

LUND, FEBRUARY 14, 2017

## CONTINUED GROWTH AND STRATEGIC ACQUISITION

PRECISE BIOMETRICS AB (PUBL), CORPORATE IDENTITY NO. 556545-6596

### YEAR-END REPORT 2016

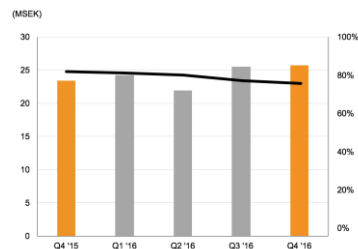
#### FOURTH QUARTER

- Consolidated net sales increased to SEK 25.7 (23.5) million.
- The operating profit before depreciation (EBITDA) totaled SEK 3.8 (6.7) million.
- Profit after tax totaled SEK 2.7 (4.3) million.
- Earnings per share totaled SEK 0.01 (0.01).
- Cash flow from operations improved to SEK 11.8 (8.8) million.

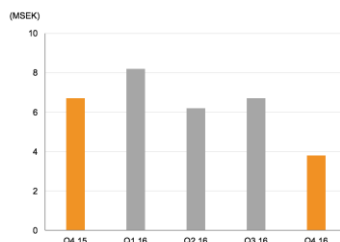
#### FULL-YEAR PERIOD, JANUARY-DECEMBER

- Consolidated net sales increased by 72.6% and totaled SEK 97.2 (56.3) million.
- The operating profit before depreciation (EBITDA) improved to SEK 24.8 (0.5) million.
- Profit after tax totaled SEK 31.2 (-9.5) million.
- Earnings per share for the period totaled SEK 0.09 (-0.03).
- Cash flow from operations improved to SEK 37.7 (-4.5) million.
- Cash and cash equivalents were SEK 135.8 (52.4) million at the end of the full-year period.

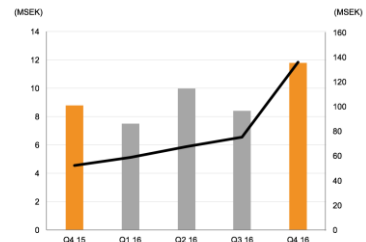
#### NET SALES & GROSS MARGIN



#### EBITDA



#### OPERATIONAL CASH FLOW & CASH AT BANK



#### SIGNIFICANT EVENTS IN THE FOURTH QUARTER

- Licensing agreements were signed with the sensor manufacturers Samsung System LSI Business, a division of Samsung Electronics Co., Ltd., Image Match Design Inc., InvenSense Inc. and VKANSEE.
- Precise BioMatch<sup>TM</sup> Embedded was integrated into a credit card from Kona-i that was exhibited at the Money 20/20 trade fair in Las Vegas.
- Agreement to acquire NexID Biometrics in the USA for SEK 32 million was signed, extending Precise Biometrics' industry-leading fingerprint software to include liveness detection.
- Targeted new share issue of SEK 50 million to finance the acquisition of NexID Biometrics.

#### SIGNIFICANT EVENTS SINCE THE END OF THE QUARTER

- Extended licensing agreement with existing sensor customer with guaranteed licensing revenue of at least SEK 17.5 million over two years.
- The acquisition of NexID Biometrics was made following final authority approvals in the USA.

## **PRESENTATION OF THE YEAR-END REPORT**

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

## **CEO COMMENTS**

The final quarter of the year was another good quarter for the company. I am proud that in 2016 we succeeded in increasing net sales by 73%, delivering the company's best year so far. Sales of our fingerprint software almost doubled during the year. We have led the company to profitability and are still only at the beginning of our journey. We have strengthened our position in a fast-growing market, developed our product offering and acquired many new customers who are important players in the ongoing development of the biometrics market. In 2017 we will continue to prepare the company for growth. I look forward to what I am convinced will be yet another exciting year in the company's development.

During the quarter, Precise BioMatch Mobile were integrated into 21 mobile devices. Our fingerprint software was integrated into a total of 110 models of mobile devices in 2016, a doubling compared with the previous year. The majority of all major manufacturers are now using our fingerprint software. During the quarter we signed licensing agreements with four new customers, including Samsung System LSI Business. Like Qualcomm, Samsung System LSI Business is a large, established component supplier to the mobile industry, which creates additional growth opportunities for us in this rapidly expanding market. At the end of January 2017 we extended an agreement with an existing customer, which guarantees us at least SEK 17.5 million over two years. This is further evidence that our fingerprint software is the industry leader and of the faith that our customers have in us. We now have 24 licensing agreements for the global distribution of our software for mobile devices, smart cards, wearables and other product areas.

