

Q4



PRECISE BIOMETRICS YEAR-END REPORT

JANUARY-DECEMBER 2017

CHANGING MARKET CONDITIONS PROVIDES NEW OPPORTUNITIES

YEAR-END REPORT FOR THE PERIOD JANUARY TO DECEMBER 2017

FOURTH QUARTER

- Net sales for the remaining operation totaled SEK 14.2 (20.8) million.
- The operating profit/loss for the remaining operation for the quarter totaled SEK -5.3 (4.4) million.
- The profit/loss for the period for the remaining operation totaled SEK -12.0 (4.4) million.
- Earnings per share for the remaining operation totaled SEK -0.03 (0.01).
- Earnings per share for the total operation totaled SEK -0.03 (0.01).
- Cash flow from total operating activities totaled SEK 3.1 (11.8) million.

FULL-YEAR PERIOD, JANUARY-DECEMBER

- Net sales for the remaining operation during the full-year period totaled SEK 61.0 (83.3) million.
- The operating profit/loss for the remaining operation for the full-year period totaled SEK -13.9 (25.4) million.
- The profit/loss for the period for the remaining operation totaled SEK -22.7 (38.6) million.
- Earnings per share for the remaining operation totaled SEK -0.06 (0.11).
- Earnings per share for the total operation totaled SEK -0.05 (0.09).
- Cash flow from total operating activities totaled SEK 22.8 (37.7) million. Cash and cash equivalents for the total operation totaled SEK 117.0 (135.8) million at the end of the full-year period.

SIGNIFICANT EVENTS AFTER THE PERIOD

- After the end of the quarter it was announced that Precise BioMatch Embedded is being used in the first pilot project in the USA with dual-interface biometric payment cards, which is being carried out by Visa and Mountain America Credit Union.
- After the end of the quarter an extended licensing agreement was signed with Crossmatch, a supplier of biometric identity solutions for government, enterprise and healthcare.
- The disposal of the Mobile Smart Card Solutions business area was completed as planned as of January 1, 2018.
- After the end of the quarter, Stefan K. Persson was appointed as new CEO instead of Håkan Persson. Stefan K Persson is currently Executive Vice President BO Home in the Bang & Olufsen Group and will take up his position on August 1, 2018 at the latest.

FINANCIAL DATA AND KEY INDICATORS

As a consequence of the fact that the Mobile Smart Card Solutions business area has been classified as a business held for sale, previously reported figures have been converted in order to improve comparability. In order to obtain comparable historical data, previously reported figures have only been adjusted for the expenses relating directly to the discontinued business area, which will no longer affect the company's remaining operation. The resources that were previously allocated to the Mobile Smart Card Solutions business area will be transferred to the Fingerprint Technology business

area at the latest in connection with the disposal and have therefore not been included in the business held for sale. This reinforcement of resources is taking place in order to meet the market's demand for increasingly advanced solutions in the field of Fingerprint Technology.

The discontinued operation's impact on the financial position has not been reported separately, as the company does not consider it possible to report the discontinued operation's impact on cash flow. Cash flow is instead reported for the total operation.

Unless otherwise specified, reported figures in the year-end report relate to the remaining operation.

KEY INDICATORS

	2017 Q4	2016 Q4	2017 Full year	2016 Full year
Net sales	14,181	20,780	61,039	83,299
Net sales growth, %	-31.8%	10.7%	-26.7%	95.7%
Gross margin, %	91.7%	98.0%	93.3%	98.0%
Operating profit/loss	-5,279	4,429	-13,936	25,407
Operating margin, %	-37.2%	21.3%	-22.8%	30.5%
Cash flow from operating activities	3,093	11,751	22,788	37,658
Cash and cash equivalents, total operation	116,955	135,753	116,955	135,753

PRESENTATION OF THE YEAR-END REPORT

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

THE CHAIRMAN'S COMMENTS

The market for capacitive fingerprint sensors for mobile phones in the higher price segments was characterized in 2017 by increased pressure on price and tougher competition, with a small number of suppliers dominating the market. We can conclude that the company, together with its customers, did not win the business we expected in this segment during the year.

We are now seeing a shift in the market for capacitive sensors, which is gradually being transformed into a volume market primarily for mobile phones in the lower price segments. This new market has been created as a consequence of the pressure on price that is prevailing, and it has opened up the opportunity to use capacitive sensors in cheaper mobile phones in several geographical markets. The company has several customers working in this segment.

