

PRECiSE
BIOMETRICS



Q1

PRECISE BIOMETRICS

INTERIM REPORT JAN-MAR 2023

ADDING CUSTOMERS AND FOCUS ON LONGTERM GROWTH

INTERIM REPORT FOR THE PERIOD JANUARY TO MARCH 2023

FIRST QUARTER

- Turnover totaled SEK 19.2 (28.3) million.
- EBITDA totaled SEK -0.6 (4.0) million.
- The operating profit/loss totaled SEK -6.9 (-0.8) million.
- Earnings for the period totaled SEK -6.9 (-1.2) million.
- Earnings per share totaled SEK -0.15 (0.00).
- Cash flow from operating activities totaled SEK -5.8 (7.1) million.

SIGNIFICANT EVENTS DURING THE QUARTER

- 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 EVP and CCO Algo. Joakim comes from tech company Crunchfish and the role of COO and CEO of subsidiary Crunchfish Gesture Interaction AB.

SIGNIFICANT EVENTS AFTER THE END OF THE INTERIM PERIOD

- Precise Biometrics decided on a fully secured rights issue of approximately SEK 50 million. The record date for participation in the rights issue is May 12, 2023. Under the terms and conditions of the rights issue, three (3) existing common shares in Precise Biometrics entitle holders to subscribe for two (2) new shares at a price of SEK 1.6 per ordinary share. The rights issue is 100% guaranteed through subscription undertakings and guarantee undertakings in the form of a bottom and top guarantee.
- Precise Biometrics entered into an agreement with Flowscape Technology for visitor management systems in the USA. The partnership means that Flowscape Technology will market and act as a reseller of Precise Biometrics' visitor management system for office customers and for public operations in USA. This cooperation is in line with Precise Biometrics' strategy of establishing new sales channels and taking market shares in USA.

FINANCIAL DATA AND KEY INDICATORS

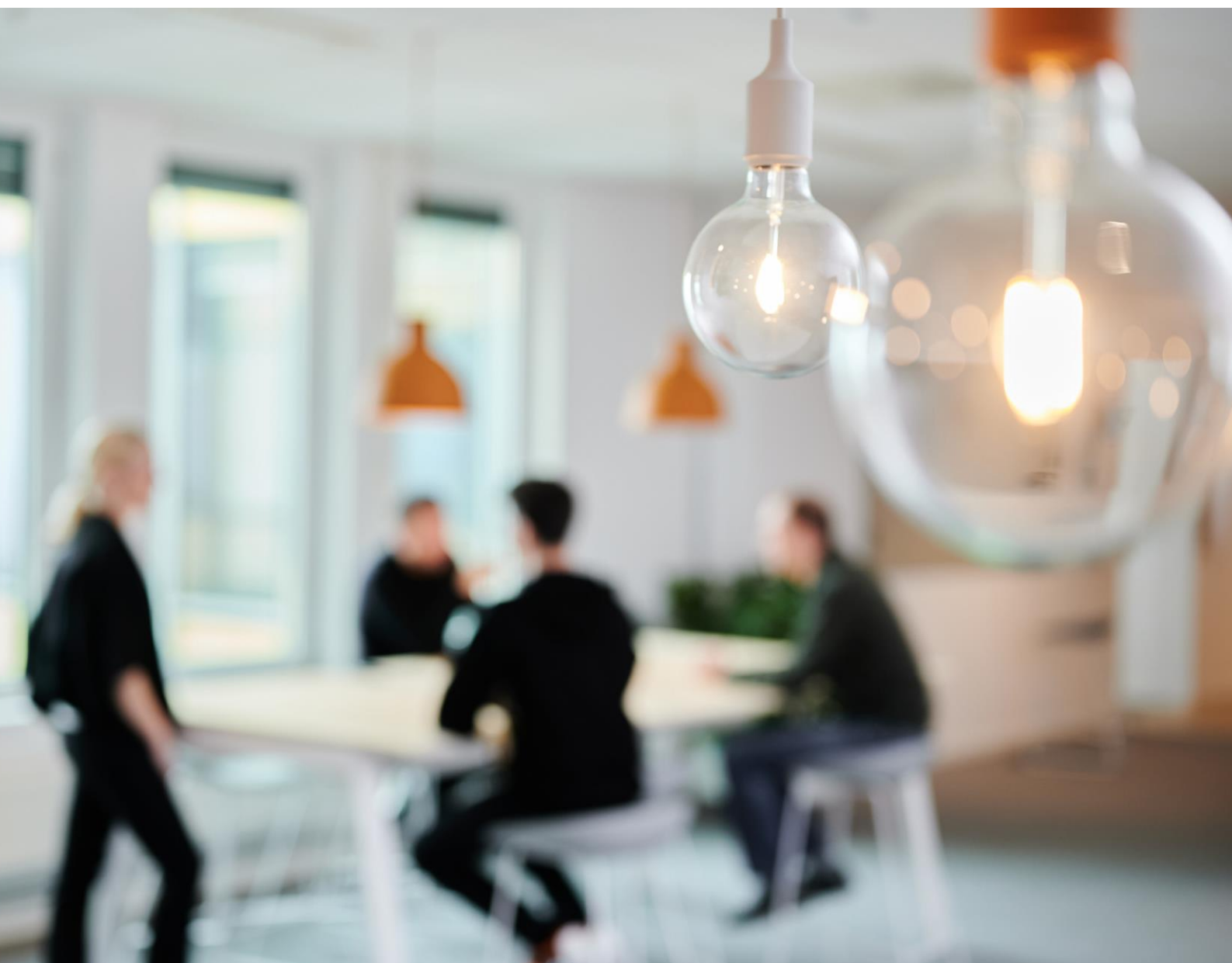
Amounts in SEK thousands unless otherwise stated.

