

# Q2



## New strategic partnerships within Digital Identity and Mobile Devices

INTERIM REPORT FOR THE PERIOD APRIL – JUNE 2019

### SECOND QUARTER

- Net sales totaled SEK 13.4 (18.7) million.
- Net operating profit/loss totaled SEK -7.3 (-3.3) million.
- The profit/loss totaled SEK -7.6 (-4.1) million.
- Earnings per share totaled SEK -0.02 (-0.01).
- Cash flow from operating activities totaled SEK -1.1 (-8.6) million.

### INTERIM PERIOD

- Net sales totaled SEK 25.6 (36.9) million.
- Net operating profit/loss totaled SEK -15.1 (-5.3) million.
- The profit/loss totaled SEK -15.5 (-6.6) million.
- Earnings per share totaled SEK -0.04 (-0.02).
- Cash flow from operating activities totaled SEK -11.3 (-16.8) million.

### SIGNIFICANT EVENTS DURING THE QUARTER

- Precise entered into a strategic partnership within mobile devices with Egis Technology, a leading sensor manufacturer
- Precise entered into a strategic partnership within digital identity with Covr Security, to jointly offer products that enable convenient and secure identity verification for digital services
- Revenue from pilot projects within Digital Identity
- The reorganization initiated in fall 2018 has been completed and the Shanghai office is fully operational

### SIGNIFICANT EVENTS AFTER THE END OF THE QUARTER

- Precise integrated in the first biometric smart card module with Mastercard CAST certificate
- First delivery of mobile devices together with Egis Technology

## FINANCIAL DATA AND KEY INDICATORS

### KEY INDICATORS

Amounts in SEK thousand unless otherwise stated	2019	2018	2019	2018	2018	Rolling
	Q2	Q2	Q1-Q2	Q1-Q2	Full year	12 months
Net sales	13,446	18,728	25,590	36,880	67,645	56,355
Net sales growth, %	-28.2%	-7.1%	-30.6%	0.3%	10.8%	0.0%
Gross margin, %	78.8%	82.8%	75.2%	87.4%	85.2%	79.2%
Operating profit/loss	-7,274	-3,296	-15,143	-5,329	-19,958	-23,936
Operating margin, %	-54.1%	-17.6%	-59.2%	-14.5%	-29.5%	-42.5%
Cash flow from the operating activities	-1,089	-8,609	-11,295	-16,835	-26,055	-18,535
Cash and cash equivalents	65,416	93,580	65,416	93,580	79,543	65,416

### PRESENTATION OF THE INTERIM REPORT

In connection with today's interim report, we include an invitation to a telephone conference/webcast today at 10:00 AM. Please see the last page of the interim report for further information about participation.

## THE CEO'S COMMENTS

Another intensive quarter has passed, and it has been an eventful first half of 2019 for Precise. We continue our journey according to the strategy presented in the fall of 2018, in which we have made important progress in our three business areas; digital identity, smart cards and mobile devices. The cost savings as a result of the reorganization 2018, has resulted in a more controlled cost base during the quarter, while we continue to gradually increase the investment pace in the digital identity business area.

In the digital identity business area, we continue to develop biometric solutions to meet users' demand for easy and secure authentication in everyday life. In June it was announced that we had entered into a partnership with Covr Security – which enables secure transactions online via mobile devices in combination with Precise YOUNiQ – our product for verification of the digital identity. We aim at offering a common product that enables convenient and secure verification of identity for digital services, in sectors such as finance, betting, retail and healthcare. Together with Covr we are developing a scalable solution for end users.

We have several pilot projects running, which during the quarter generated approximately SEK 1 million in revenue, and our target is to initiate additional pilot projects in 2019 to reach the commercialization phase in 2020.

The mobile devices business area has also developed strongly. In June, we entered into a strategic partnership with a leading fingerprint sensor supplier, Egis Technology. The collaboration has resulted in the first integration of our software into a series of mobile devices, which is expected to generate about SEK 10 million in revenue during the second half of 2019. The order is an acknowledgement, but we still see 2019 as a challenging year from a financial perspective given the volatility in the mobile device market.

The technology shift in which optical sensors are gaining ground over capacitive and ultrasonic sensors paves the way for us to gain more market shares. The price pressure on sensors continues, which means lower margins for us as well. Through the establishment of our office in Shanghai we strengthen our local presence and enables us to extend our customer relationships. Together with our partners, we are working on a number of projects that are expected to generate revenue during the current year and the years that come.

Within the smart card business area, we announced after the end of the quarter that our partnership with NXP has resulted in the first biometric product, a secure processing module for smart cards, to obtain a Mastercard CAST Certificate. The certification is a confirmation of the quality of our fingerprint software and an important step towards commercialization. As previously communicated, we are expecting modest initial volumes of biometric smart cards to be delivered at the end of 2019, followed by larger volumes in 2020. We are now working intensively to complete the product before launch, to in the next step, focus on the cost structure prior to volume production.

In conclusion, Precise continues to achieve important milestones in its work to reach a higher level in the value chain. Demand for biometric solutions is high and we are working intensively to make it convenient and secure for users to authenticate themselves, and in the future be able to own and control their data regardless of the area of application. We are confident in our initiatives to deliver world-leading biometric solutions that enable secure and convenient verification that is "Verified by You".

*Stefan K Persson, CEO*

## MARKET AND SALES

Precise develops and sells biometrics solutions for convenient and secure verification of people's digital identity in mobile phones, smart cards and digital platforms. The company offers the following products in each area:

### *Digital identity*

Precise YOUNiQ® - Secures digital identity in a simple, secure way

### *Smart cards*

Precise BioMatch® Card - Verifies fingerprints in smart cards

### *Mobile devices*

Precise BioMatch® Mobile - Verifies fingerprints in mobile phones and tablets

In addition to the areas listed above, Precise is working on selected projects in cars and door locks.

