

PRECISE BIOMETRICS AB
ANNUAL REPORT
2023



Security through simplicity in a seamless world where YOU are the key

- YOU are the key



Precise Biometrics AB is a public company with organizations number 556545-6596, the company is based in Lund. This report contains prospective information based on Precise Biometrics AB (hereafter called Precise) current expectations. Even if company management considers expectations based on such prospective information to be reasonable, no guarantee can be given that these expectations will prove to be correct. Consequently, actual future results may vary significantly compared with what is set out in the prospective information, for reasons including changed conditions in respect of the economy, market and competition, changes in legal requirements and other political measures, exchange rate variations and other factors. The Annual Report is published in Swedish and English. The Swedish version is the original version and has been audited by Precise's auditors.

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THE YEAR IN BRIEF

2023 was characterized by a focus on commercialization within new strategic verticals and markets.

The background to initiatives in 2023 was the trend in the need for biometric solutions in verticals such as the automotive industry, smart locks, and laptops. Increasing demands for increased safety and security in society have also driven demand for the company's system solutions – YOUNiQ – and thus opened up opportunities for faster growth, which the company wanted to exploit. There was also a need to expand the business in the area of Biometric Technologies to meet the declining volumes of mobile phones that have characterized the market in recent years. As a consequence of these declining volumes in 2023, revenues fell by 17.5% compared with the previous year to SEK 75.1 million, and EBITDA ended at SEK -1.7 million.

In order to achieve profitability faster, increase net sales and diversify revenues, the company has, among other things, launched an initiative in the USA for the company's visitor management system and biometric access solution, YOUNiQ Visit and YOUNiQ Access. This has taken place through partnerships with Genetec and Flowscape Technologies, among others. Precise has also continued to expand its partnership with Infineon in order to gain better exposure to

the rapidly growing market for fingerprint software for the automotive industry.

In addition, the company has concluded a new agreement for its fingerprint software with RECO Biotek Co., Ltd. (RECO), a Taiwan-based supplier of solutions for the integration of biometric detection systems for door locks, and with SystemHouse Solutions regarding the integration of YOUNiQ Access into their Integra security system.

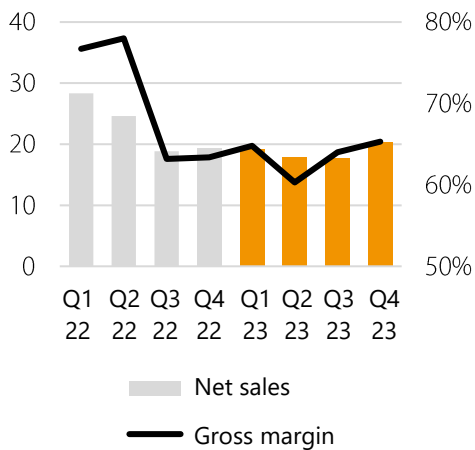
In order to ensure the right competence and to strengthen the company's group executive in this new commercialization phase, Joakim Nydemark has taken over as new CEO. Furthermore, Fredrik André has been recruited as CMO, Sarandis Kalogeropoulos as CCO for the Digital Identity business area and Henrik Winberg as CCO for the Biometric Technologies business area (formerly Algo).

Despite the turbulent market for mobile phones in 2023, Precise is financially strong after a cost-saving program and a preferential share issue that provided the company with approximately SEK 40 million after the deduction of issue costs. The company's annual recurring revenue (ARR) grew to SEK 18.3 million in 2023, which provides a more predictable revenue mix going forward.

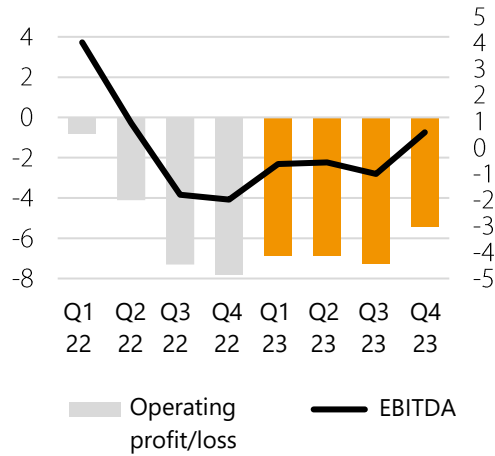


THE YEAR IN FIGURES

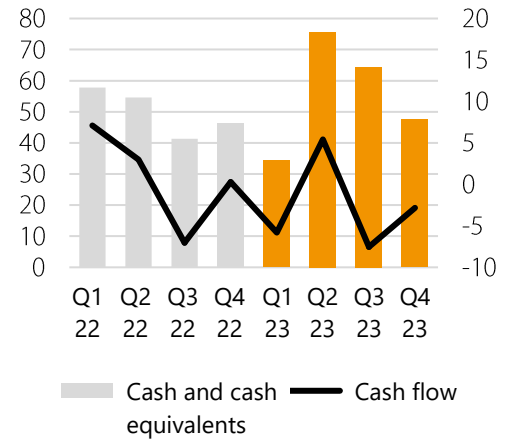
NET SALES & GROSS MARGIN
(MSEK)



OPERATING PROFIT/LOSS & EBITDA
(MSEK)



CASH FLOW FROM OPERATING
ACTIVITIES (MSEK)



75.1 (91.0) NET SALES

63.7 (71.5) GROSS MARGIN, %

-1.7 (1.1) EBITDA, MSEK

47.5 (46.4) CASH AND EQUIVALENTS, MSEK

158.8 (137.9) AVERAGE EQUITY, MSEK

74.9 (68.6) EQUITY/ASSETS RATIO, %

-10.8 (3.9) CASHFLOW FROM OPERATING ACTIVITIES, MSEK

18.3 (16.2) ANNUAL RECURRING REVENUE (ARR)

CEO COMMENTS

2023 has been challenging for us in several ways, but at the same time we have taken steps to create new opportunities and conditions. The latter part of 2023 was characterized by intensive customer targeting and sales activities, as well as further strengthening of the group executive, which combine to create the conditions for an exciting 2024. We are particularly pleased to report a positive operating profit before depreciation (EBITDA) for the fourth quarter (Q4), and that our visitor management system – YOUNiQ Visit (EastCoast Visit) – had its best quarter so far in terms of sales, which means that we continue to increase our annual recurring revenue (ARR). We have also made continued progress in the automotive industry in collaboration with Infineon Technologies, and have won several new projects in the Biometric Technologies (formerly Algo) business area.

The full year 2023 saw, among other things, falling volumes in a generally tough business climate. We were negatively impacted by high component inventories at our customers, inflationary pressures and rising interest rates, but at the same time we took steps to reverse the trend. With a new share issue in the spring, we strengthened our cash flow to increase marketing efforts and accelerate growth. By reallocating resources, we also reduced our costs, and in combination with a new, experienced group executive, we have done our best to counteract these effects, resulting in a positive EBITDA in Q4, and we created the conditions for positive development in 2024 and beyond.

Q4 was very much about accelerating the commercialization strategy that was completed in late summer. I have therefore spent a lot of time with customers in the USA, the EU and Asia during the autumn, to make sure that we as a company are addressing the right customers and geographical markets, and also that we are investing in applications with great growth potential for our technologies. We also need to verify that our solutions scale optimally, and that we are efficient in the areas of technical development, sales, delivery, installation, and support, so that we achieve real economies of scale as we grow.

One area where a lot is happening right now is the automotive industry, where various services in vehicles will require payment and biometric authentication. As cars become increasingly autonomous and connected and are

equipped with more screens both in the front and rear, the need for biometric identification will increase dramatically, for example for personal settings, purchasing entertainment and the use of car-related services.

New security requirements in both the US and the EU will further drive the need for biometric solutions, and the automotive industry is therefore expected to grow by more than 23% annually over the next five years, which we must take advantage of.

To be correctly positioned in the field of biometric solutions for the automotive industry, the collaboration Infineon Technologies has been strengthened by such means as training Infineon's European design and integration partners in Precise products and offerings. We also had a joint demo with Infineon at the Consumer Electronics Show (CES) in the USA, which attracted a great deal of interest among visitors. In terms of business, agreements have been signed on commercial projects, and it is hoped that the first cars with Precise's fingerprint algorithm and Infineon's sensor will start to be delivered in 2024.

We also have a new, highly experienced group executive in place during the fourth quarter, with Henrik Winberg in the role of Head of the Biometric Technologies business area and Fredrik André as CMO. Sarandis Kalogeropoulos, who has been with the company since 2019 and is particularly experienced, both technically and commercially, is taking on the role as CCO of the Digital Identity business area. We are also working to strengthen sales locally in the USA and in Sweden, in order to address the non-Nordic market with our YOUNiQ Access and YOUNiQ Visit offerings.

Looking ahead to 2024, I see much to suggest positive development for Precise, not least due to the progress we are making in the automotive industry, the growth we are seeing in Digital Identity and the indications that the mobile market is recovering. We therefore expect a general increase in demand, which, in combination with a trend towards mobile screens becoming increasingly high-resolution, creates favorable conditions for fingerprint sensors based on ultrasound, in which we are a world leader.

We also worked hard on costs earlier in the year, and we are now seeing the effects of this. The recruitments mentioned above are largely replacement recruitments or a redistribution of resources to customers and markets and

will therefore not have any significant impact on the overall cost situation.

In the Digital Identity business area, where we offer system solutions based on biometric algorithms, we saw something of a positive change in opinion during the year regarding acceptance of the use of cameras in society. With an increasing need for CCTV surveillance and facial recognition to increase security in society, both in Sweden and the rest of Europe, we are also seeing a change in the way people view cameras and other sensors for biometric authentication. Safety and security are becoming increasingly important, driving demand for biometric access systems such as YOUNiQ Access in workplaces, public buildings and homes. We are also seeing safer, more efficient visitor systems contributing to increased security, which we feel has increased demand for YOUNiQ Visit.

We have set a clear strategy for how to achieve profitability, which we are now implementing. One clear step we have taken is the expansion of our Digital Identity business in both Europe and the USA. After a record quarter in revenues for YOUNiQ Visit, we feel stronger in our investment outside the Nordic market and have activities underway in the Netherlands. We have continued to target the US market through our partners Genetec and Flowscape Technologies,

where the number of potential new customers has increased significantly. The ARR at the end of Q4 was SEK 18.3 million (SEK 16.2 million in Q4 2022), which indicates growth, but we aim to increase the rate further.

Safety and security are important values that Precise delivers when we, through our world-leading biometric technology, make the individual the key to unlock doors, mobile phones, computers, and cars, and to create secure authentication when making a payment. There is no doubt that biometrics is the way we will identify ourselves in the future, and we have the technical solutions and expertise to take a position in this future.

The entire Precise team has worked incredibly hard during the year to bring the company to where we are now, and I would like to thank everyone involved for their amazing performance. I am very much looking forward to the continuation of 2024, when we, with increased market presence, high-quality products, and more efficient sales and delivery processes, have good prospects to create both growth and profitability.

Joakim Nydemark
CEO



ABOUT PRECISE

PRECISE IN BRIEF

Precise is a global software technology and solutions company in the fields of biometrics and digital identification. Under the YOUNiQ brand, the company offers ready-made solutions for access and visitor management, which use biometrics to offer a high level of security and ease of use with the individual as the key - "YOU are the key". Identification is performed by face, hand, or fingerprint. Precise also offers world-leading algorithms for biometric identification in mobile phones, laptops, smart locks, vehicles, etc.

The company has offices in Sweden (headquarters in Lund), the USA, China, Taiwan and South Korea. The share is listed on Nasdaq Stockholm under the PREC ticker. Feel free to visit precisebiometrics.com for more information.

VISION FRAMEWORK

The vision framework consists of vision, mission and values, that tells us who we are and guides us in our daily work.

VISION

Whoever you are, wherever you are and whatever you are doing, you must always have access to your digital identity in a convenient and secure way – YOU are the key.

MISSION

Through close contact with customers, the company drives technological development in identification and access using biometrics, including for new areas of application.

VALUES

Our values guide us in our daily work and help us make the right decisions.

OPENNESS: We are open, honest and responsive.

INNOVATION: We seek, strive and work together to create innovative ideas that meet our customers' needs.

RELIABILITY: We assume responsibility and keep our promises.

QUALITY: Our deliveries are always well-considered and of the highest quality.

ENGAGEMENT: We always do our best and the work we produce has a direct impact on the success of our customers and our company.

THE BUSINESS

BUSINESS AND REVENUE MODEL

The company's software algorithms for biometric identification are primarily licensed to manufacturers of sensors for reading fingerprints, for example. These modules are then delivered to manufacturers of mobile phones, vehicles, laptops and smart locks all over the world. The access and visitor systems YOUNiQ Access and YOUNiQ Visit (EastCoast Visit in Sweden) are primarily sold in the Nordic region and the USA via distribution and integration partners. Some sales in Sweden are made directly to end customers.

Precise's revenues are distributed between the following main revenue streams:

- In the Biometric Technologies business area, revenues primarily consist of annual license and support fees as well as royalties per unit sold, which arise when software algorithms are licensed to customers.
- In the Digital Identity business area, revenues consist of monthly license and support fees per installation and, for our SaaS (Software as a Service) business, recurring subscription revenues (Annual Recurring Revenue, ARR). There are also some one-time revenues for hardware.

BUSINESS AREAS

Precise focuses its activities in two business areas: Biometric Technologies (formerly Algo) and Digital Identity, with the aim of diversifying the business and taking advantage of underlying specific customer needs and growth trends in the market in the best possible way. They also create clarity in customer targeting, as the business areas are aimed at different customer segments.

BIOMETRIC TECHNOLOGIES (FORMERLY ALGO)

In the Biometric Technologies business area, the company licenses, among other things, its leading fingerprint software to sensor manufacturers around the world, which in turn market and sell fingerprint modules with Precise's software algorithms to manufacturers of mobile phones and cars, for example. Precise's customers include many of the leading sensor manufacturers globally, and areas of application include user identification in mobile phones, vehicles, smart door locks and laptops.

The product portfolio in Biometric Technologies consists of:

BioMatch - software (AI algorithms based on advanced image analysis) to verify a person's fingerprint.

BioLive - software-based solutions to prevent fraud using false fingerprints.

BioEnhance - software for image enhancement, e.g., regarding fingerprints before matching.



BIOMETRIC TECHNOLOGIES

Identification – fingerprint

DIGITAL IDENTITY

In the Digital Identity business area, Precise offers system solutions for visitor management and physical biometric access.

Precise currently holds a leading position in the Nordic region in the area of visitor management systems (YOUNiQ Visit/EastCoast Visit) and a growing position in solutions for physical biometric access (YOUNiQ Access). For YOUNiQ Access, the company has partnerships with a number of system integrators, which offer Precise access solutions as an integrated part of their Access Management systems. YOUNiQ Visit is also offered through partners, but is also sold by Precise directly to end customer companies.

The Digital Identity product portfolio consists of:

YOUNiQ Access - a physical access management system based on biometrics such as facial recognition.

YOUNiQ Visit (named EastCoast Visit in the Swedish market) - system for secure and efficient visitor management in companies.

Precise works on an ongoing basis to develop integrated solutions between the company's various product areas to further streamline customer flows of visits and access. One example is integration between access and visitor systems to create an elegant flow based on facial recognition.



DIGITAL IDENTITY

Identification – visitor management and physical biometric access

PRODUCT DEVELOPMENT

Product development is and has always been an important part of the company's business, as competitiveness over time is based on being able to deliver high-quality products at the absolute forefront of technology. Since its foundation, the company has successfully launched innovative products that have always met the highest demands from customers and the market.

An important part of Precise's development work is close collaboration with various institutes of higher education, primarily Lund University of Technology (LTH). The company has a number of degree projects each year, which contribute to new approaches and innovations, and which also constitute a good recruitment base.

Precise works actively and strategically with patents, pattern protection and trademarks in order to guarantee the rights to its own technology, to create commercial value and to increase the company's competitive strength. The company's current products and solutions are protected by a comprehensive portfolio of patents, trademarks and registered patterns.

The company's leading position is largely based on the competitive advantage that comes from the company's long-standing operational excellence in the area of biometric solutions for secure and efficient identification. Biometric identification is very complex and requires close collaboration between people and systems in order to work. In its more than 20 years, Precise has built up a wealth of experience that is unique among actors in the industry, and the company is recognized for high quality, functionality and security.

GROWTH STRATEGY

The market for biometric solutions is developing constantly, and Precise is continuously conducting research into new opportunities to grow and create innovative solutions for efficient and secure identification. The objective is that whoever you are, wherever you are and whatever you are doing, you shall always have access to your digital identity in a quick and secure way.

In Biometric Technologies, the strategy is based on strengthening the already leading position. This can be achieved through a focus on strategic partners in the mobile segment to win new projects. Precise is also working to increase volumes in new verticals, such as vehicles, smart door locks and laptops, and to build partnerships with new sensor suppliers. Precise also intends to benefit from its expertise in advanced image analysis in order to explore areas of application outside biometrics.

Precise sees major market potential in Digital Identity, which the company intends to exploit. This will be done by strengthening the sales channels both technically and commercially with the aid of distribution and installation partners both within and beyond the Nordic market. Furthermore, the strategy is based on processing new geographical regions through local presence and partnerships.

SAAS

Through YOUNiQ Access and YOUNiQ Visit (EastCoast Visit in the Swedish market), Precise has created the opportunity for growing, recurring revenues by applying the software distribution model SaaS (Software-as-a-Service). An increasing proportion of net sales in the future will be in the form of subscription revenues (Annual Recurring Revenue – ARR).

Precise's identification software, combined with the company's ability to integrate biometric technologies for new applications and SaaS solutions, creates the conditions for even faster growth.

ACQUISITIONS

Precise believes that the market for identification is fragmented and that there are thus good opportunities for strategic acquisitions. The company intends to primarily evaluate SaaS companies that can strengthen the company's offering in the Digital Identity business area. Precise assesses that such acquisitions can be financed with the available liquid funds at any time and through newly issued shares.

INTERVIEWS WITH OUR CHIEF COMMERCIAL OFFICERS

SARANDIS KALOGEROPOULOS, CCO DIGITAL IDENTITY

Summarize 2023 for Digital Identity

In 2023, we introduced our products, YOUNiQ Visit and YOUNiQ Access, to the American market, which gave us significant knowledge that enabled us to expand our business outside the Nordic region. Since then, we've focused on creating the right structure in the areas of sales, product marketing, customer management and product development, so that we can take on new markets.

To be able to expand our business, both in the Nordic region and beyond, it's been important to find the right partners. For us, it's important that a partner can reach more end customers and should therefore be viewed as an extension of ourselves. In 2023, we established a number of new technological partnerships (Genetec, Hanwha, Axis, SystemHouse Solutions, Entryfy, etc.) and commercial partnerships (SystemHouse Solutions, Flowscape, etc.).

During the year, we also acquired a clear picture of which functions are necessary to grow into new markets. We've therefore been focused on having the right system architecture for our product offerings. This is so that we can actively develop the functions that drive our sales. That said, we're entering 2024 with great momentum.

What is Precise's greatest strength in your area?

We're a small team that communicates across functional boundaries on a daily basis. This has made us into a unified group, dedicated to the goals we set ourselves to achieve. We're a responsive group that constantly strives to improve our products based on customer needs. This is a strength that runs throughout our company, always being adaptable to our customers' needs. We're among the best in the world when it comes to creating system solutions with biometric algorithms for those who require a high level of security.

How do you see the market for your area changing in 2024?

Simple, convenient security will be a key theme on the agenda in 2024, and it's clear that biometric solutions have a

significant role to play in this. We see a number of areas that will adopt biometric solutions through facial recognition and palms to improve user experiences. For example, visitor administration will be simplified through biometrics, as will access administration, digital ID documents and payment options. All of these will rely on different forms of biometric solutions.

Where do you see the greatest future potential for Precise?

The future of Precise lies in "YOU are the key" in a world without passwords and codes, where biometrics are used to open doors, log on to mobile phones and laptops and authenticate payments, the market for biometric solution is huge. By continuously being among the best in the world and offer algorithms and system solutions to our customers, I think the company will develop in all areas of the company.

What are you most looking forward to personally?

I'm looking forward to expanding Digital Identity beyond the Nordic region and being able to deliver our products to totally new markets. I enjoy being outside my comfort zone, it gives me and the company valuable new experiences.

Sarandis Kalogeropoulos

CCO Digital Identity



HENRIK WINBERG, CCO BIOMETRIC TECHNOLOGIES

Sum up 2023 for your area.

There are very positive things happening, even though there have been some challenges in recent years. A deteriorating security situation in society creates an increased need for our technology, while technological developments give us new opportunities.

During the year, we continued to significantly improve and optimize our AI-based "anti-spoof" solution, which is already being widely used in various mobile phones. In the area of AI, we also developed a new solution for finding the finger in the image, and we now have the option of automatically generating random fingerprint images from a certain sensor. The latter is intended to reduce the volume of data our customers need to collect.

In 2023, we also significantly improved the performance of our matcher for very narrow sensors and for our embedded solutions.

What is PB's greatest strength in your area?

Over the years, the Biometric Technologies team has acquired in-depth knowledge and expertise in this area. Our efforts extend beyond algorithm development to what I'd like to call a biometric platform. This platform is characterized by its focus on modularity, scalability, service-centric design and hardware independence. Modularities in the field of biometrics encompass everything from fingerprints and palms to facial recognition. On this basis, I'd say that we're strategically well positioned to grow, meet challenges and realize the opportunities that lie ahead of us in this constantly evolving market. One area where we excel is implementations, where computational capacity is limited, environments that require powerful algorithms.

How do you see the market for your area changing in 2024?

From a macro perspective, the overall trends in the industry coincide with Precise's focus areas. We're currently seeing an increase in established areas as well as new, emerging segments such as the automotive industry. While biometrics has gained more influence in the market, there is growing concern about implementations that do not meet increasing security requirements, and there is therefore a demand for even smoother user experiences. I think that the discussions in the market are a good match for the solutions we can contribute.

Where do you see the greatest future potential for PB?

Biometrics offers a characteristic approach to identification and authentication, maintaining an optimal balance between user experience and trust. This market will continue to grow and affect our everyday lives. In addition to our customized platform, we're now going one step further by delivering complete solutions that transform biometric identification and authentication into holistic solutions. A strategic step that offers new, comprehensive, and efficient offerings.

What are you most looking forward to personally?

I believe that we are at the beginning of a transition where biometrics will play a crucial role, and that we'll see many new areas adopting biometric technologies in ways we cannot predict today. I look forward to being part of this development with our outstanding team here at Precise.

Henrik Winberg

CCO Biometric Technologies



CUSTOMER OFFERING

In a society where security is becoming increasingly central, Precise helps to create increased peace of mind. This is done by developing innovative technological solutions in the field of biometrics, where simplicity and a first-class user experience are combined with a very high level of security because YOU are the key. Instead of using a PIN code, password, key, card, etc. to identify yourself, you use your finger, face, or palm.

There are areas of application in both digital and physical access, and the applications can be found in, for example, mobile phones, laptops, smart locks, access systems and vehicles.

The offering consists of algorithms, basic technology, which component manufacturers use in their products, and also end-customer products for access and visitor management. The focus of all solutions is to combine high security with a first-class user experience through outstanding technology, based on AI and Deep Learning.

– YOU ARE THE KEY

OUR PRODUCTS

ACCESS AND VISITOR MANAGEMENT

YOUNiQ Access is our access solution for doors based on biometrics, such as facial recognition.

YOUNiQ Visit (EastCoast Visit in Sweden) is our visitor management solution.

BIOMETRIC IDENTIFICATION ALGORITHMS

BioMatch is our fingerprint matching product.

BioLive is our product to prevent fraud using false fingerprints.

BioEnhance is our product for image enhancement, e.g., regarding fingerprints before matching.

WHY PRECISE?

- Unique knowledge, as biometrics has been our core business for 25 years.
- Established on the global market, our technology is used more than 100,000 times per second, all year round.
- Large customer base and a global footprint in the world of biometrics.
- Hardware-independent, handling several different biometric modalities such as finger, hand, and face.
- Publicly listed company.



POSITION AND STRATEGY

Precise is a world-leading global software supplier specializing in biometric identification. The offering consists of basic technology, algorithms for biometric identification and end-customer products, where biometric identification is included.

To guarantee the correct positioning and offering in different markets, the company works closely with a number of global sensor suppliers, component manufacturers and integration partners. As Precise is a software company without its own hardware, the business risk is significantly lower than in manufacturing companies, which risk being left with high inventories when the market turns or demand for a certain technology or product category dips.

Precise has two business areas: Digital Identity, with solutions for physical access and visitor management, and Biometric Technologies (formerly Algo), with biometric identification software for various areas of application such as mobile phones, laptops and cars.

In Digital Identity, Precise has expanded its international initiative with a focus on new markets like the US and parts of Europe. In the long term, the company sees great potential for its access and visitor management solutions with biometrics as the "key" in several sectors in the USA, such as commercial properties, gyms, hospitals and construction sites. The market for this kind of security solution is expected to grow rapidly on a global level in the coming years, and Precise ambition is to establish itself and acquire market share in the USA. This will be achieved primarily through an expanded network of distributors.

In the Biometric Technologies business area, the ecosystem around mobile phone manufacturers experienced weaker demand in 2023, as a consequence of large inventories of mobile phones and lower end-customer demand. The company's assessment, based on the signals we receive from the market, is that we will see a return to more normal order volumes in 2024. Furthermore, the company has entered into a number of interesting collaborations with sensor

manufacturers in new verticals, such as laptops, smart door locks and vehicles, which are considered to be able to accelerate the company's growth.

COMMERCIALIZATION

Precise is on a journey from a research-oriented company with its roots in Lund University of Technology, almost exclusively focused on the mobile phone market, to a sales and knowledge-driven SaaS and software company that delivers world-leading security solutions on a large scale in a variety of verticals.

To achieve a more sales- and results-oriented corporate culture, the company implemented a commercialization strategy during the second half of 2023, which is intended to achieve profitable growth for the company. The background to this was set out in connection with the preferential share issue that was carried out in 2023. It includes capitalizing on growth opportunities in new verticals for the Biometric Technologies business area and accelerating sales in the Digital Identity business area on both existing and new markets like the US and Europe. It involves both efficiency improvements and savings in areas that are not directly revenue-generating, as well as well-balanced investments in areas that it is believed will generate increased sales.