KEY INDICATORS

| Amounts in SEK thousands unless otherwise stated | 2023 Q1 | 2022 Q1 | 2022 Full-year | Rolling 12 mth |
|--|------------|------------|-------------------|-------------------|
| Net sales | 19 150 | 28 312 | 91 018 | 81 856 |
| Net sales growth, % | -32,4% | 39,4% | 9,2% | -10,4% |
| EBITDA | -625 | 4 020 | 1 147 | -3 497 |
| Gross margin, % | 64,8% | 76,7% | 71,5% | 68,1% |
| Operating profit/loss | -6 862 | -802 | -20 016 | -26 076 |
| Operating margin, % | -35,8% | -2,8% | -22,0% | -31,9% |
| Cash flow from the operating activities | -5 810 | 7 103 | 3 931 | -8 982 |
| Cash and cash equivalents | 34 434 | 57 816 | 46 405 | |
| Annual Recurring Revenue* | 17 274 | N/A | 16 190 | |

* Annual Recurring Revenue lacks comparative figures from Q1 2022. At the end of 2021, ARR was estimated at approximately SEK 13 million.

See the Financial Glossary for definitions.



INVITATION TO PRESENTATION OF THE INTERIM REPORT

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

The conference call starts at 10:00 AM (CET), May 9, 2023.

Link to webcast:

<https://financialhearings.com/event/45969>

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

Please send any questions to investor@precisebiometrics.com.

The conference call will be held in English.

A recorded Q&A with the company's CEO and CFO is also published at 12.00 PM on Precise Biometrics' website.

Participating on behalf of Precise:

Patrick Höjjer, CEO

Annika Freij, CFO

CEO COMMENTS

I am confident about the future. We have made progress in the new phase of the company's development, which is characterized by commercializing our world-leading position in the field of biometrics. Although we saw continued weak demand in the mobile phone market in the first quarter, which affected the Algo business area, we have continued to increase our recurring revenues (ARR) to SEK 17.3 million and have begun to advance our position in the US market in the Digital Identity business area. After the end of the quarter, we have also communicated proposals for a fully guaranteed rights issue of SEK 50 million. The issue is a well-balanced decision based on market conditions, established payment obligations and, above all, to give the company and its shareholders the conditions for a significantly better return in the future. Most estimates are that the mobile phone market is expected to recover in the second half of 2023. Along with the upcoming preferential rights issue, I feel confident in Precise ability to develop according to our long-term growth plan.

ALGO BUSINESS AREA

The Algo business area includes our world-leading expertise in algorithms for fingerprint scanning, a technology based on advanced image analysis. Our solutions are used by leading global sensor manufacturers, primarily for mobile phones, but also in other verticals such as door locks and the automotive industry.