## Market developments

### *Digital identity*

We are to a larger extent using digital services that requires registration and authentication of people's identity. Since the process of registration usually is complicated and the user chooses a too simple password, there is an increased demand for more convenient and more secure ways to verify our digital identity. The increasingly digital and connected world means that we are not only using our digital identity in multiple channels but also across devices which increases the need for effective and secure authentication.

By using solutions that combine several biometrical technologies to verify our digital identity we can create the optimal balance between convenience and security. The combined technology can be applied in a variety of applications, including access to facilities, document verification and digital services in sectors such as finance, betting, healthcare and transportation. According to an analysis by Goode Intelligence, over 2 billion digital identification and document verifications checks are expected to occur annually by 2024.

### *Smart cards*

Biometrics to verify identity has become an increasingly important tool in the battle against fraud in almost all payment channels. Payments have become a major driving force for the adoption of biometrics at the consumer level, where biometric cards is an area analysts expect to grow rapidly in the coming years. Therefore, card manufacturers put more and more focus on certification of contactless biometric payment cards, which is a prerequisite for card issuers to be able to make a broad introduction to the market. A small-scale commercialization of contactless biometric payment cards is expected in 2019.

According to Goode Intelligence, 1.2 billion people are expected to use biometrics for payments on a daily basis in 2020 and that there will be 579 million biometric payment cards in use in 2023.

### *Mobile devices*

A continued demand for user-friendly phones and tablets with full-screen displays is driving the trend for mobile devices. The next stage in the development is sensors that cover the entire display and can read a fingerprint wherever it is placed on the screen. According to an analysis from IHS Markit, optical and ultrasound sensors for phones in the higher price segment are expected to increase and account for more than 100 million sensors during the year. Since the average price of these sensors is much higher than for capacitive sensors, they will account for a large share of the market value for fingerprint sensors. In total the market value for capacitive sensors will decrease since prices will decrease faster than volumes will increase.

### NET SALES AND OPERATING PROFIT/LOSS IN THE SECOND QUARTER

Net sales in the second quarter totaled SEK 13.4 (18.7) million divided between royalty revenues SEK 0.9 (4.7) million, revenues from licenses SEK 7.4 (11.0) million, support and maintenance SEK 2.4 (2.1) million and other SEK 2.7 (0.9) million.

The gross margin for the quarter totaled 78.8 % (82.8). The total amortization of capitalized development expenses was SEK 2.5 (2.4). Amortizations of intangible assets totaled SEK 0.2 (0.2) million.

Operating expenses for the quarter decreased by SEK 0.9 million and totaled SEK 17.9 (18.8) million. The decrease was related to the reorganization as well as decreased sales costs. The increased costs in R&D was related to increased investments in digital identity and lower capitalization of R&D SEK 1.3 (3.1) million. The interim period was also affected by a fine of SEK 0.4 million from Nasdaq Stockholm's Disciplinary Committee.

The operating profit/loss for the quarter decreased to SEK -7.3 (-3.3) million, primarily due to a decreased gross profit of SEK -4.9 million that was partly compensated by lower operating expenses of SEK 0.9 million. The operating profit/loss totaled SEK -7.6 (-4.1) million. The profit/loss at EBITDA level totaled SEK -4.1 (-1.0) million. Earnings per share (average number of shares) for the second quarter totaled SEK -0.02 (-0.01).

### NET SALES AND OPERATING PROFIT/LOSS FOR THE INTERIM PERIOD

Net sales during the interim period totaled SEK 25.6 (36.9) million divided between royalty revenues SEK 3.0 (10.2) million, revenues from licenses SEK 13.9 (20.2) million, support and maintenance SEK 5.1 (5.2) million and other SEK 3.6 (1.3) million.

The gross margin during the interim period totaled 75.2%, (87.4). Total amortization and impairment of capitalized development expenses totaled SEK 4.8 (3.2) million which had a negative impact on gross margin by 10.6%, and amortization of acquired intangible assets totaled SEK 0.4 (0.4).

Operating expenses for the interim period decreased by SEK 3.2 million and totaled SEK 34.4 (37.6) million. The decrease is mainly due to lower staff expenses as a result of the completed reorganization. The increased costs in R&D was related to lower capitalization of R&D SEK 1.7 (3.2) million and investments in the business area digital identity.

The operating profit/loss for the interim period decreased to SEK -15.1 (-5.3) million, primarily due to a decrease in net profit of SEK -13.0 million, which was partly compensated by lower operating expenses of SEK 3.2 million. Earnings for the period totaled SEK -15.5 (-6.6) million. The operating profit/loss at EBITDA level totaled SEK -8.8 (-1.0) million. Earnings per share (average number of shares) for the period totaled SEK -0.04 (-0.02).



#### **NET FINANCIAL ITEMS AND TAX**

Net financial items for the total operations during the second quarter totaled SEK -0.2 (-0.4) million and the tax expense totaled SEK -0.1 (-0.4) million.

Net financial items for the total operations for the interim period totaled SEK 0.1 (-0.7) million and the tax expense totaled SEK -0.3 (-0.5) million.

#### **CASH FLOW AND INVESTMENTS**

Cash flow from the company's total operating activities totaled SEK -1.1 (-8.6) million. Adjusted for costs related to the reorganization that was accounted for in the fourth quarter in 2018, the cash flow amounted to SEK +1.2 million. The costs related to the reorganization has reduced the cash flow by SEK 2.3 million. During the interim period the Group has invested SEK 0 (0) million in tangible assets.