The fingerprint technology market continues to grow rapidly. Sales of mobile devices with fingerprint sensors, excluding Apple, doubled in 2016 from 300 to 600 million devices. We believe that the mobile market will continue to develop rapidly and reach a total of almost 900 million devices in 2017. There is also a lot of activity in the areas of smart cards, wearables and IoT devices. We are involved in a large number of well-advanced projects in which we are expecting modest initial volumes during the year. It is difficult to assess how quickly the market for new product areas will grow, but I am convinced that over time the market has the potential to be at least as large as the market for mobile devices.

We are seeing an increase in demand for our offering and our competence to secure the integration of fingerprint software into the mobile device. During the quarter we intensified our collaboration with many of our customers in major integration projects at the premises of mobile phone manufacturers. We expect this to be generating major volumes during the latter part of the year and continuing into 2018. These partnerships reinforce our position and we are planning to expand our organization in Asia to meet demand and be even closer to our customers.

The competitive situation in the market, and thus the revenue trend among our customers is currently difficult to assess. Revenues from our biggest customer, Fingerprint Cards (FPC), continue to fall quarter on quarter in the mobile devices segment and is expected to cease completely during the second half of the year. We are in the final stages of several projects with other customers that are expected to start generating substantial volumes and revenues during the second half of the year, and these will compensate in full for the lost revenues from FPC.

We acquired NexID Biometrics in the USA during the quarter. This acquisition is strategically important. By extending our product to include liveness detection, we can significantly improve the security of fingerprint authentication with a great user experience and meet customers' demands for

increased security, for reasons including the prevention of fraud. This is important not least in order to secure mobile payments, an area that is expected to start taking off in 2017. By the end of 2020 it is expected that more than 60 percent of all payment transactions will be authenticated by means of biometric authentication, primarily fingerprints. The response from the market has exceeded our own very high expectations. All of our customers are interested in seeing what opportunities there are in integrating the software into their solutions, and many want to initiate evaluation projects immediately. We have started work to integrate liveness detection into our software and plan to have a product ready for the market during the third quarter of 2017, to offer a unique solution that will set a new standard for secure fingerprint recognition. We expect to receive revenues from this product from the beginning of 2018, when it has been integrated into our customers' fingerprint sensors and tested to completion by end customers. This acquisition is an important piece of the puzzle in developing our product offering and technological leadership, as well as meeting the market's increased demands for security.

Sales of Tactivo during the fourth quarter were better than expected. We received several large orders from US government agencies and several small orders from the Swedish health care market. For the year as a whole, however, sales of Tactivo did not meet our expectations. It is primarily demand from the US government agency market that was lower than expected, although sales to the healthcare markets in the UK and Sweden also experienced a weak trend, with customers being slow to move from pilot tests to deployment in larger volumes.

#### **OUTLOOK**

We have a leading market position, the market's best fingerprint software and a global distribution network that gives us opportunities to take advantage of the rapidly expanding market for fingerprint technology.

We anticipate a weaker revenue development during the first half of the year because of reduced revenues from FPC. Our other customers show solid growth and we expect gradually increasing volumes starting from the second half of the year, which is why we expect net sales for the full year to be in line with net sales for 2016. I am confident that Precise Biometrics thereafter will continue to have a high growth considering our position in the market.

To meet increased demand for our software and to create improved conditions for long-term growth, we are increasing our investments in research and development in order to secure our technological leadership and develop the product range, and also to grow our customer-focused organization for support and integration. Through these investments, we are building the organization to be able to manage the growth in sales that we envisage in the future.

## MARKET AND SALES

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

### Fingerprint Technology

In this business area, Precise Biometrics develops and sells fingerprint software for the convenient, secure authentication of people's identity in mobile phones, smart cards and products with small fingerprint sensors. The company's fingerprint software consists of advanced algorithms that process, analyze and match images of fingerprints and are key to the user experience of fingerprint technology.

The product portfolio consists of three products:

- Precise BioMatch<sup>TM</sup> Mobile, an algorithm solution for integration into mobile phones and tablets.
- Precise BioMatch<sup>TM</sup> Embedded, an algorithm solution for integration into products with small sensors and limited platforms, such as smart cards, wearables, locks and cars.
- Precise Match-on-Card<sup>TM</sup>, an algorithm solution for integration into national ID cards.

