ANNUAL GENERAL MEETING 2018

Torgny Hellström| Chairman of the Board

May 16, 2018
SUMMARY OF 2017

- Market dominated by a few suppliers
- New business wins below expectations
- Divested Mobile Smart Card Solutions business areas
- Acquired NexID Biometrics
- Positioned us well on the market for smartphones, biometric cards and new application areas
CONTINUED EFFORTS ON NEW SENSOR TECHNOLOGIES

THE MARKET

- Progress on mobile market within the high- and low-end segment
- Precise BioMatch Mobile was deployed in Huawei Honor 10 & Sony Experia L2
- VISA deployed its first pilot with biometric smart cards in the USA, using Precise BioMatch Embedded
- Deepened the cooperation with Kona-i

FINANCIAL

- Sales increased with 9.2% in Q1 to 18.2 MSEK (16.6)
- Operating result in Q1 amounted to -2.0 MSEK (-2.7)
- Operational cash flow in Q1 was -8.2 MSEK (17.1)
THE MARKET
# Driving Factors in Key Focus Areas

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<th>Area</th>
<th>Driving Factor</th>
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<td><strong>Mobile</strong></td>
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<td>High-end</td>
<td>New smartphone designs with edge-to-edge screens with optical or ultrasound sensors</td>
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<tr>
<td>Low-end</td>
<td>Increased price pressure on capacitive sensors opens up low-end segment</td>
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<td><strong>Smart Cards</strong></td>
<td>Demand for biometric payment cards to increase convenience of contactless payments and reduce fraud</td>
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<td><strong>New Applications</strong></td>
<td>Demand for convenience, security and personalization</td>
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TECHNOLOGY DEVELOPMENT ON SENSOR MARKET*

- High/Mid-End Capacitive
- Low-End Capacitive
- Under-display
- In-display

* Based on Precise Biometrics’ and analysts’ assessment of the market development
MOBILE HIGH-END

MARKET TRENDS

- New smartphone designs with edge-to-edge displays and glass backs
- Increased demand for ultrasound and optical sensors
- Vendors of ultrasound and optical sensors are challenging current capacitive market leaders
- Display manufacturers are moving into the market
Precise Biometrics fingerprint software is technology neutral and can be used with any sensor technology.

Ten customers that are working with optical and ultrasound sensor technologies.

Well prepared for the coming technology shift.
LOW-END MOBILE

MARKET TRENDS

- Market to grow with 20% to 900M sensors in 2018 – Driven by low-end mobile devices
- Increased competition and fast changing market dominated by a few vendors
- Reduced sensor prices open up for use in low-end devices and several geographical markets
- Capacitive sensors will dominate in low-end mobile devices
Precise Biometrics’ software meet OEM’s requirements on small sensors

Working with several customers targeting devices covering all price segments

Well-positioned for the upcoming shift towards low-end devices
MARKET TRENDS

- Great potential in smart cards with several billion cards issued annually
- First major growth area within biometric smart cards is payment cards with an addressable market of 3 billion cards/year
- Contactless biometric payment cards increase convenience and security
- Several ongoing pilots of biometric payment cards
OUR POSITION

- Integrated in the world's first contactless biometric payment card from AirPlus International
- Integrated in the first pilot in the USA carried out by Visa and Mountain America Credit Union
- Working with several customers on biometric card projects
MARKET TRENDS & OUR POSITION

- Biometrics will to a greater extent replace passwords and other means of authentication in new areas of use for example:
  - Cars
  - Wearables
  - Gaming
- Precise Biometrics is involved in several projects within this area
SUMMARY & OUTLOOK

- Continue to execute our strategy for the four identified focus areas
- Good progress in mobile sensor market
- Strengthened our position in the biometric payment cards market
- Participating and driving projects in new areas of use
- Strong finances that enable continued investments in key growth areas
- Positive view on company outlook