance with the reclassification, as shown in the table on page 14.

ALTERNATIVE KEY INDICATORS

New ESMA (European Securities and Markets Authority) guidelines for alternative key indicators apply from July 3, 2016. Precise Biometrics presents financial definitions and reconciliations of alternative key indicators in this quarterly report. Precise Biometrics presents alternative key indicators as these provide valuable supplementary information for investors and company management, making it possible to evaluate the company's performance.

AUDIT

This interim report has not been audited by the company's auditors.

Lund, Tuesday, May 16, 2017

Torgny Hellström, Chairman of the Board

Torbjörn Clementz

Mats Lindoff

Matts Lilja

Synnöve Trygg

Anna Almlöf

Håkan Persson, CEO

Consolidated income statement – in summary

(Amounts in SEK thousand)	2017 Q1	2016 Q1	2016 Full year	Rolling 12 months
Net sales	19,185	24,230	97,223	92,178
Cost of goods sold	-2,860	-4,404	-20,573	-19,029
Gross profit/loss	16,325	19,826	76,650	73,149
Selling expenses	-8,262	-3,674	-19,496	-24,084
Administrative expenses	-4,031	-4,255	-15,192	-14,968
R&D costs	-6,000	-5,353	-26,152	-26,798
Other operating income/expenses	-702	-281	2,195	1,774
	-18,995	-13,563	-58,645	-64,076
Operating profit/loss	-2,671	6,263	18,005	9,072
Financial income/expenses	-642	-4	-12	-650
Profit/loss before tax	-3,313	6,259	17,993	8,422
Tax	-90	-	13,200	13,110
Profit/loss for the period	-3,403	6,259	31,193	21,532
Profit/loss for the period attributable to:				
Parent company shareholders	-3,403	6,259	31,193	21,532
<i>Earnings per share (before dilution), SEK</i>	-0.01	0.02	0.09	0.06
<i>Earnings per share (after dilution), SEK</i>	-0.01	0.02	0.09	0.06

Consolidated statement of comprehensive income

(Amounts in SEK thousand)	2017 Q1	2016 Q1	2016 Full year	Rolling 12 months
Profit/loss for the period	-3,403	6,259	31,193	21,532
Other comprehensive income:				
Items that may be reclassified to profit or loss				
Changes in accumulated exchange rate differences	-46	-254	1,516	1,724
Other comprehensive income for the period, net of tax	-46	-254	1,516	1,724
Total comprehensive income for the period	-3,449	6,005	32,709	23,256
Profit/loss for the period attributable to holders of participations in the parent company.	-3,449	6,005	32,709	23,256

Consolidated balance sheet – in summary

(Amounts in SEK thousand)

		3/31/2017	3/31/2016	12/31/2016
Assets				
Intangible fixed assets	Note 1	42,218	10,513	10,436
Property, plant and equipment		1,310	1,926	1,285
Financial assets		13,200	-	13,200
Total fixed assets		56,728	12,439	24,921
Inventories		1,950	7,492	2,190
Trade receivables		14,624	7,159	18,432
Other current receivables		11,389	18,474	14,800
Cash and cash equivalents		119,249	58,584	135,753
Total current assets		147,211	91,709	171,176
Total assets		203,940	104,148	196,096
Equity and liabilities				
Equity		159,488	89,066	163,011
Total equity		159,488	89,066	163,011
Current liabilities		44,452	15,082	33,085
Total liabilities		44,452	15,082	33,085
Total equity and liabilities		203,940	104,148	196,096

Consolidated statement of changes in equity – in summary

(Amounts in SEK thousand)

	2017 Q1	2016 Q1	2016 Full year	Rolling 12 months
Equity at start of period	163,011	83,059	163,011	89,066
Profit/loss for the period	-3,403	6,259	31,193	21,533
Exchange rate differences	-48	-252	1,516	1,718
New share issue ¹⁾	-72	-	47,243	47,243
Equity at end of period	159,488	89,066	242,964	159,560

1) Costs of the new share issue total SEK 72 thousand, and for 2016 the costs of the new share issue of SEK 2.8 million are included in the amount recorded.

Consolidated cash flow statement – in summary

(Amounts in SEK thousand)	2017 Q1	2016 Q1	2016 Full year	Rolling 12 months
Cash flow from operating activities before changes in working capital	-1,780	8,158	24,824	14,886
Cash flow from changes in working capital	18,903	-696	12,834	32,433
Cash flow from operating activities	17,123	7,462	37,658	47,319
Cash flow from investing activities	-33,412	-1,054	-5,268	-37,626
Cash flow from financing activities	-	-	50,000	50,000
Cash flow for the period	-16,290	6,408	82,390	59,692
Cash and cash equivalents at start of period	135,753	52,356	52,356	58,584
Translation difference in cash and cash equivalents	-215	-180	1,007	973
Cash and cash equivalents at end of period	119,249	58,584	135,753	119,249

