



PRECISE BIOMETRICS YEAR-END REPORT 2022

New customers and increasing recurring revenues

YEAR-END REPORT FOR THE PERIOD JANUARY TO DECEMBER 2022

FOURTH QUARTER

- Net sales totaled SEK 19.3 (27.4) million.
- EBITDA totaled SEK –2.0 (1.7) million.
- The operating profit/loss totaled SEK –7.8 (–2.7) million.
- Earnings for the period totaled SEK –9.3 (–2.4) million.
- Earnings per share totaled SEK –0.20 (–0.07).
- Cash flow from operating activities totaled SEK 0.3 (3.2) million.

FULL-YEAR PERIOD, JANUARY-DECEMBER

- Net sales totaled SEK 91.0 (83.3) million.
- EBITDA totaled SEK 1.1 (1.9) million.
- The operating profit/loss totaled SEK –20.0 (–14.1) million.
- Earnings for the period totaled SEK –22.2 (–13.4) million.
- Earnings per share totaled SEK –0.47 (–0.34).
- Cash flow from operating activities totaled SEK 3.9 (–1.5) million.

SIGNIFICANT EVENTS DURING THE QUARTER

- Precise received around SEK 41 million after issue costs from the preferential share issue and the directed share issue to Egis Technology.
- Precise announced a strategic reorganization in Digital Identity. This reorganization will allow Precise to merge the functions in sales, customer service, and R&D for EastCoast with the corresponding functions for YOUNiQ.
- Precise renegotiated the payment plan for the acquisition of EastCoast completed in November 2021. The renegotiation means that the remaining payments of SEK 25 million and SEK 30 million, which were previously planned for 2022 and 2023, will instead be made through a payment of SEK 30 million in 2022, SEK 10 million in 2023, and thereafter SEK 5 million each year up to and including 2026. Precise has the option to pay off the entire remaining purchase price early without incurring any interest expenses.
- In connection with the issue and repurchase of C shares as part of the LTI 2022/2028 incentive program, and the completed preferential share issue and directed new share issue to Egis Technology, the total number of shares in Precise as of December 31, 2022 was therefore 47,512,597, of which 46,427,597 were ordinary shares and 1,085,000 were C shares, corresponding to a total of 46,536,097 votes.

- Precise entered into a partnership with CanvasBio to develop sensors for laptops.
- Precise entered into a licensing agreement with Isorg to provide new technology for fingerprint sensors to the mobile industry. Precise will receive a total of at least SEK 11 million in fixed license and support fees during the initial term of the agreement up to the end of 2024.

SIGNIFICANT EVENTS AFTER THE END OF THE FULL-YEAR PERIOD

- On January 1, 2023, the strategic reorganization of Digital Identity was initiated in order to strengthen sales channels and optimize the organization.
- Precise joined the Genetec Technology Partner Program to strengthen its presence in the US market with its YOUNiQ Access solution.
- The Board of Directors of Precise has appointed Joakim Nydemark to EVP and CCO Algo for Precise. Joakim comes most recently from the tech company Crunchfish and the role as COO and CEO of the subsidiary Crunchfish Gesture Interaction AB. Joakim Nydemark succeeds Fredrik Sjöholm, who has been appointed as CEO of another company.

FINANCIAL DATA AND KEY INDICATORS

Amounts in SEK thousands unless otherwise stated

KEY INDICATORS

Amounts in SEK thousands unless otherwise stated	2022	2021	2022	2021
	Q4	Q4	Full-year	Full-year
Net sales	19 276	27 434	91 018	83 319
Net sales growth, %	-29,7%	22,0%	9,2%	-9,8%
EBITDA	-1 986	1 666	1 147	1 872
Gross margin, %	63,4%	77,4%	71,5%	76,3%
Operating profit/loss	-7 764	-2 693	-20 016	-14 073
Operating margin, %	-40,3%	-9,8%	-22,0%	-16,9%
Cash flow from the operating activities	275	3 172	3 931	-1 477
Cash and cash equivalents	46 405	64 102	46 405	64 102
Annual Recurring Revenue*	16 190		16 190	

* Annual recurring revenue was estimated at approximately SEK 13 million for 2021.

See the Financial Glossary for definitions.

INVITATION TO PRESENTATION OF THE YEAR-END REPORT

In connection with today's year-end report, Precise invites investors and the media to an informational conference call.

The conference call starts at 10:00 AM (CET) on February 17, 2023.

Link to webcast:

<https://financialhearings.com/event/45968>

To take part, click on the link above to listen and follow the presentation online.

Please send any questions to investor@precisebiometrics.com.

The conference call will be held in English.

Participating on behalf of Precise:

Patrick Höjjer, CEO

Annika Freij, CFO

CEO COMMENTS

The same high level of activity as before continued in the final quarter with the purpose of developing the company for long-term success. During the quarter, we were able to present clear progress in line with our strategy, including new partnerships with sensor manufacturers such as the French company Isorg and the Korean company CanvasBio. We also note that during the year, annual recurring revenue (ARR) in Digital Identity increased by around 25 percent to SEK 16.2 million (the previous year's figure was estimated at around SEK 13 million). Total revenues for the quarter were SEK 19.3 (27.4) million, with EBITDA of -1.9 (1.7), driven by a continued weak mobile market, although to some extent offset by an increase in recurring revenue in Digital Identity. Overall, revenues for the full year 2022 increased by 9 per cent to SEK 91 million (82), with EBITDA of SEK 1.1 million (1.9).

Algo business area

The end of 2022 was characterized by low end-customer demand in the mobile market and continued large stocks at mobile manufacturers and module houses. This meant that their suppliers, our customers, sold significantly lower volumes compared with the previous year, which affected Precise's royalty revenues. Revenues in Algo (fingerprint software) decreased to SEK 13.4 (22.8) million, which can be explained by the fact that royalty revenues decreased by 71 percent (corresponding to SEK 4.6 million), which is in line with the market, and that Precise, last year, received a non-recurring license fee of SEK 6 million from two customers in the automotive industry. Adjusted for non-recurring revenue and the temporary exceptional situation surrounding royalties, Algo shows more stable underlying business. Precise has a strong position in its strategic partnerships, and as soon as the mobile market recovers, we expect normalization of royalty revenues. However, the macroeconomic situation remains uncertain and difficult to predict, but our assessment is that we will see a slow gradual recovery during the first half of the year, and a return to more normal levels in the second half of 2023.

In the Algo business area, which is the company's core business, we have built up world-leading expertise in fingerprint reading in mobile phones, laptops, and smart door locks. Today, we work methodically according to a clearly communicated growth strategy for the business area. In accordance with this strategy, we are focusing on our existing key customers in order to win new mobile projects together with them, as well as supporting selected new sensor vendors in both mobile and new verticals. In line with the strategy, at the end of the year we entered into a development partnership with the Korean company CanvasBio to deliver fingerprint technology for portable computers, which is an interesting vertical for Precise. At the end of the year, we also entered into an agreement with Isorg, a French sensor vendor with a new type of sensor for mobile phones, to deliver fingerprint software. It is encouraging that as part of this business deal we are supplying more software components, not just matching (Precise BioMatch), which shows our competitiveness. The deal will generate a total of at least SEK 11 million in fixed license and support fees for Precise until the end of 2024.