Cash flow from the company's total operating activities totaled SEK -11.3 (-16.8) million. Adjusted for the costs related to the reorganization that was accounted for in the fourth quarter in 2018, the cash flow amounted to SEK -7.5 million. The costs related to the reorganization has reduced the cash flow by SEK 3.8 million. During the interim period the Group has invested SEK 0.1 (0.4) million in tangible assets.

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

During the second quarter, development expenses of SEK 1.3 (3.1) million were capitalized. Depreciation of capitalized development expenses totaled SEK 2.5 (1.5) million.

During the interim period, development expenses of SEK 3.1 (6.3) million were capitalized. Depreciation of capitalized development expenses totaled SEK 4.8 (2.3) million.

#### **FINANCIAL POSITION AND LIQUIDITY**

Cash and cash equivalents at the end of the interim period totaled SEK 65.4 (93.6) million.

Total equity at the end of the interim period totaled SEK 110.4 (139.8) million and equity per share was SEK 0.31 (0.39).

## THE PARENT COMPANY

The parent company's net sales during the interim period amounted to SEK 24.8 (36.9) million. The operating profit/loss totaled SEK -15.9 (-3.7) million and was affected by amortizations of goodwill totaling SEK 1.2 (1.2) million.

Cash and cash equivalents at the end of the quarter totaled SEK 62.5 million (92.1) and total equity amounted to SEK 105.4 million (138.3).

## ORGANIZATION AND STAFF

The organization consists of the head office in Lund, Sweden and offices in Potsdam, USA and Shanghai, China. At the end of the interim period the Group had a workforce of 39 (44) people, including on-site consultants. The number of employees were 22 (34), of which 15 (29) in Sweden. Precise works agile together with several partners, which entail a fast-moving, scalable, organization. The number of employees does not include partners.

## REPORTING DATES

Q3 Interim Report 2019	15 November, 2019
Year-end Report 2019	February 14, 2020
Q1 Interim Report 2020	May 15, 2020

## 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 2018. 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 interim report has been prepared in accordance with IAS 34, Interim Reporting. 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. The recognition and measurement policies as well as the bases of estimates applied in the Annual Report for 2018 have been used in this interim report. No new or revised IFRS's that has come into force in 2019 has had any effect on the company's financial reports, except IFRS 16.

### IFRS 16 Leases

IFRS 16 came into force on January 1, 2019 and replaced IAS 17. The right-of-use assets shall be reported in the balance sheet as assets and the lease payments should be included as interest payments. The costs should be divided in interest expense on the lease liability and depreciation of the right-of-use asset. When accounting for a leasing agreement an average interest rate of 3 % is used based on information from external actor. The largest lease liability is a rental agreement for the business operation in Lund.

The company chose the simplified transition method in accordance with IFRS 16, which means that the comparative figures (2018) will not be recalculated to correspond.

The Group applies the exceptions which entails that leasing contracts with a leasing period of maximum 12 months and leasing agreement where the value of the asset is low will be excluded from the calculation of the leasing debt. These costs are accounted for as linear in the income statement. Non-lease components have been included in the calculation of the leasing liabilities.

### **ALTERNATIVE KEY INDICATORS**

Precise presents financial definitions and reconciliations of alternative key indicators in this interim report. Precise presents alternative key indicators as these provide valuable supplementary information for investors and company management, making it possible to evaluate the company's performance. The alternative key indicators reported in this report can differ in calculation method from similar measures used by other companies.

### **OWNERSHIP STRUCTURE**

Precise Biometrics AB (publ), corporate ID number 556545-6596, is the parent company in the Precise Biometrics Group. Precise Biometrics AB's shares are listed on the Small Cap list of the Nasdaq OMX Nordic. The number of shareholders at the end of the full-year period was 21,349 (22,894). 67,617,056 shares were traded during the second quarter. The closing price on June 28 was SEK 1.36, and during the second quarter the share price fluctuated between SEK 1.026 and, SEK 1.59.

### **AUDIT**

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

The undersigned certifies that the interim report provides a true and fair view of the parent company's and the Group's operations, financial position and financial results, and describes the significant risks and uncertainty factors faced by the parent company and the companies that belong to the Group.

*Lund, August 16, 2019*

Torgny Hellström,

Chairman of the Board

Torbjörn Clementz,

Board member

Mats Lindoff,

Board member

Synnöve Trygg,

Board member

Åsa Schwarz,

Board member

Stefan K Persson

CEO

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*This information is information that Precise Biometrics AB is obliged to disclose pursuant to the EU Market Abuse Regulation and the Swedish Securities Market Act (2007:528). The information was submitted for publication on 16 August 2019, 08:00 CET.*