During the second half of the year, the company promoted Joakim Nydemark from EVP to CEO, to lead the company in its current commercialization phase. Since autumn 2023, Joakim has further strengthened the group executive by recruiting Fredrik André to the role of Chief Marketing Officer (CMO), Henrik Winberg as Chief Commercial Officer (CCO) for the Biometric Technologies business area and Sarandis Kalogeropoulos as CCO for the Digital Identity business area.

Precise's strategy for the future is about increased market presence in certain key markets, high-quality software products linked to clear customer needs and market trends, and a more efficient sales and delivery process. The goal is profitable growth.

OUR CUSTOMERS AND PARTNERS

Precise has customers and partners all over the world. Customers range from large technology giants, such as Qualcomm and Egis Technology, who use our algorithms, to a large number of medium-sized and large companies that

use our access and visitor management solutions. Our new customers and partners in 2023 include SystemHouse Solutions, FlowScape and Entryfy.

A SELECTION OF OUR CUSTOMERS AND PARTNERS

業泓科技股份有限公司
RECO BIOTEK CO., LTD.

OFFICE
MANAGEMENT

INTERVIEW WITH OUR PARTNER GENETEC

THE BENEFITS OF BIOMETRIC ACCESS – INDUSTRY TRENDS AND INSIGHTS

In 2023, Precise joined the Genetec Technology Partner Program and integrated YOUNiQ with Genetec Security Center. The integration enables companies, government agencies and organizations to securely and efficiently identify employees, customers and other authorized persons, increasing security while at the same time facilitating visitor management.

François Brouillet, Product Line Manager at Genetec, and Mark Cornett, Senior Sales Director at Precise, were interviewed to hear their thoughts on industry trends in the field of biometric solutions.

François and Mark, many thanks for joining us here today. As we all know, biometrics continues to be an exciting and dynamic market. The American market is particularly prominent when it comes to the implementation of biometric solutions.

Which biometric modalities do you consider the most important, now and in the future, for the implementation of biometrics?

François: Although most modalities have been around for a long time, fingerprints have been the most popular so far, probably due to availability and reliability. But we've recently been seeing increased demand for facial recognition.

Mark: I agree that fingerprints and faces are the forms of biometrics that dominate today. It's also the case that the demand for fingerprints fell during the pandemic, and that facial recognition has become controversial in certain areas. So, going forward, I see great potential in the palm of the hand. The palm has long been used in the healthcare market and has recently become increasingly common for payment solutions, with Amazon One being a good example. A new, more cost-efficient kind of palm identification solution will be launched on the market in 2024. I believe that palm identification will gain a foothold in access management, as it's perceived to a lesser degree as violating privacy and at the same time does not require physical contact, which are often seen as the challenges involved in facial recognition and fingerprints.

What do you think are the current trends in the access management market, and how do you think these will develop in the future?

François: During the pandemic, we saw an increasing trend for contactless access, an increased demand for higher security and more cost-efficient access solutions. Biometrics plays an important role in multi-factor authentication. Since fingerprints have dominated the market, we're now seeing more and more solutions based on facial recognition, one reason being that no touch means faster validation. But, as Mark says, many customers still feel some concern about privacy, which is why other forms of biometrics are being considered. In my opinion, however, facial recognition does not infringe on privacy if handled correctly. You often need people to be clearly informed about what is actually being handled and processed in the area of biometric access.

Mark: I totally agree with François. In addition, I believe that increased functionality and AI capabilities, combined with cloud computing, will improve physical access and create more affordable products that are also easier to implement. It's also worth noting that multi-factor authentication (MFA), which is common in the area of digital authentication, is growing rapidly in physical authentication. So, whether it's about user registration or authentication, the use of personal devices, such as smartphones, will increase in the area of access systems.

François, can you tell us what attracted Genetec to use Precise's biometric solutions and access control technologies? And what benefits do you see in the partnership with Precise, now and in the future?

François: Genetec has a large ecosystem of great partners and proven technologies. We work with forward-looking and knowledgeable partners such as Precise because we want to offer our customers the best in terms of user-friendliness, security and standardization.

Mark, can you tell us about the benefits Precise has experienced by being part of Genetec Security Center?

Mark: Firstly, an independent evaluation and assessment of the quality and functionality of YOUNiQ Access has been extremely valuable to us, and of course our joint marketing is also very important. But I believe the main benefit of working with Genetec is the direct access to their sales and support organization. Collaborating with account managers and sales engineers who are all experts in biometrics is very beneficial for us.

What challenges are organizations facing today that make them interested in biometric solutions?

Mark: IT and security managers are beginning to become aware of both the increased threats and security requirements for their organizations. This increases the vulnerability of traditional security systems with access cards, PIN codes and passwords. Healthcare is a relevant example, as pharmacies, patient records, data centers and the like are increasingly coming under threat from malicious actors and unauthorized access. Biometric solutions improve security, because the proof of identity is you rather than something you own or know.

François: Organizations nowadays face a number of challenges to ensure that their operations are not affected by external systems. Physical and cyber security, privacy, user consent and maintenance of the systems are just some examples. Because although all these points need to be considered carefully, I agree with Mark that biometric solutions provide higher security and access is only granted to authorized persons.



What are the business opportunities in the USA, and what do you expect from the market in 2024?

François: There are many factors affecting the market, and we're seeing signals that suggest a soft landing and that the crisis may be delayed. Demand for higher security, however, is likely to continue to rise.

Mark: Yes, I agree. Demand for security will continue to rise, both for digital and physical access, regardless of the economy. Another significant factor is the regulations concerning privacy and data protection, as we see GDPR-like initiatives expanding from the EU to North America.



Finally, what inspires you most about the industry and the opportunities it offers for the future?

François: We're emerging from a few years when it's been fairly quiet in the field of access systems, but this year we've seen much more development in this area. We're facing different challenges, systems with different areas of application that face different threats. We see this as an opportunity to offer better tailored solutions for our customers.

Mark: Yes, as threat and attack pathways have become more complex, the development of relevant and effective solutions has also increased. I'm inspired by seeing the increasingly pervasive use of biometrics as core elements in these solutions. In the longer term, I'm also looking forward to the development of authentication of both digital and physical access, which will result in smoother identity verification in our daily lives.

ABOUT GENETEC

Genetec Inc. is an innovative technology company that offers solutions in the field of security. The company's flagship product, Genetec™ Security Center, is a physical security platform that combines IP-based video surveillance, access control, automatic license plate recognition, communication, and analytics. Genetec also develops cloud-based solutions and services designed to improve security and operational intelligence for governments, businesses, transport and communities. Genetec currently operates in 159 countries and has its headquarters in Montréal.

WHAT IS BIOMETRICS?

The word biometrics comes from the Greek words bi'os (life) and me'tron (measure). The Biometrics Research Group defines biometrics as measurable physical and behavioral properties that make it possible to authenticate an individual person's identity. Biometrics is used as a collective term for the technologies used to measure a person's unique characteristics and thus authenticate his or her identity.

BIOMETRIC TECHNOLOGIES AND MODALITIES

In biometrics, either a person's personal attributes, also known as modalities, such as fingerprints, face, palm or iris, or something that the person does, such as movement patterns or speech, are measured. Biometric technologies are automatic systems set up in order to: (1) collect biometric information (e.g., fingerprints) from a person; (2) extract information from the material for a template; (3) compare information from templates saved previously; (4) determine whether the biometric information is identical.

Biometric technologies therefore consist on the one hand of hardware such as fingerprint sensors and cameras, which can physically read biometric information, and software is also needed that together with the hardware collects the biometric information and then extracts, compares and verifies the information.

LIVENESS AND ANTI-SPOOF

In addition to verifying that certain biometric information comes from a certain person, they often also want to ensure that the biometric information comes from a living, physical person. In order to prevent fraudsters from attempting to fool the systems by such means as collecting a fingerprint from an object and then creating different impressions in clay, glue, gelatin, etc., different forms of anti-spoof protection are used. These can be placed directly in the hardware; some sensors

can, for example, read whether the material conducts current, like a finger, or illuminate a finger with different lights to see the inner layers of the skin. Other solutions use software optimized to recognize differences in materials. Some systems use a combination of both hardware- and software-based anti-spoof protection.

USER EXPERIENCE

Central to the user experience of a biometric solution is that it is comfortable for the user and works with the greatest possible security. For a good user experience, the system normally also needs to be quick to process the information in order to verify the individual. For example, you don't want to have to wait for the phone to be unlocked or for you to be let into a property with your fingerprint or face. Ideally, you should be able to use a biometric solution as automatically and easily as possible, while at the same time achieving a high level of built-in security with a biometric system.

FAR/FRR

The terms FAR (False Acceptance Rate) and FRR (False Rejection Rate) are used to describe the security of a solution. These terms have a symbiotic relationship with one another and are determined by the limits in the software. A low FAR means a more secure solution (no unauthorized persons are allowed in), but it can result in a high FRR (more authorized persons are denied). A high-quality biometric system with a good user experience provides rapid authentication and has a high level of accuracy (low FAR and FRR values). Biometrics gives a very high security level, corresponding at least 1/50 000, which means one person of 50 000 theoretically is given unauthorized access. In combination with the direct connection with the person's identity and the fact that a pin code or password can be exposed to someone else, gives biometrics a superior security compared to for example a pin code in a mobile phone.

MARKET DEVELOPMENT

Interview about the development of the biometrics market with Alan Goode, Chief Analyst at Goode Intelligence, a UK-based analysis and research company focused on the biometrics industry.

How big is the market for Biometric identification solutions in 2024?

Research from Goode Intelligence indicates that the biometric identification market grew by 13% to USD 14 billion in 2023, and is expected to continue to grow by 14% to USD 16 billion in 2024, driven by growth in the areas of smartphones, access control, digital identification, banking and payments, and vehicles.

Which key macro trends are driving the needs for biometric identification in 2024?

There is a strong need to identify people in a secure and convenient way to facilitate the digital transformation for government agencies, consumers, and employees. The global security situation is becoming increasingly uncertain, and governments and companies will need to continue to use biometric technology to look after the safety and security of people. Furthermore, the need for biometric identification is becoming even greater due to the uncertainty associated with the rapid development of artificial intelligence (AI). It has never been easier to create fake identities and personas using generally available AI tools. A study published in 2023 has shown that fraud involving AI-generated identities has increased by 17% over the past two years, and 76% of those working in finance believe their companies have at some time approved customers who are using synthetic identities. Research conducted by Wakefield and commissioned by the American company Deduce, which prevents synthetic identity fraud, also shows that 87% of experts predict that the problem will increase in the coming years. It is important that companies collaborate with established experts in the field of biometric identification who have experience in keeping one step ahead of fraudsters and attackers.

Smartphones have so far been a focus area for biometric solutions. What will be the next category in which biometric identification grows?

Smartphones will remain an extremely important market for biometric identification solutions, as the trend of facial recognition and fingerprint recognition under and in glass continues. We also expect to see strong demand from a number of categories that are likely to result in growth for biometric identification. Examples include government-issued digital identity verification, supported by government initiatives and frameworks, cars, to promote security, driver settings and in-car payments, physical access control that offers a secure and convenient way to enter buildings, and smart cards for both payment and access control. In many of these categories, biometrics will continue to be the first choice for secure identification and authentication.

Some people think palm is the “next big thing” as a method of identification. What are the main areas of application?

Palm identification is a really good alternative to facial recognition, and it's used in a variety of areas, including physical payments and physical access control. It can offer several benefits in terms of user-friendliness and security in different situations. Especially when it comes to showing an active intent to purchase, and not just identification. For example, Amazon has chosen it as the biometric modality for its in-store biometric solution, Amazon One. Amazon announced in 2023 that it will expand the use of Amazon One to all Whole Food Market stores in the USA, which number over 500. In addition, Amazon One has been rolled out to Panera Bread restaurants, as well as sports arenas and airports across the USA. In China, we have seen how palm technology has been introduced as an accepted payment method in the metro.



Biometrics is growing in the automotive industry, as was clearly evident at CES 2024. How fast will the development be?

Goode Intelligence identified the automotive industry as an important market for biometrics as early as 2017, when the first edition of the market analysis report "Biometrics for the Connected Car" was published. In 2020, an updated version of this report was published, predicting that over 75 million biometric sensors will be integrated into cars by 2026. This includes four main biometric modalities: fingerprint, face, voice, and iris. A car often supports more than one biometric modality and can, for example, offer both fingerprint and facial recognition. Key areas of application driving this are settings and in-car payments, health and safety, and insurance policies. Auto Biometrics was a hot topic at CES 2024 in Las Vegas, with announcements from Continental about a facial biometric solution together with supercar manufacturer Lamborghini, to show the benefits of biometrics. The semiconductor giant Infineon was also present, showcasing its



biometric solutions for cars equipped with Precise software. This is an area where we will see a lot of innovation in the coming years, as EVs compete for the best and most user-friendly solutions for driver identification and personalization.

Digital access systems is one area where biometric identification is increasing. What are the biggest obstacles to overcome?

We're seeing an increased interest in using biometrics in physical access control, as it offers several clear benefits compared to, for example, existing card-based solutions. These benefits include increased security, such as avoiding tailgating

and sharing access cards, an improved user experience, and lower life cycle costs. But there are some barriers that need to be overcome in order for biometric access systems to become mainstream. So it's important that companies choose a competent partner who can help them on their path towards biometric identification systems in this sector.



What are the prospects for the introduction of biometric access systems in the US compared to Europe, based on regulations?

In both areas, it's important to make sure that biometric access solutions comply with local legislation. This is relevant all over the world, and especially in areas with strict data protection and biometric regulations, such as the EU and North America. In the EU, biometric access systems must comply with the General Data Protection Regulation (GDPR), which means that individuals must give their express consent to their biometric data being collected for a specific purpose. Those who collect biometric data must also protect this data in a secure manner. The US does not have any nationwide regulation regarding biometric data. But there are several state laws that apply to biometric data, and at least five US states that have laws that relate to biometric data. I'm convinced that suppliers with extensive experience of working with biometrics and who have knowledge of biometric control will succeed in implementing biometric access systems in both Europe and North America. They have solved, or will solve, the problems and risks that businesses are experiencing when implementing biometric access solutions, thereby increasing the use of biometrics in both the US and the EU.

SUSTAINABILITY

Sustainability is an important cornerstone of Precise business, and we are working actively to promote social and environmental awareness. We do this primarily by being a responsible employer, reducing our environmental impact and conducting our business responsibly. The company works actively in these areas to contribute to a more sustainable society.

The company focuses primarily on the areas where the business is considered to have the greatest impact:

- The working environment, health and safety
- Equal treatment in all relationships
- Business ethics
- Own environmental impact
- IT security and anti-corruption

Precise's operations have a limited environmental impact, due to their digital and technological nature.

The technical solutions we develop create increased digitalization and thereby contribute to both a reduced environmental impact and increased security in society. Reduced environmental impact is primarily achieved through simplified logistics and administration, as well as reduced use of plastic cards/tags, for example. Increased security is achieved as YOU are the key, instead of using codes, cards or tags.

SUSTAINABILITY POLICY

Precise has implemented a sustainability policy including several points in accordance with the environmental goals as set out in Agenda 2030. It serves as a guiding star for the company's actions, both operationally and strategically. Precise evaluates and develops the company's efforts in this area on an ongoing basis in order to further integrate sustainability into the company's development.

THE WORKING ENVIRONMENT, HEALTH AND SAFETY

Precise is a knowledge-based company that depends on the desire and ambition of our employees to continuously push the limits of technology. The company works actively to be an

attractive employer and to create a working environment that gives employees the right conditions to develop.

Based on Precise's core values and on a basic premise that all employees play an important role in the business, Precise strives to create a working environment in which people want to work, to challenge themselves and to be involved in developing the company.

Creating openness, an understanding of the company's goals, responsibility to the individual, training and salary benefits, and the creation of a stimulating, secure working environment, are all focus areas for the company.

The core values are:

- Openness
- Innovation
- Reliability
- Quality
- Engagement

EQUAL TREATMENT IN ALL RELATIONSHIPS

Precise is developing to become an increasingly international company with increased diversity. Different backgrounds and experiences are important for the company's development, and Precise does not accept any form of discrimination against employees in connection with employment or duties at work on the basis of gender, religion, age, physical ability, sexual orientation, nationality, political opinion or social or ethnic origin. The company's long-term objective for equality is that there shall be no differences in the company with regard to professional roles and levels of compensation that can be related to gender affiliation. Furthermore, all employees should perceive that they have equal standing regardless of gender in their day-to-day work and in respect of the impact of work on their private and family life. The company also has the ambition to promote a more even gender balance, although without compromising on competence, and to achieve a situation in which the number of company employees is more evenly distributed with respect to gender within all units.

CODE OF CONDUCT AND BUSINESS ETHICS

The company's Code of Conduct emphasizes the fundamental ethical principles that Precise observes when conducting its business operations and supports the company's employees and consultants in their relations with business partners and other stakeholders.

The Code of Conduct includes, among other things, guidelines, values and rules on ethical business, relationships with employees, customers and suppliers, and information to shareholders. All employees are expected to support and uphold the company's values and responsibilities. The company's employees, business partners and other stakeholders have the opportunity to report any possible serious or sensitive irregularities or improper conduct that could have a detrimental effect on the company's business operations or stakeholders through what is known as a whistleblowing procedure.

OUR OWN ENVIRONMENTAL IMPACT

Precise strives to select efficient, sustainable alternatives in order to reduce the company's impact on the environment. The company develops and sells biometric products for identification, which in itself has little impact on the

environment. Precise strives to choose an environmentally-friendly IT infrastructure and deliver software solutions as downloadable files, which involves minimal environmental impact in connection with delivery and distribution. Precise is growing to become an increasingly international company with operations in a number of countries in Europe, North America and Asia. As air travel accounted for a large proportion of the company's climate impact before Covid-19, the use of videoconferencing was always encouraged in order to minimize the number of trips. For example, the office in Shanghai made it possible to offer local support and service to customers, reducing the number of flights from Europe to Asia significantly. During the year, the company continued to hold a majority of booked meetings virtually, which reduced physical travel. When traveling physically, the company always strives to reduce its climate impact as much as possible.

The company operates in premises with environmental certification in accordance with Miljöbyggnad Guld, LEED Platinum and Green Building. LEED is an international certification system that assesses environmental impact from five aspects: the location of the premises, water-saving, energy consumption, internal environment, and material and resource consumption. Precise evaluates procedures and work methods on an ongoing basis in order to identify more effective methods that reduce the company's environmental impact.



THE SHARE & SHAREHOLDERS

HISTORY

Precise's share was listed on the Stockholm Stock Exchange on October 3, 2000 at a quotation price of SEK 63.19.

As of December 31, 2023 the company had 77,379,327 common shares listed on the Small Cap list of the Nasdaq OMX Nordic. The company also holds 1,085,000 Class C shares as an effect of the long-term incentive plan that was adopted by the 2022 Annual General Meeting. A standard trading unit is one share. The short name is PREC and the ISIN code is SE0001823303.

SHARE PRICE DEVELOPMENT

In 2023, there was a total turnover of 46,396,950 PREC shares, representing an average turnover of 184,848 shares per trading day. The closing price on December 31, 2023 was SEK 1.10. The share price fluctuated during the year between SEK 0.89 and SEK 5.19.

OWNERSHIP

The number of shareholders at the end of the year was 16,612 (17,428). Foreign shareholders accounted for 14.75% (20.25). See table for shareholder statistics as of December 31, 2023. Precise has an option program, see Notes 6 and 11 in the notes for the group for further information.

SHAREHOLDER INFORMATION

Previously published annual reports, interim reports and other information can be found at www.precisebiometrics.com

Questions can be addressed directly to the company via email to investor@precisebiometrics.com



SHARE CAPITAL DEVELOPMENT OVER THE LAST TEN YEARS

| | INCREASE IN NUMBER OF SHARES | TOTAL NUMBER OF SHARES | CHANGE IN SHARE CAPITAL, SEK | TOTAL SHARE CAPITAL, SEK | QUOTA VALUE, SEK |
|--|---|---------------------------------------|---|---|---------------------------------|
| 2013 – New issue 1) | 58,782,926 | 323,306,094 | 16,459,219 | 90,525,706 | 0.28 |
| 2013 – New issue 2) | 22,000,000 | 345,306,094 | 6,160,000 | 96,685,706 | 0.28 |
| 2015 – Reduction of share capital 3) | - | 345,306,094 | -86,326,523 | 10,359,183 | 0.03 |
| 2016 – New issue 4) | 14,925,373 | 360,231,467 | 447,761 | 10,806,944 | 0.03 |
| 2021 – New issue 5) | 6,982,473 | 367,213,940 | 209,474 | 11,016,418 | 0.03 |
| 2021 – New issue 6) | 28,750,000 | 395,963,940 | 862,500 | 11,878,918 | 0.03 |
| 2022 – Consolidation (1:10) 7) | - | 39,596,394 | - | 11,878,918 | 0.3 |
| 2022 – New issue 8) | 2,871,564 | 42,467,958 | 861,469 | 12,740,387 | 0.3 |
| 2022 – New issue 9) | 3,959,639 | 46,427,597 | 1,187,892 | 13,928,279 | 0.3 |
| 2022 – New issue of Class C shares LTI program 10) | 1,085,000 | 47,512,597 | 325,500 | 14,253,779 | 0.3 |
| 2023 – New issue 11) | 30,951,730 | 78,464,327 | 9,285,519 | 23,539,298 | 0.3 |

- 1) Issue with preferential rights to existing shareholders. The subscription price amounted to SEK 0.93 and Precise received an issue amount of SEK 54.7 million.
- 2) Directed issue of 22 million shares. The subscription price amounted to SEK 3.90 and Precise received an issue amount of SEK 85.8 million.
- 3) Reduction of share capital. The AGM decided, in accordance with the Board's proposal, that the company's share capital should be reduced from SEK 96.7 million to SEK 10.4 million. The reduction represents a decline in the quota value of the shares of SEK 0.25 from SEK 0.28 to SEK 0.03.
- 4) Directed issue of 14.9 million shares. The subscription price amounted to SEK 3.35 and Precise received an issue amount of SEK 47.2 million.
- 5) Offset issue of 6,982,473 shares. The subscription price amounted to SEK 1 and Precise received an issue amount of SEK 6.5 million.
- 6) Directed issue of 28,750,000 shares. The subscription price amounted to SEK 0.80 and Precise received an issue amount of SEK 23 million.
- 7) Consolidation of shares (1:10). Prior to the consolidation, there were 395,963,940 shares, and after the consolidation, the total number of shares was 39,596,394. The company's share capital remained unchanged at SEK 11,878,918.20 and the quota value of the share changed from SEK 0.03 to approximately SEK 0.3.
- 8) Issue with preferential rights for existing shareholders of 2,871,564 shares in total. The subscription price amounted to SEK 6.44 and Precise received an issue amount of SEK 18,492,872 million.
- 9) Directed issue of 3,959,639 million shares. The subscription price amounted to SEK 6.44 and Precise received an issue amount of SEK 25,500,075 million.
- 10) Issue and buyback of Class C shares for long-term share bonus program for employees (LTI 2022/2028). The total number of shares as of December 31, 2022 therefore amounts to 47,512,597 shares, of which 46,427,597 are common shares and 1,085,000 Class C shares.
- 11) Issue with preferential rights for existing shareholders of 30,951,730 shares in total. The subscription price amounted to SEK 1.6 and Precise Biometrics received an issue amount of SEK 49,522,768.

OWNERSHIP STATISTICS

SHAREHOLDER REGISTER

| | PREC | PREC C | % OF CAPITAL | % OF VOTES |
|--------------------------------|-------------------|------------------|---------------|---------------|
| Maida Vale Capital AB | 7,639,823 | | 9.7% | 9.9% |
| Egis Technology Inc | 5,609,488 | | 7.1% | 7.2% |
| Avanza Pension | 4,687,444 | | 6.0% | 6.0% |
| Nordnet Pensionsförsäkring | 2,435,021 | | 3.1% | 3.1% |
| RM International AB | 1,357,700 | | 1.7% | 1.8% |
| Lars and David Ingvarsson | 1,308,811 | | 1.7% | 1.7% |
| Precise Biometrics AB | - | 1,085,000 | 1.4% | 0.0% |
| Lars Erik Eurenus | 996,892 | | 1.3% | 1.3% |
| Flemming Frits Grothe Jensen | 664,000 | | 0.8% | 0.9% |
| Håkan Vilhelmsson | 590,000 | | 0.8% | 0.8% |
| Douglas Storckenfeldt | 500,000 | | 0.6% | 0.6% |
| Henrik Svensson Fastigheter AB | 464,100 | | 0.6% | 0.6% |
| Richard Henter | 461,166 | | 0.6% | 0.6% |
| Swedbank Försäkring | 461,163 | | 0.6% | 0.6% |
| Handelsbanken Fonder | 460,313 | | 0.6% | 0.6% |
| Others | 49,743,406 | | 63.4% | 64.3% |
| Total | 77,379,327 | 1,085,000 | 100.0% | 100.0% |

ALLOCATION OF SHAREHOLDERS

| | NUMBER OF SHARES | % OF CAPITAL |
|--------------------------------|------------------|--------------|
| Foreign owners | 11,622,678 | 14.7% |
| Swedish owners | 66,841,649 | 85.3% |
| Unknown country | 3,176,204 | 4% |
| - of which institutions | 2,501,688 | 3.2% |
| - of which private individuals | 46,802,403 | 59.7% |

ALLOCATION OF SHARES

| | % OF CAPITAL |
|-------------------------|---------------------|
| 10 largest shareholders | 33.2% |
| 20 largest shareholders | 38.8% |
| 30 largest shareholders | 42.7% |

SHAREHOLDER STATISTICS (NUMBER OF SHARES OWNED)

| | NO. OF SHAREHOLDERS | NO. IN % | NUMBER OF SHARES | % OF VOTES |
|--------------------|----------------------------|-----------------|-------------------------|-------------------|
| 1 - 2,000 | 14,023 | 84.5% | 5,169,635 | 6.7% |
| 2,001 - 10,000 | 1,773 | 10.7% | 8,023,543 | 10.4% |
| 10,001 - 1,000,000 | 800 | 4.8% | 38,275,194 | 49.4% |
| 1,000,001 - | 7 | 0.0% | 23,820,437 | 29.5% |
| Unknown ownership | 0 | 0.0% | 3,175,518 | 4.0% |
| Total | 16,612 | 100.0% | 78,464,327 | 100.0% |

GEOGRAPHIC DISTRIBUTION OF SHAREHOLDINGS IN %

| | % OF CAPITAL |
|---------------------|---------------------|
| Sweden | 85.3% |
| Taiwan | 7.1% |
| Denmark | 2.4% |
| Finland | 0.6% |
| Norway | 0.5% |
| Other countries | 0.1% |
| Anonymous ownership | 4.0% |
| Total | 100.0% |

Source: Monitor, Modular Finance AB. Compiled and processed data from sources including Euroclear, Morningstar and the Swedish Financial Supervisory Authority.