I can confirm that our strategic partnerships were in good shape during the quarter, and we are also delivering on our strategy of building new ones. Going forward, we will continue to explore new adjacent verticals, such as the automotive industry, and evaluate new types of sensors that over time could give Precise a larger market for our world-leading competence in advanced image analysis.

Digital Identity business area

The Digital Identity business area, where we offer system solutions for physical access through facial recognition and visitor management, delivered a strong end to the year. Revenues increased to SEK 5.9 (4.7) million, driven by our visitor management solutions. In terms of sales, 2022 was a strong year. Our recurring revenues (ARR), which constitute the core of Digital Identity business, increased from around SEK 13 million at the beginning of the year to SEK 16.2 million at the end of the year.

This is important for us, as it shows a development of a customer base that generates recurring revenues.

In order to improve the conditions for commercialization of the YOUNiQ service, we decided, during the quarter, to integrate EastCoast's and YOUNiQ's respective organizations. This means that the entire sales force can now reach out to the market with both our products.

The strategy for Digital Identity in Sweden is clear; we are working with a focus on building sales channels through partnerships with access system suppliers and with the most important system integrators. Furthermore, we are continuing to focus our sales efforts on the US market through local presence and partnerships. It is therefore gratifying that we in February were able to announce that YOUNiQ is integrated into Genetec's access platform. This is an important step in building up sales channels in the USA after we won our first contract for YOUNiQ in the US market in Q4 2022.

During the quarter, we won YOUNiQ deals with companies including Iver and Bravida, as well as additional projects with Algeco. We also won EastCoast deals with Mathem, Office Management and Visma Spcs.

Increased commercial focus and cost control

The macroeconomic situation remains uncertain, which means that we have a strong focus on cost control, including by reducing the number of consultants in favor of employees, and by optimizing our R&D initiatives. These savings are expected to have a clear impact in 2023 and we expect operating costs to reach the same level as in 2021, even though we will also include EastCoast's cost base in the 2023 figures. These efficiency increases are fully in line with our strategy of increased commercial focus. It is also worth noting that, despite the prevailing macroeconomic situation, Precise continues to have a positive cash flow from its operating activities.

I have continued to meet our customers around the world at the end of the year, and I am pleased and impressed by the good partnerships we have with leading suppliers in the market. Precise is well positioned to take advantage of the global underlying trend of increased use of biometrics and I am therefore looking forward to continuing to capitalize on our leading position in identification software, and growing positions in access solutions and visitor management.

Patrick Höijer, CEO

Growth Strategy

<i>Reinforce the leading position in the Algo business area</i>	<i>Capture the market potential in the Digital Identity business area</i>
<ul style="list-style-type: none"> <i>Focus on our strategic partners in the Mobile segment to win new projects</i> <i>Broadening the Algo business by means of:</i> <ul style="list-style-type: none"> <i>Growing within current and new verticals, such as automotive, laptops and physical access</i> <i>Building new partnerships with new sensor suppliers regardless of sensor technology (optical, ultrasound and capacitive sensors)</i> <i>Leverage our expertise in advanced image processing for applications even outside fingerprint biometrics</i> 	<ul style="list-style-type: none"> <i>Focus on building sales channels through commercial and technical integration with strategic access and installation partners in Sweden</i> <i>Addressing new geographical regions through local presence and partnerships</i> <i>Continue to develop our integrated solution based on existing products to manage customer flows for visits and access</i>

MARKET AND SALES

Precise is a global supplier of identification software, access solutions and visitor management, and offers products for the convenient, secure authentication of people's identity. The company offers solutions in two product segments: Digital Identity and Algo.

Algo	Digital Identity
<p>Precise BioMatch® – Programvara (AI-algoritmer baserad på avancerad bildanalys) för att verifiera en persons fingeravtryck</p> <p>BioLive™ – Programvarubaserade lösningar för att förhindra bedrägerier med hjälp av falska fingeravtryck</p>	<p>Precise YOUNIQ® – Säkerställer digital identitet på ett enkelt och säkert sätt vid inpassering</p> <p>EastCoast Solutions – Säkra och effektiva system för besökshantering</p>

MARKET DEVELOPMENT

Segment – Algo

User-friendly phones and tablets, combined with ever-increasing security requirements to protect important data in the devices, continue to be important trends that contribute to driving demand for mobile devices. Continued demand for user-friendly telephones and tablets with full screens is driving the trend for mobile devices. According to an analysis from IHS Market, optical and ultrasonic sensors for phones in the higher price segment will continue to increase. As the average price of these sensors is higher than for capacitive sensors, they will account for a significant share of the market value for fingerprint sensors. Many of Precise's customers are in this segment.

As more and more devices become connected with different smart functions as part of the trend towards IoT, biometric security solutions are being used in more and more products, such as smart door locks and various products for secure login and access to digital services. There is also a trend to integrate biometrics in vehicles, although it is only recently that bigger product volumes have started to emerge.

Segment – Digital Identity

People are increasingly using digital services that require user identification. As the registration process is often complicated and the security of passwords, PINs and similar traditional solutions has limitations, the demand for more convenient and secure ways to manage both digital and physical access solutions is increasing.

One area of application with good market potential is biometric access to buildings through facial recognition. Historically, access has taken place through object-based access (e.g., keys or tags) or through information-based access (e.g., passwords or PIN codes). The global trend to increasingly use biometric access is driven by higher security, as it cannot be copied or shared, and also provides greater convenience and increased cost savings.

Precise focuses primarily on segments with high security needs or where there are special customer needs, such as gyms, infrastructure, production and commercial buildings. The market for this solution is currently young, but the potential is expected to increase as awareness of the technology increases.

Precise also has a market-leading position in visitor management, and continues to work on the development of integrated solutions between our various product areas to manage customers' flows of visits and access.

NET SALES AND OPERATING PROFIT/LOSS IN THE QUARTER

Net sales for the quarter increased to SEK 19.3 (27.4) million. Net sales were split between royalty revenues of SEK 1.9 (6.5) million, license fees (including support and maintenance) of SEK 12.1 (18.7) million, and Other of SEK 5.3 (2.2) million. The decrease in royalty revenues was driven by a sharp decline in demand in the mobile industry compared with the previous year. This, combined with high stock levels at mobile manufacturers and their subcontractors, as these have built up large stocks at the beginning of the year. The decrease in license fees is primarily due to license fees for Q4 2021 including a non-recurring license fee of SEK 6 million for sales to customers in the automotive industry. The increase in Other is largely due to hardware sales.