We are also seeing the design of mobile phones in the higher price segments moving towards displays that cover the entire front side, while at the same time induction charging ("wireless charging"), which requires a glass back, is growing. In both cases, optical or ultrasound sensors are the best alternative for a fingerprint solution. We have more than ten customers working with such sensors.

Precise Biometrics is supplying fingerprint software for smart cards to the first pilot project in the USA with biometric payment cards, which is being carried out by Visa and Mountain America Credit Union. The payment card can be used for contactless payments, where authentication takes place by placing the finger on the card's fingerprint sensor in connection with payment. This enhances both the user experience and security for contactless payment cards. The card can also be used in the retail sector's existing infrastructure, which reduces the introductory phase for putting it into commercial use. The pilot project is a milestone in the development of biometric payment cards and enhances our position in the market.

Our vision of convenient and secure authentication of identity for everyone, everywhere, is more relevant now than ever. Biometrics will increasingly replace passwords and other forms of authentication for cars, door locks and wearables, areas in which we are involved in several projects and intend to drive and continue to be part of developments in the future.

We look forward to seeing Stefan K. Persson, with his extensive experience of China and business development in technology companies, take over as the company's CEO by August 1 at the latest. He will further intensify our focus on the broad application of biometrics.

The company is in a strong financial position, which allows for continued investments in the future markets we have identified and where we hold an attractive position, which means that all in all I have a positive view of the company's outlook.

MARKET AND SALES

Precise Biometrics develops and sells fingerprint software for convenient and secure authentication of people's identity in mobile phones, smart cards and products with small fingerprint sensors. The company offers the following solutions:

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 BioLive™, fingerprint software that protects fingerprint sensors against fake fingers.



Market developments

The market for fingerprint technology in mobile devices continued to grow during 2017. Almost 900 million mobile phones with fingerprint technology were sold, almost all of them fitted with capacitive sensors in the form of a button on the front or back of the mobile phone. 2018 is expected to be another year of growth, with mobile phones in the lower price segments also being fitted with fingerprint sensors.

A technology shift is under way in the sensor market, driven by demand among mobile phone manufacturers for edge-to-edge mobile displays. In contrast to capacitive sensors, optical and ultrasound sensors can be placed under or integrated as part of a mobile phone's display. This creates a better user experience of the mobile phone for users. Induction charging is becoming an increasingly important function, which means that the rear side of the mobile phone is often made of glass. The use of optical and ultrasound sensors simplifies the production process for mobiles, as neither display nor rear panel needs to be adapted with a hole for a sensor button.

The leading suppliers of fingerprint sensors reinforced their positions in the market in 2017. But the technology shift under way is changing the competitive situation. The development of edge-to-edge displays is driving demand for ultrasound and optical sensors, especially for mobiles in the high-end segment. This has resulted in other suppliers now challenging the market leaders. This technological development also means that display manufacturers are moving into the market, as they see opportunities to integrate the sensor into the display. Capacitive sensors will over time be used primarily for low-price phones.

The market for biometric payment cards is becoming increasingly attractive. Payment cards can be used for contactless payments, where authentication takes place by placing the finger on the card's fingerprint sensor. This contributes to better user-friendliness and security for contactless payment cards. The cards can also be used in the retail sector's existing infrastructure. The fact that both of the leading suppliers of payment solutions currently have pilot projects under way with biometric payment cards is increasing the interest from banks and accelerating technological development.

The growing use of fingerprint technology is increasing demand to use the technology in various kinds of connected personal devices. Wearables are an example of one such product area where the company believes that demand will increase as the technology becomes more mature. Another example is gaming, where game controls with fingerprint technology can be used to facilitate personal settings and payments. Cars are another area of interest, where the first concepts have already appeared with sensors on door handles and starter buttons, which will enhance both convenience and security.

NET SALES AND OPERATING PROFIT/LOSS IN THE FOURTH QUARTER

Net sales in the fourth quarter totaled SEK 14.2 (20.8) million, with a negative impact because fewer business deals were won, as was the case for the full year.

The gross margin during the quarter totaled 91.7% (98.0%). The gross margin was charged with the amortization of capitalized development expenses of SEK 0.7 (0.4) million, as well as the amortization of acquired intangible assets attributable to the acquisition of NexID Biometrics of SEK 0.2 (0.0) million, which had a 1.4% unit impact on the gross margin for the quarter.

Operating expenses for the quarter increased because of increased personnel resources, higher sales costs in Asia and the USA, and currency effects of SEK -0.8 million (1.0), and totaled SEK 18.3 (15.9) million.