During the quarter 21 mobile devices were launched with Precise BioMatch Mobile, including the company's first integration with Chipone. Another two devices with Precise Biometrics' algorithm solution were launched after the end of the quarter. A credit card with Precise BioMatch Embedded was also exhibited at a trade fair in Las Vegas. The card has not yet been launched in the market.

The company continued to receive royalty revenues from Betterlife, Chipone, ELAN, Silead, Synaptics and Qualcomm. The company also received its first royalty revenues from FocalTech. Revenues from the agreement on mobile devices with Fingerprint Cards continue to fall on a quarterly basis because of the customer's decision to move over to its proprietary algorithm solution. Synaptics has chosen to use its own algorithm solution for a number of mobile devices, and we expect continued competition with their own solution in future. The national ID card project in Portugal continued to generate royalty revenues from Gemalto.

During the quarter Precise Biometrics concluded licensing agreements with Image Match Design, InvenSense and Samsung System LSI Business and VKANSEE. Image Match Design is an interesting new sensor manufacturer from Taiwan. InvenSense is one of the world's leading manufacturers of MEMS sensor platforms and has an interesting sensor technology based on ultrasound. Samsung System LSI Business, a division of Samsung Electronics, is now moving into the market for fingerprint sensors, which creates additional opportunities for growth. VKANSEE is a new sensor manufacturer that has very interesting optical technology.

Precise Biometrics now has licensing agreements with 24 customers, which represents an effective global distribution channel for the company's algorithm solutions. The company expects growth to continue in this business area during 2017, and this is expected to be driven by the integration of the company's fingerprint software into mobile devices.

A number of technological trends will be affecting Precise Biometrics during 2017. The constant quest to reduce costs means that sensors will continue to get smaller. More and more sensors will be integrated under glass, which reduces costs and provides new design opportunities. This paves the way for new sensor technologies, for example optical and ultrasound sensors, which are in many respects more suitable for integration under glass. Sensors under glass create tougher demands on image enhancement, regardless of which sensor technology is used. Precise Biometrics' competence in the field of image processing is important in order to meet customers' demands for image enhancement and to ensure a good user experience for sensors under glass.

Liveness detection is another trend that will in time become very important in securing the identity of individuals and avoiding authentication using false fingers. With the acquisition of NexID Biometrics, a specialist in spoof mitigation and liveness detection solutions, Precise Biometrics is increasing its offering to include liveness detection, which significantly enhances security and meets customers' demands to prevent fraud. This is particularly important for secure mobile payments using fingerprint technology, an area that is expected to grow during 2017. Precise Biometrics finalized the acquisition in the beginning of February and has started work to integrate liveness detection into the company's software and expects to be able to complete the integration during the third quarter and thus be able to offer a unique solution that will set a new standard for secure fingerprint recognition.

In new product areas with fingerprint technology, such as smart cards and wearables, the trend is moving towards smaller and smaller microprocessors to reduce the total cost of the product. This places even tougher demands on the algorithm solution to be resource-efficient while still providing a good user experience. Precise Biometrics is leading the development of software for limited platforms and through the company's customers it has a strong position to take advantage of the rapid growth in the market that is expected as fingerprint technology moves into new product areas.

### **Mobile Smart Card Solutions**

This business area consists of Tactivo, a product portfolio of smart card readers for smartphones and tablets. Tactivo enables convenient, secure mobility in organizations that require smart cards to log in to IT systems and thus contributes to a more efficient, enhanced working environment, increased information security and reduced operating costs.

Sales during the quarter were made primarily to a number of US government agencies, which placed several large orders for Tactivo. Precise Biometrics also won a number of smaller orders from the Swedish healthcare market and a number of customers in the Middle East. Taking the year as a whole, sales of Tactivo did not meet the company's expectations, ending at the same level as the previous year.

Sales in 2017 are expected to come primarily from the US government agency market and the Swedish healthcare market, where the City of Gothenburg is planning to introduce a mobile solution featuring Tactivo to more than 10,000 employees. The company also expects revenues from German government agencies and a number of customers in the Middle East.

## **SALES AND EARNINGS – FOURTH QUARTER**

Net sales for the fourth quarter increased by 9.4 percent and totaled SEK 25.7 (23.5) million. Most net sales during the quarter came from the **Fingerprint Technology** business area, which grew by 10.7% and achieved sales of SEK 20.8 (18.8) million. The business area's revenues had a positive impact from royalty and licensing fees from several of the company's customers.

Revenues from the **Mobile Smart Card Solutions** business area totaled SEK 4.9 (4.7) million.