**CONSOLIDATED INCOME STATEMENT**

Amounts in SEK thousand	Note	2019 Q2	2018 Q2	2019 Q1 - Q2	2018 Q1 - Q2	2018 Full year	Rolling 12 months
Net sales	1	13,446	18,728	25,590	36,880	67,645	62,363
Cost of goods sold		-2,857	-3,214	-6,349	-4,641	-10,000	-9,643
<b>Gross profit</b>		<b>10,589</b>	<b>15,515</b>	<b>19,241</b>	<b>32,240</b>	<b>57,645</b>	<b>52,719</b>
Sales expenses		-5,276	-7,231	-10,876	-15,116	-27,664	-25,709
Administrative expenses		-4,282	-3,775	-8,307	-8,952	-15,508	-16,015
R&D expenses		-8,067	-7,233	-15,477	-13,056	-33,519	-34,353
Other operating income/expenses		-238	-572	276	-444	-911	-577
		<b>-17,863</b>	<b>-18,811</b>	<b>-34,384</b>	<b>-37,569</b>	<b>-77,602</b>	<b>-76,654</b>
<b>Operating profit/loss</b>		<b>-7,274</b>	<b>-3,296</b>	<b>-15,143</b>	<b>-5,329</b>	<b>-19,958</b>	<b>-23,936</b>
Financial income/expenses		-198	-407	-136	-684	-608	-399
<b>Profit/loss before tax</b>		<b>-7,472</b>	<b>-3,703</b>	<b>-15,279</b>	<b>-6,014</b>	<b>-20,565</b>	<b>-24,335</b>
Tax		-126	-403	-252	-538	-1,622	-1,345
<b>Profit/loss for the period</b>		<b>-7,598</b>	<b>-4,106</b>	<b>-15,531</b>	<b>-6,552</b>	<b>-22,187</b>	<b>-25,679</b>
Profit/loss after tax from discounted operation		0	443	0	512	1,733	1,290
<b>Profit/loss for the period, total operation</b>		<b>-7,598</b>	<b>-3,664</b>	<b>-15,531</b>	<b>-6,039</b>	<b>-20,454</b>	<b>-24,388</b>
<b>Profit/loss for the period attributable to parent company shareholders</b>		<b>-7,598</b>	<b>-3,664</b>	<b>-15,531</b>	<b>-6,039</b>	<b>-20,454</b>	<b>-24,388</b>
Earnings per share, remaining operation SEK							
- before dilution, SEK		-0.02	-0.01	-0.04	-0.02	-0.06	-0.07
- after dilution, SEK		-0.02	-0.01	-0.04	-0.02	-0.06	-0.07
<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>							
<b>Profit/loss for the period</b>		<b>-7,598</b>	<b>-3,664</b>	<b>-15,531</b>	<b>-6,039</b>	<b>-20,454</b>	<b>-24,388</b>
<b>Other comprehensive income for the period</b>							
<i>Items that may be reclassified to profit or loss</i>							
Changes in accumulated exchange rate differences		-36	77	1	137	226	113
<b>Other comprehensive income for the period</b>		<b>-36</b>	<b>77</b>	<b>1</b>	<b>137</b>	<b>226</b>	<b>113</b>
<b>Total comprehensive income</b>		<b>-7,634</b>	<b>-3,587</b>	<b>-15,530</b>	<b>-5,903</b>	<b>-20,228</b>	<b>-24,275</b>
<b>Profit/loss for the period attributable to holders of participations in the parent company</b>		<b>-7,634</b>	<b>-3,587</b>	<b>-15,530</b>	<b>-5,903</b>	<b>-20,228</b>	<b>-24,275</b>

## CONSOLIDATED BALANCE SHEET

Amounts in SEK thousand

Assets	Note	6/30/2019	6/30/2018	12/31/2018
<b>Assets</b>				
Fixed assets		9,273	1,017	918
Intangible assets		45,878	47,979	47,955
Deferred tax		4,960	5,568	5,213
<b>Total fixed assets</b>		<b>60,111</b>	<b>54,563</b>	<b>54,086</b>
<b>Current assets</b>				
Accounts receivable	3	17,477	13,932	19,667
Other current receivables	3	3,875	4,697	3,931
Accruals and deferred income	3	1,283	8,568	1,560
Cash and cash equivalents	3	65,416	93,580	79,543
<b>Total current assets</b>		<b>88,051</b>	<b>120,777</b>	<b>104,701</b>
<b>TOTAL ASSETS</b>		<b>148,162</b>	<b>175,340</b>	<b>158,787</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Equity		110,356	139,842	125,481
<b>Total equity</b>		<b>110,356</b>	<b>139,842</b>	<b>125,481</b>
<b>Total equity attributable to parent company shareholders</b>		<b>110,356</b>	<b>139,842</b>	<b>125,481</b>
<b>Long-term liabilities</b>				
Long-term liabilities		7,183		
<b>Total long-term liabilities</b>		<b>7,183</b>	<b>0</b>	<b>0</b>
<b>Current liabilities</b>				
Current liabilities	3	30,623	35,498	33,306
<b>Total liabilities</b>		<b>30,623</b>	<b>35,498</b>	<b>33,306</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>148,162</b>	<b>175,340</b>	<b>158,787</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in SEK thousand

	Note	2019 Q1 - Q2	2018 Q1 - Q2	2018 Full year	Rolling 12 months
<b>Equity at start of period</b>		<b>125,481</b>	<b>145,805</b>	<b>145,805</b>	<b>139,842</b>
Profit/loss for the period		-15,531	-6,039	-20,454	-29,946
Exchange rate differences		4	137	226	93
New share issue expenses			0		0
Option program	4	402	-60	-96	384
<b>Equity at end of the period</b>		<b>110,356</b>	<b>139,842</b>	<b>125,481</b>	<b>110,776</b>

**CONSOLIDATED CASH FLOW STATEMENT**

Amounts in SEK thousand	Note	2019 Q2	2018 Q2	2019 Q1 - Q2	2018 Q1 - Q2	2018 Full year	Rolling 12 months
Cash flow from operating activities		-4,637	-510	-9,787	-185	-9,339	-18,941
Cash flow from changes in working capital		3,548	-8,099	-1,508	-16,650	-16,716	-1,574
<b>Cash flow from operating activities</b>		<b>-1,089</b>	<b>-8,609</b>	<b>-11,295</b>	<b>-16,835</b>	<b>-26,055</b>	<b>-20,515</b>
Cash flow from investment activities		-1,378	-3,144	-3,278	-6,590	-11,386	-8,074
Cash flow from financing activities		402	0	402	-60	-96	366
<b>Cash flow for the period</b>		<b>-2,066</b>	<b>-11,753</b>	<b>-14,172</b>	<b>-23,485</b>	<b>-37,537</b>	<b>-28,223</b>
Cash flow and cash equivalents at the start of the period		67,474	105,297	79,543	116,955	116,955	93,580
Translation difference in cash and cash equivalents		7	35	44	110	125	59
<b>Cash and cash equivalents at the end of the period 1)</b>		<b>65,416</b>	<b>93,580</b>	<b>65,416</b>	<b>93,580</b>	<b>79,543</b>	<b>65,416</b>

Adjustments for items that are not included in cash flow: depreciations, write-downs and stock depreciations.  
No interest-bearing liabilities from 2019 or 2018 and therefore there is no need to specify the changes year on year.