The gross margin during the quarter totaled 65.6% (77.4). The downturn is due to changes in the product mix, as the Algo product segment has higher margins than the Digital Identity product segment. Amortization of capitalized development expenses increased to SEK 4.2 (3.2) million, relating primarily to Digital Identity, which includes EastCoast. Amortization of acquired intangible assets totaled SEK 0.6 (0.3) million.

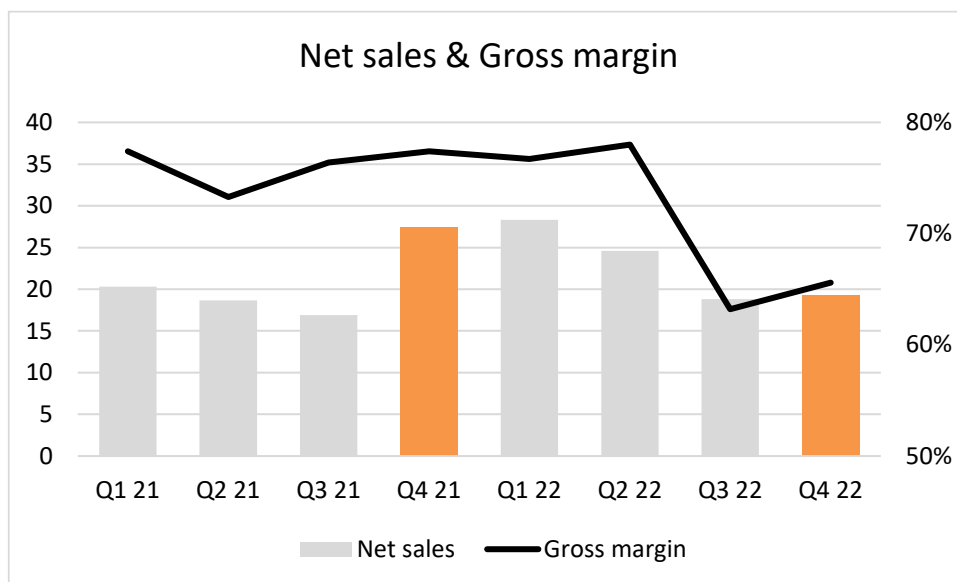
Segment – Algo

Net sales for Algo totaled SEK 13.4 (22.8) million and are reported under royalties at SEK 1.9 (6.5) million, Licenses at SEK 10.1 (15.7) million, and Other at SEK 1.3 (0.5) million. Last year’s component shortage was replaced by declining demand for mobile phones, which has resulted in continued low production volumes in the mobile market. License fees decreased compared with Q4 2021, primarily due to non-recurring license fees of SEK 6 million in Q4 2021. The gross margin during the quarter totaled 88.9%.

Segment – Digital Identity

Net sales for Digital Identity totaled SEK 5.9 (4.7) million and are reported under Licenses at SEK 2.0 (3.0) million, and Other at SEK 3.9 (1.7) million.

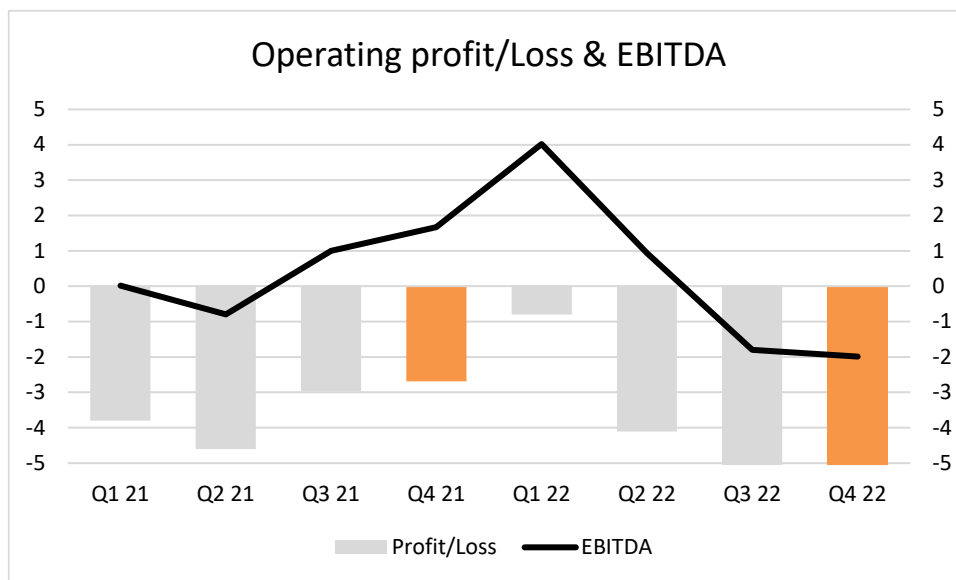
The increase in revenue in Digital Identity is primarily due to EastCoast, which contributed SEK 4.9 million in sales during the quarter, compared to SEK 2.7 million in Q4 2021, which includes December as the acquisition of EastCoast was completed on November 30, 2021. The gross margin during the quarter totaled 12.5%. The gross margin in Digital Identity is lower than in the Algo segment, as a slightly larger proportion of sales consists of hardware. The costs in Digital Identity’s cloud platform were unusually high in the fourth quarter as a result of the updating and migration of EastCoast’s applications to Precise’s production environment. This cost will be normalized during Q1 2023.



Operating expenses for the quarter decreased to SEK 20.4 (23.9) million due to high non-recurring costs of SEK 2.6 million in connection with the acquisition of EastCoast in Q4 2021. A provision for bad debts made in Q3 2022 was reversed in Q4 2022, resulting in a lower cost level in the quarter of SEK 1.5 million. The profit/loss at EBITDA level totaled SEK –2.0 (1.7) million. The decline in EBITDA can be explained by lower royalty revenues in Algo.

The operating profit/loss for the quarter totaled SEK –7.8 (–2.7) million. Earnings for the quarter totaled SEK –9.3 (–2.4) million. Total depreciation/amortization totaled SEK 5.8 (4.3) million.

Earnings per share (average number of shares) for the quarter totaled SEK –0.20 (–0.07). The comparative period has been adjusted as a result of the consolidation of shares (1:10).



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

Net sales during the full-year period totaled SEK 91.0 (83.3) million. Net sales were split between royalty revenues of SEK 21.2 (31.3) million, license fees (including support and maintenance) of SEK 58.0 (46.4) million, and Other of SEK 11.9 (5.6) million. Last year's component shortage was replaced by lower demand for mobile phones, which has resulted in continued low production volumes in the mobile market, and consequently low royalty revenues. The increase in license fees is primarily due to the acquisition of EastCoast, which was completed on November 30, 2021. EastCoast contributed sales of SEK 17.9 (2.7) million. Sales in 2021 corresponded to sales for December.