ADMINISTRATION REPORT

The Board of Directors and the CEO of Precise Biometrics AB (publ), CIN 556545-6596, with headquarters in Lund Municipality, Sweden, hereby submit their Annual Report and consolidated financial statements for the fiscal year 2023.

THE BUSINESS

Precise is a global supplier of identification software and offers products for the convenient, secure authentication of people's identity. The company offers the following products in each business area:

DIGITAL IDENTITY

YOUNiQ® Access - a physical access management system based on biometrics such as facial recognition.

YOUNiQ® Visit (named EastCoast Visit in the Swedish market) - system for secure and efficient visitor management in companies.

BIOMETRIC TECHNOLOGIES (ALGO)

Precise BioMatch® Mobile - Verifies fingerprints in mobile devices.

BioMatch® Car - Verifies fingerprints in cars.

Precise BioMatch® Card - Verifies fingerprints in smart cards.

Precise BioLive® - Anti-spoof and liveness detection.

In addition to the areas listed above, Precise is working on selected projects in a number of different areas of application.

IMPORTANT EVENTS DURING THE FISCAL YEAR

- 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.
- Precise appointed Joakim Nydemark as CEO and CCO Algo. Joakim comes from tech company Crunchfish and the role of COO and CEO of subsidiary Crunchfish Gesture Interaction AB.
- Precise decided on a fully secured preferential issue of approximately SEK 50 million to existing shareholders, which was approved at the Annual General Meeting on May 10, 2023, when it was also decided to authorize the

Board of Directors to decide on the issue of ordinary shares and authorized the Board of Directors to decide on the issue of ordinary shares and/or convertibles.

- The outcome of the preferential share issue was that 13,662,355 shares, corresponding to 44.1% of the issue, were subscribed with or without the support of subscription rights. The guarantors were thus allocated approximately 55.9% of the preferential share issue.
- In connection with the completion of the preferential share issue, the number of shares and votes in Precise increased by 30,951,730. All members of the Board of Directors and the group executive participated in the preferential share issue in proportion to their holdings.
- On June 14, Precise received approximately SEK 49.5 million before deductions for issue costs of SEK 9.8 million, and the share issue was registered with the Swedish Companies Registration Office on June 22.
- Precise entered into a reseller agreement with Flowscape Technology for visitor management systems in the USA. This collaboration is in line with Precise's strategy of establishing new sales channels and acquiring market shares in the USA.
- Precise signed a 12-month evaluation license agreement with CanvasBio, a Korean manufacturer of fingerprint sensors. The aim of the agreement is to jointly develop a fingerprint module for use in mobile phones.
- Precise entered into a 12-month development license agreement with RECO Biotek Co., Ltd. (RECO), a Taiwan-based provider of bio-sensing system integration solutions. Under the terms of the agreements, Precise will provide its groundbreaking sensor algorithm solution BioMatch® for integration into RECO's fingerprint systems.
- The Board of Directors of Precise appointed Joakim Nydemark, former EVP and CCO of Algo, as CEO, after former CEO Patrick Höjjer left the role at his own request. Joakim Nydemark has extensive industry experience in tech, software and telecoms, with previous senior positions in companies such as Crunchfish, Anoto, TAT and Teleca/Obigo.
- Precise entered into an agreement with SystemHouse Solutions. The agreement means that SystemHouse Solutions will resell YOUNiQ Access as an option for its Integra access control and intruder alarm system.

- Henrik Winberg was recruited to the role of Chief Commercial Officer (CCO) for the Biometric Technologies business area (formerly Algo). Henrik will also be part of the group executive for Precise.
- Sarandis Kalogeropoulos was appointed CCO for the Digital Identity business area and will be part of the group executive for Precise.
- Fredrik André was recruited as Chief Marketing Officer (CMO) for Precise. Fredrik will be part of the group executive for Precise.
- On December 21, Precise's CFO Annika Freij announced her intention to seek new challenges outside the company in 2024. Annika will remain in her role during her period of notice period, which lasts 6 months. A recruitment process to find a new CFO has been initiated.

IMPORTANT EVENTS SINCE THE END OF THE FISCAL YEAR

- Precise participated in the world's largest electronics fair, the Consumer Electronics Show (CES), in the USA on January 9-12, 2024. In collaboration with the German semiconductor giant Infineon, the company demonstrated future solutions for biometric driver identification in the automotive industry.
- Precise signed an agreement in respect of a dedicated sales team in Amsterdam for targeting customers in order to acquire market shares for the company's YOUNIQ Visit visitor system. The team will initially target the market in the Netherlands, and then the other Benelux countries.
- Precise signed a commercial agreement with Korean Fingerprint Sensor Manufacturer LaserSemicon (previously Canvas Bio).
- Precise launched palm recognition, a new addition to the product portfolio.
- Precise showcased solutions at ISC West the 9-12th of April together with sensor manufacturing partners Infineon technologies and Arrow Electronics.

NET SALES AND EARNINGS

Net sales during the full-year period totaled SEK 75.1 (91.0) million. Net sales were split between royalty revenues of SEK 17.7 (21.2) million, license fees (including support and maintenance) of SEK 49.8 (58.0) million and Other of SEK 7.6

(11.9) million. Comparative figures for licenses and other items for 2022 have been redistributed due to reclassification of EastCoast revenues. The year was characterized by low demand for mobile phones, which resulted in continued low production volumes and high inventory levels in the mobile market, and consequently low royalty revenues. The fall in license fees is mainly attributable to changes in the composition of customers and renegotiated licensing agreements. License fees for the full-year period 2022 include revenues of a non-recurring nature of SEK 3.1 million in respect of customers in the automotive industry.

The gross margin during the full-year period totaled 63.7% (71.5). The decrease is mainly due to a change in the product mix, as the Biometric Technologies (formerly) Algo product segment has higher margins than the Digital Identity product segment. Amortization of capitalized development expenses totaled SEK 18.4 (14.9) million, and the increase relates to Digital Identity. Amortization of acquired intangible assets totaled SEK 2.4 (2.5) million.

Operating expenses for the full-year period fell to SEK 74.3 (85.1) million, due to a strong focus on cost control. The profit/loss at EBITDA level fell to SEK -1.7 (1.1) million. The decline in EBITDA result is mainly explained by lower royalty revenues in Biometrics Technologies, but also by a non-recurring item of SEK 2.3 million relating to payroll costs for the departing CEO.

The operating profit/loss for the full-year period totaled SEK -26.5 (-20.0) million. Earnings for the full-year period totaled SEK -26.4 (-22.2) million. Total depreciation/amortization totaled SEK 24.8 (21.2) million. Earnings per share (average number of shares) for the full-year period totaled SEK -0.3 (-0.5).

BIOMETRIC TECHNOLOGIES (ALGO)

Net sales for Biometric Technologies totaled SEK 52.8 (67.8) million and are recognized under royalties at SEK 17.7 (21.2) million, licenses at SEK 31.5 (42.0) million, and Other at SEK 3.7 (4.6) 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 due to changes in the composition of customers and renegotiated licensing agreements. The gross margin during the full-year period totaled 80.7% (86.6). The downturn in the gross margin is due to higher amortization of capitalized development expenses.

DIGITAL IDENTITY

Net sales for Digital Identity totaled SEK 22.3 (23.2) million and are recognized under licenses at SEK 18.3 (16.0) million and Other at SEK 3.9 (7.2) million. Comparative figures for licenses and other items for 2022 have been redistributed due to reclassification of revenues. The decrease in revenues in Digital Identity is due to the fact that the Annual Recurring Revenue increased, while non-recurring revenues decreased. At the end of the year, ARR was SEK 18.3 (16.2) million. Other consists mainly of hardware in the area of Digital Identity, and this has decreased due to the fact that sales of hardware for YOUNiQ are to a greater extent managed at the retail level. The gross margin during the full-year period totaled 23.3% (27.1). The lower gross margin is explained by increased depreciation, which is partly offset by a smaller proportion of hardware sales.

INVESTMENTS IN TANGIBLE ASSETS

The group invested SEK 0.5 (1.0) million during the year in tangible assets. Depreciation of tangible assets during the year totaled SEK 1.4 (1.8) million.

INVESTMENTS IN INTANGIBLE ASSETS

The group invested SEK 0.0 (0.1) million during the year in intangible assets. Amortization of intangible assets totaled SEK 2.5 (2.5) million. Development expenses of SEK 14.7 (20.8) million were capitalized during the year. Amortization of capitalized development expenses totaled SEK 14.9 (12.1) million during the year, and this is recorded in the Cost of Goods Sold.

NET FINANCIAL ITEMS AND TAX

Net financial items for the full-year period totaled SEK -0.3 (-3.4) million and the tax expense totaled SEK 0.3 (1.2) million. Net financial items are attributable to exchange rate differences in cash and cash equivalents, interest income, 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.

FINANCIAL POSITION AND LIQUIDITY – TOTAL OPERATION

Cash flow from operating activities for the full-year period totaled SEK -10.8 (3.9) million, of which SEK -9.5 (3.1) million is attributable to changes in working capital, where current liabilities decreased and current receivables increased. The Group invested SEK 1.2 (0.3) million during the full-year period in material assets. Total cash flow for the full-year period was SEK 1.2 (-17.8) million.

Cash and cash equivalents at the end of the period totaled SEK 47.5 (46.4) million. Total equity at the end of the period totaled SEK 159.3 (146.3) million, and equity per share was SEK 2.0 (3.1).

On May 31, the company announced the results of a preferential share issue. The company received a total of SEK 39.5 million after issue expenses. Total equity at the end of the period totaled SEK 159.3 (146.3) million, and equity per share was SEK 2.0 (3.1).

FIVE-YEAR SUMMARY

The Five-Year Summary, which is part of the administration report, appears on pages 44-46 in order to better illustrate financial development.

THE SHARE AND THE SHAREHOLDERS

At the year-end, Precise's share capital was SEK 23,539,298, distributed among 78,464,327 shares listed on Nasdaq Stockholm's Small Cap list, Industrial Goods & Services Sector. A standard trading unit is one share. The quota value of the shares was SEK 0.30.

SHARE PRICE DEVELOPMENT

In 2023 there was a total turnover of 46,396,950 PREC shares, representing an average turnover of 184,848 shares per day of trading. The closing price on December 31, 2023 was SEK 1.10. The share price fluctuated during the year between SEK 0.89 and SEK 5.19.

OWNERSHIP

The number of shareholders at the end of the year was 16,612 (17,428). Foreign shareholders accounted for 14.75 (20.25) percent. See table for shareholder statistics as of December 31, 2023 (under "The share and the shareholders" on page 23-26).

TRANSFERABILITY OF SHARES

There are no limits on the transferability of the shares. Nor are there any agreements known to the company between shareholders that can involve limitations on the right to transfer shares.

OPTION PROGRAM AND SHARE PROGRAM

At the end of 2023, there were no stock options.

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. 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, 2023, Precise held 1,085,000 Class C shares.

For additional information, please refer to Note 6 and Note 17 in the notes for the group. Employees lose the right to participate in the LTI program when notice is served.

PATENTS

The company's overall patent strategy has the objective of securing the rights to our own technology and products in selected markets, creating value for future business, and enhancing the company's competitiveness. The patent portfolio at the end of 2023 includes 11 (18) registered patents in selected markets and 19 (17) patent applications within 11 (13) different patent families. Precise has refined the patent portfolio during the year by focusing on the geographical regions where the company sees the greatest value in its patent families.

TRADEMARKS

YOUNIQ™ - The trademark is registered in the EU.

Precise BioMatch™ - The trademark is registered in the EU, the US and China, and is used together with Card, Mobile and Embedded.

In addition to the areas listed above, Precise has registered the following trademarks:

Precise Biometrics™ - Registered as both an image and word mark in several countries.

Precise Match-on-Card - The trademark is registered in the EU.

BioLive™ - Registered as a trademark in the EU.

YOU are the key™ - Registered trademark in the EU and the UK.

RESEARCH AND DEVELOPMENT (R&D)

Development at Precise is of fundamental importance for the company and is important in order to maintain competitiveness and new, continuously improved functions in an industry that is continuously developing. The company has a world-leading team in the area of research and development. With more than 20 years' experience of developing algorithm solutions for mobile phones and smart cards, the company has expertise that few can match in the industry. Precise research and development department works with the development of existing products and patents, and to develop new solutions.

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 full-year period the group had a workforce of 42 (56) people, including on-site consultants. The number of employees was 31 (30), of which 24 (24) were located in Sweden. Precise works in an agile way together with several partners, creating a fast-moving, scalable organization. The number of employees does not include partners. For additional information, please refer to Notes 4 and 5 in the notes for the group.

GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

A decision was made at the 2020 Annual General Meeting on the adoption of guidelines for remuneration to senior executives as described below. These guidelines were applied in 2023. At the AGM in 2024, a new decision is to be taken on the adoption of guidelines for senior executives, and the same guidelines are proposed as the ones previously applied.

1. HOW THE GUIDELINES PROMOTE PRECISE'S BUSINESS STRATEGY, LONG-TERM INTERESTS AND SUSTAINABILITY

Precise simplifies everyday life for people by developing solutions for the convenient and secure identification and verification of people's identity. In addition to software for fingerprint recognition in mobile phones and payment cards, the company offers a product for the quick and secure verification of digital identity. Precise's vision is to enable convenient and secure identity authentication for everyone, everywhere. A prerequisite for the successful implementation of Precise's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company be able to recruit and retain qualified personnel. The objective of Precise's policy for executive remuneration is therefore to offer competitive remuneration on market terms, so that competent and skillful personnel can be attracted, motivated and retained. These guidelines enable Precise to offer senior executives a competitive total remuneration package. Further information about Precise's business strategy is available at:

www.precisebiometrics.com

Precise has ongoing long-term share-related incentive plans, which have been decided by the general meeting and are therefore excluded from these guidelines. These plans comprise, among others, senior executives and other employees in the company, and aim to offer employees an opportunity to take part in the company's value growth by promoting increased commitment and motivation to strive for long-term favorable financial development in the company. The share-related incentive plans further contribute to strengthening Precise's ability to recruit and retain qualified personnel and enable Precise Biometrics to offer a competitive total remuneration package. The incentive plans are conditional upon the participant's own investment and holding periods of several years. The outcome of the incentive plans is currently related to the development of the company's share price on Nasdaq Stockholm.

For more information regarding these plans, please see Precise's website:

www.precisebiometrics.com

2. TYPES OF REMUNERATION, ETC.

Remuneration to senior executives shall be on market terms and entail both short and long-term incentives. Remuneration shall consist of fixed cash salary, pension benefits and other benefits and may also consist of variable cash remuneration. Additionally, the general meeting may – irrespective of these

guidelines – resolve on, among other things, share-related or share price-related remuneration.

Fixed cash salary

Fixed cash salary shall be on market terms and shall reflect the individual executive's responsibility, authority, competence and experience. Senior executives hired on a consulting basis shall receive remuneration based on market terms taking into account, to the extent possible, the overall purpose of these guidelines.

Variable cash remuneration

Variable remuneration shall be based on predetermined, well-defined and measurable financial and non-financial targets for the group. The variable remuneration for the CEO may amount to no more than 75% of the fixed cash salary, and may amount to no more than 50% of the fixed cash salary for other senior executives. The criteria for the variable cash remuneration shall primarily relate to the result, growth, financial position and operations of the group. In addition, individual targets may be established.

The criteria for variable cash remuneration shall be designed with the purpose of promoting Precise's business strategy and long-term interests, including its sustainability, for example, by being linked to the company's strategic focus areas and financial development. For the purpose of promoting a common endeavor of achieving the company's business strategy, long-term interests and sustainable development of the company, and in the long run increased shareholder value, all senior executives shall have substantially the same criteria for variable remuneration. The measurement period for the targets for variable cash remuneration shall be one year.

Pension benefits

The CEO shall have defined contribution pension benefits. Variable cash remuneration shall not qualify for pension benefits. The pension premiums for a defined contribution pension shall not exceed 25% of the fixed annual cash salary.

Other senior executives shall have defined contribution pension benefits, unless the executive is covered by a defined benefit pension in accordance with the mandatory collective agreement provisions. Variable cash remuneration shall not qualify for pension benefits, unless stipulated in the applicable pension policy or mandatory collective agreement provisions applicable to the executive. The pension premiums for a defined contribution pension shall be paid according to a premium plan that shall take the executive's age and pension-qualifying salary into account. The pension premiums

according to such a premium plan shall amount to no more than 25 percent of the pension-qualifying salary unless other premium levels are stipulated in mandatory collective agreement provisions.

Other benefits

Other benefits may include, for example, life insurance, health and medical insurance, occupational health service and company car. Such benefits may amount to no more than 10% of the fixed annual cash salary.

Foreign employment arrangements and expatriated executives

To the extent that senior executives are covered by employment contracts subject to rules other than in Sweden, these may be duly adjusted to comply with mandatory rules or established local practice. Executives who are expatriated to or from Sweden may receive additional remuneration and other benefits to the extent reasonable in light of the special circumstances associated with the expatriate arrangement. Such benefits may amount to no more than 30 percent of the fixed annual cash salary. Remuneration covered by the guidelines in this part shall be determined with the overall purpose of these guidelines, to the extent possible, taken into account.

Remuneration to Board members

If a Board member (including a Board member acting through a wholly owned company) performs work for Precise in addition to the assignment as a Board member, certain cash remuneration may be paid for such work (consulting fees) provided that such services promote the implementation of Precise's business strategy and long-term interests, including its sustainability. The annual consulting fee shall be in line with market terms and be related to the benefits for Precise and for each Board member not to exceed the annual Board member remuneration. Remuneration to Board members, and other terms and conditions, shall be decided by the Board of Directors.

3. THE SATISFACTION OF CRITERIA FOR AWARDING VARIABLE CASH REMUNERATION, ETC.

The Remuneration Committee shall prepare, monitor and evaluate matters regarding variable cash remuneration on behalf of the Board of Directors. After the measurement period for awarding variable cash remuneration has ended, it shall be determined to what extent the criteria have been satisfied. Evaluations regarding fulfillment of financial criteria shall be based on established financial information for the

relevant period. Remuneration to the CEO shall be decided by the Board of Directors based on the recommendations of the Remuneration Committee. Remuneration to other senior executives shall be decided by the CEO after consultation with the Remuneration Committee and the Board of Directors.

Variable cash remuneration can be paid after the measurement period has ended or be subject to deferred payment. Programs and criteria for variable cash remuneration should be designed so that the Board of Directors, if exceptional economic circumstances prevail, has the possibility of limiting or refraining from payment of variable cash remuneration if such a measure is considered reasonable and compatible with the company's responsibilities towards shareholders, employees and other stakeholders. The Board of Directors shall have the possibility under applicable law or contractual provisions to reclaim, in full or in part, variable remuneration paid on incorrect grounds.

4. EMPLOYMENT TERM AND TERMINATION OF EMPLOYMENT

Senior executives shall be employed until further notice or, when applicable, be hired on a consulting basis. A mutual notice period of no more than six months shall apply between Precise and the CEO. Fixed cash salary and any severance pay for the CEO during the notice period shall in total not exceed an amount corresponding to twelve months of cash salary. Severance payment shall not be paid if notice is served by the CEO.

A mutual notice period of no more than six months shall apply between Precise and other senior executives. Other senior executives are not entitled to severance pay.

Senior executives may be compensated for non-compete undertakings after the termination of the employment, however, only to the extent severance pay is not paid during the same period of time. The purpose of such remuneration shall be to compensate the senior executive for the difference between the fixed cash salary at the time of termination of the employment, and the (lower) income which is obtained, or could be obtained, by a new employment contract, assignment or own business. The remuneration may be paid during the period the non-compete undertaking is applicable, and no longer than a period of twelve months after termination of the employment.

5. SALARY AND EMPLOYMENT CONDITIONS FOR EMPLOYEES

In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of Precise have been taken into account by including information on the employees' total income, the components of the remuneration, and the increase and growth rate over time, in the Remuneration Committee's and Board of Directors' basis for a decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

6. THE DECISION-MAKING PROCESS TO DETERMINE, REVIEW AND IMPLEMENT THE GUIDELINES

The Board of Directors has established a Remuneration Committee. The committee's tasks include preparing the Board of Directors' decision to propose guidelines for senior executive remuneration. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the AGM. The guidelines shall be in force until new guidelines are adopted by the general meeting. The Remuneration Committee shall also monitor and evaluate programs for variable remuneration for executive management, the application of the guidelines for senior executive remuneration as well as the current remuneration structures and compensation levels in Precise. The members of the Remuneration Committee are independent of the company and its executive management. The Board members, the CEO and other members of executive management do not participate in the Remuneration Committee's or the Board of Directors' processing of and resolutions regarding remuneration-related matters insofar as they are affected by such matters.

7. DEVIATIONS FROM THE GUIDELINES

The Board of Directors may temporarily resolve to derogate from the guidelines, in full or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interests, including its sustainability, or to ensure Precise's financial viability. As set out above, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

CHANGE IN CONTROL CLAUSE

There are no agreements between the company and its employees, with the exception of the employment contracts commented on above, under which compensation must be paid to employees if their employment is terminated as a result of a public takeover bid.

SUSTAINABILITY AND ENVIRONMENT

Sustainability is an important part of Precise's business. The company focuses on the areas where our business is considered to have the greatest impact: Working Environment, Equal Treatment in All Relationships, Business Ethics and Environment.

Precise works continuously to create a workplace that prevents any unhealthy impact on the health and well-being of employees. Different backgrounds and experiences are important for the company's development, and Precise does not accept any form of discrimination against employees in connection with employment or duties at work on the basis of gender, religion, age, physical ability, sexual orientation, nationality, political opinion or social or ethnic origin.

The company's Code of Conduct emphasizes the fundamental ethical principles that Precise observes when conducting its business operations and supports the company's employees and consultants in their relations with business partners and other stakeholders. The Code of Conduct includes, among other things, guidelines, values and rules on ethical business, relationships with employees, customers and suppliers, and information to shareholders.

Precise strives to select efficient, sustainable alternatives in order to reduce the company's impact on the environment. The company develops and sells fingerprint software, which in itself has little impact on the environment. Precise strives to choose environmentally friendly IT infrastructure and deliver software solutions as downloadable files, which involves minimal environmental impact in connection with delivery and distribution.

SIGNIFICANT RISKS AND UNCERTAINTIES

The following specification of risk factors does not claim to be complete, nor are the risks ranked in their order of importance.

ACQUISITIONS

EastCoast Solutions was acquired in December 2021 and an acquisition calculation was prepared. Risk associated with acquisitions is primarily if sales and earnings in the future do not develop as planned, in which case there may be a need to write down intangible assets.

TECHNOLOGICAL DEVELOPMENT

The market in which the company operates is subject to rapid changes. New technology and new players are constantly emerging. The Company's technology must therefore to a large extent be accepted by the leading players in the market, both by suppliers and customers. The market must be mature enough to understand and accept the new technology supplied by the company.

MARKET DEVELOPMENT

As the market in which the company operates grows and the number of players increases, there is a risk that alternative technologies will be developed and that the price of comparable products will thereby be reduced. This can mean that major investments in marketing and sales may be required to achieve the expected sales volumes. There is also competition in the field of biometric authentication solutions, which may affect the company's opportunities to become established in this area.

STAFF

There are a number of key persons in Precise who are important for operations, especially in research and development, where they possess unique skills. If one or more of these key persons should leave the company it could, in the short term, have a negative impact on the business. There is also a risk that the recruitment of new staff for these positions could take time and result in additional costs for the company.

PARTNERS

The company cooperates with several partners. They include sensor manufacturers, systems integrators and suppliers of applications. The company relies on these partnerships so it can offer end customers complete security solutions. There is a risk of closure for one or more of these partnerships, or that they fail to achieve the expected results, which would lead to a loss in expected future revenues.

PATENTS AND INDUSTRIAL AND INTELLECTUAL PROPERTY RIGHTS

It is important for the company to protect its technology and products through patents or other industrial and intellectual property rights in order to create opportunities for future revenues. The company therefore pursues an active patent

strategy, which involves applying for patents for strategically important inventions in selected countries. Nevertheless, it cannot be guaranteed that the company will obtain patents in the countries where it has made applications, or that patents will not be declared invalid. There is also a risk that the company's patents will be circumvented (known as a design around) or that the company's technology will be used in countries where the company has no patent protection. The company cannot guarantee that its products will not be considered to infringe on other granted patents or other intellectual property rights, and if such is the case the company's business, profits, opportunities to deliver products and financial position may be negatively affected.

COMPETITORS

The company is active in the market for biometrics. The competition in this market is extreme. Competing companies can have substantially larger financial and industrial resources at their disposal than the company, and it cannot be ruled out that competition from players like this will lead to diminished market shares and/or a reduction in Precise's profitability.

SALES

The biometrics market is still at an early stage. Judgments and decisions in a rapidly developing industry are made with reservation for several uncertainty factors. There is a dependency on partners and the development of competitors, as well as the acceptance of biometrics in the market and by government agencies. Another important factor is the development rate and penetration of the services in which biometric solutions will be used, which leads to difficulties in predicting the future development of the business. The development of the company depends on the continued expansion of the market for biometrics. A delay in the penetration of more applications and markets will affect sales and profits. Risks inherent in Precise having been dependent on a small number of hardware partners for its sales have been reduced by having more customers and a platform-independent product portfolio.

FORECASTING UNCERTAINTY

The company operates in a rapidly changing market. The market for biometric products is, in many respects, in an early stage of development, and revenues are to a large extent based on royalties based on use by customers. All products are characterized by long selling-in processes. Earlier or later submissions of orders can have a significant effect on sales and profits. These factors make forecasting very difficult.

WAR AND CONFLICTS

The company has no customers or suppliers that are directly affected by the conflicts in Ukraine and Russia or Israel and Palestine but may feel the effects of the prevailing economic situation and increased costs that affect both Precise and the company's customers and suppliers.

INTEREST RISKS

The company has an interest expense on the deferred fixed purchase price relating to the purchase of EastCoast. As a consequence of this, the company is exposed to a risk of rising interest rates.