1) The balance sheet item cash and cash equivalents contain only bank balances at the beginning of the period and at the end of the period.

**CONSOLIDATED KEY INDICATORS**

Amounts in SEK thousand unless otherwise stated	2019 Q2	2018 Q2	2019 Q1 - Q2	2018 Q1 - Q2	2018 Full year	Rolling 12 months
Net sales	13,446	18,728	25,590	36,880	67,645	62,363
Net sales growth, %	-28,2%	-7,1%	-30,6%	0,3%	10,8%	2,0%
Gross margin, %	78,8%	82,8%	75,2%	87,4%	85,2%	84,5%
Operating profit/loss	-7,274	-3,296	-15,143	-5,329	-19,958	-23,936
Operating profit/loss, total operations	-7,274	-2,853	-15,143	-4,817	-18,225	-22,646
Working capital, total operations	57,428	85,278	57,428	85,278	71,395	43,545
Capital employed, total operations	110,356	139,842	110,356	139,842	125,481	96,415
Liquidity ratio, total operations, %	288%	340%	288%	340%	314%	288%
Equity/assets ratio, total operations, %	74,5%	79,8%	74,5%	79,8%	79,0%	75%
Return on equity, total operations, %	neg	neg	neg	neg	neg	neg
Earnings per share before dilution, SEK	-0.02	-0.01	-0.04	-0.02	-0.06	-0.07
Earnings per share before dilution, total operations, SEK	-0.02	-0.01	-0.04	-0.02	-0.06	-0.07
Earnings per share after dilution, SEK	-0.02	-0.01	-0.04	-0.02	-0.06	-0.07
Earnings per share after dilution, total operations, SEK	-0.02	-0.01	-0.04	-0.02	-0.06	-0.07
Equity per share, total operations, SEK	-0.02	0.39	0.31	0.39	0.35	-0.06
Number of shares (thousands)	360,231	360,231	360,231	360,231	360,231	360,231
Weighted average number of shares, adjusted for dilution effect (thousands)	360,231	360,231	360,231	360,231	360,231	360,231
Number of employees at the end of the period	27	34	27	34	27	27
Average number of employees during the period	28	35	28	35	32	30

## QUARTERLY SUMMARY

Amounts in SEK thousand unless otherwise stated	2019	2019	2018	2018	2018
	Q2	Q1	Q4	Q3	Q2
Net sales	13,446	12,144	13,948	16,817	18,728
Net sales growth, %	-28.2%	-35.2%	-17.1%	-10.2%	3.2%
Operating profit/loss	-7,274	-7,868	-14,261	-367	-3,296
EBITDA	-4,084	-4,709	-10,825	2,336	-80
Cash flow from total operating activities	-1,089	-10,206	-9,067	-153	-8,609
Capital employed, total operations	117,959	125,041	125,481	139,387	139,842

## RECONCILIATION OF ALTERNATIVE KEY INDICATORS

Amounts in SEK thousand unless otherwise stated	2019	2018	2019	2018	2018	Rolling
	Q2	Q2	Q1 - Q2	Q1 - Q2	Full year	12 months
Gross profit	10,589	15,515	19,241	32,240	57,645	52,719
Net sales	13,446	18,728	25,590	36,880	67,645	62,363
<b>Gross margin, %</b>	<b>78.8%</b>	<b>93.3%</b>	<b>75.2%</b>	<b>87.4%</b>	<b>85.2%</b>	<b>84.5%</b>
Operating profit/loss	-7,274	-3,296	-15,143	-5,329	-19,958	-23,936
Net sales	13,446	18,728	25,590	36,880	67,645	62,363
<b>Operating margin, %</b>	<b>-54.1%</b>	<b>-17.6%</b>	<b>-59.2%</b>	<b>-14.5%</b>	<b>-29.5%</b>	<b>-38.4%</b>
EBITDA	-4,084	-888	-8,794	-1,479	-11,189	-14,385
Depreciation and amortization	-3,190	-1,076	-6,349	-2,918	-7,837	-9,951
Write-downs	0	0	0	-932	-932	-932
<b>Operating profit/loss total operations</b>	<b>-7,274</b>	<b>-1,964</b>	<b>-15,143</b>	<b>-5,329</b>	<b>-19,958</b>	<b>-23,936</b>
Marketing and sales expenses	-5,276	-7,231	-10,876	-15,116	-27,664	-25,709
Administrative expenses	-4,282	-3,775	-8,307	-8,952	-15,508	-16,015
R&D expenses	-8,067	-7,233	-15,477	-13,056	-33,519	-34,353
Other operating income/expenses	-238	-572	276	-444	-911	-577
<b>Total operating expenses</b>	<b>-17,863</b>	<b>-18,811</b>	<b>-34,384</b>	<b>-37,569</b>	<b>-77,602</b>	<b>-76,654</b>
Balance sheet total, total operations	148,162	175,340	148,162	175,340	158,787	148,582
Non interest-bearing liabilities, total operations	30,623	35,498	30,623	35,498	33,306	30,623
<b>Capital employed, total operations</b>	<b>117,959</b>	<b>139,842</b>	<b>117,959</b>	<b>139,842</b>	<b>125,481</b>	<b>117,959</b>
Closing equity, total operations	117,539	139,842	117,539	139,842	125,481	117,959
<b>Average equity, total operations</b>	<b>130,667</b>	<b>146,069</b>	<b>130,667</b>	<b>146,069</b>	<b>132,434</b>	<b>130,667</b>
Current assets minus inventories	88,051	120,777	88,051	120,777	104,701	88,051
Current liabilities	30,623	35,498	30,623	35,498	33,306	30,623
<b>Liquidity ratio, total operations</b>	<b>288%</b>	<b>340%</b>	<b>288%</b>	<b>340%</b>	<b>314%</b>	<b>288%</b>
Equity	117,539	139,842	117,539	139,842	125,481	83,059
Total assets	148,582	175,340	148,582	175,340	158,787	148,582
<b>Equity/assets ratio, total operations</b>	<b>79.4%</b>	<b>79.8%</b>	<b>79.4%</b>	<b>79.8%</b>	<b>79.0%</b>	<b>55.9%</b>
Profit/loss after tax	-7,598	-3,664	-15,531	-6,039	-20,454	-24,388
Average equity, total operations	130,562	146,069	130,562	146,069	132,434	130,667
<b>Return on equity, total operations</b>	<b>Neg</b>	<b>Neg</b>	<b>Neg</b>	<b>Neg</b>	<b>Neg</b>	<b>Neg</b>