The gross margin during the full-year period totaled 71.9% (76.3). The decrease is mainly due to a change in the product mix, as the Algo product segment has higher margins than the Digital Identity product segment. Amortization of capitalized development expenses increased to SEK 14.9 (12.1) million, relating primarily to Digital Identity and the acquisition of EastCoast. Amortization of acquired intangible assets totaled SEK 2.5 (1.1) million.

Segment – Algo

Net sales for Algo totaled SEK 67.8 (76.8) million and are reported under royalties at SEK 21.2 (31.3) million, Licenses at SEK 42.0 (42.9) million, and Other at SEK 4.6 (2.6) million. Last year's component shortage was replaced by declining demand for mobile phones, which has resulted in continued low production volumes in the mobile market. License fees fell marginally. The gross margin during the full-year period totaled 87.2%.

Segment – Digital Identity

Net sales for Digital Identity totaled SEK 23.2 (6.6) million and are reported under Licenses at SEK 16.0 (3.5) million, and Other at SEK 7.2 (3.1) million. The increase in revenues in Digital Identity is due primarily to EastCoast, which contributed net sales of SEK 17.9 (2.7) million during the quarter. The gross margin during the quarter totaled 27.1%. The gross margin in Digital Identity is lower than in the Algo segment, as a large proportion of sales consists of hardware.

Operating expenses for the full-year period increased to SEK 85.5 (77.6) million, primarily due to the addition of expenses corresponding to SEK 14.8 (1.2) million for EastCoast. The profit at EBITDA level totaled SEK 1.1 (1.9) million.

The operating profit/loss for the full-year period totaled SEK –20.0 (–14.1) million. The downturn in operating profit/loss is explained by a lower gross margin and higher expenses, which is partly offset by slightly higher net sales. Earnings for the full-year period totaled SEK –22.2 (–13.4) million. Total operating profit/loss amounted to SEK –21.2 (–15.9) million.

Earnings per share (average number of shares) for the full-year period totaled SEK –0.47 (–0.34). The comparative period has been adjusted as a result of the consolidation of shares (1:10).

NET FINANCIAL ITEMS AND TAX

Net financial items for the quarter totaled SEK –2.5 (0.4) million and the tax expense totaled SEK 1.0 (–0.1) million. Net financial items for the full-year period totaled SEK –3.5 (0.7) million and the tax expense totaled SEK 1.2 (–0.1) million. Net financial items are attributable to exchange rate differences in cash and cash equivalents, and also interest on the lease liability in accordance with IFRS 16, as well as interest expense on the deferred fixed purchase price related to the acquisition of EastCoast. The repayment plan for the acquisition of EastCoast was renegotiated during the fourth quarter (see details in Note 4). The effect on profit/loss of the translation of the liability was estimated at SEK 2.1 million and is reported under financial items as Other financial expenses. Precise has the option to pay off the entire remaining purchase price early without incurring any interest expenses.

CASH FLOW AND INVESTMENTS

The cash flow from operating activities for the quarter totaled SEK 0.3 (3.2) million, of which SEK 2.4 (2.7) million is attributable to changes in working capital. The Group invested SEK 0.1 million (0.6) in property, plant and equipment during the quarter, and the Group also made a payment of SEK 30 million for the acquisition of EastCoast. Cash flow for the quarter totaled SEK 5.2 (8.4) million. The proceeds of SEK 41.5 million from the share issues that were completed during the third quarter were paid out in the fourth quarter.

The cash flow for the full-year period from operating activities totaled SEK 3.9 (–1.5) million, of which SEK 3.1 (–2.6) million is attributable to changes in working capital. The Group invested SEK 0.3 (3.1) million in property, plant and equipment during the full-year period. During the full-year period, the Group carried out a new share issue of SEK 41.7 million after issue costs, and also made a payment of SEK 38.3 million for the acquisition of EastCoast. Total cash flow for the full-year period was SEK –17.8 (–12.2) million.

CAPITALIZATION AND AMORTIZATION OF DEVELOPMENT WORK

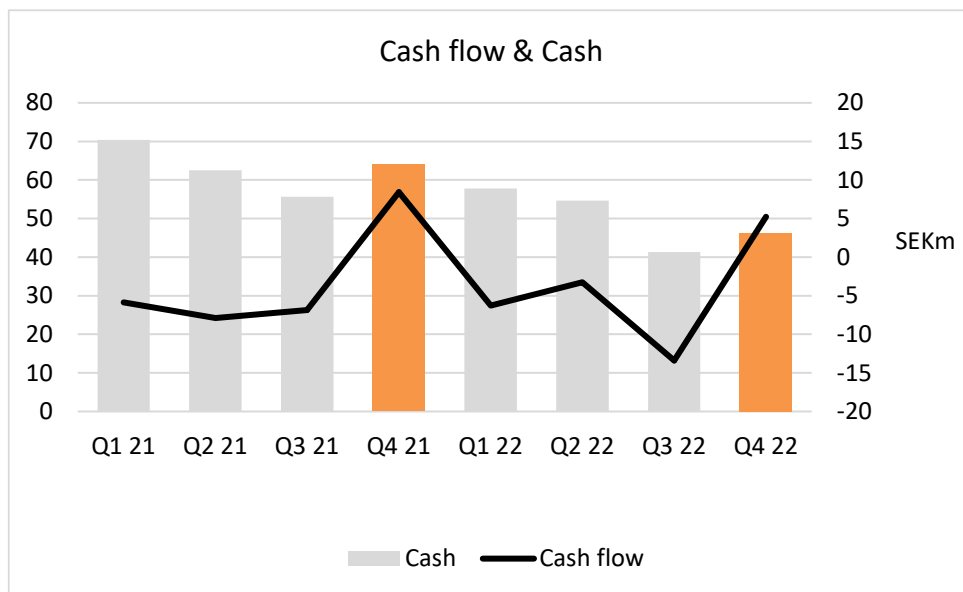
Development expenses of SEK 7.4 (4.1) million were capitalized during the quarter, and amortization of capitalized development expenses in respect of Digital Identity and Algo totaled SEK 4.2 (3.1) million.

Development expenses of SEK 20.8 (16.6) million were capitalized during the full-year period, and amortization of capitalized development expenses totaled SEK 14.9 (12.1) million.

FINANCIAL POSITION AND LIQUIDITY

Cash and cash equivalents at the end of the period totaled SEK 46.4 (64.1) million. On September 28, the company announced its results regarding the outcome of a preferential share issue and a directed new share issue. The company received a total of SEK 41.4 million after issue costs. The proceeds from the share issues were paid in on October 6.

Total equity at the end of the period totaled SEK 146.3 (128.1) million, and equity per share was SEK 3.08 (3.23). The comparative period has been adjusted as a result of the consolidation of shares (1:10).



THE PARENT COMPANY

The parent company's net sales for the interim period totaled SEK 72.0 (79.0) million. The operating profit/loss totaled SEK -22.7 (-14.8) million and was affected by amortization of goodwill totaling SEK 2.5 (2.5) million.