The gross margin decreased compared with the fourth quarter in 2015 to 75.5% (81.6%). The impairment of inventories by SEK 2.9 million had a negative impact on the gross margin for the fourth quarter of 11.2%.

Operating expenses increased, partly due to sales commission and legal expenses in connection with acquisitions, and totaled SEK 16.7 (14.8) million.

The operating profit fell to SEK 2.7 (4.4) million, primarily as a consequence of the impairment of inventories and acquisition costs. Earnings for the period totaled SEK 2.7 (4.3) million. The operating profit at EBITDA level totaled SEK 3.8 (6.7) million. Earnings per share (average number of shares) for the fourth quarter totaled SEK 0.01 (0.01).

## **SALES AND EARNINGS – FULL YEAR 2016**

Net sales for the full-year period increased to SEK 97.2 (56.3) million, an increase of 72.6 percent. In the Fingerprint Technology business area, net sales increased by 95.7% and totaled SEK 83.3 (42.6) million. Sales during the period in the Mobile Smart Card Solutions business area were at the same level as the previous year and totaled SEK 13.9 (13.8) million.

The gross margin during the period increased to 78.8 percent (69.7). The positive change in the gross margin compared with the corresponding period in 2015 is explained by high sales growth in Fingerprint Technology. The impairment of inventories by SEK 4.6 (0.0) million and of retained development expenses by SEK 0.5 (0.0) million had a negative impact on the gross margin for the full year of 5.3 percentage points.

Operating expenses for the full year increased to SEK 58.6 (48.7) million, primarily due to increased investments in R&D, sales activities and legal expenses in connection with acquisitions.

The operating profit improved to SEK 18.0 (-9.4) million as a consequence of higher net sales and an improved gross margin. Earnings for the period improved to SEK 31.2 (-9.5) million. The operating profit at EBITDA level improved to SEK 24.8 (0.5) million. Earnings per share (average number of shares) for the period totaled SEK 0.09 (-0.03).

Net financial items for the period were SEK 0.0 (-0.1) million.

## **INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT**

During the fourth quarter the Group invested SEK 0.1 (0.1) million in property, plant and equipment. Depreciation of property, plant and equipment during the fourth quarter totaled SEK 0.3 (0.3) million.

The Group invested SEK 0.4 (0.6) million during the full-year period in property, plant and equipment. Depreciation of property, plant and equipment during the period totaled SEK 1.3 (1.2) million.

### **CAPITALIZATION AND AMORTIZATION OF DEVELOPMENT WORK**

During the fourth quarter, development expenses of SEK 1.6 (1.8) million were capitalized. Amortization of capitalized development expenses during the fourth quarter totaled SEK 0.8 (2.0) million.

Development expenses for the full-year period of SEK 4.8 (2.4) million were capitalized. Amortization of capitalized development expenses during the full-year period totaled SEK 5.5 (8.6) million. Impairments of capitalized development expenses during the full-year period totaled SEK 0.5 (0.0) million.

### **FINANCING AND CASH FLOW**

A new share issue of SEK 50 million was conducted and registered by the Swedish Companies Registration Office in December. The new share issue was fully paid at the year-end and is included in cash and cash equivalents. After deducting expenses relating to the new share issue, SEK 47.2 million has been added to the company's equity. The purpose of the new share issue is to finance the acquisition of NexID Biometrics while at the same time maintaining the financial position.

Equity at the end of the quarter totaled SEK 163.0 (83.1) million, and equity/share SEK 0.45 (0.24).

Cash flow from operating activities improved and totaled SEK 11.8 (8.8) million. The corresponding cash flow for the full-year period improved to SEK 37.7 (-4.5) million. Cash flow for the quarter and the full year from financing activities totaled SEK 50.0 (0.0) million.

Cash and cash equivalents at the end of the full-year period totaled SEK 135.8 (52.4) million. Since the end of the year, the purchase price of approx. SEK 31 million (USD 3.5 million) has been paid for the acquisition of NexID Biometrics.

The board proposes, as in the previous year, not to pay any dividend for the financial year 2016.

### **PARENT COMPANY**

The parent company's net sales for the full-year period totaled SEK 90.5 (49.8) million. Earnings before tax for the period totaled SEK 20.5 (-43.9) million. An impairment of the receivable from the subsidiary Precise Biometrics Inc. was recorded during 2016 for SEK 5.8 (35.9) million and is included in financial income and expenses.

The new share issue conducted has an impact on the parent company's cash and cash equivalents of SEK 50.0 million and on equity of SEK 47.2 million. This improved cash and cash equivalents to SEK 120.8 (46.9) million.