**PARENT COMPANY INCOME STATEMENT**

Amounts in SEK thousand	Note	2019 Q1	2018 Q1	2019 Q1-Q2	2018 Q1-Q2	2018 Full year	Rolling 12 months
Net sales		12,985	18,809	24,837	36,861	66,940	54,916
Cost of goods sold		-3,495	-4,171	-7,581	-5,748	-12,372	-14,205
<b>Gross profit</b>		<b>9,490</b>	<b>14,639</b>	<b>17,256</b>	<b>31,113</b>	<b>54,568</b>	<b>40,711</b>
Marketing and sales expenses		-4,722	-7,296	-10,098	-15,057	-27,593	-22,634
Administrative expenses		-4,277	-3,782	-8,414	-9,041	-15,592	-14,965
R&D expenses		-7,352	-7,362	-14,959	-13,258	-32,850	-34,551
Other operating income/expenses		-238	1,851	277	2,563	659	-1,627
		-16,589	-16,588	-33,194	-34,792	-75,376	-73,778
<b>Operating profit/loss</b>		<b>-7,099</b>	<b>-1,950</b>	<b>-15,938</b>	<b>-3,679</b>	<b>-20,808</b>	<b>-33,067</b>
Financial income/expenses		-152	-407	14	-684	-6	692
<b>Profit/loss before tax</b>		<b>-7,265</b>	<b>-2,356</b>	<b>-15,938</b>	<b>-4,363</b>	<b>-20,808</b>	<b>-32,383</b>
Tax		0	-276	0	-276	-420	-144
<b>Profit/loss for the period</b>		<b>-7,265</b>	<b>-2,632</b>	<b>-15,938</b>	<b>-4,639</b>	<b>-21,228</b>	<b>-32,527</b>

**PARENT COMPANY BALANCE SHEET**

Amounts in SEK thousand

<b>ASSETS</b>	<b>Note</b>	<b>6/31/2019</b>	<b>6/31/2018</b>	<b>12/31/2018</b>
<b>Fixed assets</b>				
Fixed assets		526	711	647
Intangible assets		41,030	45,581	44,332
Financial assets		7,958	7,381	8,949
<b>Total fixed assets</b>		<b>49,514</b>	<b>53,673</b>	<b>53,928</b>
<b>Current assets</b>				
Accounts receivable		16,757	13,671	19,276
Other current receivables		5,336	7,512	3,931
Prepaid costs and accrued income		1,163	8,209	1,488
Cash and cash equivalents		62,506	92,110	78,016
<b>Total current assets</b>		<b>85,762</b>	<b>121,502</b>	<b>102,712</b>
<b>TOTAL ASSETS</b>		<b>135,276</b>	<b>175,175</b>	<b>156,640</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Equity		105,400	138,304	121,913
<b>Total equity</b>		<b>105,400</b>	<b>138,304</b>	<b>121,913</b>
<b>Long-term liabilities</b>				
Long-term liabilities		0	0	
<b>Total long-term liabilities</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Current liabilities</b>				
Current liabilities		29,876	36,871	34,727
<b>Total current liabilities</b>		<b>29,876</b>	<b>36,871</b>	<b>34,727</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>135,276</b>	<b>175,175</b>	<b>156,640</b>