Segment reporting

(Amounts in SEK thousand)	2017 Q1	2016 Q1	2016 Full year	Rolling 12 months
Net sales per segment				
Mobile Smart Card Solutions	2,568	3,916	13,924	12,886
Fingerprint Technology	16,617	20,314	83,299	79,292
Group	19,185	24,230	97,223	92,178
	2017 Q1	2016 Q1	2016 Full year	Rolling 12 months
Costs per segment¹⁾				
Mobile Smart Card Solutions	-4,267	-8,495	-36,085	-31,857
Fingerprint Technology	-17,588	-8,238	-48,870	-58,219
Unallocated	-	-1,234	5,737	6,973
Group	-21,855	-17,967	-79,218	-83,103
	2017 Q1	2016 Q1	2016 Full year	Rolling 12 months
Operating profit/loss per segment				
Mobile Smart Card Solutions	-1,699	-4,579	-22,161	-18,971
Fingerprint Technology	-972	12,076	34,429	21,072
Unallocated	-	-1,234	5,737	6,973
Group	-2,671	6,263	18,005	9,072

¹⁾ Costs for the segment include costs of goods sold, direct costs and a share of indirect costs. The company's resource allocation has changed, with a focus on the Fingerprint Technology segment, and the cost allocation has therefore been adjusted in 2017.

Consolidated key indicators

(Amounts in SEK thousand unless otherwise stated)

	2017 Q1	2016 Q1	2016 Full year	Rolling 12 months
Net sales	19,185	24,230	97,223	92,178
Net sales growth, %	Neg	3.3%	72.6%	-5.2%
Gross margin	85.1%	81.8%	78.8%	79.4%
Operating profit/loss	-2,671	6,263	18,005	9,072
EBITDA	-1,138	8,162	24,836	15,537
Working capital	102,760	76,627	138,091	102,760
Quick ratio, %	327%	558%	511%	327%
Equity/assets ratio, %	78%	86%	83%	78%
Return on equity, %	Neg	7.3%	25.4%	25.3%
Capital employed	159,488	89,066	163,011	159,488
Earnings per share, SEK	-0.01	0.02	0.09	0.09
Equity per share, SEK	0.44	0.26	0.45	0.44
No. of shares (thousands)	360,231	345,306	360,231	360,231
Weighted average number of shares, adjusted for dilution effect	360,957	346,578	346,843	350,336
Number of employees at end of period	31	24	26	31
Average number of employees during the period	27	26	26	28

Reconciliation of alternative key indicators

(Amounts in SEK thousand unless otherwise stated)

	2017 Q1	2016 Q1	2016 Full year	Rolling 12 months
EBITDA	-1,138	8,162	24,836	15,537
Depreciation	-1,533	-1,899	-6,300	-5,934
Write-downs	-	-	-529	-529
Operating profit/loss	-2,671	6,263	18,005	9,072
Selling expenses	-8,262	-3,674	-19,496	-24,083
Administrative expenses	-4,031	-4,255	-15,192	-14,968
R&D costs	-6,000	-5,353	-26,152	-26,798
Other operating income/expenses	-702	-281	2,195	1,774
Total operating expenses	-18,995	-13,563	-58,645	-64,076
Capital employed	159,488	89,066	163,011	159,488
Non-interest-bearing liabilities	44,452	15,082	33,085	44,452
Balance sheet total	203,940	104,148	196,096	203,940
Equity	159,488	89,066	163,011	159,488
Average equity	161,250	86,063	123,035	123,525
Return on equity, %	Neg	7.3%	25.4%	17.4%
Equity per share, SEK	0.44	0.26	0.45	0.44

Quarterly summary

(Amounts in SEK thousand unless otherwise stated)

	2017 Q1	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2016 Full year	Rolling 12 months
Net sales	19,185	25,655	25,458	21,880	24,230	97,223	92,178
Net sales growth, %	Neg	0.8%	16.4%	Neg	3.3%	72.6%	-5.2%
Operating profit/loss	-2,671	2,694	4,595	4,455	6,263	18,007	9,072
EBITDA	-1,138	3,784	6,654	6,236	8,162	24,836	15,537
Cash flow	17,123	11,751	8,411	10,035	7,462	37,658	47,319
Capital employed	159,488	163,011	112,074	93,986	89,066	163,011	159,488

Parent company income statement

(Amounts in SEK thousand)

	2017 Q1	2016 Q1	2016 Full year	Rolling 12 months
Net sales	18,467	22,209	90,455	86,713
Cost of goods sold	-3,376	-2,533	-12,810	-13,654
Gross profit/loss	15,090	19,676	77,645	73,059
Selling expenses	-7,779	-3,544	-18,530	-22,765
Administrative expenses	-4,011	-4,252	-14,090	-13,849
R&D costs	-5,683	-5,353	-26,152	-26,482
Other operating income/expenses	-1,485	-1,395	6,976	6,886
	-18,959	-14,544	-51,796	-56,210
Operating profit/loss	-3,868	5,132	25,849	16,849
Financial income/expenses	-638	46	-5,467	-6,151
Profit/loss before tax	-4,506	5,178	20,381	10,698
Tax	-	-	13,200	13,200
Profit/loss for the period	-4,506	5,178	33,581	23,898