### **ORGANIZATION AND STAFF**

The organization consists of head office in Lund and office in Karlstad and, Virginia, 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 year the Group had a workforce of 36 (35) people, including consultants. The number of employees was 26 (22), of which 26 (22) were in Sweden.

### **UPCOMING REPORTING DATES**

Q1 2017 Interim Report	May 16, 2017
2017 Annual General Meeting	May 16, 2017
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 2015. 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 year-end 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 2015 have been used in this interim report as well, with the exception of the changes in accounting policies listed below. Otherwise, the new standards and interpretations that came into force from the financial year 2016 did not have any material impact on financial reporting.

For more information on the accounting policies applied, please refer to the Annual Report for 2015.

## **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 recorded Cost of Goods Sold increase. The comparative figures in this report have been recalculated in accordance with the reclassification, as shown in the table on page 15.

## **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 year-end 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.

This year-end report has not been audited by the company's auditors.

*Lund, Tuesday, February 14, 2017*

Torgny Hellström, Chairman of the Board

Torbjörn Clementz

Mats Lindoff

Matts Lilja

Synnöve Trygg

Anna Almlöf

Håkan Persson, CEO

*This information is information that Precise Biometrics AB is obligated to disclose pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 08:00 on February 14, 2016.*



**Consolidated income statement**

(Amounts in SEK thousand)

	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>Q4</b>	<b>Q4</b>	<b>Full year</b>	<b>Full year</b>
Net sales	25 655	23 454	97 223	56 337
Cost of goods sold	-6 293	-4 317	-20 573	-17 059
<b>Gross profit/loss</b>	<b>19 362</b>	<b>19 137</b>	<b>76 650</b>	<b>39 278</b>
Selling expenses	-5 419	-4 096	-19 496	-12 685
Administrative expenses	-4 685	-3 424	-15 192	-13 587
R&D costs	-7 747	-5 991	-26 152	-22 631
Other revenue/costs	1 184	-1 241	2 195	219
	-16 668	-14 752	-58 645	-48 686
<b>Operating profit/loss</b>	<b>2 694</b>	<b>4 385</b>	<b>18 005</b>	<b>-9 408</b>
Financial income/cost	-4	-72	-12	-62
<b>Profit/loss before Tax</b>	<b>2 690</b>	<b>4 313</b>	<b>17 993</b>	<b>-9 469</b>
Tax	0	-	13 200	-
<b>Profit/loss for the period</b>	<b>2 690</b>	<b>4 313</b>	<b>31 193</b>	<b>-9 469</b>
<b>Profit/loss for the period attributable to:</b>				
Parent company shareholders	2 690	4 313	31 193	-9 469
<i>Basic earnings per share, SEK</i>	<i>0,01</i>	<i>0,01</i>	<i>0,09</i>	<i>-0,03</i>
<i>Diluted earnings per share, SEK</i>	<i>0,01</i>	<i>0,01</i>	<i>0,09</i>	<i>-0,03</i>

**Consolidated statement of profit or loss and other comprehensive income**

(Amounts in SEK thousand)	2016 Q4	2015 Q4	2016 Full year	2015 Full year
<b>Profit/loss for the period</b>	<b>2 690</b>	<b>4 313</b>	<b>31 193</b>	<b>-9 469</b>
<b>Other comprehensive income: Items that may be reclassified to profit or loss</b>				
Changes in accumulated translation difference	1 006	1 229	1 516	545
	1 006	1 229	1 516	545
<b>Other comprehensive income for the period net of tax</b>	<b>1 006</b>	<b>1 229</b>	<b>1 516</b>	<b>545</b>
<b>Total comprehensive income for the period</b>	<b>3 696</b>	<b>5 542</b>	<b>32 709</b>	<b>-8 924</b>
<b>Attributable to:</b>				
Parent company shareholders	3 696	5 542	32 709	-8 924