FINANCIAL RISKS

The company is exposed to various financial risks, which are managed in accordance with policies adopted by the Board. The company is mainly exposed to liquidity risk, capital risk, currency risk and credit risk. There is no guarantee that new capital can be acquired if the need should arise, or that such capital can be acquired on favorable terms. The currency risk to which the company is exposed arises primarily from the fact that the company's expenses are primarily in Swedish kronor (SEK), while a significant part of revenues are generated in foreign currency, mainly USD. The company works on the basis of a policy that aims to minimize currency exposure in the business by means of hedging USD. The company has guidelines on issuing credit to its customers. The company works continuously to minimize the period for which the

company currently has capital tied up, particularly in accounts receivable.

For additional information, please refer to Note 12 in the notes for the group.

THE PARENT COMPANY

The parent company's net sales for the year totaled SEK 53.8 (72.0) million. The operating profit/loss totaled SEK -31.1 (-22.7) million and was affected by amortization of goodwill totaling SEK 2.5 (2.5) million.

Cash and cash equivalents at the end of the full-year period totaled SEK 35.6 (33.1) million, and equity totaled SEK 149.3 (137.5) million.

PROPOSED DISTRIBUTION OF EARNINGS

The following assets are at the disposal of the AGM:

| | |
|----------------------------------|-------------|
| Share premium reserve, SEK | 168,316,001 |
| Retained earnings, SEK | -37,849,264 |
| Net loss for the year, SEK | -27,737,628 |
| Total non-restricted equity, SEK | 102,729,109 |

The Board proposes that SEK 102,729,109 be carried forward in a new account. The Board proposes that the AGM should not issue a dividend for the fiscal year 2023.

CORPORATE GOVERNANCE REPORT

2023

The Corporate Governance Report provides a general description of how corporate governance within Precise works, how the company's decision-making functions, and how the company applies the Swedish Corporate Governance Code ("the Code"). Certain disclosures in accordance with Chapter 6, Section 6 of the Swedish Annual Accounts Act can be found in the Administration Report on pages 26-32 in the Annual Report.

CONTROL OF PRECISE

Corporate governance is the system through which the owners, directly or indirectly, govern and control a company. In a limited liability company like Precise, governance, control and management are allocated between the shareholders, auditors, Board of Directors and the CEO in accordance with current legislation, regulations and instructions. The governance of Precise is based on the Swedish Companies Act, the company's articles of association, the Nasdaq Stockholm rules for issuers (<https://www.nasdaq.com/solutions/rules-regulations-stockholm>), the Code (www.bolagsstyrning.se), and internal policy documents such as the financial policy and the information policy, see website under Investors/Corporate Governance.

The Board of Directors of Precise is responsible for implementing appropriate corporate governance and reviews this annually together with senior executives. The Corporate Governance Report describes how Precise was governed during 2023. There are no deviations from the Code to report for the fiscal year 2023.

ARTICLES OF ASSOCIATION

The company's articles of association contain no restrictions on the number of votes that each shareholder may cast at a shareholders' general meeting. The company's articles of association contain no special provisions concerning the appointment or dismissal of Board members, or concerning amendments to the articles of association.

ANNUAL GENERAL MEETING

The AGM is Precise's highest ranking decision-making body and the forum through which shareholders can exercise their influence over the company. Shareholders have the right to

participate and to cast votes for all their shares. At the time of publication of the annual report, no shareholder in the company has a holding that represents more than one tenth of the voting rights for all shares in the company. At the AGM, shareholders exercise their right to vote by appointing Board members and external auditors, deciding on the adoption of the income statement and balance sheet, and expressing an opinion on the discharge from liability for Board members and the CEO in relation to the company. Guidelines on remuneration for senior executives are adopted at least every four years.

Precise's AGM was held in Lund on Wednesday, May 10, 2023. The AGM adopted the accounts for 2022 and granted the Board of Directors and the CEO discharge from liability for the fiscal year 2022. In addition to mandatory matters, as set out in the articles of association, the following decisions were made:

- Torgny Hellström, Mats Lindoff, Åsa Schwarz and Peter Gullander were re-elected as Board members, and Jimmy Hsu and Maria Rydén were elected as new Board members. Torgny Hellström was re-elected as Chairman of the Board.
- The accounting firm Ernst & Young AB was re-elected as the company's auditor for a mandate period of one year, with authorized public accountant Martin Henriksson as lead auditor.
- No dividend was paid for the fiscal year 2022.
- The size of the Board and committee fees was determined.

For further information on the decisions taken at the AGM 2023, please refer to the company's website under Investors/Corporate Governance/Annual General Meeting.

Precise's 2024 Annual General Meeting will be held on May 22, 2024. Shareholders who wish to participate in the meeting must be registered in the company's share register no later than May 14, 2024, and applications to participate in the meeting must be submitted as indicated in the notice.

NOMINATION COMMITTEE

According to the principles for the organization of the nomination committee adopted at the AGM 2016, the nomination committee shall consist of representatives of two to three of the company's largest shareholders as of August 31 in the year before the year in which the AGM is held, and the Chairman of the Board. If any of these shareholders should forgo the opportunity to appoint a representative, the shareholder with the next largest holding shall be consulted.

Prior to the AGM 2023, the nomination committee consisted of chair David Ingvarsson (appointed by RM International AB as well as own and related party holdings), Julian Aleksov (appointed by MV Capital AB), Oskar Börjesson (appointed by Skandia Fonder AB), and Torgny Hellström, Chairman of the Board. The nomination committee's motivating statement before the AGM 2023 stated that the nomination committee had, in preparing its proposal for the Board, applied rule 4.1 in the Code as a diversity policy. The aim of the policy is that the Board shall have an appropriate composition with due reference to the company's operations, stage of development and situation in general, characterized by versatility and breadth with regard to competence, experience and background, and that the aim should be to have an even gender balance. The AGM 2023 decided to appoint Board members in accordance with the nomination committee's proposal, which resulted in the current Board, consisting of six members, two of them women and four men, the nomination committee considered to be appropriate as it corresponded to the target level that the Swedish Corporate Governance Board expressed prior to 2023. The nomination committee is of the opinion that work aimed at achieving a gender-equal Board in accordance with the Code should continue.

The nomination committee prior to the AGM 2024 consists of chair Julian Aleksov, appointed by MV Capital AB and Egis Technology, and Torgny Hellström, Chairman of the Board.

The nomination committee is assigned to submit proposals at the AGM to the Chairman of the Board and other Board members, including a motivating statement concerning the proposals, propose remuneration for Board members and auditors, and submit a proposal for a person to chair the AGM. In addition the nomination committee shall also express an opinion on the independence of the Board members in relation to the company and major shareholders.

BOARD OF DIRECTORS

The Board is responsible for the company's organization and the administration of the company's affairs, and is tasked with managing the company's affairs on behalf of the owners in such a way that the owners' interest in a good, long-term return on capital invested is satisfied in the best possible way. The Board is responsible for ensuring that the company's organization is appropriate and that the business is run in accordance with the Swedish Companies Act, the articles of association, the Code, other applicable laws and regulations, and the Board's rules of procedure.

The Chairman organizes and leads the work of the Board. Issues dealt with during the year included strategy and long-term focus, CEO appointment, organization, corporate governance, financing, and interim and year-end reports. The Board conducts ongoing evaluations of its work through reflections after the meetings. The Chairman of the Board presented the results of the Board evaluation to the nomination committee.

The Board follows written rules of procedure that are adopted every year. The rules of procedure include instructions for the Company's president, the assignments incumbent on the chairman, the agenda of Board meetings, and decision-making procedures. In accordance with the rules of procedure, eight ordinary Board meetings shall be held in addition to the statutory Board meeting. The Board meets according to an annual schedule adopted in advance. In addition to these, the Board convenes whenever necessary. In 2023, the Board held 18 Board meetings at which minutes were taken.

The Chairman organizes and leads the work of the Board. Issues dealt with during the year included strategy and long-term focus, organization, corporate governance, financing, and interim and year-end reports. The Board conducted an evaluation of the Board in which members submitted in writing their views on the Board and the work of the Board. The results were discussed at individual meetings between each Board member and the Chairman of the Board, and jointly with the entire Board. The Chairman of the Board presented the results of the Board evaluation to the nomination committee.

The CEO keeps the Board of Directors up to date at all times on the development of the business. In addition to the ordinary meetings, the Chairman and other directors have been in continuous contact with senior executives in the company, primarily the CEO and the CFO. In addition to meetings where

minutes were taken, the Board has received monthly updates on the company's financial results and position.

Precise's Board of Directors shall, in accordance with the articles of association, consist of a minimum of three, and a maximum of seven members. Since the AGM 2023, the Board has consisted of six members: Torgny Hellström (Chairman), Maria Rydén, Mats Lindoff, Åsa Schwarz, Jimmy Hsu and Peter Gullander. All Board members are independent in relation to Precise and corporate management, and also to larger shareholders. At the time of the submission of the annual report, none of the Board members in the company have a direct or indirect holding in the company that represents at least one tenth of the voting rights for all shares in the company. The table below sets out the age, education and other assignments of Board members, together with their holding of financial instruments in the company. The table below also reports the attendance of members at Board and committee meetings, year elected, etc., as well as their independence.

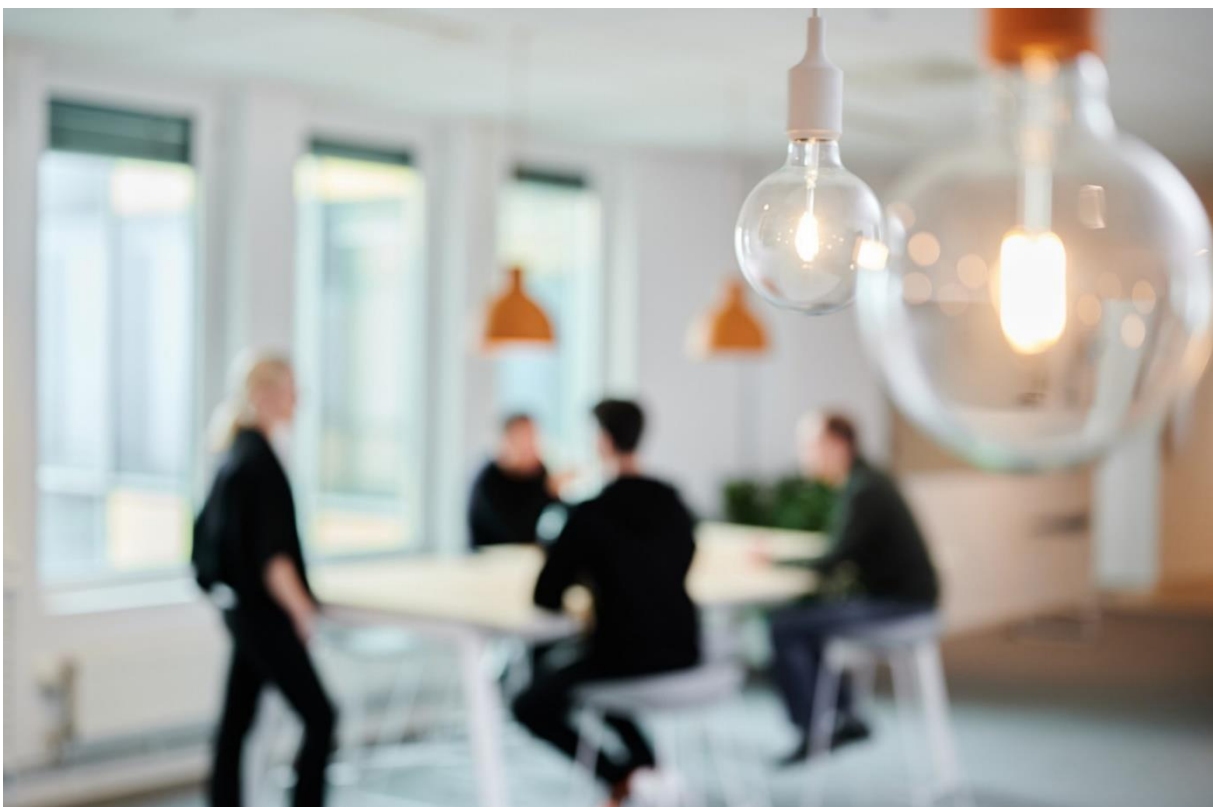
AUDIT COMMITTEE

The audit committee's undertaking is to support the Board in its work to fulfill its responsibilities in the areas of auditing, internal control and financial reporting. In addition to this, the work of the audit committee includes supporting the Board in the preparation of proposals for the choice of auditor and, when applicable, the procurement of audit services, monitoring the auditor's independence and staying informed

about the Swedish Supervisory Board of Public Accountants' quality control of the auditor. In 2023, the committee focused primarily on reporting (quarterly reports, annual financial reporting and internal reporting), business-related risks and internal control. The committee holds meetings two to three times a year and in conjunction with the compilation of each interim report. The committee held seven meetings during the year, of which four were in conjunction with the quarterly reports. The audit committee must meet the company's auditor at least twice in every calendar year. Since the AGM 2023 the company's audit committee has consisted of Board members Maria Rydén (committee chair), Torgny Hellström and Peter Gullander.

COMPENSATION COMMITTEE

The duties of the compensation committee include issues concerning salaries, pension terms and conditions, incentive plans, the appointment of a new CEO and other terms and conditions for the employment of the CEO and other senior executives. In 2023, the committee focused primarily on remuneration to senior executives, including the issue of incentive plans. The committee has also prepared Board proposals for guidelines for remuneration to senior executives, which can be found in the Administration Report. The committee held one meeting during the year. Since the AGM 2023, the company's compensation committee has consisted of Board members Torgny Hellström (committee chair), Åsa Schwarz and Mats Lindoff.



BOARD OF DIRECTORS



Torgny Hellström

Chairman

YEAR OF SELECTION

2013

YEAR OF BIRTH

1958

EDUCATION

LL.M., IBM Executive Education

OTHER SIGNIFICANT ASSIGNMENTS

Chairman of the Board at Starbreeze AB, Terranet AB, Drupps AB and Swipp AB, and founder and senior management consultant at Ruddex International.

PREVIOUS ASSIGNMENTS

Chairman of the Board at DDM Holding AG and MagComp AB, Board member at True Heading AB and Seapilot AB. CEO and senior positions at Anoto, VP Ericsson, senior positions at IBM.

SHARES IN PRECISE

116,778 (through company and privately)

ATTENDANCE/NUMBER OF BOARD MEETINGS

18/18

COMMITTEE WORK

Audit committee & Compensation committee

ATTENDANCE/NUMBER OF COMMITTEE MEETINGS

7/7 & 1/1

INDEPENDENT OF THE COMPANY AND ITS MANAGEMENT

Yes

INDEPENDENT OF THE COMPANY, MANAGEMENT AND MAJOR SHAREHOLDERS

Yes



Jimmy Hsu

Board member

YEAR OF SELECTION

2023

YEAR OF BIRTH

1972

EDUCATION

Bachelor of Mechanical Engineering

OTHER SIGNIFICANT ASSIGNMENTS

Vice President, Egis Technology

PREVIOUS ASSIGNMENTS

Head of the manufacturing Department, Egis Technology. Numerous managerial positions in manufacturing and development.

SHARES IN PRECISE

0

ATTENDANCE/NUMBER OF BOARD MEETINGS

7/8

COMMITTEE WORK

-

ATTENDANCE/NUMBER OF COMMITTEE MEETINGS

-

INDEPENDENT OF THE COMPANY AND ITS MANAGEMENT

Yes

INDEPENDENT OF THE COMPANY, MANAGEMENT AND MAJOR SHAREHOLDERS

No



Åsa Schwarz

Board member

YEAR OF SELECTION

2019

YEAR OF BIRTH

1973

EDUCATION

Bachelor of Arts with a major in Computer and Systems Science and in Business Administration.

OTHER SIGNIFICANT ASSIGNMENTS

Responsible for business development at Knowit Cybersecurity & Law. Board member at Enea and author in own company.

PREVIOUS ASSIGNMENTS

20+ years of cybersecurity experience in roles as security specialist, marketing manager and founder of Cybercom, Nexus and Dagaz.

SHARES IN PRECISE

28,444

ATTENDANCE/NUMBER OF BOARD MEETINGS

18/18

COMMITTEE WORK

Compensation committee

ATTENDANCE/NUMBER OF COMMITTEE MEETINGS

1/1

INDEPENDENT OF THE COMPANY AND ITS MANAGEMENT

Yes

INDEPENDENT OF THE COMPANY, MANAGEMENT AND MAJOR SHAREHOLDERS

Yes



Maria Rydén

Board member

YEAR OF SELECTION

2023

YEAR OF BIRTH

1966

EDUCATION

MBA

OTHER SIGNIFICANT ASSIGNMENTS

Head of Reporting & Finance at Ramudden Global AB. Owner of Make Group AB and KeMa Invest AB. Member of the Nomination Committee at Kompis Assistans EF.

PREVIOUS ASSIGNMENTS

CFO at Salix Group AB, Beijer Ref AB, Ikano Fastigheter, Dole Nordics AB & SwitchCore AB. CEO of Ikano Vårdboende and auditor at Arthur Andersen. Chairman at APQ EI AB and Kompis Assistans. Misc. Board assignments

SHARES IN PRECISE

70,000

ATTENDANCE/NUMBER OF BOARD MEETINGS

8/8

COMMITTEE WORK

Audit committee (chairman)

ATTENDANCE/NUMBER OF COMMITTEE MEETINGS

4/4

INDEPENDENT OF THE COMPANY AND ITS MANAGEMENT

Yes

INDEPENDENT OF THE COMPANY, MANAGEMENT AND MAJOR SHAREHOLDERS

Yes



Mats Lindoff

Board member

YEAR OF SELECTION

2014

YEAR OF BIRTH

1961

EDUCATION

M.Sc.

OTHER SIGNIFICANT ASSIGNMENTS

Consultant in own business Lindoff Technology AB and Board member at Enea and Combain.

PREVIOUS ASSIGNMENTS

CTO at Sony Ericsson, CEO at C Technologies, Head of Product Development at Ericsson

SHARES IN PRECISE

46,355

ATTENDANCE/NUMBER OF BOARD MEETINGS

18/18

COMMITTEE WORK

Compensation committee

ATTENDANCE/NUMBER OF COMMITTEE MEETINGS

1/1

INDEPENDENT OF THE COMPANY AND ITS MANAGEMENT

Yes

INDEPENDENT OF THE COMPANY, MANAGEMENT AND MAJOR SHAREHOLDERS

Yes



Peter Gullander

Board member

YEAR OF SELECTION

2022

YEAR OF BIRTH

1968

EDUCATION

M.Sc. in Engineering, MBA, INSEAD

OTHER SIGNIFICANT ASSIGNMENTS

CEO & Fund Manager at Almi Invest Stockholm AB, CEO & Founder of YellowTree Advisors, Co-founder of Gapyel and Board assignments including Guldbrev.

PREVIOUS ASSIGNMENTS

Over 20 years' experience in acquisitions and financing of tech companies from companies including Inlandsinnovation, Verdane Capital Advisors and Intel Capital.

SHARES IN PRECISE

25,000

ATTENDANCE/NUMBER OF BOARD MEETINGS

18/18

COMMITTEE WORK

Audit committee

ATTENDANCE/NUMBER OF COMMITTEE MEETINGS

4/4

INDEPENDENT OF THE COMPANY AND ITS MANAGEMENT

Yes

INDEPENDENT OF THE COMPANY, MANAGEMENT AND MAJOR SHAREHOLDERS

Yes

GROUP EXECUTIVE TEAM

Precise's group executive team is based at the headquarters in Lund, Sweden. At the end of 2023, the group executive team consisted of the CEO, CFO, CCO Digital Identity, CCO Biometric Technologies (formerly Algo) and CMO. The composition of the group ensures short decision-making channels. The group held formal weekly meetings during the year and a strategy and budget meeting. The table below provides a more detailed presentation of the executive team.

AUDITORS

At the AGM 2023, Ernst & Young AB (EY), with Martin Henriksson as lead auditor, was elected to be Precise's auditor for the period until the AGM 2024. The auditors undertake assignments for other listed companies, but not to such an extent that the time required is not allocated for Precise. The auditors have no assignments that would call into question their independence. As part of the audit assignment, the auditor participated in one Board meeting and three audit committee meetings, and has been in regular contact with the CEO, the CFO and the Chairman of the Board.

Information on remuneration to the auditors, both for the parent company and the group, can be found in Note 7 in the group's notes and in Note 6 in the parent company's notes.

INTERNAL CONTROL AND RISK MANAGEMENT IN RESPECT OF FINANCIAL REPORTING

In accordance with both the Swedish Companies Act and the Code, the Board is responsible for ensuring that the company maintains a good level of internal control and is regularly informed of and evaluates how the company's system for internal control is working. The report has been limited to include only the internal control of financial reporting.

The company's organization and the way the business is run form an important platform for internal control. All areas of responsibility and employees have clearly defined roles. The most important policy documents are documented in the form of policies and instructions, and have been adopted by the Board and are revised annually. These documents are primarily the instructions for the CEO, the economic and financial policy, the Code of Conduct, the communication policy, and the insider policy.

CONTROL ENVIRONMENT

Operational decisions are made by the group executive, while decisions on strategy, focus, acquisitions and general financial matters are made by the Board. Internal control is designed to work in this organization. The basis of internal control in respect of financial reporting consists of the general control environment comprising an organization, decision-making paths, authorizations and responsibilities that have been documented and communicated.

The company's control environment also consists of collaboration between the group executive, the board and the compensation and audit committees. In order to create and maintain a functional control environment the Board has prepared several important documents for financial reporting. These documents consist of, among other things, the rules of procedure as applied by the Board and instructions for the CEO. The CEO is responsible for ensuring that the guidelines adopted by the Board are followed in daily operational work. The CEO briefs the Board on a fixed regular basis at Board meetings and through monthly reports. The company follows well-defined procedures in relation to annual and monthly financial reporting. The closing financial statements are presented to the Board according to a predetermined template.

The company's auditors report at least once every fiscal year to the Board and at least twice to the audit committee. An examination of internal control was performed within the framework of the external audit. The lead auditor also maintains regular contact with the Chairman of the Board.

RISK ASSESSMENT

The group executive and the Board perform an assessment on an ongoing basis of the extent of the company's risk management, in particular in respect of financial reporting. The company pays special attention to risks in the financial statements, i.e., whether there are any accounting errors and the way in which assets and liabilities are valued. The management of internal transactions within the group can also be subject to risks. These risks are considered, however, to be of minor importance in that the company has a well-defined monthly financial reporting process and established follow-up procedures and policies.

CONTROL ACTIVITIES

To guarantee that the financial reporting process at all times presents a fair and true view, a number of control activities have been integrated, and these involve various parts of the organization. The company has a limited number of people who are company signatories, and an appropriate set of attestation rules has been produced and is updated as

required. Manual inspections are carried out to prevent errors in financial reporting. These inspections are also integrated into accounting and other IT systems.

INFORMATION AND COMMUNICATION

Precise has defined how information and communication in respect of financial reporting shall take place effectively and correctly. The communication policy drawn up aims to promote the correctness of the company's communication, both externally and internally.

External information and communication take place in accordance with the EU's Market Abuse Regulation, Swedish law, the stock exchange's Rule Book for Issuers and the Code. The company issues interim financial statements for the business three times a year, as of March 31, June 30 and September 30. The company also reports on the year-end financial statements as of December 31 in its year-end report. All documents, press releases and presentations in connection with reports are available on the company's website.

The Board receives monthly reports from the CEO and the CFO about the company's financial position, development

and projects in progress. The company continuously informs staff of updates to accounting policies, policies and other changes in reporting requirements.

FOLLOW-UP

The Board and the audit committee continually assess the information submitted by the group executive. The company's financial situation is reviewed at every board meeting and through monthly reports. Budget comparisons and forecasts, including analysis of any deviations, are described in the monthly reports. The board examines interim and year-end financial statements before they are published. The Board evaluates both its own work and that of the CEO.

INTERNAL AUDITS

Precise has well-prepared governance and internal control systems, compliance with which is followed up regularly at various levels within the company. Precise is a relatively small company with a limited number of employees and clients. In view of this, the Board has decided that there is not currently a need to set up a special audit function. This assessment is reviewed annually by the Board.

MANAGEMENT GROUP



**Joakim
Nydemark**

CEO



**Annika
Freij**

CFO



**Sarandis
Kalogeropoulos**

CCO – Digital Identity



**Henrik
Winberg**

**CCO – Biometric
Technologies
(formerly Algo)**



**Fredrik
André**

CMO

EMPLOYED SINCE
2023

YEAR OF BIRTH
1971

EDUCATION
M.Sc.

**PREVIOUS
ASSIGNMENTS**
CEO of Crunchfish AB and Obigo AB. Board member at Hoodin AB, IMINT Image Intelligence AB, Ikivo AB, Blippit AB and Crunchfish Digital Cash AB.

HOLDING
233,33 shares

EMPLOYED SINCE
2021

YEAR OF BIRTH
1977

EDUCATION
MBA

**PREVIOUS
ASSIGNMENTS**
Many years of experience from financial positions at Sony Ericsson and Axis Communications. Most recently a position as Finance Manager Northern Europe at Axis Communications.

HOLDING
6,784 shares

Annika Freij will be leaving the company in June 2024

EMPLOYED SINCE
2023

YEAR OF BIRTH
1972

EDUCATION
B.Sc. Engineering, M.Sc. Physics

**PREVIOUS
ASSIGNMENTS**
CCO and CPO at Anima/Kronaby. Prior to that, senior positions in technology, business development, product development and marketing at Sony Ericsson/Sony.

HOLDING
-

EMPLOYED SINCE
2023

YEAR OF BIRTH
1976

EDUCATION
M.Sc. in Technical Physics and Electrical Engineering

**PREVIOUS
ASSIGNMENTS**
Extensive experience from business development, product management and complex system sales at technology companies such as Dlaboratory Sweden, Crunchfish, Texas Instruments, Scalado and Saab Bofors Dynamics.

HOLDING
-

EMPLOYED SINCE
2023

YEAR OF BIRTH
1973

EDUCATION
Masters in Marketing and B.Sc. in Civil Engineering

**PREVIOUS
ASSIGNMENTS**
25 years of experience from senior and global positions in marketing and business development, primarily in tech/SaaS, at companies such as Avensia, Autodesk, A.P Moller Maersk, Medius, and Visma, etc.