**NOTE 1 – REVENUE ALLOCATION**

	2019	2018	2019	2018	Full year	Rolling
Amounts in SEK thousand	Q2	Q2	Q1 - Q2	Q1 - Q2	2018	12 months
<b>Revenue type</b>						
Royalties	918	4,653	2,978	10,168	18,020	14,285
Licenses	7,428	10,999	13,930	20,209	36,952	33,381
Support & Maintenance	2,444	2,146	5,061	5,171	9,544	9,842
Other	2,656	930	3,621	1,333	3,129	4,855
<b>Total</b>	<b>13,446</b>	<b>18,728</b>	<b>25,590</b>	<b>36,880</b>	<b>67,645</b>	<b>62,363</b>
<b>Region/Country</b>						
Europe	3,384	2,466	5,825	6,786	11,883	12,801
- of which Sverige	1,166	1,211	2,376	2,634	6,115	6,070
Asia	6,041	14,492	11,941	22,865	40,820	32,369
- of which China	1,909	6,554	4,251	8,389	13,202	8,557
- of which Taiwan	2,999	2,901	5,619	5,686	9,993	10,091
US	4,021	1,770	7,824	7,230	14,942	17,193
<b>Total</b>	<b>13,446</b>	<b>18,728</b>	<b>25,590</b>	<b>36,880</b>	<b>67,645</b>	<b>62,363</b>
<b>Timing of revenue recognition</b>						
Services transferred over time	9,872	13,145	18,991	25,380	46,496	43,223
Services transferred at a certain time	3,574	5,583	6,599	11,500	21,149	19,140
<b>Total</b>	<b>13,446</b>	<b>18,728</b>	<b>25,590</b>	<b>36,880</b>	<b>67,645</b>	<b>62,363</b>

**NOTE 2 – Financial effects of the change to IFRS 16**

As of January 1, 2019, the new accounting standard IFRS 'Leases' is applied, which means that assets and liabilities from leasing contracts will be accounted for in the balance sheet. Below, the effects from the transition to IFRS 16, the new leases standard in the balance sheet and income statement is presented.

Income statement in summary, the Group Amounts in SEK thousand	2019	2019	2019
	Q1 - Q2	Q1 - Q2	Q1 - Q2
	excl IFRS 16	IFRS 16	incl IFRS 16
Net sales	25,590		25,590
Cost for goods sold	-6,349		-6,349
Gross profit	<b>19,241</b>		<b>19,241</b>
Marketing and sales expenses	-10,893	17	-10,876
Administrative expenses	-8,312	5	-8,307
R&D expenses	-15,523	46	-15,477
Other operating income/expenses	276		276
<b>Operating profit/loss</b>	<b>-15,211</b>	<b>68</b>	<b>-15,143</b>
Financial income/expenses	21	-157	-136
<b>Operating profit/loss</b>	<b>-15,190</b>	<b>-89</b>	<b>-15,279</b>
Tax	-252		-252
<b>Profit/loss for the period</b>	<b>-15,442</b>	<b>-89</b>	<b>-15,531</b>
Profit/loss after tax from divested operations	0		0
<b>Profit/loss for the period, total operations</b>	<b>-15,442</b>	<b>-89</b>	<b>-15,531</b>
Profit/loss for the period, attributable to stake holders in the parent company	<b>-15,442</b>	<b>-89</b>	<b>-15,531</b>

**Balance sheet in summary, the Group**

Amounts in SEK thousand	IB/UB - analysis IFRS 16			2019-06-30 excl IFRS 16	IFRS 16 effect	2019-06-30 incl IFRS 16
	UB 1812	effect	IB 1901	excl IFRS 16		
<b>ASSETS</b>						
<b>Assets</b>						
Fixed assets	918	9,180	10,098	827	8,446	9,273
Intangible assets	47,955		47,955	45,878		45,878
Deferred tax	5,213		5,213	4,960		4,960
<b>Total fixed assets</b>	<b>54,086</b>	<b>9,180</b>	<b>63,266</b>	<b>51,665</b>	<b>8,446</b>	<b>60,111</b>
<b>Current assets</b>						
Accounts receivable	19,667		19,667	17,477		17,477
Other current receivable	3,931		3,931	3,875		3,875
Prepaid cost and accrued income	1,560		1,560	1,283		1,283
Cash and cash equivalents	79,543		79,543	65,416		65,416
<b>Total current assets</b>	<b>104,701</b>	<b>0</b>	<b>104,701</b>	<b>88,051</b>	<b>0</b>	<b>88,051</b>
<b>TOTAL ASSETS</b>	<b>158,787</b>	<b>9,180</b>	<b>167,967</b>	<b>139,716</b>	<b>8,446</b>	<b>148,162</b>
<b>EQUITY AND LIABILITIES</b>						
<b>Equity</b>						
Equity	125,481	2	125,483	110,442	-86	110,356
<b>Total equity</b>	<b>125,481</b>	<b>2</b>	<b>125,483</b>	<b>110,442</b>	<b>-86</b>	<b>110,356</b>
<b>Total equity attributable to parent company shareholders</b>	<b>125,481</b>	<b>0</b>	<b>125,481</b>	<b>110,442</b>	<b>-86</b>	<b>110,356</b>
<b>Long-term liabilities</b>						
Long-term liabilities	0	7,768	7,768	0	7,183	7,183
<b>Total long-term liabilities</b>	<b>0</b>	<b>7,768</b>	<b>7,768</b>	<b>0</b>	<b>7,183</b>	<b>7,183</b>
<b>Current liabilities</b>						
Current liabilities	33,306	1,410	34,715	29,274	1,349	30,623
<b>Total current liabilities</b>	<b>33,306</b>	<b>1,410</b>	<b>34,715</b>	<b>29,274</b>	<b>1,349</b>	<b>30,623</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>158,787</b>	<b>9,180</b>	<b>167,967</b>	<b>139,716</b>	<b>8,446</b>	<b>148,162</b>

**NOTE 3 – FINANCIAL INSTRUMENTS**

	6/30/2019		6/30/2018	
	Fair value	Book value	Fair value	Book value
<b>Financial assets</b>				
<i>Financial assets valued at the accrued cost of acquisition</i>				
Accrued income	0	0	5,670	5,670
Accounts receivable	17,477	17,477	13,932	13,932
Other receivable	3,875	3,875	4,697	4,697
Cash and cash equivalents	65,416	65,416	93,580	93,580
<b>Total</b>	<b>86,767</b>	<b>86,767</b>	<b>117,879</b>	<b>117,879</b>
<b>Financial liabilities</b>				
<i>Financial liabilities at fair value via the income statement</i>				
Derivates	0	0	1,622	1,622
<i>Financial liabilities valued at the accrued cost of acquisition</i>				
Accounts payable	3,949	3,949	2,880	2,880
Other liabilities	2,548	2,548	2,405	2,405
Other accrued expenses	18,507	18,507	9,869	9,869
<b>Total</b>	<b>25,004</b>	<b>25,004</b>	<b>16,776</b>	<b>16,776</b>

Derivatives consist of forward currency contracts and are used for hedging purposes and are valued according to level 2. The fair value with respect to other financial assets and liabilities corresponds in all material respects with the carrying amount in the balance sheet.