**Consolidated balance sheet**

(Amounts in SEK thousand)	2016-12-31	2015-12-31
<b>Assets</b>		
Intangible fixed assets	10 436	11 152
Property, plant & equipment	1 285	2 132
Financial assets	13 200	-
<b>Total tangible and intangible assets</b>	<b>24 921</b>	<b>13 284</b>
Inventories	2 190	8 503
Trade receivables	18 432	8 831
Other current receivables	14 800	15 975
Cash and cash equivalents	135 753	52 356
<b>Total current assets</b>	<b>171 176</b>	<b>85 665</b>
<b>Total assets</b>	<b>196 096</b>	<b>98 949</b>
<b>Equity and liabilities</b>		
Equity	163 011	83 059
<b>Total equity</b>	<b>163 011</b>	<b>83 059</b>
Current liabilities	33 085	15 890
<b>Total current liabilities</b>	<b>33 085</b>	<b>15 890</b>
<b>Total equity and liabilities</b>	<b>196 096</b>	<b>98 949</b>
<b>Pledged assets</b>	<b>None</b>	<b>None</b>
<b>Contingent liabilities</b>	<b>None</b>	<b>None</b>

**Consolidated cash flow statement**

<b>(Amounts in SEK thousand)</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>Q4</b>	<b>Q4</b>	<b>Full year</b>	<b>Full year</b>
Net cash provided by/used in operation activities before changes in working capital	3 780	7 734	24 824	395
Cash flow from changes in working capital	7 971	1 080	12 834	-4 854
<b>Cash flow from operation</b>	<b>11 751</b>	<b>8 814</b>	<b>37 658</b>	<b>-4 458</b>
Cash flow from investing activities	-1 689	-1 805	-5 268	-3 005
Cash flow from financial activities	50 000	-	50 000	-
<b>Net cash flow for the period</b>	<b>60 062</b>	<b>7 009</b>	<b>82 390</b>	<b>-7 463</b>
Cash and cash equivalents at start of period	75 047	45 187	52 356	59 659
Exchange differences from liquid assets	644	160	1 007	160
Cash and cash equivalents at end of period	135 753	52 356	135 753	52 356

**Consolidated statement of changes in equity – in summary**

(Amounts in SEK thousand)	2016	2015	2016	2015
	Q4	Q4	Full year	Full year
<b>Equity at start of the period</b>	<b>112 074</b>	<b>77 517</b>	<b>83 059</b>	<b>91 983</b>
Comprehensive income for the period	2 690	4 313	31 193	-9 469
Exchange rate differences	1 004	1 229	1 516	545
New share issue <sup>4)</sup>	47 243		47 243	
<b>Equity at the end of period</b>	<b>163 011</b>	<b>83 059</b>	<b>163 011</b>	<b>83 059</b>

**Segment reporting**

(Amounts in SEK thousand)	2016	2015	2016	2015
	Q4	Q4	Full year	Full year
<b>Net sales per segment</b>				
Mobile Smart Card Solutions <sup>1)</sup>	4 875	4 686	13 924	13 778
Fingerprint Technology	20 780	18 768	83 299	42 559
<b>Group</b>	<b>25 655</b>	<b>23 454</b>	<b>97 223</b>	<b>56 337</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>Q4</b>	<b>Q4</b>	<b>Full year</b>	<b>Full year</b>
<b>Costs per segment<sup>2)</sup></b>				
Mobile Smart Card Solutions <sup>1)</sup>	-10 181	-10 472	-36 085	-35 748
Fingerprint Technology	-15 761	-8 760	-48 870	-31 421
Undistributed <sup>2)</sup>	2 981	163	5 737	1 424
<b>Group</b>	<b>-22 961</b>	<b>-19 069</b>	<b>-79 218</b>	<b>-65 745</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>Q4</b>	<b>Q4</b>	<b>Full year</b>	<b>Full year</b>
<b>Operating profit/loss per segment</b>				
Mobile Smart Card Solutions <sup>1)</sup>	-5 306	-5 786	-22 161	-21 970
Fingerprint Technology	5 019	10 008	34 429	11 138
Undistributed <sup>3)</sup>	2 981	163	5 737	1 424
<b>Group</b>	<b>2 694</b>	<b>4 385</b>	<b>18 005</b>	<b>-9 408</b>

<sup>1)</sup> Desktop & Physical Access Solutions is now included in Mobile Smart Card Solutions.

<sup>2)</sup> Cost for the segment include costs of goods sold as well as direct and the share of indirect costs.

<sup>3)</sup> Undistributed contains of capitalization of development and other revenue and fair value changes.

<sup>4)</sup> Cost for new share issue is included with 2,8 MSEK.