HOLDING
15,000 shares

CONSOLIDATED FINANCIAL STATEMENTS

FIVE-YEAR OVERVIEW (GROUP)

INCOME STATEMENT

| <i>Amounts in SEK thousands</i> | 2023 | 2022 | 2021 | 2020 | 2019 |
|--|----------------|----------------|----------------|----------------|---------------|
| Net sales | 75,069 | 91,018 | 83,319 | 92,349 | 91,927 |
| Cost of goods and services sold | -27,246 | -25,982 | -19,776 | -14,581 | -12,470 |
| Gross profit | 47,823 | 65,036 | 63,543 | 77,768 | 79,457 |
| Selling expenses | -27,420 | -34,796 | -31,649 | -30,737 | -28,220 |
| Administrative expenses | -14,150 | -17,613 | -18,018 | -15,181 | -14,811 |
| R&D expenses | -32,105 | -34,905 | -28,161 | -35,941 | -35,794 |
| Other operating income/expenses | -606 | 2,262 | 212 | -1,701 | 19 |
| Operating profit/loss | -26,458 | -20,016 | -14,073 | -5,792 | 651 |
| Net financial items | -291 | -3,453 | 724 | -618 | -556 |
| Profit/loss after financial items | -26,749 | -23,470 | -13,349 | -6,410 | 95 |
| Tax | 346 | 1,239 | -97 | -5,754 | 926 |
| Profit/loss for the year | -26,403 | -22,230 | -13,446 | -12,164 | 1,021 |

BALANCE SHEET

| <i>Amounts in SEK thousands</i> | 12/31/2023 | 12/31/2022 | 12/31/2021 | 12/31/2020 | 12/31/2019 |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Assets | | | | | |
| Tangible assets | 2,440 | 3,366 | 4,196 | 2,217 | 820 |
| Right of use assets | 4,008 | 5,724 | 7,270 | 6,705 | 1,065 |
| Goodwill and intangible assets | 132,751 | 138,898 | 135,480 | 47,664 | 42,415 |
| Deferred tax assets | - | - | - | - | 5,750 |
| Current assets | 73,467 | 65,234 | 94,106 | 96,367 | 108,423 |
| - of which cash and cash equivalents | 47,534 | 46,405 | 64,102 | 76,258 | 73,676 |
| Total assets | 212,665 | 213,222 | 241,052 | 152,953 | 158,473 |
| Equity and liabilities | | | | | |
| Equity | 159,319 | 146,302 | 128,053 | 114,044 | 126,467 |
| Current liabilities | 35,886 | 41,570 | 72,536 | 33,241 | 31,880 |
| Long-term liabilities | 17,460 | 25,350 | 40,463 | 5,668 | 126 |
| Total equity and liabilities | 212,665 | 213,222 | 241,052 | 152,953 | 158,473 |

CASH FLOW STATEMENT

| <i>Amounts in SEK thousands</i> | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|--------------|----------------|----------------|--------------|---------------|
| Cash flow from operating activities before changes in working capital | | | | | |
| changes in working capital | -1,238 | 852 | 1,089 | 6,083 | 11,488 |
| Changes in working capital | -9,522 | 3,079 | -2,582 | 15,813 | -11,965 |
| Cash flow from investing activities | -25,316 | -60,008 | -30,258 | -17,897 | -5,843 |
| Cash flow from financing activities | 37,287 | 38,313 | 19,543 | -1,378 | 396 |
| Change in cash & cash equivalents | 1,211 | -17,764 | -12,208 | 2,621 | -5,924 |

KEY FIGURES (GROUP)

| <i>Amounts in SEK thousands unless otherwise stated</i> | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|-------------|-------------|-------------|-------------|-------------|
| Net sales | 75,069 | 91,018 | 83,319 | 92,349 | 91,927 |
| Net sales growth, % | -17.5% | 9.2% | -9.8% | 0.5% | 35.9% |
| Gross margin, % | 63.7% | 71.5% | 76.3% | 84.2% | 86.4% |
| Operating profit/loss | -26,458 | -20,016 | -14,073 | -5,792 | 651 |
| Operating profit/loss, total operation | -26,458 | -20,016 | -14,073 | -5,867 | 224 |
| Working capital, total operation | 43,683 | 33,498* | 54,414* | 63,126 | 76,544 |
| Capital employed, total operation | 176,724 | 146,302 | 128,053 | 119,712 | 126,593 |
| Liquidity ratio, total operation, % | 204% | 156% | 129% | 287% | 340% |
| Equity/assets ratio, total operation, % | 74.9% | 68.6% | 53.1% | 74.6% | 79.8% |
| Return on equity, total operation, % | Neg | neg | neg | neg | 0.5% |
| Earnings per share before dilution, SEK | -0.34 | -0.47 | -0.34 | -0.34 | 0.02 |
| Earnings per share before dilution, total operation, SEK | -0.34 | -0.47 | -0.34 | -0.34 | 0.02 |
| Earnings per share after dilution, SEK | -0.34 | -0.47 | -0.34 | -0.34 | 0.02 |
| Earnings per share after dilution, total operation, SEK | -0.34 | -0.47 | -0.34 | -0.34 | 0.02 |
| Equity per share, total operation, SEK | 2.03 | 3.08 | 3.23 | 3.17 | 3.51 |
| No. of shares (thousands) | 78,464 | 47,513 | 39,596 | 36,023 | 36,023 |
| Weighted average number of shares, adjusted for dilution effect (thousands) | 65,568 | 41,304 | 36,224 | 36,023 | 36,088 |
| Number of employees at end of period | 31 | 30 | 31 | 23 | 22 |
| Average number of employees during the period | 30 | 30 | 25 | 24 | 20 |
| Annual Recurring Revenue** | 18,307 | 16,190 | - | - | - |

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

** Annual Recurring Revenue has no comparative figures from previous periods.

See the Financial Glossary for definitions and purpose of key figures.

RECONCILIATION OF ALTERNATIVE KEY INDICATORS (GROUP)

| <i>Amounts in SEK thousands unless otherwise stated</i> | 2023 | 2022 | 2021 | 2020 | 2019 |
|--|----------------|----------------|----------------|----------------|----------------|
| Gross profit | 47,823 | 65,036 | 63,543 | 77,768 | 79,457 |
| Net sales | 75,069 | 91,018 | 83,319 | 92,349 | 91,927 |
| Gross margin, % | 63.7% | 71.5% | 76.3% | 84.2% | 86.4% |
| Operating profit/loss | -26,458 | -20,016 | -14,073 | -5,792 | 651 |
| Net sales | 75,069 | 91,018 | 83,319 | 92,349 | 91,927 |
| Operating margin, % | -35.2% | -22.0% | -16.9% | -6.3% | 0.7% |
| EBITDA | -1,691 | 1,147 | 1,872 | 6,862 | 13,791 |
| Depreciation & amortization | -24,767 | -21,163 | -15,945 | -12,654 | -13,140 |
| Write-downs | - | - | - | - | - |
| Operating profit/loss | -26,458 | -20,016 | -14,073 | -5,792 | 651 |
| EBITDA, total operation | -1,691 | 1,147 | 1,872 | 6,787 | 13,364 |
| Depreciation & amortization, total operation | -24,767 | -21,163 | -15,945 | -12,654 | -13,140 |
| Write-downs, total operation | - | - | - | - | - |
| Operating profit/loss, total operation | -26,458 | -20,016 | -14,073 | -5,867 | 224 |
| Current assets | 73,467 | 65,234 | 94,106 | 96,367 | 108,423 |
| Current liabilities excl. current liabilities | | | | | |
| EastCoast International | 29,784 | 31,736 | 39,691 | 33,241 | 31,880 |
| Working capital, total operation | 43,683 | 33,498 | 54,414 | 63,126 | 76,543 |
| Operating profit/loss, remaining operation | -26,458 | -20,016 | -14,073 | -5,792 | 651 |
| Operating profit/loss, discontinued operation | - | - | - | -75 | -427 |
| Operating profit/loss, total operation | -26,458 | -20,016 | -14,073 | -5,867 | 224 |
| Selling expenses | -27,420 | -34,796 | -31,649 | -30,737 | -28,220 |
| Administrative expenses | -14,150 | -17,613 | -18,018 | -15,181 | -14,811 |
| R&D expenses | -32,105 | -34,905 | -28,161 | -35,941 | -35,794 |
| Other operating income/expenses | -606 | 2,262 | 212 | -1,701 | 19 |
| Total operating expenses | -74,281 | -85,052 | -77,616 | -83,560 | -78,806 |
| Balance sheet total, total operation | 212,665 | 213,222 | 241,052 | 152,953 | 158,473 |
| Non interest-bearing liabilities, total operation, plus lease liabilities | 35,941 | 66,930 | 112,999 | 33,241 | 30,809 |
| Capital employed, total operation | 176,724 | 146,302 | 128,053 | 119,712 | 127,664 |
| Closing equity, total operation | 159,319 | 146,302 | 128,053 | 114,044 | 126,467 |
| Average equity, total operation | 158,780 | 137,909 | 111,919 | 122,248 | 116,941 |
| Current assets less inventories | 73,109 | 64,923 | 93,558 | 95,315 | 108,423 |
| Current liabilities | 35,886 | 41,570 | 72,536 | 33,241 | 31,880 |
| Liquidity ratio, total operation | 204% | 156% | 129% | 287% | 340% |
| Equity | 159,319 | 146,302 | 128,053 | 114,044 | 126,467 |
| Balance sheet total, total operation | 212,665 | 213,222 | 241,052 | 152,953 | 158,473 |
| Equity/assets ratio, total operation | 74.9% | 68.6% | 53.1% | 74.6% | 79.8% |
| Profit after taxes | -26,403 | -22,230 | -13,446 | -12,239 | 594 |
| Average equity | 158,780 | 137,909 | 111,919 | 122,248 | 116,941 |
| Return on equity, total operation | Neg | Neg | Neg | Neg | 0.5% |

CONSOLIDATED INCOME STATEMENT

| <i>Amounts in SEK thousands</i> | Note | 2023 | 2022 |
|--|---------------|----------------|----------------|
| Net sales | 2 | 75,069 | 91,018 |
| Cost of goods and services sold | 3 | -27,246 | -25,982 |
| Gross profit | | 47,823 | 65,036 |
| Selling expenses | | -27,420 | -34,796 |
| Administrative expenses | | -14,150 | -17,613 |
| R&D expenses | | -32,105 | -34,905 |
| Other operating income/expenses | | -606 | 2,262 |
| | 3, 4, 5, 6, 7 | -74,281 | -85,052 |
| Operating profit/loss | | -26,458 | -20,016 |
| Interest income and similar income statement items | 9 | 825 | 439 |
| Interest expenses and similar income statement items | 9 | -1,116 | -3,892 |
| | | -291 | -3,453 |
| Profit/loss before tax | | -26,749 | -23,469 |
| Tax | 10 | 346 | 1,239 |
| Profit/loss for the year, operation | | -26,403 | -22,230 |
| Profit/loss attributable to parent company's shareholders | | -26,403 | -22,230 |
| Earnings per share, total operation, SEK | | | |
| - before dilution, SEK | 11 | -0.34 | -0.48 |
| - after dilution, SEK | 11 | -0.34 | -0.48 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| <i>Amounts in SEK thousands</i> | 2023 | 2022 |
|--|----------------|----------------|
| Profit/loss for the year | -26,403 | -22,230 |
| Other comprehensive income | | |
| <i>Items that may be reclassified to profit or loss</i> | | |
| Translation differences, foreign operations | -127 | 267 |
| Other comprehensive income for the year | -127 | 267 |
| Total comprehensive income | -26,530 | -21,963 |
| Comprehensive income for the year attributable to parent company's shareholders | -26,530 | -21,963 |

CONSOLIDATED BALANCE SHEET

Amounts in SEK thousands

| ASSETS | Note | 12/31/2023 | 12/31/2022 |
|---|--------|----------------|----------------|
| Fixed assets | | | |
| Tangible assets | 13 | 2,440 | 3,366 |
| Right of use assets | 8 | 4,008 | 5,724 |
| Goodwill and intangible assets | 14 | 132,751 | 138,898 |
| Total fixed assets | | 139,198 | 147,988 |
| Current assets | | | |
| Inventories | | 359 | 311 |
| Accounts receivable | 15, 20 | 19,173 | 11,478 |
| Other receivables | 20 | 3,499 | 3,643 |
| Prepaid expenses | 16 | 2,903 | 3,397 |
| Cash and cash equivalents | 20 | 47,534 | 46,405 |
| Total current assets | | 73,467 | 65,234 |
| TOTAL ASSETS | | 212,665 | 213,222 |
| EQUITY & LIABILITIES | | | |
| Equity | | | |
| Share capital | | 23,539 | 14,253 |
| Additional paid-in capital | | 917,823 | 887,564 |
| Reserves | | 4,408 | 4,535 |
| Retained loss including profit/loss for the year | | -786,452 | -760,049 |
| Total Equity attributable to the parent company's shareholders | | 159,319 | 146,302 |
| Long-term liabilities | | | |
| Interest-bearing long-term liabilities | 8, 18 | 13,460 | 20,986 |
| Deferred tax liability | 10 | 4,001 | 4,364 |
| Total long-term liabilities | | 17,460 | 25,350 |
| Current liabilities | | | |
| Accounts payable | 20 | 2,722 | 5,952 |
| Interest-bearing current liabilities | 8, 18 | 8,466 | 11,739 |
| Other current liabilities | 18, 20 | 2,307 | 1,732 |
| Accrued expenses and deferred income | 19, 20 | 22,391 | 22,147 |
| Total current liabilities | | 35,886 | 41,570 |
| TOTAL EQUITY AND LIABILITIES | | 212,665 | 213,222 |

CONSOLIDATED CASH FLOW STATEMENT

Amounts in SEK thousands

| | Note | 2023 | 2022 |
|--|------|----------------|----------------|
| Cash flow from operating activities | | | |
| Operating profit/loss | | -26,458 | -20,016 |
| Adjustments for items not included in cash flow | | | |
| - Depreciation & amortization | | 24,769 | 21,163 |
| - Other | | 75 | 25 |
| Interest payments, net | 9 | 386 | -299 |
| Tax paid | | -9 | -21 |
| Cash flow from operating activities before changes in working capital | | -1,238 | 852 |
| Cash flow from changes in working capital | | | |
| Change in inventories | | -48 | 237 |
| Change in current receivables | | -7,083 | 11,075 |
| Change in current liabilities | | -2,392 | -8,233 |
| | | -9,522 | 3,079 |
| Cash flow from operating activities | | -10,760 | 3,931 |
| Cash flow from investing activities | | | |
| Acquisition of subsidiaries | 21 | -10,000 | -38,268 |
| Investment in tangible assets | 13 | -1,215 | -284 |
| Investment in intangible assets | 14 | -14,101 | -21,456 |
| Cash flow from investing activities | | -25,316 | -60,008 |
| Cash flow from financing activities | | | |
| New share issue | 17 | 49,523 | 44,319 |
| Issue expenses | 17 | -9,979 | -3,936 |
| Buyback of own shares | 17 | - | -326 |
| Payment for sale/buyback of options | 17 | - | 156 |
| Payment of lease liability | 8 | -2,258 | -1,900 |
| Cash flow from financing activities | | 37,287 | 38,313 |
| Cash flow for the year | | 1,211 | -17,765 |
| Cash & cash equivalents at beginning of year | | 46,405 | 64,102 |
| Exchange rate differences in cash & cash equivalents | | -83 | 67 |
| Closing liquid assets | | 47,534 | 46,405 |

CHANGE IN EQUITY (GROUP)

Amounts in SEK thousands

| | ATTRIBUTABLE TO PARENT COMPANY'S OWNERS | | | | |
|---|---|----------------------------|--------------------------------------|--|----------------|
| | Share capital | Additional paid-in capital | Reserves and translation differences | Retained loss including profit/loss for the year | Total equity |
| Opening balance as of January 1, 2022 | 11,878 | 849,400 | 4,268 | -737,493 | 128,053 |
| Comprehensive income | | | | | |
| Profit/loss for the year | - | - | - | -22,230 | -22,230 |
| Other comprehensive income | | | | | |
| Exchange rate differences | - | - | 267 | - | 267 |
| Total other comprehensive income | - | - | 267 | - | 267 |
| Total comprehensive income | - | - | 267 | -22,230 | -21,963 |
| Transactions with shareholders | | | | | |
| Option program | - | 156 | - | - | 156 |
| New issue and buyback of own Class C shares for LTI program | 326 | - | - | -326 | - |
| New share issue | 2,049 | 41,944 | - | - | 43,993 |
| New share issue expenses | - | -3,936 | - | - | -3,936 |
| Total transactions with shareholders | 2,375 | 38,164 | - | -326 | 40,212 |
| Closing balance as of December 31, 2022 | 14,253 | 887,564 | 4,535 | 760,049 | 146,302 |
| Opening balance as of January 1, 2023 | 14,253 | 887,564 | 4,535 | -760,049 | 146,302 |
| Comprehensive income | | | | | |
| Profit/loss for the year | - | - | - | -26,403 | -26,403 |
| Other comprehensive income | | | | | |
| Exchange rate differences | - | - | -127 | - | -127 |
| Total other comprehensive income | - | - | -127 | - | -127 |
| Total comprehensive income | - | - | -127 | -26,403 | -26,530 |
| Transactions with shareholders | | | | | |
| New share issue | 9,286 | 40,237 | - | - | 49,523 |
| New share issue expenses | - | -9,979 | - | - | -9,979 |
| Total transactions with shareholders | 9,286 | 30,259 | - | - | 39,546 |
| Closing balance as of December 31, 2023 | 23,539 | 917,823 | 4,408 | -786,452 | 159,319 |

NOTES (GROUP)

NOTE 1 – GENERAL INFORMATION, ACCOUNTING POLICIES

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NOTE 23 – IMPORTANT EVENTS SINCE THE END OF THE YEAR

NOTE 1 - GENERAL INFORMATION, ACCOUNTING POLICIES

GENERAL

The consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act, RFR 1 Supplementary Accounting Regulations for Groups and International Financial Reporting Standards (IFRS) as adopted by the EU.

The recognition and measurement policies applied in the Annual Report for 2022 have also been used in this annual report, with the exception of the application of new accounting standards as described below. Unless otherwise stated, all amounts are given in SEK thousands, and unless otherwise stated amounts in parentheses refer to the previous fiscal year.

The Board of Directors approved the annual report statements on April 9, 2024 and will submit them to the Annual General Meeting for approval on May 22, 2024.

NEW OR AMENDED ACCOUNTING STANDARDS IMPLEMENTED IN 2023

No new or revised IFRS that came into force in 2023 have had any material impact on the group's financial statements.

NEW AND AMENDED IFRS THAT HAVE NOT YET COME INTO FORCE

Other new or amended standards or interpretations published by IASB are not expected to have any impact on the group's or the parent company's financial statements.

The accounting and valuation principles applied are described below.

SIGNIFICANT INFORMATION ABOUT ACCOUNTING PRINCIPLES

REVENUE RECOGNITION

Agreements with customers arise through a combination of a number of written agreements that between them regulate the contract period, pricing, terms of payment, etc. The agreements are combined when they are concluded at the same time with the same customer, are dependent on the terms and conditions between the agreements and as the products and services promised in the agreements often constitute a performance obligation. When part of the customer agreement is amended because of a supplementary agreement or renegotiation, an assessment is performed of

whether this results in an amendment to the agreement or whether a new agreement is created.

Revenues are generated in two product segments, Biometric Technologies (Algo) and Digital Identity.

BIOMETRIC TECHNOLOGIES (ALGO)

The agreements give the customer a license for software that identifies fingerprints.

In the mobile phone industry, product cycles are short and new phone models are continuously being developed. As this software is being developed and updated on an ongoing basis, the license has been classified as a right to gain access and the revenues are recognized on a straight-line basis over the term of the agreement. The term of the agreement is normally considered to be 12 months, even though framework agreements are normally signed for several years.

In the automotive industry, product cycles are long, and control of the software is transferred and delivered to the customer at a specific time. The license is classified as a right of use and revenue is therefore recognized point-in-time at the beginning of the term of the agreement, when control is transferred to the customer.

Support and maintenance agreements are recognized on a straight-line basis over the term of the agreement. Agreements with customers generate two payment flows: licensing fees and usage-based royalties. Licensing fees are fixed and are invoiced at a one-time amount when the agreement period commences. In cases where the licensing fee is recognized over the term of the agreement, this results in a contract liability, which is recognized as prepaid income. For additional information, see Note 19 in the notes for the group.

Usage-based royalties: Royalties are recognized as revenues in the period when the use of the license takes place. Customers report the number of products manufactured using the license on a quarterly basis, and are invoiced in arrears. See Note 15 in the notes for the group regarding non-invoiced accounts receivable. Royalties are variable by their nature, as they depend on the customer's production. There are also volume-based discounts. The group applies the expected value method when defining the transaction price and produces estimates on an ongoing basis if revenues need to be limited in order to avoid a significant reversal of recognized revenues when uncertainty associated with discounts ends.

DIGITAL IDENTITY

Digital Identity consists of software for facial recognition and software, as well as service and support for visitor management and hardware.

Facial recognition: The agreements give the customer access to cloud-based solution for facial recognition software, which is used for an access solution. Revenue is recognized on a straight-line basis over the term of the agreement. The agreement period is normally considered to be 12 months, even though framework agreements are normally signed for several years.

Agreements with customers give rise to a payment flow and are invoiced at a fixed amount on an ongoing basis over time based on the agreement. This results in a contract liability, which is recognized as prepaid income. For additional information, see Note 19 in the notes for the group.

Visitor management: The agreements give the customer a license for a software solution for registering and managing visitors, either via a cloud-based SaaS solution, or via a local installation at the customer's premises. Revenue for the cloud-based SaaS solution is recognized on a straight-line basis over the term of the agreement. The term of the agreement is normally deemed to be 12 months. In the case of local installation at the customer's premises, the license revenue is recognized at the time of installation, when the license has been classified as being entitled for use, when the control of the license and goods have been transferred to the customer. Support and maintenance agreements are recognized on a straight-line basis over the term of the agreement.

Agreements with customers can thus give rise to three types of payment flows: the cloud-based solution is invoiced with a one-time amount at the beginning of the period. This results in a contract liability that is recognized as prepaid income, see Note 19 in the notes for the group. The second payment flow relates to local installation at the customer's premises, where invoicing takes place upon delivery. The third payment flow for support and maintenance is invoiced on an ongoing basis over the term of the agreement.

COMMISSION EXPENSES

Commission expenses arise in connection with a sale when an agent is involved in the sale. Commission is recognized as a selling expense during the term of the agreement.

INTANGIBLE ASSETS

RESEARCH AND DEVELOPMENT

Research expenses are recognized as expenses as they arise. Development expenses consist of expenses for the further development of equipment and software for biometric fingerprint identification. These are recognized as intangible assets when it is likely that the project will be successful in terms of its commercial and technical potential, and if the costs can be reliably measured. Other development expenses are recognized as expenses as they arise. Previously recognized development expenses are not carried forward to the subsequent period. Development expenses have a limited useful life and are amortized on a straight-line basis from the date when the commercial production of the product can begin. The estimated useful life is three years, based on the rapid pace of development.

SOFTWARE

Expenses for the maintenance of software are recognized as expenses as they arise. Expenses for the acquisition and development of software are capitalized on the basis of the expenses incurred when the actual software was acquired and deployed. These expenses are written off during the estimated useful life, which extends to five years. Software received in connection with the acquisition of NexID Biometrics Inc. and EastCoast Solutions AB is written off over the estimated useful life, which was confirmed as ten years in the acquisition calculation. The deviation in the amortization period is because of the nature of the software.

PATENTS

Patents have a limited useful life and are therefore recognized at the acquisition value less accumulated amortization. Patents obtained in connection with the acquisition of NexID Biometrics Inc. are written off over the estimated useful life, which is fifteen years.

CUSTOMER RELATIONS

The database obtained in connection with the acquisition of NexID Biometrics Inc. and EastCoast Solutions AB is written off over the estimated useful life, which is between five and ten years.

DATABASE

The database obtained in connection with the acquisition of NexID Biometrics Inc. is written off over the estimated useful life, which is ten years.

TRADEMARKS

The value of the trademark arising from the acquisition of EastCoast Solutions AB is not amortized, but is reviewed annually to determine whether it needs to be written down.

GOODWILL

The value of the goodwill arising from the acquisition of NexID Biometrics Inc. and EastCoast Solutions AB is not written off, but is reviewed annually to determine whether it needs to be written down.

WRITE-DOWNS

Tangible and intangible assets that are depreciated are assessed in relation to the reduction in value whenever events or changed conditions indicate that the carrying amount is not recoverable. Write-downs are recorded for the amount by which the asset's carrying amount exceeds its recovery value, which is the higher of the net sales value and the utility value. For an asset, the recovery value is calculated for the cash-generating unit that the asset belongs to, i.e., the lowest levels where there are identifiable cash flows. A write-down affects the net profit/loss and therefore the group's financial position.

WITHHOLDING TAX

In certain countries, the company's customers are obliged to make a deduction for a local tax (withholding tax) when making payment to the company for goods and services received, and to pay this amount to a local government agency on behalf of the company. The company has made the assessment that revenue from sales shall be recognized at the invoiced amount and that withholding tax shall be recognized as a selling expense. This assessment is based on a number of circumstances:

- As the tax is not based on a taxable profit, it does not satisfy the definition of an income tax in IAS 12.
- It is not an amount that the company receives on behalf of the tax authority; the amount reduces the remuneration that the company expects to have a right to in exchange for the goods and services delivered.
- For the calculation of Swedish income tax, the invoiced amount is treated as taxable income. The amounts paid for foreign withholding tax may indeed be offset against Swedish income tax, but as the company is not/has not been in a tax-paying position, the company has instead chosen to treat the foreign withholding tax paid as a deductible expense when calculating Swedish income tax.

DEFERRED TAX

The group has tax liabilities in three countries. In view of the historical development of the group's earnings, an assessment has been made that the group's tax expense is limited, at least in the short term. The group makes regular assessments concerning the opportunity to utilize loss deductions in the future.

OTHER INFORMATION ABOUT ACCOUNTING PRINCIPLES

CONSOLIDATED ACCOUNTS

The consolidated statements are prepared using the acquisition method.

FUNCTIONAL CURRENCY

Items included in the financial statements for the different units in the group are valued in the currency used in the financial environment where the respective companies are primarily active, the functional currency. Swedish kronor (SEK) is used in the consolidated financial statements, which is the parent company's functional currency and reporting currency.

TRANSACTIONS AND BALANCE SHEET ITEMS

Transactions in foreign currency are translated into the functional currency according to the exchange rates applicable on the transaction date. Exchange rate gains and losses incurred upon payment of such transactions and during translation of monetary assets or liabilities in foreign currencies at the closing rate are recognized in the income statement as other operating income/expenses and as financial income/expenses.