The operating profit/loss for the quarter totaled SEK -5.3 (4.4) million as a consequence of lower net sales and increased operating expenses. Earnings for the period totaled SEK -12.0 (4.4) million and include an adjustment of the deferred tax asset of SEK -6.6 (0.0) million. The operating profit/loss at EBITDA level totaled SEK -4.2 (4.9) million. Earnings per share (average number of shares) for Q4 totaled SEK -0.03 (0.01).

NET SALES AND OPERATING PROFIT/LOSS FOR THE FULL-YEAR PERIOD

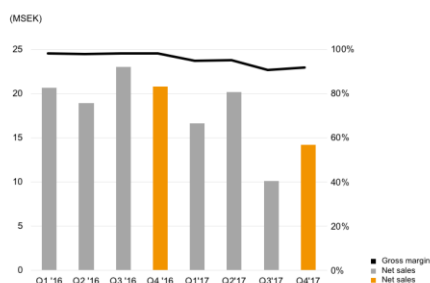
Net sales during the full-year period totaled SEK 61.0 (83.3) million. There was a negative impact on net sales because fewer business deals were won.

The gross margin for the full-year period totaled 93.3% (98.0%). The gross margin was charged with the amortization of capitalized development expenses of SEK 2.5 (1.7) million, as well as the amortization of acquired intangible assets (NexID Biometrics) of SEK 0.7 (0.0) million, which had a 1.2% unit impact on the gross margin for the full year.

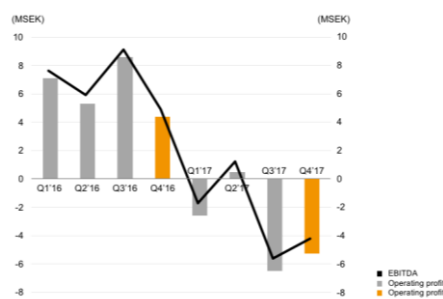
Operating expenses for the full-year period increased primarily because of increased personnel resources, higher sales costs in Asia and the USA, and currency effects of SEK -1.8 million (1.9), and totaled SEK 70.9 (56.2) million.

The operating profit/loss for the full-year period totaled SEK -13.9 (25.4) million because of lower net sales and increased operating expenses. Earnings for the period totaled SEK -22.7 (38.6) million and include an adjustment of the deferred tax asset of SEK -6.6 (13.2) million. The operating profit/loss at EBITDA level totaled SEK -10.4 (27.4) million. Earnings per share (average number of shares) for the full-year period totaled SEK -0.06 (0.11).

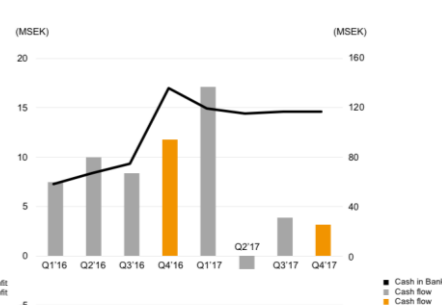
NET SALES & GROSS MARGIN



OPERATING PROFIT



OPERATING CASH FLOW



NET FINANCIAL ITEMS AND TAX

Net financial items for the total operation during the fourth quarter totaled SEK 0.0 (0.0) million and the tax expense for the total operation totaled SEK -6.7 (13.2) million as an effect of a renewed assessment of deferred tax.

Net financial items for the total operation during the full-year period were SEK -1.7 (0.0) million and the tax expense was SEK -7.1 (13.2) million.

CASH FLOW AND INVESTMENTS

Cash flow during the quarter from the company's total operating activities totaled SEK 3.1 (11.8) million. During the fourth quarter the Group invested SEK 0.2 (0.1) million in equipment and SEK 0.1 (0.0) million in intangible non-current assets excluding capitalized development expenses. Depreciation of equipment during the quarter totaled SEK 0.1 (0.1) million and of intangible assets SEK 0.2 (0.0) million.

Cash flow during the period from the company's total operating activities totaled SEK 22.8 (37.7) million. During the full-year period the Group invested SEK 0.7 (0.4) million in equipment and SEK 0.4 (0.0) million in intangible non-current assets excluding capitalized development expenses. Depreciation of equipment during the quarter totaled SEK 0.3 (0.3) million and of intangible assets SEK 0.7 (0.0).

During the full-year period the purchase price for the acquisition of NexID Biometrics Inc. was paid in the amount of SEK 31.4 million (Note 1).

CAPITALIZATION AND AMORTIZATION OF DEVELOPMENT WORK

Development expenses of SEK 2.5 (1.6) million were capitalized during the fourth quarter. Amortization of capitalized development expenses totaled SEK 0.7 (0.4) million during the quarter.