Cash and cash equivalents at the end of the interim period totaled SEK 33.1 (52.8) million, and equity SEK 137.5 (117.1) million.

ORGANIZATION AND STAFF

The organization consists of the head office in Lund, Sweden, and offices in Stockholm, Sweden, Potsdam, USA, and Shanghai, China. At the end of the interim period, the Group had a workforce of 56 (55) people, including on-site consultants. The number of employees was 30 (31), of which 24 (24) were located in Sweden. The increase is due to the acquisition of EastCoast. Precise works in an agile way together with several partners, creating a fast-moving, scalable organization. The number of employees does not include partners.

FINANCIAL CALENDAR

Q1 Interim Report 2023	May 12, 2023
Annual General Meeting 2023 in Lund	May 22, 2023
Q2 Interim Report	August 15, 2023
Q3 Interim Report 2023	November 10, 2023

RISK FACTORS

The Group and 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 2021, which was issued in April 2022. There have been no incidents of significant importance since then that would affect or change these descriptions of the Group or parent company's risks and how they are managed. Regarding the war in Ukraine, the company has no customers or suppliers in Ukraine or Russia, but may feel the effects of the prevailing economic situation and increased costs that affect both Precise and the company's customers and suppliers. The mobile market is experiencing a downturn, and this may continue to have an impact on net sales, partly as a consequence of Covid restrictions in Asia and general macroeconomic uncertainty.

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 year was 17,428 (17,208). 3,380,433 PREC shares were traded during the quarter. The closing price on December 31 was SEK 4.05, and during the quarter the share price fluctuated between SEK 3.20 and SEK 5.67. In connection with the directed new share issue to Egis Technology and the preferential share issue, the number of shares and votes in Precise Biometrics increased by 6,831,203. The issues were registered with the Swedish Companies Registration Office on October 4, and Precise received SEK 44,3 million before issue costs on October 6. Precise Biometrics issued 1,085,000 C shares in accordance with the Board's decision to establish an LTI program for the company's employees during Q4 2022. These shares are held by Precise Biometrics.

AUDIT

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

The undersigned certifies that the year-end 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, February 17, 2023

Torgny Hellström,

Chairman of the Board

Torbjörn Clementz,	Mats Lindoff,	Synnöve Trygg,	Åsa Schwarz,	Peter Gullander,
Board member	Board member	Board member	Board member	Board member

Patrick Höjjer,

CEO

For further information, please contact:

Patrick Höjjer, CEO

Email: patrick.hojjer@precisebiometrics.com

This is information that Precise Biometrics AB is obliged to disclose pursuant to the EU Market Abuse Regulation. The information was submitted for publication on February 17, 2023, at 08:00 AM CET.

CONSOLIDATED INCOME STATEMENT – IN SUMMARY

Amounts in SEK thousand	Note	2022 Q4	2021 Q4	2022 Full-year	2021 Full-year
Net sales	2,3	19 276	27 434	91 018	83 319
Cost of goods sold		-7 049	-6 213	-25 982	-19 776
Gross profit		12 227	21 221	65 036	63 543
Marketing and sales expenses		-8 771	-8 505	-34 796	-31 649
Administrative expenses		-1 665	-7 019	-17 613	-18 018
R&D expenses		-9 431	-8 314	-34 905	-28 161
Other operating income/expenses		-124	-76	2 262	212
		-19 991	-23 914	-85 052	-77 616
Operating profit/loss		-7 764	-2 693	-20 016	-14 073
Financial income/expenses	4	-2 528	353	-3 453	724
Profit/Loss before tax		-10 292	-2 340	-23 469	-13 349
Tax		978	-92	1 239	-97
Profit/loss for the period attributable to parent company shareholders		-9 314	-2 432	-22 230	-13 446
Earnings per share, remaining operations, SEK*					
- before dilution		-0,20	-0,01	-0,48	-0,34
- after dilution		-0,20	-0,01	-0,48	-0,34
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME					
Profit/Loss for the period		-9 314	-2 432	-22 230	-13 446
Other comprehensive income:					
<i>Items that may be reclassified to profit or loss</i>					
Changes in accumulated exchange rate differences		-147	57	267	169
Other comprehensive income for the period		-147	57	267	169
Profit/Loss total attributable to holders of participations in the parent company		-9 461	-2 375	-21 963	-13 277

*Dilution effects are only considered in the event that the earnings per share become worse. Dilution effects have not been considered, as the average price is below the price in current option programs.

Comparative periods have been adjusted as a result of the consolidation (1:10) adopted by the Annual General Meeting on May 19, 2022.

As a result of the consolidation, the number of shares and votes in Precise Biometrics has decreased by 356,367,546. Prior to the consolidation, there were a total of 395,963,940 shares and votes in Precise Biometrics, and after the consolidation the number of shares and votes was 39,596,394. As of December 31, 2022 the total number of shares and votes in the company is 47,512,597.

CONSOLIDATED BALANCE SHEET – IN SUMMARY

Amounts in SEK thousand

ASSETS	Note	2022-12-31	2021-12-31
FIXED ASSETS			
Material assets		9 090	11 466
Goodwill and immaterial assets		138 898	135 480
TOTAL FIXED ASSETS		147 988	146 946
CURRENT ASSETS			
Inventories		311	548
Accounts receivable	4	11 478	24 027
Other current receivables	4	1 732	1 923
Accruals and deferred income		3 397	3 506
Cash and cash equivalents	4,6	46 405	64 102
TOTAL CURRENT ASSETS		63 323	94 106
TOTAL ASSETS		211 311	241 052
EQUITY AND LIABILITIES			
EQUITY			
Equity		146 302	128 053
TOTAL EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS		146 302	128 053
LONG-TERM DEBT			
Long term debt	6	25 350	40 463
TOTAL LONG-TERM DEBT		25 350	40 463
SHORT-TERM LIABILITIES			
Short-term liabilities	4,6	39 659	72 536
Total Short-term liabilities		39 659	72 536
TOTAL EQUITY AND LIABILITIES		211 311	241 052