GROUP COMPANIES

The earnings and financial position for all group companies which have a functional currency other than the group's reporting currency are translated as follows:

Assets and liabilities are translated at the closing rate. Income and expenses are translated at the average exchange rate. Average exchange rate is considered to constitute a good approximation of the exchange rate on the transaction date. All exchange rate differences that arise are recognized in other comprehensive income and as a separate part of equity.

FIXED ASSETS

Tangible assets are valued at the acquisition value less accumulated depreciation. The acquisition value includes charges that can be directly attributed to the acquisition of the asset.

Additional expenditures are added to the asset's carrying amount or are recognized as a separate asset, depending on which is appropriate, only when it is likely that the future financial benefits associated with the asset will benefit the group and the asset's acquisition value can be reliably measured. All other forms of repairs and maintenance are recognized as expenses in the income statement in the period when they arise.

In order to reduce their acquisition value to the estimated residual value, fixed assets are depreciated on a straight-line basis according to plan over the estimated period of use, which is three years for computers and five years for other equipment.

Depreciation of fixed assets is included in Selling expenses, Administration expenses and R&D expenses in the income statement. The residual values and life of assets are assessed on the balance sheet date, and adjusted when necessary. In the event that the carrying amount of an asset is considered to exceed its estimated recovery value, the asset is immediately written down to its recovery value. Gains and losses on disposals are determined through a comparison between the proceeds of sale and the carrying amount, and are recognized in the income statement.

INVENTORIES

Inventories are valued at the lower of the acquisition value and the net realizable value on the balance sheet date. The acquisition value is defined using the FIFO (first in, first out) method. The net realizable value consists of the sales price less variable selling expenses.

Inventories consist of components included in installations within Digital Identity at the customer's premises, in cases where Precise supplies both hardware and software.

FINANCIAL INSTRUMENTS

Financial instruments consist of financial assets and liabilities. Below are comments on the balance sheet items considered most relevant for the reader.

ACCOUNTS RECEIVABLE

Accounts receivable represent the group's unconditional right to compensation from customers. Accounts receivable are recognized initially at transaction price and thereafter at the accrued acquisition value less any provision for impairment. The group applies the simplified method to calculate expected credit losses. This method means that expected losses during the entire term of the receivable are used as a basis for accounts receivable. The model for providing for future bad debts is based on historical performance combined with predictive analysis.

CASH AND CASH EQUIVALENTS

The company's cash and cash equivalents consist solely of funds deposited in bank accounts.

OTHER FINANCIAL LIABILITIES

A financial asset is recognized in the balance sheet when the company becomes a party to the contractual terms of the instrument. A liability is recognized when the counterparty has delivered and there is a contractual obligation to pay, even if an invoice has not yet been received. Accounts payable are recognized when an invoice has been received. A financial liability is removed from the balance sheet when the obligation specified in the contract is honored or settled in any other way. Other financial liabilities consist primarily of accounts payable that are recognized at accrued acquisition value, and discounted deferred fixed purchase price related to the acquisition of EastCoast, see Note 20 in the notes for the group.

EQUITY

Common stock is classified as equity. Transaction costs directly attributable to the issuing of new common stock or options are recognized in equity as a deduction from issue liquidity.

REMUNERATION TO EMPLOYEES

PENSIONS

The group only has defined contribution pension plans. For defined contribution pension plans, the group pays contributions to privately managed pension insurance plans on a contractual basis. The group has no additional payment obligations after the contributions have been paid.

SEVERANCE PAY

Compensation upon termination of employment is paid when an employee is given notice prior to the normal retirement date, or when an employee accepts voluntary retirement from employment in exchange for such compensation. The group reports severance pay when it is clearly obligated either to terminate an employee in accordance with a detailed, formal plan without any possibility of recall, or to pay compensation when serving notice as a result of an offer having been made to encourage voluntary layoff. Benefits that fall due more than 12 months after the balance sheet date are discounted to the current value.

SHARE-BASED COMPENSATION

Precise has a long-term share bonus program (LTI 2022/2028) for personnel employed in Sweden (see Note 6 in the notes for the group). LTI 2022/2028 is a share-based bonus program that provides entitlement to so-called Profit Share rights

during a six-year period when the company achieves certain annual net sales targets, provided that it has an operating profit and its own investment in so-called Saving Shares.

LEASES

Leases in which Precise is the lessee relate primarily to buildings. Leases are normally drawn up for fixed terms of five years for buildings. The terms are negotiated separately for each lease and contain a large number of different contract terms.

Leases are recognized as rights of use and a corresponding liability on the date when the leased asset is available for use by Precise. The right of use and the lease liability are recognized on the lines Right of use assets, Long-term interest-bearing liabilities and Current interest-bearing liabilities in the balance sheet.

Liabilities arising from leases are initially recognized at the current value of the following lease payments:

- Fixed charges (including charges that are fixed in substance) minus incentive receivables.
- Variable lease charges that are based on an index or a price, initially valued using the index or price on the starting date.

Lease payments are discounted at an interest rate of the marginal lending rate.

Rights of use are initially valued at:

- The amount at which the lease liability was initially valued
- Lease charges that have been paid on or before the starting date, minus any benefits received in connection with signing the lease
- Initial direct expenses.

Precise has chosen to apply exceptions in IFRS 16, which means that payments for short-term contracts and leases of

minor value are recognized as expenses on a straight-line basis in the income statement. Short-term contracts are agreements with a lease term of 12 months or less. Options to extend or terminate agreements are included in two of the group's leases in respect of buildings. These terms are used to maximize flexibility in managing agreements. Options that provide an opportunity to extend or terminate agreements can either be exercised solely by the group (and not by the lessors) or by either lessee or lessor. An assessment in respect of exercising options to extend or terminate agreements is reviewed in the event of a significant event or change in circumstances that affects this assessment and the change is within the lessee's control. For additional information, please refer to Note 8 in the notes for the group.

IMPORTANT ESTIMATES AND ASSESSMENTS FOR ACCOUNTING PURPOSES

In order to prepare the financial statements in accordance with generally accepted accounting principles, it is necessary to make estimates and assumptions that affect the income statement, balance sheet and other disclosures. Actual outcomes may differ from the estimates made.

At present, there are no estimates or assumptions that entail a significant risk of significant adjustments in the carrying amounts of assets and liabilities during the next fiscal year.

IMPAIRMENT TESTING OF GOODWILL

Every year the group investigates whether there is a need to write down goodwill, in accordance with the accounting policy described in this note. The recovery value of cash-generating units has been defined by calculating the utility value. Certain estimates must be made for these calculations.

For additional information, please refer to Note 14 in the notes for the group.

NOTE 2 – REVENUE ALLOCATION

The group has two (one) major customers that account for more than 10% of net sales. Revenues from these customers amount to 43% (31%) of net sales.

| | 2023 | 2022 |
|---|---------------|---------------|
| SEGMENT | | |
| <i>Algo</i> | | |
| Royalties | 17,654 | 21,150 |
| Licenses, including support and maintenance | 31,500 | 42,046 |
| Other | 3,658 | 4,634 |
| <i>Digital Identity</i> | | |
| Licenses, including support and maintenance | 18,308 | 15,954 |
| Other | 3,949 | 7,236 |
| Total | 75,069 | 91,018 |
| Time* | | |
| Point-in-time sales | 7,740 | 12,644 |
| Sales over time | 67,329 | 78,354 |
| Total | 75,069 | 91,018 |
| Region/Country | | |
| Europe | 29,054 | 27,218 |
| - of which Sweden | 20,982 | 20,737 |
| Asia | 31,205 | 51,039 |
| - of which China | 3,152 | 15,364 |
| - of which Taiwan | 25,224 | 29,576 |
| US | 14,811 | 12,762 |
| Total | 75,069 | 91,018 |

NOTE 3 – SEGMENT REPORTING

| | 2023 | | | 2022 | | |
|---------------------|------------------------|------------------|---------------|------------------------|------------------|---------------|
| | Biometric Technologies | Digital Identity | Total segment | Biometric Technologies | Digital Identity | Total segment |
| Net sales | 52,812 | 22,258 | 75,069 | 67,829 | 23,189 | 91,018 |
| Cost of goods sold | -10,171 | -17,075 | -27,246 | -9,070 | -16,913 | -25,982 |
| Gross profit | 42,641 | 5,182 | 47,823 | 58,759 | 6,277 | 65,036 |

OTHER INFORMATION

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

| | 2023 | 2022 |
|--|----------------|----------------|
| Reconciliation of profit/loss | | |
| Segment profit/loss | 47,823 | 65,036 |
| Selling expenses | -27,420 | -34,796 |
| Administrative expenses | -14,150 | -17,613 |
| R&D expenses | -32,105 | -34,905 |
| Other operating income/expenses | -606 | 2,262 |
| Financial expenses | -291 | -3,453 |
| Profit/loss after financial items | -26,749 | -23,469 |

NOTE 4 – COSTS ALLOCATED PER TYPE

| | 2023 | 2022 |
|--|----------------|----------------|
| Employee benefit expenses | 43,168 | 38,155 |
| Cost of purchasing and handling commercial goods | 11,574 | 17,189 |
| Depreciation and write-downs | 24,764 | 21,152 |
| Consulting costs | 21,729 | 38,234 |
| Exchange rate gains | 2,268 | -3,413 |
| Exchange rate losses | -2,874 | 1,563 |
| Other external expenses | 15,631 | 18,940 |
| Balanced development expenses | -14,732 | -20,786 |
| Total | 101,528 | 111,034 |

NOTE 5 – EMPLOYEES AND PERSONNEL EXPENSES

| GENDER BALANCE IN GROUP | 2023 | | 2022 | |
|--------------------------------|-----------|----------|-----------|----------|
| | Men | Women | Men | Women |
| Precise Biometrics AB, Sweden | 12 | 6 | 11 | 4 |
| Precise Biometrics, Inc., USA | 3 | 0 | 2 | 1 |
| Precise Biometrics, China | 3 | 1 | 3 | 1 |
| EastCoast Solutions AB, Sweden | 6 | 0 | 8 | 0 |
| | 24 | 7 | 24 | 6 |

| GENDER BALANCE IN CORPORATE MANAGEMENT | 2023 | 2022 |
|--|---------------|---------------|
| Proportion of women | | |
| Board of Directors | 33% | 33% |
| CEO and other senior executives | 33% | 33% |
| Salaries and remuneration are allocated as follows: | 2023 | 2022 |
| Board and CEO, Sweden | | |
| Salaries and other remuneration | 5,993 | 4,439 |
| Pension expenses | 1,045 | 731 |
| Payroll overhead, including payroll tax | 1,926 | 1,625 |
| Total | 8,964 | 6,795 |
| Others, Sweden | | |
| Salaries and other remuneration | 17,524 | 16,536 |
| Pension expenses | 2,372 | 2,181 |
| Payroll overhead, including payroll tax | 5,988 | 5,257 |
| Total | 25,884 | 23,974 |
| TOTAL, SWEDEN | 34,848 | 30,768 |
| Others, USA | | |
| Salaries and other remuneration | 4,127 | 3,240 |
| Social security expenses | 740 | 535 |
| Total | 4,867 | 3,775 |
| Others, China | | |
| Salaries and other remuneration | 3,716 | 4,345 |
| Social security expenses | 695 | 698 |
| Total | 4,411 | 5,044 |
| TOTAL | 44,126 | 39,587 |

NOTE 6 – REMUNERATION TO SENIOR EXECUTIVES

PRINCIPLES

Remuneration is paid to the Chairman of the Board and Board members in accordance with the decision of the AGM.

Remuneration to the CEO and other senior executives consists of their basic salary, variable remuneration, pension benefits and other benefits. In addition to the six-month period of notice, severance pay for six months is also paid if notice is served by the company.

Other senior executives are those persons who together with the CEO constitute corporate management. There was an average of 4 (4) senior executives during the year. For the composition of corporate management, see the section entitled 'Management' in the annual report. The distribution between basic salary and variable remuneration shall be in proportion to the executive's level of responsibility and authority. For the CEO, variable remuneration is set at a maximum of 75% of basic salary. For other senior executives, variable remuneration is a maximum of 50% of basic salary.

REMUNERATION AND OTHER BENEFITS IN 2023

* Including Patrick Höjjer last salary 1,713 tkr.

| | BASIC SALARY/BOARD REMUN. | COMMITTEE FEE | VARIABLE REMUNERATION | OTHER BENEFITS | PENSION EXPENSES | TOTAL |
|---|---------------------------------|------------------|--------------------------|-------------------|---------------------|---------------|
| Torgny Hellström, Chairman of the Board | 545 | 70 | - | - | - | 615 |
| Mats Lindoff, Board member | 190 | 25 | - | - | - | 215 |
| Torbjörn Clementz, Board member | 69 | 32 | - | - | - | 101 |
| Synnöve Trygg, Board member Jan–May 23 | 69 | 16 | - | - | - | 85 |
| Åsa Schwarz, Board member | 190 | 25 | - | - | - | 215 |
| Peter Gullander, Board member | 190 | 29 | - | - | - | 219 |
| Maria Rydén, Board member May–Dec 2023 | 122 | 58 | - | - | - | 180 |
| Jimmy Hsu, Board member May–Dec 2023 | 122 | - | - | - | - | 122 |
| Patrick Höjjer, CEO Jan–Aug 2023* | 3,205 | - | - | 87 | 813 | 4,105 |
| Joakim Nydemark, CEO Sep–Dec 2023 | 1,035 | - | - | 1 | 232 | 1,268 |
| Other senior executives, 4 persons | 3,612 | - | - | 7 | 764 | 4,383 |
| Total | 9,349 | 255 | 0 | 95 | 1,809 | 11,508 |

REMUNERATION AND OTHER BENEFITS IN 2022

| | BASIC SALARY/BOARD REMUN. | COMMITTEE FEE | VARIABLE REMUNERATION | OTHER BENEFITS | PENSION EXPENSES | TOTAL |
|---|---------------------------------|------------------|--------------------------|-------------------|---------------------|---------------|
| Torgny Hellström, Chairman of the Board | 545 | 70 | - | - | - | 615 |
| Mats Lindoff, Board member | 190 | 25 | - | - | - | 215 |
| Torbjörn Clementz, Board member | 190 | 90 | - | - | - | 280 |
| Synnöve Trygg, Board member | 190 | 45 | - | - | - | 235 |
| Åsa Schwarz, Board member | 190 | 25 | - | - | - | 215 |
| Peter Gullander, Board member | 118 | - | - | - | - | 118 |
| Stefan K Persson, CEO Jan–Mar 2022 | 625 | - | - | - | 206 | 831 |
| Fredrik Sjöholm, CEO Mar–May 2022 | 341 | - | - | - | 87 | 428 |
| Patrick Höjjer, CEO Jun–Dec 2022 | 1,796 | - | - | 71 | 438 | 2,305 |
| Other senior executives, 4 persons | 4,945 | - | - | 15 | 668 | 5,628 |
| Total | 9,129 | 255 | - | 76 | 1,399 | 10,870 |

Comments on the table: The amounts in the table are exclusive of payroll overhead. Payments take place via salaries and remuneration. Remuneration paid has been recognized as an expense. The above remuneration refers to expenses that have affected net profit/loss for the year.

VARIABLE REMUNERATION

Variable remuneration for the CEO and senior executives is based on group earnings and individual targets. These targets are set by the Board for the CEO, and by the Board and the CEO for senior executives. The maximum amount for variable remuneration that may be paid to the CEO is 75% of basic salary. For other senior executives the variable remuneration can amount to a maximum of 50% of basic salary. In 2023, flexible remuneration to senior executives totaled 0% (0%).

OTHER BENEFITS

Other benefits consist of insurance benefits and a car for the CEO who departed during the year.

SHARE-BASED COMPENSATION

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. During Q4 2023, 100,000 stock options were repurchased for SEK 8.10 and canceled from the former CEO, corresponding to 100% of the total remaining stock options.

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. 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, 2023, Precise held 1,085,000 Class C shares. Employees lose the right to participate in the LTI program when notice is served.

PENSIONS

The retirement age for the CEO is 65. Pension premiums shall amount to a maximum of 25% of the fixed salary from the parent company. For other senior executives the retirement age is also 65. According to the pension agreement, the pension premium is calculated in accordance with a scale based on age and salary. For the highest current age interval, the premium totals 6 % of the pension-based salary up to 7.5 base amounts, 39% of the pension-based salary between 7.5 and 20 base amounts and 21% of the pension-based salary for salaries over 20 base amounts.

SEVERANCE PAY

There is a mutual period of 6 months' notice for the company and the CEO. Severance pay of 6 monthly salaries will also be paid if the CEO is given notice by the company. A period of notice of 3–6 months is applicable between the company and other senior executives. No severance pay is paid for other senior executives.

CHANGE IN CONTROL

There are no agreements between the company and its employees, with the exception of the employment contracts commented on above, under which compensation must be paid to employees if their employment is terminated as a result of a public takeover bid.

PREPARATION AND DECISION-MAKING PROCESS

The compensation committee is assigned to consider issues related to salaries, pension conditions, incentive plans and other terms and conditions of employment for the executive. In 2023, the committee focused primarily on remuneration to the CEO and senior executives, including incentive plans. The Board makes decisions on remuneration to the CEO, based on the recommendations of the compensation committee within the framework of guidelines decided at the AGM. Remuneration to other senior executives has been decided by the CEO following consultation with the compensation committee and the Board. At the AGM in 2020, guidelines were adopted for the determination of salaries and other remuneration to the CEO and other senior executives.

NOTE 7 - AUDITORS' REMUNERATION

| | 2023 | 2022 |
|---|--------------|--------------|
| Ernst & Young | | |
| Audit assignment | 798 | 1,137 |
| Auditing activities in addition to the audit assignment | 159 | 160 |
| Tax consulting | - | - |
| Other assignments | 299 | 103 |
| Total | 1,256 | 1,400 |

NOTE 8 – LEASES

The group primarily leases premises.

No leases contain covenants or other limitations in addition to the security in the leased asset.

| | |
|---|--------------|
| Right of use assets, 01/01/2022 | 7,270 |
| New rental agreements through business combinations | 408 |
| Depreciation during the year | -1,953 |
| Closing book value, 12/31/2022 | 5,724 |

| | |
|--|--------------|
| Right of use assets, 01/01/2023 | 5,724 |
| New rental agreements | 676 |
| Depreciation during the year | -2,393 |
| Closing book value, 12/31/2023 | 4,008 |

In 2022, a new rental agreement was added that resulted in an increase in the lease liability of SEK 408 thousand. No new rental agreements were added in 2023, but the increase in rent has resulted in an increase in lease liabilities of SEK 676 thousand.

| Lease liabilities | 12/31/2023 | 12/31/2022 |
|--|-------------------|-------------------|
| Short-term | 2,364 | 1,905 |
| Long-term | 2,157 | 4,198 |
| Lease liabilities included in the balance sheet | 4,521 | 6,103 |

Long-term lease liabilities mature between 1 year and 5 years.

| | 2023 | 2022 |
|---|--------------|--------------|
| Opening interest-bearing liabilities | 6,103 | 7,595 |
| New rental agreement | 676 | 408 |
| Cash flow | -2,258 | -1,900 |
| Closing interest-bearing liabilities | 4,521 | 6,103 |

| Amounts recognized in the consolidated income statement - IFRS 16 | 2023 | 2022 |
|--|---------------|---------------|
| Depreciation of right of use assets | -2,393 | -1,953 |
| Interest on lease liabilities | -218 | -256 |
| Costs of low-value leases | -41 | -50 |
| Total | -2,652 | -2,260 |

| Amounts recognized in the consolidated cash flow statement - IFRS 16 | 2023 | 2022 |
|---|-------------|-------------|
| Total cash outflows attributable to leases | 2,517 | 2,207 |

The above cash flow includes both amounts for leases that are recognized as lease liabilities, as well as amounts paid for variable lease charges and low-value leases. The group did not have any short-term leases during the year.

NOTE 9 - FINANCIAL INCOME AND EXPENSES

| | 2023 | 2022 |
|---|--------------|--------------|
| Interest income | 538 | - |
| Exchange rate gains | 286 | 439 |
| Total | 825 | 439 |
| Interest on lease liabilities | 218 | 256 |
| Interest expense liability, acquisition of EastCoast 1) | 782 | 1,045 |
| Other financial expenses, acquisition of EastCoast 1) | - | 2,112 |
| Exchange rate losses | 115 | 479 |
| Total | 1,115 | 3,892 |

1) For more information on interest expenses and other financial expenses in respect of the liability for EastCoast, see Note 20 in the notes for the group.

NOTE 10 – INCOME TAX AND DEFERRED TAX

| Tax expense for the year | 2023 | 2022 |
|--|------------|--------------|
| Current tax on profit/loss for the year | -17 | -12 |
| Change in deferred tax | 363 | 1,251 |
| Tax expense | 346 | 1,239 |
| Reconciliation of effective tax | 2023 | 2022 |
| Profit/loss before tax | -26,748 | -23,470 |
| Tax calculated according to current tax rate for the parent company, 20.6% | 5,510 | 4,835 |
| Tax effect on taxable income | 91 | 72 |
| Tax effect of non-deductible expenses | -77 | -39 |
| Tax effect of items recognized directly in equity | 2,056 | - |
| Tax effect of foreign tax rates | -11 | -12 |
| Tax effect of changes in tax rate | - | -48 |
| Tax effect of change in loss carryforwards for which no deferred tax is recognized | -7,222 | -3,569 |
| Tax expense | 346 | 1,239 |

Tax on group profit before tax differs from the theoretical amount that would have resulted from a weighted average tax rate in the consolidated companies as above.

| Deferred tax liability | 2023 | 2022 |
|--|---------------|---------------|
| Deferred tax liability | -4,001 | -4,364 |
| Carrying amount | -4,001 | -4,364 |
| Specification of change in deferred tax asset/deferred tax liability: | 2023 | 2022 |
| Opening carrying amount | -4,364 | -5,615 |
| Acquisition – deferred tax liability in respect of surplus values in intangible assets | - | - |
| Acquisitions – deferred tax liability in respect of untaxed reserves | - | - |
| Deferred tax recognized in profit or loss | 363 | 1,251 |
| Closing carrying amount of deferred tax asset/deferred tax liability: | -4,001 | -4,364 |

The company's historically reported losses represent significant amounts, as the most recent fiscal years have resulted in a tax loss. Digital Identity is in an early phase, and there is quite naturally uncertainty in the forecasts, so the company's assessment is cautious on the basis that there are compelling factors that suggest future taxable surpluses in the near future.

Changes in 2023 are linked to the dissolution of deferred tax liabilities as a consequence of the amortization of identified surplus values from acquisitions. There are tax loss carryforwards for which no deferred tax assets have been recognized in the balance sheet totaling SEK 739,256 (697,790) thousand. In connection with the acquisition of EastCoast Solutions AB in November 2021, SEK 662,643 thousand of the deficit in the group was blocked for group contributions until December 31, 2026.

NOTE 11 - EARNINGS PER SHARE

Earnings per share before dilution is calculated by dividing earnings attributable to parent company shareholders by a weighted average number of outstanding common shares during the period, excluding repurchased shares of the parent company.

| | 2023 | 2022 |
|---|---------|---------|
| Profit/loss attributable to parent company shareholders (SEK thousands) | -26,403 | -22,230 |
| Weighted average number of outstanding common shares (thousands) | 65,568 | 41,304 |
| Earnings per share before dilution (SEK per share), remaining operation | -0.34 | -0.47 |
| Earnings per share before dilution (SEK per share), total operation | -0.34 | -0.47 |

EARNINGS PER SHARE AFTER DILUTION

To calculate profit/loss per share after dilution, the weighted average number of outstanding common shares is adjusted for the dilution effect of all potential common shares. The parent company only has one category of potential common shares with a dilution effect, i.e., share options.

If outstanding stock option programs were redeemed in their entirety, the maximum dilution would amount to 1,300,000 shares. Dilution effects have not been considered, as the average price during the year is below the price in the option program adopted in 2019.

| | 2023 | 2022 |
|--|---------|---------|
| Profit/loss attributable to parent company shareholders (SEK thousands) | -26,403 | -22,230 |
| Weighted average number of outstanding common shares (thousands) | 65,568 | 41,304 |
| Weighted average number of common shares for calculation of profit/loss per share after dilution (thousands) | 65,568 | 41,304 |
| Earnings per share after dilution (SEK per share), remaining operation | -0.34 | -0.47 |
| Earnings per share after dilution (SEK per share), total operation | -0.34 | -0.47 |

NOTE 12 – RISK FACTORS

Precise is exposed to a number of risks that arise primarily in connection with the company's buying and selling foreign currency, as changes in exchange rates affect the company's earnings and cash flows. The company is also exposed to credit risk, liquidity risk and capital risk. The Board adopts policies for risk management, which are set out in the company's Economic and Finance Policy.

CURRENCY EXPOSURE RISK

Precise's currency exposure includes both transaction and translation exposure. Transaction exposure arises because sales and purchases take place in different currencies. The company is exposed to currency risks through its business, as a significant proportion of revenues are generated in foreign currencies, primarily USD, while the majority of the company's expenses are in Swedish kronor. This means that changes in exchange rates affect the company's earnings and cash flows. In order to reduce exposure, a policy has been adopted that allows hedging in accordance with a predetermined model which enables a hedging of the forecast net flow. The total forecast net flow over the next 12-month period can be hedged at approx. 40%. Translation exposure is not hedged. In 2023, no hedging activities were carried out via forward contracts. Forward contracts are valued at fair value via the income statement.

SENSITIVITY ANALYSIS

If SEK had weakened/strengthened by 10% in relation to USD and all other variables had remained constant, earnings for the year for 2023 would have been approximately SEK 2,500 (4,000) thousand higher/lower. The corresponding effect on equity calculated as 10% of Precise Biometrics Inc.'s equity corresponds to SEK 200 (190) thousand.

CAPITAL RISK

The company has a capital risk if the company does not generate a profit and an underlying cash flow, but is

dependent on new capital from shareholders or taking out loans. This risk is monitored continuously through the company's internal controls and reporting, as well as the limits defined by the Board. Nor is there any guarantee that new capital can be acquired if the need should arise, or that such capital can be acquired on favorable terms.

CREDIT RISK

The risk that the company's customers fail to pay accounts receivable is a customer credit risk. In order to limit this, the company applies a credit policy and outstanding accounts receivable are monitored very closely on an ongoing basis. In the event of uncertainties regarding credit ratings, payment in advance shall be required and no new orders shall be delivered if a customer has significant overdue accounts receivable.