The last nine months have been characterized by a mobile market with lower end-customer demand and excessive stock levels. This naturally means that Precise's variable income has been adversely affected, even though we see a slight improvement during the quarter. Like other players in the industry, we believe that the market will continue to recover in the second half of 2023. License revenues have shown more stable development, even though they have fallen slightly compared with the same period last year. This is mainly due to non-recurring income last year related to a transaction in the automotive industry. Furthermore, certain agreements have been renegotiated and some customers who have not achieved commercial success paused or ended their production of fingerprint sensors. Overall, this has led to a slight reduction in license revenue compared with the same period last year, even though customers have also been added.

Our strategy and ambitions for long-term growth in Algo remain unchanged. We continue to support and deepen our existing key customers to win new mobile projects but are actively working to broaden the business through partnerships in new, growing verticals such as cars and door locks. We also have development projects to evaluate new types of sensors that can over time give Precise a larger market for our world-leading image processing expertise.

DIGITAL IDENTITY BUSINESS AREA

For the Digital Identity business area, where we offer system solutions for physical access through facial recognition and visitor management, revenues decreased slightly, which is, however, dependent on our decision not to focus on hardware in order to achieve better scalability. An important KPI is instead ARR (Recurring Revenue) where the trend is rising and increased during the quarter to SEK 17.3 million.

The quarter has been characterized by increased focus on the American market, especially for our face recognition system YOUNIQ. We gained the status of a technical partner with Genetec, which gives us access to their sales force and partners. During the quarter, we installed around 20 demo systems at Genetec and system integrators to create further maturity in our sales channels. This is fully in line with our strategy of strengthening sales channels in USA through partnerships over time.

In Sweden, sales for EastCoast continue to perform well, with favorable conditions for further developing our recurring revenue. During the first quarter, we conducted 40 customer installations, including a continued rollout of EastCoast Visit at Atea, a leading supplier of IT infrastructure in the Nordics and Baltics.

COST CONTROL AND LONG-TERM GROWTH FOCUS

Precise has a clear ambition to grow in both business areas in the long term, within Digital Identity by introducing our services in new markets and within Algo by broadening our business. All in all, we are in a good position, as the focus is on profitable growth through commercialization of the solutions we have.

The proposed issue means that the company will receive net proceeds of approximately SEK 50 million. Net liquidity is intended to be allocated to the following areas of application, in order of priority:

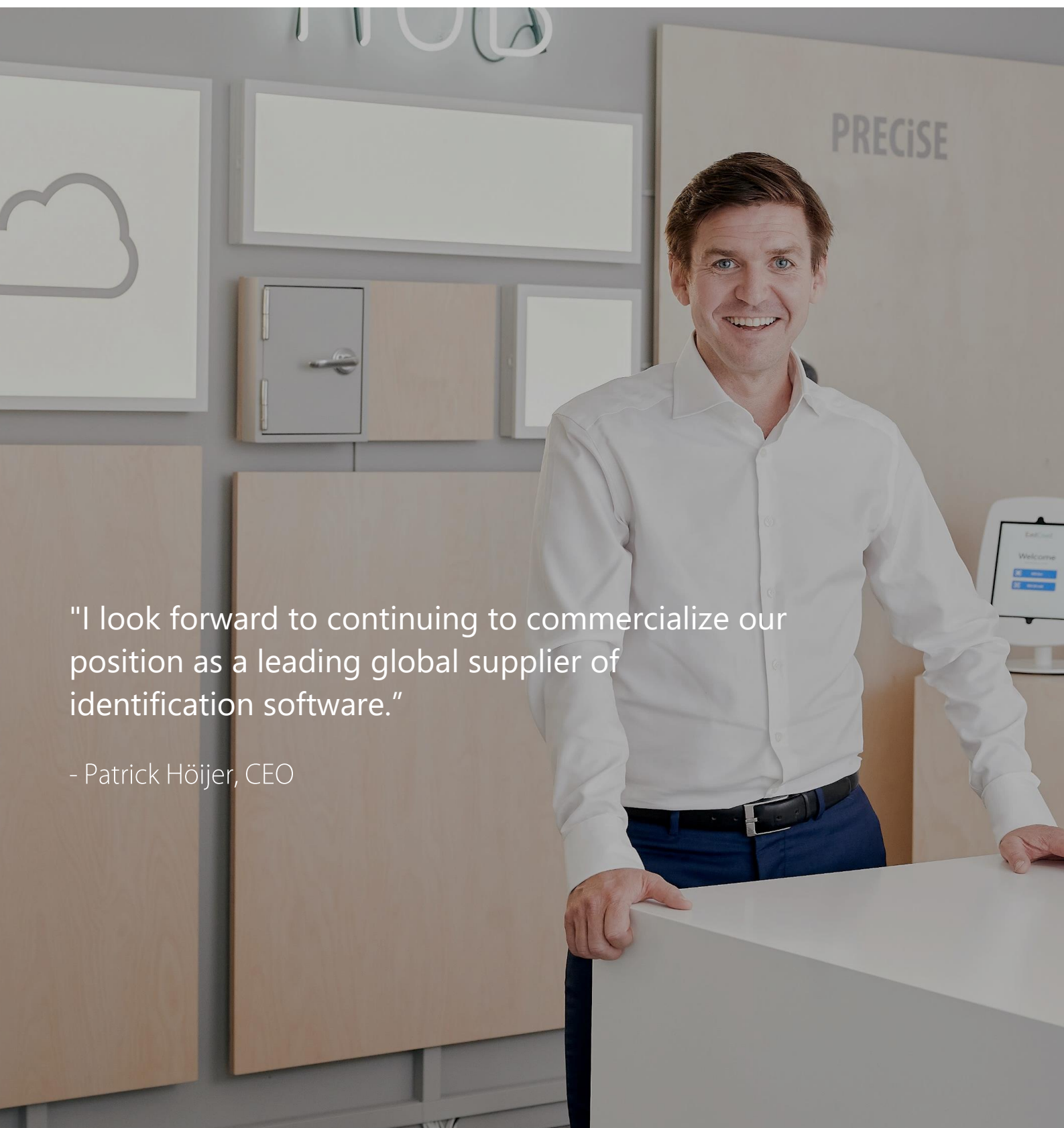
- Geographic expansion to USA
- Targeting and deepening collaborations in new verticals for the Algo business area
- Product development towards new customer groups within Digital Identity
- Continued improvements in the company's algorithms to ensure our world-leading position in Algo in the mobile phone market
- Increase in working capital, operating activities

In parallel with the issue, Precise has previously announced an increased cost focus. The savings that have been initiated are expected to take effect gradually during the year.

I would really like to emphasize that I am proud to lead a strong Precise team and feel that I have their and the board's full support now that we are initiating the efforts I have been given to carry out. We have a good market position and with this new issue of shares secured, we are well equipped to capitalize on the global trend, with increased focus on cyber security and the growing use of biometrics in many areas of society. As a shareholder, I will of course also be taking part in the forthcoming issue and other members of the

management group and the Board of Directors have also announced their intention to participate. All in all, the company is well equipped to take on the major opportunities ahead of us. I look forward to continuing to commercialize our position as a leading global supplier of identification software.

Patrick Höjjer
CEO



"I look forward to continuing to commercialize our position as a leading global supplier of identification software."

- Patrick Höjjer, CEO

GROWTH STRATEGY

Precise is in a new phase with a greater focus on commercialization and new sales channels for the company's world-leading technology. The company is riding the global trend of interlinking electronic and physical ID verification, with great potential for growth in both business units.

REINFORCE THE LEADING POSITION IN THE ALGO BUSINESS AREA

- Capitalize on the strong position in biometric software for mobile telephony and grow within new verticals, such as vehicles, laptops and physical access
- Building new partnerships with new sensor suppliers regardless of sensor technology (optical, ultrasound and capacitive sensors)
- Leverage our expertise in advanced image processing for applications even outside fingerprint biometrics

HARNESS THE MARKET POTENTIAL IN THE DIGITAL IDENTITY BUSINESS AREA

- Focus on building sales channels through commercial and technical integration with strategic access and installation partners in Sweden
- Focus on the American market identified as a market with particularly high potential
- Continue to develop our integrated solution based on existing products to manage customer flows of visits and access

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 through technological solutions and human capital. Precise assesses that such acquisitions can be financed with the available liquid funds at any time and through newly issued shares.