Development expenses of SEK 8.5 million (4.8) were capitalized during the full-year period. Amortization of capitalized expenses totaled SEK 2.5 (1.7) million during the full-year period.

FINANCIAL POSITION AND LIQUIDITY

During the full-year period, it was decided by the shareholders' general meeting on May 16, 2017 that the incentive program for the company's employees should be implemented. The option program issued previously from 2014 with a due date of December 31, 2017 expired without redemptions, as the market price was below the subscription price. In addition, the acquisition of NexID Biometrics was completed during the full-year period and the purchase price of SEK 31.4 million was paid.

The company's cash and cash equivalents at the end of the full-year period totaled SEK 117.0 (135.8) million.

Total equity at the end of the full-year period totaled SEK 145.8 (163.0) million, and equity per share was SEK 0.40 (0.45).

PARENT COMPANY

The parent company's net sales for the full-year period totaled SEK 60.2 (83.3) million. The operating profit/loss was charged with amortization of goodwill totaling SEK 0.7 (0.0) million. A previous write-down of the receivable in Precise Biometrics Inc. was reduced by SEK 10.7 (-5.8) million and this amount is included in financial income and expenses. Earnings for the period include an adjustment of the deferred tax asset of SEK -6.6 (13.2) million. Earnings for the full-year period totaled SEK -17.0 (38.7) million.

Cash and cash equivalents at the end of the full-year period totaled SEK 115.3 (120.8) million, and

equity SEK 143.2 (162.1) 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 Taiwan, China and Korea. At the end of the full-year period the Group had a workforce of 47 (36) people, including consultants. The number of employees was 35 (27), of which 30 (26) were in Sweden.

Until Stefan K Persson assumes the position as CEO, at the latest on August 1, 2018, Göran Thuresson, CFO, will be acting CEO and Torgny Hellström working Chairman of the Board.

During the year, the company's management team was augmented by Fredrik Sjöholm, with responsibility for sales and business development of new product areas, and Fredrik Clementson took up the position of R&D Director.

REPORTING DATES

Q1 2018 Interim Report	May 15, 2018
Q2 2018 Interim Report	August 15, 2018
Q3 2018 Interim Report	November 13, 2018
Year-end Report 2018	February 13, 2019

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. NexID Biometrics Inc. was acquired during 2017 and an acquisition calculation has been prepared. Risk associated with the acquisition is primarily if sales and earnings do not develop as planned, in which case there may be a need to write down intangible assets. The risk associated with the sale of the Mobile Smart Card Solutions business area is if expected commission revenues are not received, in which case there may be a write-down requirement. Otherwise there have been no events 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 2016 have been used in this year-end report as well. The parent company's financial statements have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Annual Reporting Board's recommendation RFR2 Accounting for Legal Entities. Acquisition costs related to the business combination (see Note 1) were recorded in the parent company's balance sheet and increased the amount of goodwill. This item was recorded as an expense in the Group.

IFRS 5

In accordance with IFRS 5, the Mobile Smart Card Solutions business area is recorded as a business held for sale. As a consequence of the fact that the Mobile Smart Card Solutions business area has been classified as a business held for sale, previously reported figures have been converted in order to improve comparability. In order to obtain comparable historical data, previously reported figures have only been adjusted for the expenses relating directly to the discontinued business area, which will no longer affect the company's remaining operation. The resources that were previously allocated to the Mobile Smart Card Solutions business area have been transferred to the Fingerprint Technology business area and have therefore not been included in the business held for sale. In accordance with IFRS 8, the discontinued business area is not included in segment reporting. As the

remaining operation consists exclusively of the Fingerprint Technology business area, there is therefore no longer any segment reporting.

IFRS 15

IFRS 15 replaces all previously issued standards and interpretations dealing with revenues with one combined model for revenue recognition. IFRS 15 comes into force on January 1, 2018. The standard is based on the principle that revenue shall be reported when a promised product or service has been transferred to the customer, i.e., when the customer has acquired control of it, which can take place over time or at one point in time. Revenue shall consist of the amount that the company expects to receive in compensation in exchange for the goods or services supplied.

Work by the Group to evaluate IFRS 15 Revenue from contracts with customers started in 2016 and was completed during 2017. The analysis was performed on the basis of the standard's five-step model and assessed revenue streams based on identified and currently valid agreements with customers. The implementation of IFRS 15 does not have any impact on the Group's and the parent company's revenue recognition.