LIQUIDITY RISK

The Board and the executive monitor the liquidity situation closely in order to make sure that adequate liquidity is available to meet the needs of operating activities. Some of the company's revenues consist of royalties, which are settled on a quarterly basis and thus have some impact on the company's cash flow.

FORECASTING UNCERTAINTY

The company operates in a rapidly changing market. The market for its products is in an early stage of development and revenues are to a large extent based on royalties from use by customers. The company has long sales processes and the advanced issue or postponement of an order can have a significant impact on net sales and earnings, which makes forecasting very difficult.

CASH FLOW

The company strives to minimize the time capital is tied up, primarily in accounts receivable. To minimize the possible impact of capital being tied up, the company works actively to follow up on outstanding accounts receivable.

NOTE 13 – TANGIBLE ASSETS

| EQUIPMENT AND TOOLS | 12/31/2023 | 12/31/2022 |
|---|-------------------|-------------------|
| Opening acquisition value | 7,122 | 6,183 |
| Acquisitions during the year | 461 | 981 |
| Assets sold/retired | -340 | -43 |
| Closing acquisition value | 7,243 | 7,122 |
| Opening accumulated amortization | -3,756 | -1,988 |
| Depreciation for the year | -1,387 | -1,801 |
| Assets sold/retired | 340 | 33 |
| Closing accumulated amortization | -4,803 | -3,756 |
| Book value | 2,440 | 3,366 |

Comments on the note: Depreciation is included in the items Selling, Administration and R&D expenses in the income statement.

NOTE 14 – INTANGIBLE ASSETS

| CAPITALIZED DEVELOPMENT EXPENSES | 12/31/2023 | 12/31/2022 |
|---|-------------------|-------------------|
| Opening acquisition value | 52,956 | 40,003 |
| Acquisitions during the year | 14,732 | 20,786 |
| Retirements/sales | -15,609 | -7,833 |
| Closing acquisition value | 52,079 | 52,956 |
| Opening accumulated amortization | -23,436 | -16,362 |
| Depreciation for the year | -18,371 | -14,907 |
| Sales/disposals | 15,609 | 7,833 |
| Closing accumulated amortization | -26,198 | -23,436 |
| Opening accumulated write-downs | - | - |
| Sales/disposals | - | - |
| Closing accumulated write-downs | - | - |
| Book value | 25,881 | 29,520 |
| | | |
| PATENTS | 12/31/2023 | 12/31/2022 |
| Opening acquisition value | 1,138 | 1,138 |
| Closing acquisition value | 1,138 | 1,138 |
| Opening accumulated amortization | -449 | -373 |
| Depreciation for the year | -76 | -76 |
| Closing accumulated amortization | -525 | -449 |
| Book value | 613 | 689 |
| | | |
| CAPITALIZED DATA EXPENSES | 12/31/2023 | 12/31/2022 |
| Opening acquisition value | 803 | 687 |
| Acquisitions during the year | - | 116 |
| Closing acquisition value | 803 | 803 |
| Opening accumulated amortization | -519 | -400 |
| Depreciation for the year | -81 | -119 |
| Closing accumulated amortization | -600 | -519 |
| Book value | 203 | 284 |
| | | |
| TECHNOLOGY | 12/31/2023 | 12/31/2022 |
| Opening acquisition value | 8,077 | 8,077 |
| Acquisitions during the year | - | - |
| Closing acquisition value | 8,077 | 8,077 |
| Opening accumulated amortization | -897 | -69 |
| Depreciation for the year | -807 | -828 |
| Closing accumulated amortization | -1,704 | -897 |
| Book value | 6,373 | 7,180 |

| GOODWILL | 12/31/2022 | 12/31/2022 |
|--|-------------------|-------------------|
| Opening acquisition value | 84,836 | 84,836 |
| Closing acquisition value | 84,836 | 84,836 |
| Book value | 84,836 | 84,836 |
| TRADEMARKS | 12/31/2023 | 12/31/2022 |
| Opening acquisition value | 5,473 | 5,473 |
| Closing acquisition value | 5,473 | 5,473 |
| Book value | 5,473 | 5,473 |
| OTHER INTANGIBLE ASSETS (DATABASE AND CUSTOMER RELATIONS) | 12/31/2023 | 12/31/2022 |
| Opening acquisition value | 16,180 | 16,180 |
| Closing acquisition value | 16,180 | 16,180 |
| Opening accumulated amortization | -5,265 | -3,709 |
| Depreciation for the year | -1,543 | -1,556 |
| Closing accumulated amortization | -6,808 | -5,265 |
| Book value | 9,372 | 10,916 |
| TOTAL BOOK VALUE | 132,751 | 138,898 |

Comments on the note:

Amortization of capitalized development expenses and acquired intangible assets is included in the item Cost of goods sold.

IMPAIRMENT TEST OF GOODWILL

Every year the group investigates whether there is a need to write down goodwill. Goodwill has been allocated to two cash-generating units (CGUs), Precise and EastCoast. The recoverable value for the CGU has been determined by calculating the utility value, which requires certain assumptions to be made with regard to, among other things, sales and gross margin.

EastCoast was acquired in November 2021 by Precise. The acquisition of EastCoast is in a start-up phase and has not reached a mature business phase, a so-called "steady-state" within five years, and therefore the calculation is based on a strategic five-year plan followed by an extrapolation for two years. In the 2023 impairment test, the calculation has been based on a strategic five-year plan followed by an extrapolation for two years (2022 three years). Over time, the calculation should go down to a forecast period of 5 years without extrapolation, for the following years a growth rate of 2% is used.

EastCoast is a company that historically has had stable growth. For EastCoast, the discount rate has been determined based on a calculated "Weighted Average Cost of Capital" (WACC) of 17,3% before tax and 14.3% after tax.

The impairment test for the cash-generating unit Precise is based on financial forecasts estimated by management for the next five years. For the following years, a growth rate of 2% is used. For Precise, the discount rate has been determined based on a calculated "Weighted Average Cost of Capital" (WACC) of 27% before tax and 25% after tax.

SENSITIVITY ANALYSIS

A sensitivity analysis was conducted for EastCoast, the result of which is that if WACC is 16,3% after tax instead, the recoverable amount will fall by 15% and if EBITDA is assumed to be 3% lower than the company's expectations, the recoverable amount would fall by 5%. None of these hypothetical assumptions would result in a need to write down.

A sensitivity analysis was conducted for Precise, the result of which is that if the WACC is 27% after tax instead, the recoverable value will fall by 13%. If EBITA is assumed to be 10% lower than the company's expectations, the recoverable value would fall by 18%. None of these hypothetical assumptions would result in a need to write down.

NOTE 15 - ACCOUNTS RECEIVABLE

| | 12/31/2023 | 12/31/2022 |
|------------------------------------|---------------|---------------|
| Accounts receivable - invoiced | 13,580 | 9,555 |
| Accounts receivable - not invoiced | 5,593 | 1,923 |
| Reserve for credit risk | - | - |
| Total | 19,173 | 11,478 |

As of December 31, 2023 accounts receivable totaling SEK 4,676 (4,639) thousand were due. There is a write-down for accounts receivable totaling SEK 0 (0). After close dialogue with the customers, the assessment has been done that there is no need for write-downs.

The aging analysis of all accounts receivable is shown below:

| | 12/31/2023 | 12/31/2022 |
|-----------------------|---------------|---------------|
| Not due | 14,501 | 6,839 |
| Less than 3 months | 4,236 | 3,291 |
| Of which written down | - | - |
| 3 to 6 months | 333 | 1,241 |
| Of which written down | - | - |
| More than 6 months | 103 | 107 |
| Of which written down | - | - |
| Total | 19,173 | 11,478 |

The maximum exposure for credit risk on the balance sheet date is the actual value for every category of receivables. The group has no collateral as security.

| | 12/31/2023 | 12/31/2022 |
|--|------------|------------|
| Reserve for credit risk at beginning of year | - | - |
| Bad debt confirmed | - | - |
| Reversal of reserve for credit risk | - | - |
| Reserve for credit risk | - | - |
| Currency effect | - | - |
| Total | - | - |

Customer loss noted during the year SEK 17 (1) thousand.

The recognized amounts for each currency for the group's accounts receivable are as follows:

| | 12/31/2023 | 12/31/2022 |
|-----|------------|------------|
| SEK | 4,859 | 6,073 |
| USD | 1,377 | 378 |
| EUR | 9 | 148 |
| DKK | 173 | 5 |
| NOK | 132 | 31 |
| GBP | - | 1 |

NOTE 16 – PREPAID EXPENSES

| | 12/31/2023 | 12/31/2022 |
|---------------------------|--------------|--------------|
| Prepaid rent for premises | 797 | 717 |
| Other items | 2,106 | 2,680 |
| Total | 2,903 | 3,397 |

NOTE 17 - EQUITY

| | 2023 | 2022 |
|--|-------------------|-------------------|
| Number of common shares | | |
| Issued as of January 1 | 46,427,597 | 39,596,394 |
| New share issue | 30,951,730 | 6,831,203 |
| Common shares issued as of December 31 | 77,379,327 | 46,427,597 |
| Number of Class C shares | | |
| Issued as of January 1 | 1,085,000 | - |
| Buyback of own shares | - | 1,085,000 |
| Class C shares issued as of December 31 | 1,085,000 | 1,085,000 |
| Total number of shares issued as of December 31 | 78,464,327 | 47,512,597 |

As of December 31, 2023, the registered share capital comprised 77,379,327 common shares. Holders of common shares are entitled to dividends that are confirmed retrospectively and the shareholding entitles the holder to voting rights at the Annual General Meeting with one vote per share. The 1,085,000 Class C shares that were bought back in 2022 were held by Precise Biometrics AB as of 12/31/2022.

NOTE 18 – OTHER LIABILITIES

| | 12/31/2023 | 12/31/2022 |
|---|---------------|---------------|
| Long-term liabilities | | |
| Lease liability | 2,157 | 4,198 |
| Long-term liability, acquisition of EastCoast | 11,302 | 16,789 |
| Total long-term liabilities | 13,460 | 20,986 |
| Current liabilities | | |
| Lease liability | 2,364 | 1,905 |
| Current liabilities, acquisition of EastCoast | 6,102 | 9,834 |
| Other current liabilities | 2,307 | 1,732 |
| Total current liabilities | 10,772 | 13,471 |

For more information about the liability that arose in connection with the acquisition of EastCoast Solutions AB, see Note 20 in the notes for the group.

NOTE 19 – ACCRUED EXPENSES AND PREPAID INCOME

| | 12/31/2023 | 12/31/2022 |
|---------------------------------------|---------------|---------------|
| Prepaid income | 13,945 | 17,072 |
| Accrued vacation pay | 2,203 | 1,948 |
| Accrued wages and remuneration | 1,624 | 60 |
| Accrued payroll overhead and pensions | 1,782 | 1,199 |
| Other accrued expenses | 2,838 | 1,868 |
| Total | 22,391 | 22,147 |

NOTE 20 - FINANCIAL INSTRUMENTS

| | 12/31/2023 | 12/31/2022 |
|--|---------------|---------------|
| | Book value | Book value |
| Financial assets | | |
| <i>Financial assets valued at the accrued cost of acquisition</i> | | |
| Accounts receivable | 19,173 | 11,478 |
| Other receivables | 438 | 450 |
| Cash and cash equivalents | 47,534 | 46,405 |
| Total | 67,145 | 58,333 |
| Financial liabilities | | |
| <i>Financial liabilities valued at the accrued cost of acquisition</i> | | |
| Accounts payable | 2,722 | 5,952 |
| Lease liability | 4,521 | 6,103 |
| Long-term liabilities | 11,302 | 16,789 |
| Current liabilities | 7,569 | 9,910 |
| Accrued expenses | 6,665 | 3,876 |
| Total | 32,780 | 42,630 |

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 EastCoast Solutions AB (see Note 22). SEK 30,000 thousand was paid on December 1, 2022. SEK 10,000 thousand was paid on November 30, 2023, and SEK 5,000 thousand will be paid on November 30, 2024, SEK 5,000 thousand on November 30, 2025, and SEK 5,000 thousand 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, of 3 months STIBOR + 8%, is added from November 30, 2023 until the amounts have been paid. The liability is recognized as an interest-bearing liability as of December 31, 2023. The liability has been calculated at current value at the original effective interest rate of 1.8% and is recognized as other current liabilities (SEK 6,102 thousand) and other non-current liabilities (SEK 11,302 thousand). The effect on earnings of the translation of the liability was estimated at SEK 2,112 thousand and was recognized under financial items as other financial expenses during 2022. Precise has the option to pay off the entire remaining purchase price early.

NOTE 21 – RELATED PARTY TRANSACTIONS

In 2023, the parent company had transactions as described below with the company RM International AB. RM International is the previous owner of EastCoast Solutions AB and Richard Skalsky is one of the owners of this company., Richard Skalsky was part of the group executive team during the period January 1 – May 31, 2023. Rickard left the company on May 31, 2023. Information on remuneration and benefits provided to senior executives associated with this company can be found in Note 6 in the notes for the group. For more information regarding the liability that arose in connection with the acquisition of EastCoast Solutions, see Note 20 in the notes for the group. Apart from transactions below, there have only been business transactions with subsidiaries and salary-related remuneration to senior executives and Board members.

In 2022, the parent company had transactions as described below with the company RM International AB, of which Richard Skalsky is a co-owner. Richard Skalsky has been part of the group executive team since January 2022. Information on remuneration and benefits provided to senior executives associated with this company can be found in Note 6 in the notes for the group.

| The group's transactions with RM International AB | 2023 | 2022 |
|--|-------------|-------------|
| Interest expenses* | 204 | 3,154 |
| Liability to related parties* | 26,826 | 26,623 |

* In 2023, only interest expenses for January 1 – May 31, 2023 were recognized, when Rickard was part of the group executive team. Liabilities recognized in 2023 are as of May 31, 2023.

NOTE 22 – BUSINESS COMBINATIONS

As of November 30, 2021, the Group acquired 100% of the shares in EastCoast Solutions AB and Besökssystem Sverige AB.

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 thousand was paid in cash in January 2022.

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 20 for details of the new terms and conditions.

IMPACT ON CASH AND CASH EQUIVALENTS IN 2023 (RECOGNIZED IN INVESTING ACTIVITIES)

Repayment of debt on November 30, 2023: SEK 10,000 thousand

See Note 20 Interest-bearing liabilities.

NOTE 23 – IMPORTANT EVENTS SINCE THE END OF THE YEAR

- Precise participated in the world's largest electronics fair, the Consumer Electronics Show (CES), in the USA on January 9-12, 2024. In collaboration with the German semiconductor giant Infineon, the company demonstrated future solutions for biometric driver identification in the automotive industry.
- Precise has signed an agreement in respect of a dedicated sales team in Amsterdam for targeting customers in order to acquire market shares for the company's YOUNiQ Visit visitor system. The team will initially target the market in the Netherlands, and then the other Benelux countries.
- Precise signed a commercial agreement with Korean Fingerprint Sensor Manufacturer LaserSemicon (previously Canvas Bio).
- Precise launched palm recognition, a new addition to the product portfolio.
- Precise showcased solutions at ISC West the 9-12th of April together with sensor manufacturing partners Infineon technologies and Arrow Electronics.

FINANCIAL STATEMENTS OF THE PARENT COMPANY

PARENT COMPANY'S INCOME STATEMENT

Other comprehensive income for the parent company corresponds to the profit for the year.

Amounts in SEK thousands

| | Note | 2023 | 2022 |
|--|-------------|----------------|----------------|
| Net sales | 2 | 53,787 | 72,048 |
| Cost of goods and services sold | 3 | -32,709 | -33,203 |
| Gross profit | | 21,078 | 38,845 |
| Selling expenses | | -18,552 | -27,356 |
| Administrative expenses | | -13,203 | -16,567 |
| R&D expenses | | -19,813 | -19,903 |
| Other operating income/expenses | | -626 | 2,287 |
| | 3,4,5,6,7,9 | -52,194 | -61,539 |
| Operating profit/loss | | -31,116 | -22,694 |
| Interest income and similar income statement items | 10 | 787 | 437 |
| Interest expense | 10 | -896 | -3,633 |
| | | -109 | -3,196 |
| Group contributions received | 21 | 3,487 | 6,045 |
| Profit/loss before tax | | -27,739 | -19,845 |
| Tax | 8 | - | - |
| Profit/loss for the year | | -27,739 | -19,845 |

PARENT COMPANY'S BALANCE SHEET

Amounts in SEK thousands

| ASSETS | Note | 12/31/2023 | 12/31/2022 |
|--|------------|----------------|----------------|
| Fixed assets | | | |
| Tangible assets | 11 | 2,056 | 2,869 |
| Goodwill and intangible assets | 12 | 31,630 | 40,009 |
| Financial assets | 13 | 90,558 | 90,558 |
| Total fixed assets | | 124,244 | 133,436 |
| Current assets | | | |
| Inventories | | 64 | 311 |
| Accounts receivable | 14, 19 | 13,704 | 6,603 |
| Receivables from group companies | 9 | 10,988 | 8,609 |
| Other receivables | 19 | 2,250 | 2,469 |
| Prepaid expenses | 15 | 2,488 | 2,971 |
| Cash and cash equivalents | 19 | 35,618 | 33,140 |
| Total current assets | | 65,112 | 54,104 |
| TOTAL ASSETS | | 189,356 | 187,540 |
| EQUITY & LIABILITIES | | | |
| Restricted equity | | | |
| Share capital | | 23,539 | 14,254 |
| Statutory reserve | | 1,445 | 1,445 |
| Reserve for development expenses | | 21,556 | 26,761 |
| Total restricted equity | | 46,540 | 42,460 |
| Non-restricted equity | | | |
| Share premium reserve | | 168,316 | 138,058 |
| Retained earnings | | -37,849 | -23,210 |
| Profit/loss for the year | | -27,738 | -19,845 |
| Total non-restricted equity | | 102,729 | 95,003 |
| Total equity | 16 | 149,269 | 137,463 |
| Long-term liabilities | | | |
| Long-term liabilities | 17,21 | 11,302 | 16,789 |
| Total long-term liabilities | | 11,302 | 16,789 |
| Current liabilities | | | |
| Accounts payable | 19 | 2,199 | 4,784 |
| Current liabilities with group companies | 19 | 942 | 248 |
| Other current liabilities | 17, 19, 21 | 7,289 | 10,633 |
| Accrued expenses and deferred income | 18 | 18,355 | 17,623 |
| Total current liabilities | | 28,785 | 33,288 |
| TOTAL EQUITY AND LIABILITIES | | 189,356 | 187,540 |

PARENT COMPANY'S CASH FLOW STATEMENT

Amounts in SEK thousands

| | Note | 2023 | 2022 |
|--|------|----------------|----------------|
| Cash flow from operating activities | | | |
| Operating profit/loss | | -31,116 | -22,694 |
| Adjustments for items not included in cash flow | | 22,077 | 19,385 |
| Net financial items | 10 | -109 | -42 |
| Cash flow from operating activities before changes in working capital | | -9,148 | -3,351 |
| Cash flow from changes in working capital | | | |
| Change in inventories | | 247 | 237 |
| Change in current receivables | | -5,292 | 8,400 |
| Change in long-term liabilities | | - | - |
| Change in current liabilities | | -770 | -8,533 |
| Changes in working capital | | -5,815 | 104 |
| Cash flow from operating activities | | -14,963 | -3,247 |
| Cash flow from investing activities | | | |
| Acquisition of subsidiaries | 21 | -10,000 | -38,268 |
| Investment in tangible assets | 11 | -505 | -649 |
| Investment in intangible assets | 12 | -11,598 | -17,691 |
| Investment in financial assets | | - | - |
| Cash flow from investing activities | | -22,103 | -56,608 |
| Cash flow from financing activities | | | |
| New share issue | 16 | 49,523 | 44,319 |
| Issue expenses | 16 | -9,979 | -3,936 |
| Buyback of own shares | 16 | - | -326 |
| Payment for sale/buyback of options | 16 | - | 156 |
| Cash flow from financing activities | | 39,544 | 40,213 |
| Cash flow for the year | | 2,478 | -19,642 |
| Cash & cash equivalents at beginning of year | | 33,140 | 52,782 |
| Cash & cash equivalents at end of year | | 35,618 | 33,140 |

CHANGE IN EQUITY IN THE PARENT COMPANY

Amounts in SEK thousands

| | RESTRICTED EQUITY | | | NON-RESTRICTED EQUITY | | |
|--|-------------------|-------------------|----------------------------------|-----------------------|-------------------|----------------|
| | Share capital | Statutory reserve | Reserve for development expenses | Share premium reserve | Retained earnings | Total equity |
| Opening balance as of January 1, 2022 | 11,878 | 1,445 | 23,642 | 100,052 | -19,922 | 117,095 |
| Comprehensive income | | | | | | |
| Profit/loss for the year | - | - | - | - | -19,845 | -19,845 |
| Other comprehensive income | - | - | - | - | - | - |
| Total comprehensive income | - | - | - | - | -19,845 | -19,845 |
| Transactions with shareholders | | | | | | |
| New share issue | 2,049 | - | - | 41,944 | - | 43,993 |
| Issue expenses | - | - | - | -3,936 | - | -3,936 |
| Capitalized development expenses | - | - | 17,691 | - | -17,691 | - |
| Release due to amortization of development expenses for the year | - | - | -14,571 | - | 14,571 | - |
| New issue and buyback of own Class C shares for LTI program | 326 | - | - | - | -326 | - |
| Option program | - | - | - | - | 156 | 156 |
| Total transactions with shareholders | 2,375 | - | 3,120 | 38,007 | -3,289 | 40,212 |
| Closing balance as of December 31, 2022 | 14,253 | 1,445 | 26,762 | 138,059 | -43,056 | 137,463 |
| Opening balance as of January 1, 2023 | 14,253 | 1,445 | 26,762 | 138,059 | -43,056 | 137,463 |
| Comprehensive income | | | | | | |
| Profit/loss for the year | - | - | - | - | -27,739 | -27,739 |
| Other comprehensive income | - | - | - | - | - | - |
| Total comprehensive income | - | - | - | - | -27,739 | -27,739 |
| Transactions with shareholders | | | | | | |
| New share issue | 9,286 | - | - | 40,237 | - | 49,523 |
| Issue expenses | - | - | - | -9,979 | - | -9,979 |
| Capitalized development expenses | - | - | 11,598 | - | -11,598 | - |
| Release due to amortization of development expenses for the year | - | - | -16,803 | - | 16,803 | - |
| Option program | - | - | - | - | - | - |
| Total transactions with shareholders | 9,286 | - | -5,206 | 30,258 | 5,206 | 39,544 |
| Closing balance as of December 31, 2023 | 23,539 | 1,445 | 21,556 | 168,317 | -65,588 | 149,269 |

NOTES (PARENT COMPANY)

NOTE 1 – GENERAL INFORMATION, ACCOUNTING PRINCIPLES

NOTE 2 – REVENUE ALLOCATION

NOTE 3 – COSTS ALLOCATED PER TYPE

NOTE 4 – EMPLOYEES AND PERSONNEL EXPENSES

NOTE 5 – REMUNERATION TO SENIOR EXECUTIVES

NOTE 6– AUDITORS' REMUNERATION

NOTE 7 – OPERATING LEASES

NOTE 8 – INCOME TAX AND DEFERRED TAX

NOTE 9 – PURCHASES AND SALES BETWEEN COMPANIES IN THE GROUP

NOTE 10 – FINANCIAL INCOME AND EXPENSES

NOTE 11 – TANGIBLE ASSETS

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NOTE 15 – PREPAID EXPENSES AND ACCRUED INCOME

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NOTE 17 – OTHER LIABILITIES

NOTE 18 – ACCRUED EXPENSES AND PREPAID INCOME

NOTE 19 – FINANCIAL INSTRUMENTS

NOTE 20 – ACQUISITION OF SUBSIDIARIES

NOTE 21 – APPROPRIATIONS

NOTE 22 – PROPOSED DISTRIBUTION OF EARNINGS

NOTE 1 - GENERAL INFORMATION, ACCOUNTING POLICIES

GENERAL

The parent company applies the same accounting policies as the group except in the cases specified in the section entitled 'The parent company's accounting policies'.

THE PARENT COMPANY'S ACCOUNTING POLICIES

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. This means that the parent company, in its financial statements, applies all of the EU-approved IFRS and statements as far as is possible within the framework of the Swedish Annual Accounts Act and with due regard to the relationship between accounting and taxation.

The recognition and measurement policies applied in the Annual Report for 2022 have also been used in this annual report, with the exception of the application of new accounting standards, as described under the general accounting policies for the group. Unless otherwise stated, all amounts are given in SEK thousands, and unless otherwise stated amounts in parentheses refer to the previous fiscal year.

LEASES

IFRS 16 is not applied by the parent company. The exception in RFR2 relating to leases is applied instead.

FINANCIAL INSTRUMENTS

IFRS 9 is not applied in the parent company. The parent company applies the items described in RFR 2 instead (IFRS 9 Financial Instruments, paras. 3 - 10).

INTANGIBLE ASSETS

The value of the goodwill arising in connection with the acquisition of NexID Biometrics Inc. (acquisition of assets and liabilities) is written off over the estimated useful life, which is ten years.

FINANCIAL ASSETS

Shares and participations in subsidiaries are recognized at the acquisition value, after deductions for depreciation. The acquisition value is included in acquisition-related costs. Dividends received are recognized as financial revenues. Dividends that exceed the subsidiary's comprehensive income for the period, or that result in the book value of the holding's net assets in the consolidated financial statements being less than the book value of the participations, are an indication that there is a write-down requirement.

When there is an indication that shares and participations in a subsidiary have diminished in value, an estimate is made of the recovery value. A write-down is recognized if this is lower than the carrying amount. Write-downs are recognized in the item Profit/loss from participations in group companies.