MARKET AND SALES

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

ALGO

Precise 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



DIGITAL IDENTITY

Precise YOUNIQ – Secures digital identity in a simple, secure way

EastCoast Solutions – Safe and efficient visitor management systems

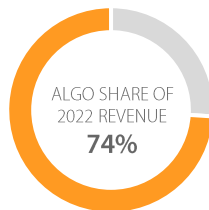


MARKET TREND



ALGO BUSINESS AREA

Precise has a strong position in the segment for fingerprint sensors, in terms of both optical and ultrasound sensors.



The product offered by Precise in this area is not only integrated in the fingerprint module itself, but in a larger module manufactured by so-called Original Design Manufacturers (ODMs), which are companies that build larger panels that are used to control various functions such as driver settings.

At the end of 2021, Precise entered into two licensing agreements to provide fingerprint technology to the automotive industry. There has long been talk of integrating biometrics in vehicles and even though there are some solutions on the market today, the market is expected to take off in the coming years. The market is still young, but is characterized by higher unit prices and long product life cycles of around 7–10 years.

In 2022, the company continued to strengthen its relationships with partners through a local presence in order to provide better local support and customize solutions for the company's customers in the Asian market. Demand for these types of sensors is expected to continue to increase in the coming years. At the end of 2022 Precise signed an agreement with French company Isorg to deliver a completely new fingerprint technology for use in mobile phones. Within the framework of this, Precise delivers a full software solution including ISP, matches and liveness, which demonstrates the company's competitiveness.

In 2022, Precise signed a partnership agreement with Korean company CanvasBio to develop fingerprint sensors for laptops together with them. Laptops constitute a new and closely related vertical for Precise, and this collaboration enables Precise to continue to capitalize on its algorithms for fingerprint recognition.

FUTURE PROSPECTS – ALGO

In the second half of 2023, deliveries of mobile phones are expected to recover from the downturn that occurred during the pandemic

and in 2022. In parallel with the recovery of mobile phone deliveries, fingerprint sensors are proving to be the leading biometric technology for mobile phones.

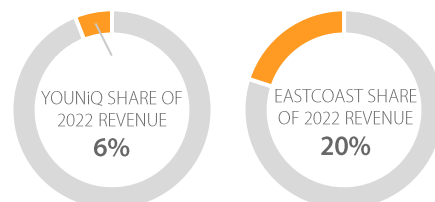
Trends that are positive for Precise Biometrics include the increasing demand for under-display fingerprint sensors (optical and ultrasound), with forecasts that the market for under-display fingerprint sensors will grow to a total value of USD 2.5 billion by 2030, which represents an annual growth rate (CAGR) of 21% between 2019 and 2030. Canalis, 2023; YOLE Intelligence

There is also significant demand from other verticals, such as in the automotive industry. According to Goode Intelligence, the market for fingerprint sensors in cars is expected to total 8 million units by 2023 and 16.5 million units by 2024. The corresponding annual growth rate (CAGR) is 12% from 2018 to 2024. This offers the biometrics industry a new market segment, which is expected to reach USD 1 billion by 2024, according to Allied Market Research, 2018.



DIGITAL IDENTITY BUSINESS AREA

In recent years, Precise has developed the business to meet the demand for biometric solutions that simplify and streamline the identification process. By combining different biometric technologies in order to verify a user's identity, it is possible to create the optimal balance between convenience and security.



Precise currently holds a leading position in the Nordic region in the area of visitor management systems and growing positions in solutions for physical biometric access. There is great international market potential for biometric access to buildings through facial recognition, in this application area Precise delivers the YOUNIQ service. Precise currently has partnerships with several system integrators and YOUNIQ is integrated with several security systems,

which constitute important sales channels. In 2022, additional integrations of YOUNiQ were carried out with Swedish and foreign security systems, including Certego in Sweden and Genetec in North America.

Several new installations were also carried out in 2022, including in USA. Precise continues to work on developing integrated solutions between the company's various product areas to manage customer flows of visits and entry, for example through an integrated solution for visitor management via facial recognition.