Revenues in the Fingerprint Technology business area consist of the sale of a software solution for fingerprint identification. Agreements give the customer a license for the software, which is developed and updated on an ongoing basis. The Group has made the assessment that there is a performance commitment to the customer. It has been concluded that the license should be classified as a right to access in accordance with the guidance in IFRS 15 for licenses. Part of the revenue streams for the software solution consist of usage-based royalties (the royalty is based on the number of end products in which the Group's customers use the license). As a consequence of the license having been assessed to be a right to access, revenue from this is reported over time in accordance with IFRS 15. This is in accordance with how the Group reports revenue at present. Usage-based royalties are reported after the customer has used the license in the end product. This recognition method also corresponds with the current policies and therefore requires no retroactive adjustment.

Revenues for the divested Mobile Smart Cards Solution business area, which included product sales, were reported at a point in time, i.e., when control passes to the customer, which normally takes place upon delivery and corresponds with the current accounting policy. The variable components consist of possible returns and discounts. There were no amounts for this during the current year. The introduction of IFRS 15 has no retroactive effect with regard to the reporting of product sales.

The Group has chosen to apply the policy with full retroactivity in connection with the transition to the new accounting standard. As explained above, the transition to IFRS 15 does not, however, entail any need to translate historical figures. The extended disclosure requirements in IFRS 15 will, however, affect the Group's financial reporting from 2018.

IFRS 9

During the full-year period, the Group has evaluated the effects of IFRS 9 Financial Instruments, and no change is expected on the basis of the analysis performed of the existing classification. The Group and the parent company will introduce a model for providing for future bad debts based on historical performance combined with predictive analysis. It is not believed that the introduction of the model will have a significant impact on the Group's profit.

IFRS 16

An analysis was launched in 2017 to investigate how the impact of IFRS 16 Leases will affect the company's financial reporting.

Otherwise, the new standards and interpretations that came into force from fiscal year 2017 have not had any material impact on financial reporting.

In 2017, the company performed a new assessment in respect of the calculation of the deferred tax asset and bases the calculation on a cautious assessment of future foreseeable taxable earnings.

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

ALTERNATIVE KEY INDICATORS

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.

AUDIT

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

Lund, February 13, 2018

Torgny Hellström, Chairman of the Board

Torbjörn Clementz,
Board member

Mats Lindoff,
Board member

Matts Lilja,
Board member

Synnöve Trygg,
Board member

Anna Almlöf,
Board member

Göran Thuresson, Acting 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 Tuesday, February 13, 2018.

Consolidated income statement – in summary
(Amounts in SEK thousand)

	2017 Q4	2016 Q4	2017 Full year	2016 Full year
Net sales	14,181	20,780	61,039	83,299
Cost of goods sold	-1,182	-421	-4,091	-1,681
Gross profit/loss	12,999	20,359	56,948	81,618
Selling expenses	-6,992	-5,092	-29,735	-18,183
Administrative expenses	-3,497	-4,638	-14,105	-15,004
R&D costs	-6,946	-7,215	-25,276	-24,904
Other operating income/expenses	-843	1,014	-1,769	1,881
	-18,278	-15,930	-70,885	-56,211
Operating profit/loss	-5,279	4,429	-13,936	25,407
Financial income/expenses	-18	-4	-1,664	-12
Profit/loss before tax	-5,296	4,425	-15,600	25,395
Tax	-6,735	0	-7,094	13,200
Profit/loss for the period from remaining operation	-12,031	4,425	-22,694	38,595
Profit/loss after tax from discontinued operation	Note 2 2,342	-1,735	5,263	-7,402
Profit/loss for the period, total operation	-9,689	2,690	-17,431	31,193
Profit/loss for the period from total operation attributable to:				
Parent company shareholders	-9,689	2,690	-17,431	31,193
Earnings per share, remaining operation, SEK				
- before dilution, SEK	-0.03	0.01	-0.06	0.11
- after dilution, SEK	-0.03	0.01	-0.06	0.11
Earnings per share, total operation, SEK				
- before dilution, SEK	-0.03	0.01	-0.05	0.09
- after dilution, SEK	-0.03	0.01	-0.05	0.09
Consolidated statement of comprehensive income (Amounts in SEK thousand)				
	2017 Q4	2016 Q4	2017 Full year	2016 Full year
Profit/loss for the period	-9,689	2,690	-17,431	31,193
Other comprehensive income:				
Items that may be reclassified to profit or loss				
Changes in accumulated exchange rate differences	294	1,006	104	1,516
Other comprehensive income for the period, net of tax	294	1,006	104	1,516
Total comprehensive income for the period	-9,394	3,696	-17,327	32,709
Profit/loss for the period attributable to holders of participations in the parent company.	-9,394	3,696	-17,327	32,709