**NOTE 4. Option programs**

At the annual general meeting in 2017, a decision was made to offer an incentive program for the company's employees to the effect that a maximum of five million (5,000,000) stock options could be issued, with each stock option providing entitlement to subscribe to one (1) share in the company. Subscription to the stock options was to take place no later than December 31, 2017. 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 was set at SEK 0.06 and the subscription price for the shares at SEK 5.40. At the end of the first half of 2019, 1,330,000 options had been subscribed, corresponding to 27% of the total stock option; this was after options subscribed by employees, including former CEO, had been bought back. Assuming that all stock options are exercised to subscribe to new shares, the number of shares in the company will increase by 1,330,000 shares.

At the annual general meeting 2019, a decision was made to offer an incentive program for the company's CEO and CFO by way of issuing a maximum of 1,300,000 stock options, with each stock option providing entitlement to subscribe to one (1) share in the company. Subscription to the stock options was to take place no later than June 31, 2019, with the board having the right to extend the subscription period. Subscription through the exercising of the subscription warrants may take place during June 1, 2022 until June 30, 2022. The subscription price for the options is set at SEK 0.32 and the subscription price for the shares at SEK 1.65. At the end of the first half of 2019, 1,300,000 options had been subscribed, corresponding to 100% of the total stock option. Assuming that all stock options are exercised to subscribe to new shares, the number of shares in the company will increase by 1,300,000 shares.

Dilution is only taken into account in cases where earnings per share deteriorate. Dilution has not been considered as the average share price during the interim period was below the price of the current incentive program.

## FINANCIAL GLOSSARY

### NET SALES GROWTH

Percentage change compared with the corresponding period in the previous year. A key figure on how the company's sales are growing.

### GROSS MARGIN

Gross profit/loss divided by net sales. Shows how large share of sales that remains to cover salaries, operating costs, interests and profits.

### OPERATING PROFIT/LOSS

Profit/loss before financial net and tax. A key figure on how the company's profit before interests and taxes, i.e. the difference between revenue and operating costs. Divestment operations are not included in total operations.

### OPERATING PROFIT/LOSS, TOTAL OPERATION

Operating profit/loss plus profit/loss after tax from discontinued operation. A key figure on the company's profits before interest and taxes, i.e. the difference between revenues and operating costs. Divested operations are part of the total operation.

### OPERATING EXPENSES

Operating expenses excluding cost of goods sold. Operating expenses are costs that is not connected directly to a specific good or group of goods. Normal operating expenses are for example, salaries and other personnel costs and rentals costs.

### EBITDA

Profit/loss before financial net and depreciation. This key figure shows the Group's profit/loss before depreciation/amortization of capitalized assets. The figure enables comparisons with other companies independent of the operation based on acquisitions or via organic growth.

### OPERATING MARGIN

Operating profit/loss divided by net sales. Specifies how large share of each crown that remains to cover interest, tax and provide a potential profit.

### CASH FLOW, TOTAL OPERATION

Cash flow from operating activities after changes in working capital. The operating cash flow indicates if a company is generating enough positive cash flow to maintain and develop its operations, or if extern financing is necessary.

### WORKING CAPITAL, TOTAL OPERATION

Current assets minus current liabilities. This key figure t shows the capital a company needs to finance the operating activities.

### CAPITAL EMPLOYMENT, TOTAL OPERATION

Total assets less non-interest-bearing liabilities and provisions. The key figure shows how much capital that is used in the operations and with that the one component to measure return from the operations.

### EQUITY, TOTAL OPERATION

Equity at the end of the period. Equity is the difference between assets and liabilities, which corresponds to the company's equity capital contributed by owners and the Group's accumulated results.

### AVARAGE EQUITY, TOTAL OPERATION

Calculated as equity for the last four quarters divided by four.

### LIQUIDITY RATIO, TOTAL OPERATION

Current assets excluding inventories divided by current liabilities. This key figure shows the Group's ability to pay in the short term.

### EQUITY/ASSETS RATIO, TOTAL OPERATION

Equity divided by total assets on the balance sheet date. This key figure shows what proportion of assets is funded by equity. This measure can be of interest when assessing the Group's ability to pay in the long term.

### RETURN ON EQUITY, TOTAL OPERATION

Profit/loss after tax divided by average equity. This key figure shows the operation's return on shareholders' capital invested and is thus a measure of how profitable the Group is. Investors can compare this measure with the current bank interest rate or return from alternative investments. The measure can also be used to compare profitability between companies in the same industry.

### EARINGS 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.

**EARNING 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.

## INVITATION TO PRESENTATION OF THE INTERIM REPORT

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

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

Link to all public information such as link to audiocast and participant number for the telephone conference.

<https://financialhearings.com/event/11724>

To take part, click on the link above to listen to and follow the presentation online, or call +46850558351 to follow it over the phone.

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:

**Stefan K Persson, CEO**

**Ulrik Nilsson, CFO**

The conference call will be made available at

<https://precisebiometrics.com/investor/financial-information/reports/>