Parent company balance sheet

(Amounts in SEK thousand)

		3/31/2017	3/31/2016	12/31/2016
Assets				
Intangible fixed assets	Note 1	42,882	10,513	10,436
Property, plant and equipment		1,310	1,926	1,285
Financial assets		15,136	9,153	31,789
		59,328	21,592	43,509
Inventories		1,839	5,375	1,576
Trade receivables		13,848	3,243	16,173
Other current receivables		9,841	18,152	14,170
Cash and cash equivalents		116,753	51,726	120,796
		142,281	78,496	152,715
Total assets		201,608	100,088	196,225
Equity and liabilities				
Equity		157,502	86,463	162,108
		157,502	86,463	162,108
Provisions		103	78	103
Total provisions		103	78	103
Current liabilities		44,004	13,547	34,014
Total liabilities		44,004	13,547	34,014
Total equity and liabilities		201,608	100,088	196,225

Changed accounting policies for depreciation and write-downs of capitalized development expenses

(Amounts in SEK thousand)

Q1 income statement	2016	Adjustment	2016*
Cost of goods and services sold	-2,818	-1,586	-4,404
Gross profit/loss	21,412	-1,586	19,826
R&D costs	-6,939	1,586	-5,353

*After reclassification

Note 1 Business combinations

Below is a description of the business combination completed by the Group during the year.

NexID Biometrics Inc.

On February 9, 2017 Precise Biometrics AB acquired the assets and liabilities of NexID Biometrics Inc. With this acquisition, Precise Biometrics is extending its software offering to include liveness detection, which further improves the security of fingerprint recognition. The acquisition reinforces the company's position as the leader in the field of fingerprint software and creates further opportunities for growth in the rapidly expanding market for fingerprint technology.

NexID Biometrics had three employees at the time of the acquisition. NexID's net sales in the fiscal year that ended on December 31, 2016 totaled SEK 2.2 million.

The acquired assets are included in the Group as of February 9, 2017. The acquisition affected the Group's net sales by SEK 0.1 million and the operating profit/loss by SEK -0.9 million. Costs in connection with the acquisition affected the Group's profit/loss in 2016 to the order of SEK -1.1 million.

The purchase price totaled SEK 31,360 thousand and was paid in cash. The goodwill that arose in connection with the acquisition relates to the company's strong position in the field of liveness detection.

Acquisition analysis, provisional	SEK thousand
Impact on cash and cash equivalents	
Purchase price	31,360
Fair value of identifiable assets in NexID on the acquisition date	
Intangible assets	7,776
- of which patents	1,138
- of which software	1,619
- of which database	4,276
- of which customer relations	743
Tangible assets	119
Inventories	40
Total assets	7,935
Goodwill	23,425
Purchase price	31,360

The assets and liabilities from the acquisition are predominantly recorded (98%) in the parent company's balance sheet. Depreciation of identifiable fixed assets takes place on a straight-line basis over between 5 and 15 years. Acquisition costs totaling SEK 1,071 thousand have been capitalized in the parent company, and goodwill in the parent company has therefore increased to SEK 24,496 thousand. Goodwill for the parent company is written off over ten years in accordance with its expected useful life.

Note 2 Definitions of key indicators

Net sales growth

Percentage change compared with the previous period.

Gross margin

Gross profit/loss divided by net sales.

Operating profit/loss

Profit/loss before financial net and tax.

EBITDA

Profit/loss before financial net and depreciation.

Cash flow

Cash flow from operating activities after changes in working capital.

Working capital

Current assets minus current liabilities.

Quick ratio

Current assets excluding inventories divided by current liabilities.

Equity/assets ratio

Equity on the balance sheet date divided by total assets on the balance sheet date.

Equity

Equity at the end of the period. Average equity has been calculated as opening equity plus closing equity divided by two.

Return on equity

Profit/loss after tax divided by average equity.

Capital employed

Total assets less non-interest bearing liabilities and provisions.

Earnings per share before dilution

Profit/loss after taxation divided by average number of shares.

Earnings per share after dilution

Profit/loss after taxation divided by weighted average number of shares.

Equity per share

Equity on the balance sheet date divided by the number of shares on the balance sheet date.

Operating expenses

Operating expenses excluding cost of goods sold.

PRESENTATION OF THE INTERIM REPORT

On the occasion of today's interim-report, we invite investors and journalists to an informational conference call today.

The conference call starts at 10:00 AM (CEST)

Click on the link to follow the presentation on the web <https://tv.streamfabriken.com/precise-biometrics-q1-2017>

To follow the presentation over phone, dial:

- Sweden +46 8 5664 2691
- UK +44 20 3008 9801
- US +1 855 753 2237

When connecting to the conference call, please state your name. The conference call will be in English. Participants will also be given the opportunity to ask questions in Swedish.

Participating on behalf of Precise Biometrics:

Håkan Persson, CEO

Göran Thuresson, CFO

The conference will be made available at <http://precisebiometrics.com/investor/financial-reports/>