CONSOLIDATED CASH FLOW STATEMENT – IN SUMMARY

Amounts in SEK thousand	Note	2022 Q4	2021 Q4	2022 Full-year	2021 Full-year
Cash flow from operating activities					
Operating profit/loss		-7 764	-2 693	-20 016	-14 073
Adjustments for items not included in cash flow		5 816	2 993	21 188	14 579
Interest payments, net		-213	353	-299	724
Tax paid		0	-136	-21	-141
Cash flow from operating activities before changes in working capital		-2 161	517	852	1 089
Cash flow from changes in working capital					
Change in inventories		0	40	237	504
Change in current receivables		-108	-5 400	12 986	-6 284
Change in current liabilities		2 544	7 998	-10 144	3 198
		2 436	2 639	3 079	-2 582
Cash flow from operating activities		275	3 156	3 931	-1 493
Acquisition of subsidiaries	6	-30 000	-10 676	-38 268	-10 676
Investment in fixed assets		-101	-321	-284	-2 823
Investment in intangible assets		-5 876	-4 289	-21 456	-16 759
Cash flow from investing activities		-35 977	-15 286	-60 008	-30 258
New share issue		44 319	23 000	44 319	23 000
Commission expenses		-2 553	-2 081	-3 936	-2 081
Repurchase of own shares		-326	0	-326	0
Payment for sale/buy-back of options		0	0	156	-97
Payment of lease liability		-505	-364	-1 900	-1 279
Cash flow from financing activities		40 935	20 555	38 313	19 543
Total Cash flow		5 233	8 425	-17 764	-12 208
Cash & cash equivalents at beginning of year		41 278	55 658	64 102	76 258
Exchange rate differences in cash & cash equivalents		-106	19	67	52
Cash & cash equivalents at end of period		46 405	64 102	46 405	64 102

*The balance sheet item Cash & Cash Equivalents only includes bank balances at both the beginning and end of the period.

CONSOLIDATED CHANGE IN EQUITY – IN SUMMARY

Amounts in SEK thousand		2022	2021
	Note	Full-year	Full-year
Equity at start of period		128 053	114 044
Comprehensive income			
Profit/loss for the period		-22 230	-13 446
Other comprehensive income			
Exchange differences		267	168
Total other comprehensive income		267	168
Total comprehensive income		-21 963	-13 278
Transactions with shareholders			
Stockoptions	5	156	-97
Repurchase of own shares	5	-326	0
Set-off issue		0	6 466
New share issue		44 319	23 000
New issue cost		-3 936	-2 082
Total transactions with shareholders		40 213	27 287
Equity end of period		146 302	128 053

NOTE 1 – ACCOUNTING POLICIES

This interim report has been prepared in accordance with IAS 34 Interim Financial 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 RFR 2, Accounting for Legal Entities. The recognition and measurement policies and bases of estimates applied in the Annual Report for 2021 report have also been used in this interim report, supplemented by segment reporting in accordance with IFRS 8.

NOTE 2 – REVENUE ALLOCATION

Amounts in SEK thousand	2022 Q4	2021 Q4	2022 Full-year	2021 Full-year
Segment				
<i>Algo</i>				
Royalty	1 923	6 536	21 150	31 300
Licenses, incl. support & maintenance	10 120	15 692	42 046	42 901
Other	1 349	549	4 634	2 561
		0		
<i>Digital Identity</i>		0		
Royalty	0	0	0	0
Licenses, incl. support & maintenance	1 956	2 972	15 954	3 477
Other	3 928	1 686	7 236	3 081
Total	19 276	27 434	91 018	83 319
Timing of revenue recognition*				
At point in time	3 248	-	12 664	-
Over time	16 028	-	78 354	-
Total	19 276	-	91 018	-
Region/Country				
Europe	7 203	8 110	27 218	11 000
- w hereof Sw eden	7 733	4 650	20 737	6 747
Asia	9 343	16 588	51 039	61 613
- w hereof China	3 525	3 871	15 364	14 519
- w hereof Taiw an	4 746	8 360	29 576	39 421
USA	2 731	2 736	12 762	10 706
Total	19 276	27 434	91 018	83 319

* Revenue allocation according to date does not have a comparative figure from previous periods.

NOTE 3 – SEGMENT REPORTING

Precise Biometrics' operations are divided into two segments as of 2022: Digital Identity and Algo. The segments have arisen as a result of the acquisition of EastCoast at the end of 2021, as the importance of separate follow-up on the segments has increased. As segment reporting is new from 2022, there are no comparative figures from previous years.

Amounts in SEK thousand	2022			2022		
	Q4			Full-year		
	Algo	Digital Identity	Total Segment	Algo	Digital Identity	Total Segment
Net sales	13 392	5 885	19 276	67 829	23 189	91 018
Cost of goods sold	-1 903	-5 147	-7 049	-9 070	-16 913	-25 982
Gross profit	11 489	738	12 227	58 759	6 277	65 036

Other information

Only net sales and product costs are allocated to each segment. Other costs are not allocated at segment level as these items relate to group operations

Reconciliation profit/Loss	Q4 2022	Full-year 2022
Segment profit/Loss	12 226	65 036
Marketing and sales expenses	-8 771	-34 796
Administrative expenses	-1 665	-17 613
R&D expenses	-9 431	-34 905
Other operating income/expenses	-124	2 262
Financial income/expenses	-2 528	-3 453
Profit/Loss before tax	-10 292	-23 469

NOTE 4 – FINANCIAL INSTRUMENTS

The fair value in respect of financial assets and liabilities corresponds in all material respects with the carrying amount in the balance sheet.

Interest-bearing liabilities

On November 30, 2022, a supplementary agreement was signed that changed the terms and conditions for the remaining liability of SEK 55,000 thousand for the acquisition of East Coast Solutions AB (see Note 6). TSEK 30,000 was paid on December 1, 2022. TSEK 10,000 will be paid on November 30, 2023, TSEK 5,000 on November 30, 2024, TSEK 5,000 on November 30, 2025, and TSEK 5,000 on November 30, 2026. Interest will be added to the amounts of SEK 5,000 thousand due on November 30, 2025 and SEK 5,000 thousand due on November 30, 2026. The interest, if 3 months STIBOR + 8%, will be added from November 23 until the amounts have been paid. The liability is recognized as an interest-bearing liability as at December 31, 2022.

The liability has been calculated at current value at the original effective interest rate of 1.8% and is reported as other current liabilities (SEK 9,834,000) and other non-current liabilities (SEK 16,789,000). The effect on earnings of the translation of the liability was estimated at SEK 2,112 thousand and is reported under financial items as other financial expenses. Precise has the option to pay off the entire remaining purchase price early without incurring any interest expenses.

NOTE 5 – OPTION PROGRAM AND LTI PROGRAM

The 2022 shareholders’ general meeting made a decision to offer an incentive plan for the company’s CEO to the effect that a maximum of 100,000 (after consolidation) stock options could be issued, with each stock option providing entitlement to subscribe to one (1) share in the company. Subscription through the exercising of stock options may take place during the period July 1, 2025 until June 30, 2025. The subscription price for the shares is set at SEK 9.24. At the end of the interim period, 100,000 options had been subscribed, corresponding to 100% of total stock options. Assuming that all stock options are exercised to subscribe to new shares, the number of shares in the company will increase by 100,000 shares.

The Annual General Meeting resolved, in accordance with the Board’s proposal, to establish a long-term share bonus program (LTI 2022/2028) for all employees in Precise Biometrics. In order to facilitate the implementation of LTI 2022/2028 and to ensure the delivery of shares to the participants, and to cover the company’s costs for social security contributions, the meeting also decided to amend the Articles of Association in the form of the introduction of new class C shares, authorization for the Board of Directors to issue class C shares, authorization for the Board of Directors to buy back class C shares, and approval of the transfer of shares to participants in LTI 2022/2028. The implementation of class C shares took place in Q4 2022. As of December 31, 2022, Precise Biometrics held 1,085,000 class C shares.