Consolidated balance sheet – in summary
(Amounts in SEK thousand)

		12/31/2017	12/31/2016
Assets			
Intangible fixed assets	Note 1	45,306	10,436
Property, plant and equipment		956	1,285
Financial assets		6,106	13,200
Total fixed assets		52,368	24,921
Inventories		-	2,190
Trade receivables		13,106	18,432
Other current receivables		5,628	14,800
Cash and cash equivalents		116,955	135,753
Total current assets		135,687	171,176
Assets held for sale	Note 2	1,562	-
Total assets		189,618	196,096
Equity and liabilities			
Equity		145,805	163,011
Total equity		145,805	163,011
Current liabilities		43,813	33,085
Total liabilities		43,813	33,085
Total equity and liabilities		189,618	196,096

Consolidated statement of changes in equity – in summary
(Amounts in SEK thousand)

	2017	2016	2017	2016
	Q4	Q4	Full year	Full year
Equity at start of period	155,200	112,074	163,011	83,059
Profit/loss for the period	-9,689	2,690	-17,431	31,193
Exchange rate differences	294	1,004	104	1,516
New share issue ¹⁾	-	47,243	-72	47,243
Option program	-	-	194	-
Equity at end of period	145,805	163,011	145,805	163,011

¹⁾ Costs of the new share issue total SEK 72 thousand, and for the full year 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 Q4	2016 Q4	2017 Full year	2016 Full year
Cash flow from current operations before changes in working capital	-1,462	3,780	-4,670	24,824
Cash flow from changes in working capital	4,554	7,971	27,458	12,834
Cash flow from operating activities	3,093	11,751	22,788	37,658
Cash flow from investing activities	-2,773	-1,689	-40,821	-5,268
Cash flow from financing activities	0	50,000	194	50,000
Cash flow for the period	320	60,062	-17,840	82,390
Cash and cash equivalents at start of period	116,722	75,047	135,753	52,356
Translation difference in cash and cash equivalents	-86	644	-958	1,007
Cash and cash equivalents at end of period	116,955	135,753	116,955	135,753

Consolidated key indicators

(Amounts in SEK thousand unless otherwise stated)

	2017 Q4	2016 Q4	2017 Full year	2016 Full year
Net sales	14,181	20,780	61,039	83,299
Net sales growth, %	-31.8%	10.7%	-26.7%	95.7%
Gross margin, %	91.7%	98.0%	93.3%	98.0%
Operating profit/loss	-5,279	4,429	-13,936	25,407
Operating profit/loss, total operation	-2,936	2,694	-8,676	18,005
Working capital, total operation	91,876	138,091	91,876	138,091
Capital employed, total operation	145,805	163,011	145,805	163,011
Quick ratio, total operation, %	310%	511%	310%	511%
Equity/assets ratio, total operation, %	76.9%	83.1%	76.9%	83.1%
Return on equity, total operation, %	-11.2%	27.2%	-11.2%	27.2%
Earnings per share before dilution, SEK	-0.03	0.01	-0.06	0.11
Earnings per share before dilution, total operation, SEK	-0.03	0.01	-0.05	0.09
Earnings per share after dilution, SEK	Note 3	0.01	-0.06	0.11
Earnings per share after dilution, total operation, SEK	Note 3	0.01	-0.05	0.09
Equity per share, total operation, SEK	0.40	0.45	0.40	0.45
No. of shares (thousands)	360,231	360,231	360,231	360,231
Weighted average number of shares, adjusted for dilution effect (thousand)	360,231	348,688	360,231	346,843
Number of employees at end of period	34	26	34	26
Average number of employees during the period	34	27	31	24

Quarterly summary

(Amounts in SEK thousand unless otherwise stated)

	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4
Net sales	14,181	10,081	20,160	16,617	20,780
Sequential net sales growth, %	40.7%	-50.0%	21.3%	-20.0%	-9.5%
Operating profit/loss	-5,279	-6,480	481	-2,661	4,429
Operating profit/loss, total operation	-2,936	-4,818	1,750	-2,670	2,694
EBITDA	-4,233	-5,622	1,219	-1,715	4,934
EBITDA, total operation	-1,890	-3,961	3,033	-1,138	3,784
Cash flow, total operation	3,093	3,887	-1,314	17,123	11,751
Capital employed, total operation	145,805	155,200	160,793	159,488	163,011

Reconciliation of alternative key indicators
(Amounts in SEK thousand unless otherwise stated)