**Parent company income statement**

(Amounts in SEK thousand)

	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>Q4</b>	<b>Q4</b>	<b>Full year</b>	<b>Full year</b>
Net sales	23 090	21 453	90 455	49 755
Cost of goods sold	-3 645	-3 653	-12 810	-14 144
<b>Gross profit/loss</b>	<b>19 446</b>	<b>17 800</b>	<b>77 645</b>	<b>35 612</b>
Selling expenses	-5 269	-3 838	-18 530	-11 082
Administrative expenses	-3 586	-3 425	-14 090	-13 586
R&D costs	-7 747	-5 997	-26 152	-22 631
Other revenue/costs	4 294	-561	6 976	3 140
	-12 309	-13 821	-51 796	-44 160
<b>Operating profit/loss</b>	<b>7 137</b>	<b>3 979</b>	<b>25 849</b>	<b>-8 548</b>
Financial income/cost	-5 696	566	-5 467	-35 341
<b>Profit/loss before Tax</b>	<b>1 440</b>	<b>4 545</b>	<b>20 381</b>	<b>-43 889</b>
Tax	-	-	13 200	-
<b>Profit/loss for the period</b>	<b>1 440</b>	<b>4 545</b>	<b>33 581</b>	<b>-43 889</b>

**Parent company balance sheet**

(Amounts in SEK thousand)

	<b>2016-12-31</b>	<b>2015-12-31</b>
<b>Assets</b>		
Intangible fixed assets	10 436	11 152
Property, plant & equipment	1 285	2 132
Financial assets	31 789	10 135
<b>Total tangible and intangible assets</b>	<b>43 509</b>	<b>23 419</b>
Inventories	1 576	5 746
Trade receivables	16 173	4 848
Other current receivables	14 170	15 790
Cash and cash equivalents	120 796	46 860
<b>Total current assets</b>	<b>152 715</b>	<b>73 244</b>
<b>Total assets</b>	<b>196 225</b>	<b>96 663</b>
<b>Equity and liabilities</b>		
Equity	162 108	81 285
<b>Total equity</b>	<b>162 108</b>	<b>81 285</b>
Provisions	103	78
<b>Total provisions</b>	<b>103</b>	<b>78</b>
Current liabilities	34 014	15 300
<b>Total liabilities</b>	<b>34 014</b>	<b>15 300</b>
<b>Total equity and liabilities</b>	<b>196 225</b>	<b>96 663</b>
<b>Pledged assets</b>	<b>None</b>	<b>None</b>
<b>Contingent liabilities</b>	<b>None</b>	<b>None</b>

**Change of accounting principles for depreciations and write off immaterial assets**

<b>Income statement Q4 (SEK)</b>	<b>2016</b>	<b>Adjustment</b>	<b>2016*</b>
Cost of goods sold and services	-5 522	-771	-6 293
Gross profit	20 133	-771	19 362
R&D costs	-8 518	771	-7 747

<b>Income statement Q4 (SEK)</b>	<b>2015</b>	<b>Adjustment</b>	<b>2015*</b>
Cost of goods sold and services	-2 336	-1 981	-4 317
Gross profit	21 118	-1 981	19 137
R&D costs	-7 972	1 981	-5 991

<b>Income statement Full year (SEK)</b>	<b>2016</b>	<b>Adjustment</b>	<b>2016*</b>
Cost of goods sold and services	-15 017	-5 556	-20 573
Gross profit	82 206	-5 556	76 650
R&D costs	-31 708	5 556	-26 152

<b>Income statement Full year (SEK)</b>	<b>2015</b>	<b>Adjustment</b>	<b>2015*</b>
Cost of goods sold and services	-8 415	-8 644	-17 059
Gross profit	47 922	-8 644	39 278
R&D costs	-31 275	8 644	-22 631

\*After reclassification



**Consolidated financial ratios**

	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2016 Full year	2015 Full year
Net sales (SEK thousand)	25 655	25 458	21 880	24 230	23 454	97 223	56 337
Net sales (changes in %)	0,8%	16,4%	-9,7%	3,3%	27,9%	72,6%	79,5%
Operating profit (SEK thousand)	2 694	4 595	4 455	6 263	4 384	18 007	-9 408
EBITDA (SEK thousand)	3 784	6 654	6 236	8 162	6 667	24 836	457
Working Capital (SEK thousand)	138 091	87 751	81 766	76 627	69 775	138 091	69 775
Quick ratio	511%	519%	563%	558%	486%	511%	486%
Equity-asset ratio	83%	85%	86%	86%	84%	83%	84%
Return on equity	2,0%	17,3%	12,6%	1,8%	5,4%	25,4%	neg
Capital employed (SEK thousand)	163 011	112 074	93 986	89 066	83 059	163 011	83 059
Earnings per share (SEK)	0,01	0,05	0,01	0,02	0,02	0,09	-0,03
Equity per share (SEK)	0,45	0,32	0,27	0,26	0,24	0,45	0,24
Number of shares (SEK thousand)	360 231	345 306	345 306	345 306	345 306	360 231	345 306
Number of shares adjusted for diluted effect	348 688	346 145	345 765	346 578	346 732	346 843	345 306
Number of employees at end of the period	26	27	26	24	22	26	22
Average number of employees during the period	26	27	26	24	22	26	22