NOTE 2 - REVENUE ALLOCATION

The parent company has two (two) major customers that account for more than 10% of net sales. Revenues from these customers total just over 63% (60%) of net sales. The parent company's sales to other group companies totaled SEK 1.4 (1.4) million. This revenue is not included in the table below.

| | 2023 | 2022 |
|---|---------------|---------------|
| Segment | | |
| Algo | | |
| Royalties | 17,654 | 21,150 |
| Licenses, including support and maintenance | 31,500 | 42,046 |
| Other | 988 | 2,235 |
| Digital Identity | | |
| Licenses, including support and maintenance | 1,708 | 1,411 |
| Other | -7 | 3,843 |
| Total | 51,844 | 70,684 |
| Time* | | |
| Point-in-time sales | 982 | 6,078 |
| Sales over time | 50,863 | 64,606 |
| Total | 51,844 | 70,684 |
| Region/Country | | |
| Europe | 8,607 | 7,987 |
| - of which Sweden | 2,243 | 4,614 |
| Asia | 31,205 | 50,606 |
| - of which China | 3,152 | 15,364 |
| - of which Taiwan | 25,224 | 29,143 |
| US | 12,033 | 12,091 |
| Latin America/MEA | - | - |
| Total | 51,844 | 70,684 |

NOTE 3 - COSTS ALLOCATED PER TYPE

| | 2023 | 2022 |
|--|---------------|---------------|
| Employee benefit expenses | 27,973 | 21,846 |
| Cost of purchasing and handling commercial goods | 16,692 | 23,102 |
| Depreciation and write-downs | 21,294 | 19,374 |
| Consulting costs | 17,075 | 33,652 |
| Exchange rate gains | 2,227 | 3,379 |
| Exchange rate losses | -2,854 | -1,513 |
| Other external expenses | 13,822 | 12,593 |
| Balanced development expenses | -11,598 | -17,691 |
| Total | 84,632 | 94,742 |

NOTE 4 - EMPLOYEES AND PERSONNEL EXPENSES

| Gender balance | 2023 | | 2022 | |
|--|------|-------|---------------|---------------|
| | Men | Women | Men | Women |
| Precise Biometrics AB, Sweden | 12 | 6 | 11 | 4 |
| | 12 | 6 | 11 | 4 |
| Gender balance in corporate management | | | 2023 | 2022 |
| <i>Proportion of women</i> | | | | |
| Board of Directors | | | 33% | 33% |
| CEO and other senior executives | | | 33% | 33% |
| Salaries and remuneration are allocated as follows: | | | 2023 | 2022 |
| <i>Board and CEO, Sweden</i> | | | | |
| Salaries and other remuneration | | | 5,993 | 4,439 |
| Pension expenses | | | 1,045 | 731 |
| Payroll overhead, including payroll tax | | | 1,926 | 1,625 |
| Total | | | 8,964 | 6,795 |
| <i>Others, Sweden</i> | | | | |
| Salaries and other remuneration | | | 13,406 | 11,306 |
| Pension expenses | | | 2,165 | 1,841 |
| Payroll overhead, including payroll tax | | | 4,521 | 3,493 |
| Total | | | 20,092 | 16,640 |
| TOTAL | | | 29,056 | 23,435 |

NOTE 5 - REMUNERATION TO SENIOR EXECUTIVES

PRINCIPLES

Remuneration is paid to the Chairman of the Board and Board members in accordance with the decision of the AGM.

Remuneration to the CEO and other senior executives consists of their basic salary, variable remuneration, pension benefits and other benefits. In addition to the six-month period of notice, severance pay for six months is also paid if notice is served by the company.

Other senior executives are those persons who together with the CEO constitute corporate management. There was an average of 4 (3) senior executives during the year. For the composition of corporate management, see the section entitled 'Management' in the annual report.

The distribution between basic salary and variable remuneration shall be in proportion to the executive's level of responsibility and authority. For the CEO, variable remuneration is set at a maximum of 75% of basic salary. For other senior executives, variable remuneration is a maximum of 50% of basic salary.

For additional information, see Note 6 in the notes for the group.

NOTE 6 - AUDITORS' REMUNERATION

| | 2023 | 2022 |
|---|--------------|--------------|
| Ernst & Young | | |
| Audit assignment | 728 | 1,062 |
| Auditing activities in addition to the audit assignment | 130 | 160 |
| Tax consulting | - | - |
| Other assignments | 299 | 103 |
| Total | 1,157 | 1,325 |

NOTE 7 – OPERATING LEASES

| | 2023 | 2022 |
|--|--------------|--------------|
| Leasing costs during the year | 2,850 | 2,356 |
| Total | 2,850 | 2,356 |
| Nominal value of agreed future leasing charges: | | |
| Due for payment within 1 year | 2,102 | 1,744 |
| Due for payment after 1 year, but within 5 years | 1,361 | 3,058 |
| Due for payment after 5 years | - | - |
| Total | 3,463 | 4,802 |

NOTE 8 – INCOME TAX AND DEFERRED TAX

| | | |
|--|-------------|-------------|
| Tax expense for the year | 2023 | 2022 |
| Change in deferred tax | - | - |
| Tax expense | - | - |
| Reconciliation of effective tax | 2023 | 2022 |
| Profit/loss before tax | -27,739 | -19,845 |
| Tax calculated according to current tax rate, 20.6% | 5,714 | 4,088 |
| Tax effect of non-deductible expenses/non-taxable revenues | -76 | -30 |
| Changed assessment of deferred tax asset | - | - |
| Tax loss carryforwards for which deferred tax asset not recognized | -5,638 | -4,058 |
| Tax expense | - | - |
| Deferred tax assets | 2023 | 2022 |
| Tax loss carryforwards | - | - |
| Carrying amount | - | - |
| Specification of change in deferred tax asset: | 2023 | 2022 |
| Opening carrying amount | - | - |
| Change in deferred tax asset | - | - |
| Closing carrying amount of deferred tax asset | - | - |

The company's historically reported losses represent significant amounts, as the most recent fiscal years have resulted in a tax loss. Digital Identity is in an early phase, and there is quite naturally uncertainty in the forecasts, so the company's assessment is cautious on the basis that there are compelling factors that suggest future taxable surpluses in the near future.

No deferred tax asset is recognized in respect of future utilization of tax deficits 0 (0) in 2023 and 2022. There are tax loss carryforwards in the parent company for which deferred tax assets have not been recognized in the balance sheet amounting to SEK 739,092 (697,790) thousand. There is no time limitation for the utilization of tax loss carryforwards. In connection with the acquisition of EastCoast Solutions AB in November 2021, SEK 662,643 thousand of the deficit in the parent company was blocked for group contributions until December 31, 2026.

NOTE 9 - PURCHASES AND SALES BETWEEN COMPANIES IN THE GROUP

Parent company sales to other group companies totaled SEK 1.9 (1.4) million. Purchases from group companies totaled SEK 10.5 (9.9) million. Internal pricing between the parent company and foreign subsidiaries takes place on the basis of the Transactional Net Margin Method and the profit level is determined in accordance with the Return on Sales, which was approximately 2-5% (2-5%) for 2023.

NOTE 10 - FINANCIAL INCOME AND EXPENSES

| | 2023 | 2022 |
|--|------------|--------------|
| Interest income | 501 | 0 |
| Exchange rate gains | 286 | 437 |
| Total | 787 | 437 |
| Interest expense liability, acquisition of EastCoast | 782 | 1,042 |
| Other financial expense, acquisition of EastCoast | - | 2,112 |
| Exchange rate losses | 114 | 479 |
| Total | 896 | 3,633 |

NOTE 11 – TANGIBLE ASSETS

| Equipment and tools | 12/31/2023 | 12/31/2022 |
|---|---------------|---------------|
| Opening acquisition value | 6,456 | 5,851 |
| Acquisitions during the year | 505 | 649 |
| Sales/disposals | -340 | -43 |
| Closing acquisition value | 6,621 | 6,456 |
| Opening accumulated amortization | -3,587 | -2,082 |
| Depreciation for the year | -1,318 | -1,537 |
| Sales/disposals | 340 | 32 |
| Closing accumulated amortization | -4,565 | -3,587 |
| Book value | 2,056 | 2,869 |

Depreciation is included in the items Selling expenses, Administration expenses and R&D expenses in the income statement.

NOTE 12 – INTANGIBLE ASSETS

| CAPITALIZED DEVELOPMENT EXPENSES | 12/31/2023 | 12/31/2022 |
|---|-------------------|-------------------|
| Opening acquisition value | 49,861 | 40,003 |
| Acquisitions during the year | 11,598 | 17,691 |
| Sales/disposals | -15,609 | -7,833 |
| Closing acquisition value | 45,849 | 49,861 |
| Opening accumulated amortization | -23,101 | -16,362 |
| Depreciation for the year | -16,803 | -14,571 |
| Sales/disposals | 15,609 | 7,833 |
| Closing accumulated amortization | -24,295 | -23,101 |
| Opening accumulated write-downs | - | - |
| Sales/disposals | - | - |
| Closing accumulated write-downs | - | - |
| Book value | 21,555 | 26,760 |
| PATENTS | 12/31/2023 | 12/31/2022 |
| Opening acquisition value | 1,138 | 1,138 |
| Closing acquisition value | 1,138 | 1,138 |
| Opening accumulated amortization | -449 | -373 |
| Depreciation for the year | -76 | -76 |
| Closing accumulated amortization | -525 | -449 |
| Book value | 613 | 689 |
| CAPITALIZED DATA EXPENSES | 12/31/2023 | 12/31/2022 |
| Opening acquisition value | 687 | 687 |
| Acquisitions during the year | - | - |
| Closing acquisition value | 687 | 687 |
| Opening accumulated amortization | -538 | -401 |
| Depreciation for the year | -58 | -137 |
| Closing accumulated amortization | -596 | -538 |
| Book value | 91 | 149 |
| GOODWILL | 12/31/2023 | 12/31/2022 |
| Opening acquisition value | 24,496 | 24,496 |
| Closing acquisition value | 24,496 | 24,496 |
| Opening accumulated amortization | -14,493 | -12,004 |
| Depreciation for the year | -2,450 | -2,450 |
| Closing accumulated amortization | -16,942 | -14,493 |
| Book value | 7,554 | 10,004 |

| OTHER INTANGIBLE ASSETS (DATABASE AND CUSTOMER RELATIONS) | 12/31/2023 | 12/31/2022 |
|--|-------------------|-------------------|
| Opening acquisition value | 6,637 | 6,637 |
| Closing acquisition value | 6,637 | 6,637 |
| Opening accumulated amortization | -4,230 | -3,628 |
| Depreciation for the year | -589 | -602 |
| Closing accumulated amortization | -4,820 | -4,230 |
| Book value | 1,817 | 2,407 |
| TOTAL BOOK VALUE | 31,630 | 40,009 |

"Amortization of capitalized development expenses and acquired intangible assets is included in the item Cost of goods sold. For the impairment test of goodwill, see Note 14 in the notes for the group."

NOTE 13 - FINANCIAL ASSETS

| PARTICIPATIONS IN SUBSIDIARIES | 12/31/2023 | 12/31/2022 |
|--|---------------|---------------|
| Precise Biometrics Services AB | | |
| Corp. ID no. 556582-9347, reg. office: Lund municipality, County of Skåne. | | |
| Number of shares | 1,000 | 1,000 |
| Share of equity | 100% | 100% |
| Equity on balance sheet date | 2,440 | 2,442 |
| Profit/loss for the year | -2 | -2 |
| Opening book value | 820 | 820 |
| Closing book value | 820 | 820 |
| Precise Biometrics Inc. | | |
| Potsdam, New York, USA | | |
| Number of shares | 10 | 10 |
| Share of equity | 100% | 100% |
| Equity on balance sheet date | 2,015 | 1,911 |
| Profit/loss for the year | 185 | 60 |
| Opening book value | 958 | 958 |
| Closing book value | 958 | 958 |
| Precise Biometrics Shanghai | | |
| Shanghai, China | | |
| Number of shares | - | - |
| Share of equity | 100% | 100% |
| Equity on balance sheet date | 753 | 571 |
| Profit/loss for the year | 228 | 267 |
| Opening book value | - | - |
| Closing book value | - | - |
| EastCoast Solutions AB | | |
| Stockholm | | |
| Number of shares | - | - |
| Share of equity | 100% | 100% |
| Equity on balance sheet date | 3,122 | 3,391 |
| Profit/loss for the year | 11 | -279 |
| Opening book value | 88,689 | 88,689 |
| Closing book value | 88,689 | 88,689 |

| Besökssystem Sverige AB | 12/31/2023 | 12/31/2022 |
|--------------------------------|-------------------|-------------------|
| Stockholm | | |
| Number of shares | - | - |
| Share of equity | 100% | 100% |
| Equity on balance sheet date | 89 | 89 |
| Profit/loss for the year | - | - |
| Opening book value | 91 | 91 |
| Closing book value | 91 | 91 |
| Total | 90,558 | 90,558 |
| Total financial assets | 90,558 | 90,558 |

NOTE 14 - ACCOUNTS RECEIVABLE

| | 12/31/2023 | 12/31/2022 |
|------------------------------------|-------------------|-------------------|
| Accounts receivable - invoiced | 8,110 | 4,680 |
| Accounts receivable - not invoiced | 5,593 | 1,923 |
| Reserve for credit risk | - | - |
| Total | 13,703 | 6,603 |

As of December 31, 2023 accounts receivable totaling SEK 2,801 (1,423) thousand were due. There is a write-down for accounts receivable totaling SEK 0 (0) thousand. After close dialogue with the customers, the assessment has been made that there is no need for write-downs.

| The aging analysis of all accounts receivable is shown below: | 12/31/2023 | 12/31/2022 |
|--|-------------------|-------------------|
| Not due | 11,257 | 3,802 |
| Less than 3 months | 2,120 | 1,601 |
| Of which written down | - | - |
| 3 to 6 months | 326 | 1,200 |
| Of which written down | - | - |
| More than 6 months | - | - |
| Of which written down | - | - |
| Total | 13,703 | 6,603 |

| | 12/31/2023 | 12/31/2022 |
|--|-------------------|-------------------|
| Reserve for credit risk at beginning of year | - | - |
| Bad debt confirmed | - | - |
| Reversal of reserve for credit risk | - | - |
| Reserve for credit risk | - | - |
| Currency effect | - | - |
| Total | - | - |

| The recognized amounts for each currency for the parent company's accounts receivable are as follows: | 12/31/2023 | 12/31/2022 |
|--|-------------------|-------------------|
| SEK | 450 | 2,986 |
| USD | 1,319 | 236 |
| EUR | - | 125 |

The maximum exposure for credit risk on the balance sheet date is the actual value for every category of receivables. The parent company has no collateral as security.

NOTE 15 – PREPAID EXPENSES

| | 12/31/2023 | 12/31/2022 |
|---------------------------|--------------|--------------|
| Prepaid rent for premises | 608 | 536 |
| Other items | 1,881 | 2,435 |
| Total | 2,488 | 2,971 |

NOTE 16 - EQUITY

| | Number of shares |
|--------------------------------|-------------------|
| As of December 31, 2022 | 47,512,597 |
| New share issue | 30,951,730 |
| As of December 31, 2023 | 78,464,327 |

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. During Q4 2023, 100,000 stock options were repurchased for SEK 8.10 and canceled from the former CEO, corresponding to 100% of the total remaining stock options.

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. 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, 2023, Precise held 1,085,000 Class C shares.

NOTE 17 – OTHER LIABILITIES

| | 12/31/2023 | 12/31/2022 |
|---|---------------|---------------|
| Long-term liabilities | | |
| Long-term liability, acquisition of EastCoast | 11,302 | 16,789 |
| Total long-term liabilities | 11,302 | 16,789 |
| Current liabilities | | |
| Current liabilities, acquisition of EastCoast | 6,102 | 9,834 |
| Other current liabilities | - | 5,584 |
| Total current liabilities | 6,102 | 15,417 |

NOTE 18 – ACCRUED EXPENSES AND PREPAID INCOME

| | 12/31/2023 | 12/31/2022 |
|---------------------------------------|---------------|---------------|
| Prepaid income | 10,514 | 13,063 |
| Accrued vacation pay | 1,995 | 1,705 |
| Accrued wages and remuneration | 1,435 | 590 |
| Accrued payroll overhead and pensions | 1,660 | 1,250 |
| Other accrued expenses | 2,751 | 1,016 |
| Total | 18,355 | 17,623 |

NOTE 19 - FINANCIAL INSTRUMENTS

| | 12/31/2023 Book value | 12/31/2022 Book value |
|--|--------------------------|--------------------------|
| Financial assets | | |
| <i>Loans receivable and accounts receivable</i> | | |
| Accounts receivable | 13,703 | 6,603 |
| Receivables from group companies | 10,988 | 8,609 |
| Other receivables | 1,969 | 2,072 |
| Cash and cash equivalents | 35,618 | 33,140 |
| Total financial assets | 62,278 | 50,423 |
| Financial liabilities | | |
| <i>Financial liabilities valued at the accrued cost of acquisition</i> | | |
| Accounts payable | 2,199 | 4,784 |
| Short-term liabilities to group companies | 942 | 248 |
| Long-term liabilities | 11,302 | 16,789 |
| Current liabilities | 7,289 | 10,633 |
| Accrued expenses | 6,181 | 3,310 |
| Total financial liabilities | 27,914 | 35,764 |

NOTE 20 – ACQUISITION OF SUBSIDIARIES

As of November 30, 2021, the shares in EastCoast Solution AB and Visitor System Sverige AB were acquired. The acquisition price amounts to SEK 86,203 thousand.

The parent company's acquisition value of the shares includes acquisition costs of SEK 2,577 thousand.

For further information about the acquisition, see Note 22 in the notes for the group.

NOTE 21 – APPROPRIATIONS

| | 12/31/2023 | 12/31/2022 |
|------------------------------|--------------|--------------|
| Group contributions received | 3,487 | 6,045 |
| Total | 3,487 | 6,045 |

NOTE 22 – PROPOSED DISTRIBUTION OF EARNINGS

The following non-restricted funds in the parent company are at the disposal of the AGM:

| | 12/31/2023 | 12/31/2022 |
|---|-------------------|-------------------|
| Share premium reserve, SEK thousands | 168,316 | 138,058 |
| Retained earnings, SEK thousands | -37,849 | -23,210 |
| Profit/loss for the year, SEK thousands | -27,738 | -19,845 |
| Total non-restricted equity | 102,729 | 95,003 |
| The Board proposes that the AGM should not issue a dividend for the fiscal year 2023. | | |
| Carried forward to in a new account, SEK thousands | 102,729 | 95,003 |
| Total non-restricted equity | 102,729 | 95,003 |

ASSURANCE

The Board of Directors and the CEO give their assurance that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and give a fair view of the group's financial position and results.

The Annual Report has been prepared in accordance with generally accepted accounting principles and gives a fair view of the parent company's financial position and results.

The Administration Report for the group and the parent company gives a fair view of the group's and the parent company's activities, financial position and results, and describes the essential risks and uncertainty factors faced by the parent company and the companies in the group.

The income statements and balance sheets, including the consolidated financial statements, will be presented for the approval of the Annual General Meeting on May 22, 2024.

Lund, April 9, 2024

Torgny Hellström

Chairman of the Board

Maria Rydén

Board member

Jimmy Hsu

Board member

Mats Lindoff

Board member

Åsa Schwarz

Board member

Peter Gullander

Board member

Joakim Nydemark

CEO

Our auditor's report has been submitted

Ernst & Young AB

Martin Henriksson

Authorized Public Accountant

AUDITOR'S REPORT

To the general meeting of the shareholders of Precise Biometrics AB AB (publ), corporate identity number 556545-6596

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

OPINIONS

We have audited the annual accounts and consolidated accounts of Precise Biometrics AB (publ) except for the corporate governance statement on pages 36-43 for the year 2023. The annual accounts and consolidated accounts of the company are included on pages 27-91 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2023 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2023 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS Accounting Standards), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 36-43. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

BASIS FOR OPINIONS

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

KEY AUDIT MATTERS

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

REVENUE RECOGNITION

Description

Net sales for the year 2023 amount to SEK 75.1 million in the income statement for the group and SEK 53.8 million in the income statement for the parent company. Revenue mainly consists of license revenue. License revenue falls into two categories – license fees and usage-based royalty payments. Revenue recognition related to license fees requires that management make assessments regarding the period in which the revenue should be recognized. This means that the company's revenue recognition involves significant elements of assessment, and for this reason revenue recognition is considered to be a key audit matter in the audit.

A description of the accounting principles is included in note 1 "General information, accounting policies" section "Revenue recognition". In note 2 "Revenue allocation" there is a breakdown of the company's revenue into different categories.

How our audit addressed this key audit matter

In our audit, we evaluated and examined the process for revenue recognition and assessments made. Among other things, we have performed analytical review, data analysis of revenue, examined agreements and carried out checks on payments received, and also examined accruals against supporting documentation. Our examination also included review of disclosures provided in the annual report.

GOODWILL

Description

The carrying value of goodwill amounts to SEK 84.8 million in the group's balance sheet and SEK 7.6 million in the parent company's balance sheet as of December 31, 2023. The company tests annually and in the event of an indication of impairment that the carrying value does not exceed the estimated recoverable amount. The recoverable amount is determined per identified cash-generating unit by calculating the present value of future cash flows. Future cash flows are based on management's business plans and forecasts and include a number of assumptions about earnings development, growth, investment needs and discount rate (WACC).

Changes in assumptions have a major impact on the calculation of the recoverable amount, and the assumptions applied by the company are therefore of great importance for the assessment of whether an impairment requirement exists. We have therefore assessed that the accounting of goodwill is a key audit matter in the audit.

A description of accounting principles as well as important estimates and judgments for accounting purposes is included in note 1 "General information, accounting policies". A description of the impairment test can be found in note 14 "Intangible assets" for the group and note 12 "Intangible assets" for the parent company.

How our audit addressed this key audit matter

In our audit, we evaluated and tested the company's process for setting up impairment tests, including by evaluating previous accuracy in forecasts and assumptions. We also evaluated the reasonableness of future cash flows and growth assumptions and, with the help of our valuation specialists, tested the chosen discount rate and assumptions about long-term growth. We have also reviewed the company's model and method for carrying out impairment tests and evaluated the company's sensitivity analyses. We have reviewed the disclosures provided in the annual report.

OTHER INFORMATION THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-26, 98-103. The other information also includes the remuneration report and were obtained before the date of this auditor's report. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company,

to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

AUDITOR'S RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or

business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or related safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

REPORT ON THE AUDIT OF THE ADMINISTRATION AND THE PROPOSED APPROPRIATIONS OF THE COMPANY'S PROFIT OR LOSS

OPINIONS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Precise Biometrics AB (publ) for the year 2023 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated (loss be dealt with) in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

BASIS FOR OPINIONS

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

AUDITOR'S RESPONSIBILITY

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout

the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

THE AUDITOR'S EXAMINATION OF THE ESEF REPORT

OPINION

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Precise Biometrics AB (publ) for the financial year 2023.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

BASIS FOR OPINION

We have performed the examination in accordance with FAR's recommendation RevR 18 *Examination of the ESEF report*. Our responsibility under this recommendation is described in more detail in the *Auditors' responsibility* section. We are independent of Precise Biometrics AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management, including policies and procedures regarding compliance with professional ethical requirements, professional standards and applicable legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the

effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHTML format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

THE AUDITOR'S EXAMINATION OF THE CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for that the corporate governance statement on pages 36-43 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's standard RevR 16 *The auditor's examination of the corporate governance statement*. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards

on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Ernst & Young AB, Box 4279, 203 14 Malmö, was appointed auditor of Precise Biometrics AB (publ) by the general meeting of the shareholders on the 10th May 2023 and has been the company's auditor since the 27th April 2015.

Malmö 9th April, 2024

Ernst & Young AB

Martin Henriksson
Authorized Public Accountant

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. This figure does not include the discontinued operation.

OPERATING PROFIT/LOSS, TOTAL OPERATION

Operating profit/loss plus profit/loss after tax from discontinued operation. A measure of the company's profit before interest and taxes, i.e., the difference between operating income and operating expenses. The total operation also includes the discontinued operation.

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, TOTAL OPERATION

Cash flow from operating activities after changes in working capital. This 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, TOTAL OPERATION

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

CAPITAL EMPLOYED, TOTAL OPERATION

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, TOTAL OPERATION

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.

AVERAGE EQUITY, TOTAL OPERATION

The average equity was 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 business'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, REMAINING OPERATION, BEFORE DILUTION

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

EARNINGS PER SHARE, REMAINING OPERATION, AFTER DILUTION

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

EARNINGS PER SHARE, TOTAL OPERATION, BEFORE DILUTION

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

EARNINGS PER SHARE, TOTAL OPERATION, AFTER DILUTION

Profit/loss for the period from total operations 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. 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.

ANNUAL GENERAL MEETING

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on May 22, 2024. The Annual Report for 2023 will be available on Precise's website and at the head office at the latest on April 10, 2024. Shareholders who wish to participate in the Annual General Meeting must be included in the share register kept by Euroclear Sweden AB as of May 14, 2024 and register their participation as indicated in the notice of the meeting. Shareholders who have had their shares registered through an agent must, in order to be entitled to participate in the meeting, register their shares in their own name so that the shareholder is included in the production of the share register as of May 14, 2024. Such registration may be temporary ("registration of voting rights") and is requested from the agent in accordance with the agent's procedures with a period of advance notice as determined by the agent. Registrations of voting rights that have been completed by the agent no later than May 16, 2022 will be included in the production of the share register. Further instructions will be provided in the notice of the Annual General Meeting.

REGISTERING TO ATTEND THE AGM

Registration for participation by physical attendance or postal voting at the Annual General Meeting must take place no later than May 16, 2024. Registration may take place by mail or email:

generalmeetingservice@euroclear.com

Mail: Precise Biometrics AB (publ), c/o Euroclear Sweden AB, Box 191, 101 23 Stockholm, Sweden

Applications must include:

Name

Social security number/Corp ID number

Address

Phone number

Attendees, if appropriate

REPRESENTATIVES

Shareholders who are represented by an agent must issue a power of attorney to the agent. If powers of attorney are issued by legal entities, a copy of the registration certificate (or if such a document does not exist, a similar document) for the legal entity must be enclosed. The document must not be more than one year old.

These documents must be in the possession of Precise no later than Monday, May 16, 2024.

SHAREHOLDER CONTACT

Joakim Nydemark, CEO

Phone: +46-706-35 16 09

Email: investor@precisebiometrics.com

FINANCIAL CALENDAR

INTERIM REPORT, FIRST QUARTER 2024

May 14, 2024 (8:00am)

ANNUAL GENERAL MEETING 2024

May 22, 2024 (2:00pm)

INTERIM REPORT, SECOND QUARTER 2024

August 16, 2024 (8:00am)

INTERIM REPORT, THIRD QUARTER 2024

November 15, 2024 (8:00am)

YEAR-END REPORT 2024

February 14, 2025 (8:00am)

Financial reports are published in Swedish and English at www.precisebiometrics.com

CONTACT

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