	2017 Q4	2016 Q4	2017 Full year	2016 Full year
EBITDA	-4,233	4,934	-10,350	27,424
Depreciation	-1,046	-505	-3,586	-2,017
Write-downs	0	0	0	0
Operating profit/loss	-5,279	4,429	-13,936	25,407
EBITDA, total operation	-1,890	3,784	-3,956	24,835
Depreciation, total operation	-1,046	-1,090	-4,719	-6,301
Write-downs, total operation	0	0	0	-529
Operating profit/loss, total operation	-2,936	2,694	-8,675	18,005
Operating profit/loss, remaining operation	-5,279	4,429	-13,938	25,408
Operating profit/loss, discontinued operation	2,342	-1,735	5,262	-7,402
Operating profit/loss, total operation	-2,936	2,694	-8,675	18,005
Selling expenses	-6,992	-5,092	-29,735	-18,183
Administrative expenses	-3,497	-4,638	-14,106	-15,004
R&D costs	-6,946	-7,215	-25,275	-24,904
Other operating income/expenses	-843	1,014	-1,769	1,881
Total operating expenses, remaining operation	-18,278	-15,930	-70,885	-56,211
Capital employed, total operation	145,805	163,011	145,805	163,011
Non-interest-bearing liabilities, total operation	43,813	33,085	43,813	33,085
Balance sheet total, total operation	189,618	196,096	189,618	196,096
Equity, total operation	145,805	163,011	145,805	163,011
Average equity, total operation	150,503	137,542	154,408	123,035

Parent company income statement
(Amounts in SEK thousand)

	2017 Q4	2016 Q4	2017 Full year	2016 Full year
Net sales	14,018	20,780	60,183	83,299
Cost of goods sold	-1,561	-421	-5,511	-1,681
Gross profit/loss	12,457	20,359	54,672	81,618
Selling expenses	-7,021	-5,213	-29,710	-18,306
Administrative expenses	-3,199	-3,539	-13,978	-13,902
R&D costs	-7,284	-7,215	-25,312	-24,904
Other operating income/expenses	-27	3,954	-4,937	6,424
	-17,530	-12,013	-73,936	-50,687
Operating profit/loss	-5,073	8,346	-19,264	30,931
Financial income/expenses	10,612	-5,696	8,910	-5,467
Profit/loss before tax	5,539	2,650	-10,354	25,463
Tax	-6,600	0	-6,600	13,200
Profit/loss for the period from remaining operation	-1,061	2,650	-16,954	38,663
Profit/loss after tax from discontinued operation	Note 2	-1,110	-1,210	-2,111
		-1,110	-1,210	-5,083
Profit/loss for the period, total operation	-2,171	1,440	-19,065	33,580

Parent company balance sheet
(Amounts in SEK thousand)

		12/31/2017	12/31/2016
Assets			
Intangible fixed assets	Note 1	44,132	10,436
Property, plant and equipment		775	1,285
Financial assets		9,819	31,789
Total fixed assets		54,727	43,509
Inventories		-	1,576
Trade receivables		11,133	16,173
Other current receivables		5,526	14,170
Cash and cash equivalents		115,283	120,796
Total current assets		131,942	152,715
Assets held for sale	Note 2	1,562	-
Total assets		188,231	196,225
Equity and liabilities			
Equity		143,243	162,108
Total equity		143,243	162,108
Provisions		103	103
Total provisions		103	103
Current liabilities		44,885	34,014
Total liabilities		44,885	34,014
Total equity and liabilities		188,231	196,225

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 3.3 million and the operating profit/loss by SEK -2.8 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	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 Assets held for sale

On Wednesday, June 21, 2017 Precise Biometrics announced that the company had concluded an agreement with IDENTOS GmbH on the takeover of the Mobile Smart Card Solutions business area, which includes the business operation involving smart card readers under the Tactivo brand. Identos took over the development of new smart card readers under the Tactivo brand, patents, trademark rights, manufacturing, sales and customer support on January 1, 2018.

As of June 30, 2017 assets belonging to Mobile Smart Card Solutions have been reclassified and recorded as assets held for sale and profit/loss from a discontinued operation.

The recorded sale includes sale of stock to Identos in the fourth quarter corresponding to a value of SEK 2.2 million.