NOTE 6 – BUSINESS COMBINATIONS

As of November 30, 2021, the Group acquired 100% of the shares in EastCoast Solutions AB and Besöksystem Sverige AB, and the total purchase price transferred totaled SEK 86,203,000. The acquisition of Besöksystem Sverige AB is intangible, which is why combined information is provided. The acquisition accelerates Precise Biometrics’ SaaS offering (Software as a Service) in Digital Identity, and the acquisition saw the company being supplemented by EastCoast Solutions’ leading visitor management system. The acquisition enhanced Precise’s position in the area of physical access and stimulates cross-selling.

The purchase price totaled SEK 86,203,000, of which SEK 24,466,000 was paid as at 31 December 2021, partly via a cash payment of SEK 18,000,000 and partly via the issuing of new shares totaling SEK 6,466,000. An additional SEK 8,268,000 was paid in cash after the end of the year. The remaining SEK 55,000,000 was originally due to be paid on two occasions, of which SEK 25,000,000 was due to be paid one (1) year after completion of the acquisition and SEK 30,000,000 two (2) years after the completion of the acquisition. The amounts were calculated at current value at a rate of 1.8% and reported as other current and other non-current liabilities respectively. On November 30, 2022, a supplementary agreement was signed that changed the terms and conditions for the remaining liability of SEK 55,000 thousand for the acquisition. See Note 4 for details of the new terms and conditions.

Remuneration transferred

The table below summarizes the fair value of the remuneration transferred as at the acquisition date.

Tkr	
Likvida medel	26 268
Nyemitterade aktier, 6 982 473 stamaktier	6 466
Uppskjuten fast köpeskilling	53 469
Summa köpeskilling	86 203

The fair value of transferred ordinary shares in Precise Biometrics AB was based on the share price at the time of acquisition on November 30, 2021.

Acquisition-related expenses

Acquisition-related expenses totaling SEK 2,577,000 were reported as an expense during the 2021, under Administration expenses in the consolidated income statement.

Identifiable assets and transferred liabilities

The table below summarizes the reported amounts for acquired assets and transferred liabilities as at the acquisition date.

Tkr	
Immateriella anläggningstillgångar	23 093
Finansiella anläggningstillgångar	107
Materiella anläggningstillgångar	28
Omsättningstillgångar	2 561
Likvida medel	7 324
Icke räntebärande skulder	-2 676
Uppskjuten skatteskuld	-5 645
Summa förvärvade identifierbara nettotillgångar	24 792
Goodwill	61 411
Summa	86 203

Revenue and profit from acquired company

In 2021, the acquisition contributed SEK 2,071,000 to the Group's revenues and SEK 423,000 to the Group's operating profit/loss. If the date of the acquisition had been January 1, 2021, the Group's revenues would have totaled SEK 98,246,000 and the Group's operating loss would have been SEK – 13,194,000 for the fiscal year 2021.

Goodwill

Goodwill is reported for the acquisitions in 2021 as the purchase prices paid for the business acquisitions including amounts in respect of expected synergies, revenue growth and future market developments in the acquired company. These benefits are not reported separately from goodwill, as they do not meet the criteria for identifiable intangible assets. No part of the goodwill reported for the acquisitions is expected to be deductible for tax purposes at present.

Impact on cash and cash equivalents at the time of acquisition

Tkr	
Köpeskilling för aktier	86 203
Köpeskilling för aktier	-86 203
Avgår: Kvittningsemission	6 466
Avgår: Uppskjuten fast köpeskilling	53 469
Avgår: Uppskjuten likvidavräkning	8 268
Tillkommer: Likvida medel i förvärvade bolag vid förvärvstillfället	7 324
Påverkan på koncernens likvida medel vid förvärvstillfället	-10 676

Impact on cash and cash equivalents in Q1-Q4 2022 (reported in investing activities)

Tkr	
Betald uppskjuten likvidavräkning	-8 268
Första avbetalning av skuld *	-30 000
Påverkan på koncernens likvida medel Q1-Q4 2022	-38 268

* See Note 4 regarding repayment of liability

PARENT COMPANY INCOME STATEMENT – IN SUMMARY

Amounts in SEK thousand	Note	2022 Kv 4	2021 Kv 4	2022 Helår	2021 Helår
Net sales	1	14 819	24 325	72 048	79 048
Cost of goods sold		-7 945	-8 048	-33 203	-29 962
Gross profit		6 874	16 278	38 845	49 086
Marketing and sales expenses		-6 915	-7 253	-27 356	-28 737
Administrative expenses		-3 798	-4 333	-16 567	-15 290
R&D expenses		-3 393	-5 877	-19 903	-20 003
Other operating income/expenses		-78	-75	2 287	212
		-14 183	-17 539	-61 539	-63 819
Operating profit/loss		-7 309	-1 261	-22 694	-14 733
Financial income/expenses		-2 469	407	-3 196	947
Group contributions received		6 045	0	6 045	
Profit/loss before tax		-3 733	-854	-19 845	-13 786
Tax		0	0	0	0
Profit/loss for the period*		-3 733	-854	-19 845	-13 786

*The profit/loss for the period corresponds to comprehensive income for the period.

PARENT COMPANY BALANCE SHEET – IN SUMMARY

Amounts in SEK thousand

ASSETS	Note	2022-12-31	2021-12-31
Fixed assets			
Fixed assets		2 869	3 769
Immaterial assets		40 009	40 154
Deferred tax assets		90 558	90 558
TOTAL FIXED ASSETS		133 436	134 481
CURRENT ASSETS			
Inventories		311	548
Accounts receivable		6 603	17 806
Accounts receivable Group		2 161	
Other receivables		7 760	2 000
Accruals and deferred income		2 972	3 202
Cash and cash equivalents		33 140	52 782
TOTAL CURRENT ASSETS		52 947	76 337
TOTAL ASSETS		186 383	210 818
EQUITY AND LIABILITIES			
Restricted Equity			
Share capital		14 254	11 879
Paid-in unregistered share capital		0	0
Statutory reserve		1 445	1 445
Reserve for development expenses		26 761	23 642
Total restricted equity		42 460	36 965
Unrestricted Equity			
Share premium reserve		138 058	100 050
Retained earnings		-23 210	-6 135
Profit/loss for the year		-19 845	-13 786
Total non-restricted equity		95 003	80 130
Total Equity		137 463	117 095
LONG-TERM DEBT			
Long term debt		16 789	28 922
TOTAL LONG-TERM DEBT		16 789	28 922
SHORT-TERM LIABILITIES			
Short-term liabilities		32 131	64 801
Total Short-term liabilities		32 131	64 801
TOTAL EQUITY AND LIABILITIES		186 383	210 818