**Consolidated financial ratios**

	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2016 Full year	2015 Full year
Net sales (SEK thousand)	25 655	25 458	21 880	24 230	23 454	97 224	56 337
Net sales (changes in %)	0,8%	16,4%	-9,7%	3,3%	28,0%	72,6%	79,5%
Operating profit (SEK thousand)	2 694	4 595	4 455	6 263	4 384	18 007	-9 408
EBITDA (SEK)	3 784	6 654	6 236	8 162	6 667	24 836	457,0
Cash flow (SEK thousand)	11 751	8 411	10 035	7 462	8 814	37 658	-4 458
Capital employed (SEK thousand)	163 011	112 073	93 986	89 066	83 059	163 011	83 059

**Definitions of financial ratios**

**Net sales (changes in %):** Comparison with previous quarter

**Operating profit (SEK thousand):** Operating profit before financial net

**EBITDA (changes in %):** Profit before financial net and depreciation

**Cash flow (SEK thousand):** Cash flow from operation after changes in working capital

**Working capital:** Total current assets less current liabilities

**Quick ratio:** Current assets less inventories divided by current liabilities

**Equity-assets ratio:** Equity on the balance sheet date divided by total assets on the balance sheet date

**Return on equity:** Equity on the balance sheet date divided by total assets on the balance sheet date

**Capital employed:** Total assets less non-interest-bearing liabilities and provisions

**Profit per share before diluted effect:** Profit after tax divided by average numbers of shares

**Profit per share after diluted effect:** Profit after tax divided by weighted numbers of shares

**Earnings per share:** Profit/loss after tax divided by average number shares

**Operating costs (as presented in sales and earnings):** Operating costs excluding costs of goods sold, including provisions and depreciation, after capitalization of development costs

**Reconciliation, alternative Consolidated financial ratios**

	<b>2016 Q4</b>	<b>2016 Q3</b>	<b>2016 Q2</b>	<b>2016 Q1</b>	<b>2015 Q4</b>	<b>2016 Full year</b>	<b>2015 Full year</b>
EBITDA (SEK thousand)	3 784	6 654	6 236	8 162	6 667	24 836	457
Depreciations	-1 090	-1 530	-1 781	-1 899	-2 283	-6 300	-9 865
Write off		-529				-529	
Operating profit	2 694	4 595	4 455	6 263	4 384	18 005	-9 408
Capital employed (SEK thousand)	163 011	112 074	93 986	89 066	83 059	163 011	83 059
Non interest bearing	33 085	19 392	15 911	15 082	15 890	33 085	15 890
Total assets	196 096	131 466	109 897	104 148	98 949	196 096	98 949
Return on equity capital employed (SEK thousand)	2,0%	17,3%	4,9%	7,3%	5,4%	25,4%	neg
Profit/loss for the period	2 690	17 797	4 448	6 259	4 313	31 194	-9 469
Average equity	137 543	103 030	91 526	86 063	80 288	123 035	80 288
Equity per share (SEK)	0,45	0,32	0,27	0,26	0,24	0,45	0,24
Working capital (SEK)	163 011	112 074	93 986	89 066	83 059	163 011	83 059
Number of shares (thousand)	360 231	345 306	345 306	345 306	345 306	360 231	345 306
Operating costs (SEK thousand)	-16 668	-14 968	-13 444	-13 563	-14 752	-58 645	-48 686
Selling Expenses	-5 419	-6 279	-4 123	-3 674	-4 096	-19 496	-12 685
Administrative expenses	-4 685	-3 198	-3 054	-4 255	-3 424	-15 192	-13 587
R&D costs	-7 747	-6 016	-7 035	-5 353	-5 996	-26 152	-22 631
Other revenue/costs	1 184	524	768	-281	-1 241	2 195	219

## **PRESENTATION OF THE INTERIM REPORT**

On the occasion of today's year-end 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://wonderland.videosync.fi/precise-biometrics-q4-report-2016>

To follow the presentation over phone, dial:

- Sweden +46 8 5664 2695
- UK +44 20 3008 9806
- US ++1 85 5753 2235

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/>