Group

(Amounts in SEK thousand)

Income Statement

	2017	2016	2017	2016
	Q4	Q4	Full year	Full year
Sales	4,828	4,875	13,203	13,924
Expenses	-2,486	-6,610	-7,940	-21,326
Operating profit/loss	2,342	-1,735	5,263	-7,402
Write-down to sales value	0	0	0	0
Profit/loss before tax from discontinued operation	2,342	-1,735	5,263	-7,402

Balance sheet

	2017
	Full year
Capitalized development expenses	1,301
Tools	261
Total assets held for sale	1,562

Parent company

(Amounts in SEK thousand)

Income Statement

	2017	2016	2017	2016
	Q4	Q4	Full year	Full year
Sales	3,198	2,310	8,552	7,156
Expenses	-4,307	-3,520	-10,663	-12,239
Operating profit/loss	-1,110	-1,210	-2,111	-5,083
Write-down to sales value	0	0	0	0
Profit/loss before tax from discontinued operation	-1,110	-1,210	-2,111	-5,083

Balance sheet

	2017
	Full year
Capitalized development expenses	1,301
Tools	261
Total assets held for sale	1,562

Note 3 Option program

The shareholders' general meeting on May 16, 2017 made a decision on an incentive plan for the company's employees to the effect that a maximum of five million (5,000,000) stock options can be issued, with each stock option providing entitlement to subscribe to one (1) share in the company. Subscription to the stock options must take place no later than December 31, 2017, with the Board having the right to extend the subscription period. Subscription through the exercising of stock options may take place during the period June 1, 2020 until June 30, 2020. The subscription price for the options has been set at SEK 0.06 and the subscription price for the shares at SEK 5.40. At the end of the full-year period, 3,230,000 options had been subscribed, corresponding to 65% of total stock options. The amount paid for the subscribed stock options is SEK 194 thousand. Assuming that all stock options are exercised to subscribe to new shares, the number of shares in the company will increase by 5,000,000 shares.

In 2017, the company also had a program of stock options covering all employees of the company in 2014. The program initiated in 2014 involved the issuing of stock options, which were transferred to the employees at market rates in accordance with the Black & Scholes valuation model. A total of 2,610,000 options were subscribed, and subscription to shares through the exercising of the stock options was possible during the period July 1-December 31, 2017, with each option providing a right to subscribe to one share of SEK 2.50. As the market price during the subscription period was lower than the subscription price, no shares were subscribed.

Dilution effects are only considered in the event that the earnings per share become worse. The dilution effects have not been considered, as the average price during both the full-year period and the fourth quarter was below the price in the current option program.

Note 4 Definitions of key indicators

Net sales growth

Percentage change compared with the corresponding period in the previous year.

Gross margin

Gross profit/loss divided by net sales.

Operating profit/loss

Profit/loss before financial net and tax.

Operating profit/loss, total operation

Operating profit/loss plus profit/loss after tax from discontinued operation.

Operating expenses

Operating expenses excluding cost of goods sold.

EBITDA

Profit/loss before financial net and depreciation.

Operating margin

Operating profit/loss divided by net sales.

Cash flow, total operation

Cash flow from operating activities after changes in working capital.

Working capital, total operation

Current assets minus current liabilities.

Capital employed, total operation

Total assets less non-interest-bearing liabilities and provisions.

Equity, total operation

Equity at the end of the period.

Average equity, total operation

Average equity has been calculated as equity in the last four interim periods divided by four.

Quick ratio, total operation

Current assets excluding inventories divided by current liabilities.

Equity/assets ratio, total operation

Equity divided by total assets on the balance sheet date.

Return on equity, total operation

Profit/loss for the period from total operation divided by average equity.

Earnings per share, remaining operation, before dilution

Profit/loss for the period from remaining operation divided by average number of shares.

Earnings per share, remaining operation, after dilution

Profit/loss for the period from remaining operation divided by weighted average number of shares.

Earnings per share, total operation, before dilution

Profit/loss for the period from total operation divided by average number of shares.

Earnings per share, total operation, after dilution

Profit/loss for the period from total operation divided by weighted average number of shares.

Equity per share, total operation

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

Return on equity, total operation

Profit/loss after tax divided by average equity.

INVITATION TO PRESENTATION OF THE YEAR-END REPORT

On the occasion of today's year-end report, we invite investors and the media to an information conference call.

The conference call starts at 10:00 AM (CET).

To take part, click on the link below to listen and follow the presentation online, or call the below number to follow it over the phone:

- UK: +44 2030089806
- US: +1 8557532235
- Sweden: +46 856642662

<https://tv.streamfabriken.com/precise-biometrics-q4-2017>

You will be asked to state your name when you connect to the conference call and there will be an opportunity to ask questions in Swedish. The conference call will be held in English.

Participating on behalf of Precise Biometrics:

Torgny Hellström, Chairman of the Board
Göran Thuresson, Acting CEO/CFO

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