CONSOLIDATED KEY INDICATORS

Amounts in SEK thousands unless otherwise stated	2022	2021	2022	2021
	Q4	Q4	Full-year	Full-year
Net sales	19 276	27 434	91 018	83 319
Net sales growth, %	-29,7%	22,0%	9,2%	-9,8%
Gross margin, %	63,4%	77,4%	71,5%	76,3%
Operating profit/loss	-7 764	-2 693	-20 016	-14 073
Working capital *	33 498	54 414	33 498	54 414
Capital employed	146 302	128 053	146 302	128 053
Liquidity ratio, %	158,9%	129%	158,9%	129%
Equity/assets ratio, %	69,2%	53,1%	69,2%	53,1%
Earnings per share before dilution, SEK	-0,20	-0,06	-0,47	-0,34
Earnings per share after dilution, SEK	-0,20	-0,07	-0,47	-0,34
Equity per share, SEK	3,08	3,23	3,08	3,23
Number of shares (thousands)	47 513	39 596	47 513	39 596
Weighted avg. number of shares, adjusted for dilution effect (thousands)	47 513	36 821	41 304	36 224
Number of employees at the end of the period	30	31	30	31
Average number of employees during the period	29	27	30	25
Annual Recurring Revenue***	16 190	-	16 190	-

* The key indicator is calculated excluding current liabilities to EastCoast International AB

** Comparative periods have been adjusted as a result of the consolidation (1:10) adopted by the Annual General Meeting on May 19, 2022.

As a result of the consolidation, the number of shares and votes in Precise Biometrics has decreased by 356,367,546. Prior to the consolidation, there were a total of 395,963,940 shares and votes in Precise Biometrics, and after the consolidation the number of shares and votes was 39,596,394. As of December 31, 2022, the total number of shares and votes in the Company is 47, 512, 597.

*** Annual recurring revenue (ARR) has no comparative figures from previous periods.

RECONCILIATION OF CONSOLIDATED ALTERNATIVE KEY INDICATORS

Amounts in SEK thousands unless otherwise stated	2022 Q4	2021 Q4	2022 Full-year	2021 Full-year
Net sales	19 276	27 434	91 018	83 319
Net sales growth, %	-29,7%	22,0%	9,2%	-9,8%
Gross profit	12 227	21 221	65 036	63 543
Net sales	19 276	27 434	91 018	83 319
Gross margin, %	63,4%	77,4%	71,5%	76,3%
Operating profit/loss	-7 764	-2 693	-20 016	-14 073
Net sales	19 276	27 434	91 018	83 319
Operating margin, %	-40,3%	-9,8%	-22,0%	-16,9%
EBITDA	-1 986	1 666	1 147	1 872
Depreciation and amortization	-5 779	-4 359	-21 163	-15 945
Operating profit/loss	-7 764	-2 693	-20 016	-14 073
Current assets	63 323	18 972	63 323	94 106
Current liabilities excl. current liabilities EastCoast International	29 825	12 298	29 825	39 721
Working capital *	33 498	6 674	33 498	54 385
Sales expenses	-8 771	-8 505	-34 796	-31 649
Administrative expenses	-1 665	-7 019	-17 613	-18 018
R&D expenses	-9 431	-8 314	-34 905	-28 161
Other operating income/expenses	-124	-76	2 262	212
Total operating expenses	-19 991	-23 914	-85 052	-77 616
Balance sheet total	211 311	241 052	211 311	241 052
Non-interest-bearing liabilities *	65 009	112 999	65 009	112 999
Capital employed	146 302	128 053	146 302	128 053
Closing equity	146 302	128 053	146 302	128 053
Average equity	137 909	111 919	137 909	111 919
Current assets minus inventories	63 012	93 558	63 012	93 558
Current liabilities	39 659	72 536	39 659	72 536
Liquidity ratio, %	159%	129%	159%	129%
Equity	146 302	128 053	146 302	128 053
Total assets	211 311	241 052	211 311	241 052
Equity/assets ratio, %	69,2%	53,1%	69,2%	53,1%

* The key indicator is calculated excluding long-term and short-term liabilities to EastCoast International AB

FINANCIAL GLOSSARY**NET SALES GROWTH**

Percentage change compared with the corresponding period in the previous year. A measure of whether a company's net sales are increasing.

GROSS MARGIN

Gross profit/loss divided by net sales. Indicates the proportion of sales that is left over to cover wages, other operating expenses, interest and profit.

OPERATING PROFIT/LOSS

Profit/loss before financial net and tax. A measure of a company's profit before interest and taxes, i.e., the difference between operating income and operating expenses.

OPERATING EXPENSES

Operating expenses excluding cost of goods sold. Operating expenses are expenses that do not belong directly to a particular product or product group. Common operating expenses include, for example, wages and other personnel expenses, as well as rental of premises.

EBITDA

Profit/loss before financial items and depreciation. This key figure shows the Group's profit/loss before depreciation/amortization of capitalized assets. This measure makes it possible to make comparisons with other companies, regardless of whether the operation is based on acquisitions or through organic growth.

OPERATING MARGIN

Operating profit/loss divided by net sales. Defines what proportion of each Swedish krona of sales is left over to cover interest, taxes and any possible profit.

CASH FLOW

Cash flow from operating activities after changes in working capital. The operating cash flow indicates whether a company can generate a sufficiently positive cash flow to maintain and expand its operation, or whether it needs external financing.

WORKING CAPITAL

Current assets less current liabilities. This measure shows the capital a company needs to finance operating activities.

CAPITAL EMPLOYED

Total assets less non-interest-bearing liabilities and provisions. This measure shows how much capital is used in operations and is thus one component of measuring the return from operations.

EQUITY

Equity at the end of the period. Equity is the difference between the group's assets and liabilities, which corresponds to the Group's equity that has been contributed by shareholders and the Group's accumulated profit for the year.

AVERAGE EQUITY

The average equity was calculated as equity for the last four quarters divided by four.

LIQUIDITY RATIO

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

EQUITY/ASSETS RATIO

Equity divided by assets on the balance sheet date. This key indicator 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

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.

EARNINGS PER SHARE BEFORE DILUTION

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

EARNINGS PER SHARE AFTER DILUTION

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

EQUITY PER SHARE

Equity on the balance sheet date divided by the number of shares on the balance sheet date. A measure of the value of equity per share, which is used when valuing the share in relation to the share price.

ANNUAL RECURRING REVENUE (ARR)

ARR is defined as repeat revenues at the end of the quarter for Digital Identity, converted to a 12-month period. Consequently, there is no direct link between the ARR figure and future software revenues for Digital Identity. The ARR metric is used for contractual recurring revenues for the Digital Identity segment, as Digital Identity has a large customer base based on SaaS revenues. There are a small number of large customers in Algo, and therefore license fees are not followed up using the definition of ARR in this segment.