In 2023, Precise joined the Genetec Technology Partner Program to strengthen its presence in the US market with its YOUNiQ Access solution and entered into an agreement with Flowscape Technology for the sale of the company's visitor management system in USA.

FUTURE PROSPECTS – DIGITAL IDENTITY

Global unrest and increased fraud further drive the need for biometric solutions to secure digital and physical access. Biometrics for physical

access solutions offers a combination of greater security and convenience, and is being used to an increasing extent all around the world. There are a number of different scenarios in which biometric technology is used, such as fingerprint sensors embedded in smart door locks and facial sensors embedded in access systems. A biometric smart card can also be used.

The market for biometric physical access solutions is expected to grow by USD 3.7 billion up to and including 2026, with an annual growth rate (CAGR) of 8% from 2021–2026, according to Technavion, 2022. Of the estimated global market of USD 3.7 billion, North America is expected to account for 21%, according to FACT MR, 2022. The global market for visitor management systems is expected to grow to USD 2 billion by 2026, representing an annual growth rate (CAGR) of approximately 16%, according to KBV Research 2020. North America is expected to be the single biggest region.



TURNOVER AND OPERATING PROFIT/LOSS IN THE QUARTER

Turnover during the quarter decreased to SEK 19.2 M (28.3) and the turnover was divided between royalty income SEK 4.1 M (10.2), license income (including support and maintenance) SEK 13.2 M (15.5) and other 1.9 MSEK (2.6). The decrease in royalty revenues is due to a fall in demand in the mobile industry compared with the previous year, combined with high stock levels at mobile manufacturers and their subcontractors.

The decrease in license income is mainly explained by the fact that the license income for the first quarter of 2022 includes a one-time license income of SEK 1.6 million. This, together with some changes in the composition of customers and renegotiated licensing agreements.

The gross margin during the quarter totaled 64.8% (76.7). The downturn is due to changes in the product mix, as the Algo product segment has higher margins than the Digital Identity product segment. Amortization of capitalized development expenses increased to SEK 4.5 (3.3) million, relating primarily to Digital Identity. Amortization of acquired intangible assets totaled SEK 0.6 (0.3) million.

SEGMENT – ALGO

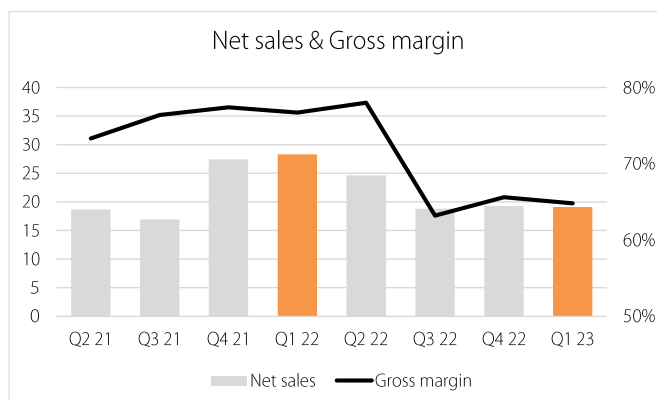
Turnover for Algo totaled SEK 14.0 (22.3) million and are reported under royalties at SEK 4.1 (10.2) million, licenses at SEK 8.8 (11.2) million, and other at SEK 1.1 (0.9) million. Last year's component shortage was replaced by declining demand for mobile phones in combination with high stock levels at various stages of the mobile industry, which has led to lower royalty levels.

License revenues decreased compared with the first quarter of 2022, mainly due to one-off revenues during the first quarter of 2022, changes in the composition of customers and renegotiated licensing agreements. The gross margin during the quarter totaled 82.3% (88.7).

SEGMENT – DIGITAL IDENTITY

The turnover for Digital Identity amounted to SEK 5.1 M (6.0) and is reported under licenses SEK 4.3 M (4.3) and other SEK 0.8 M (1.7), in the segment Digital Identity, other consists largely of hardware. The proportion of Annual Recurring Revenue has increased, while license revenues of a one-time nature have decreased. The decrease in other factors is mainly due to hardware sales for YOUNIQ increasingly taking place at the reseller level.

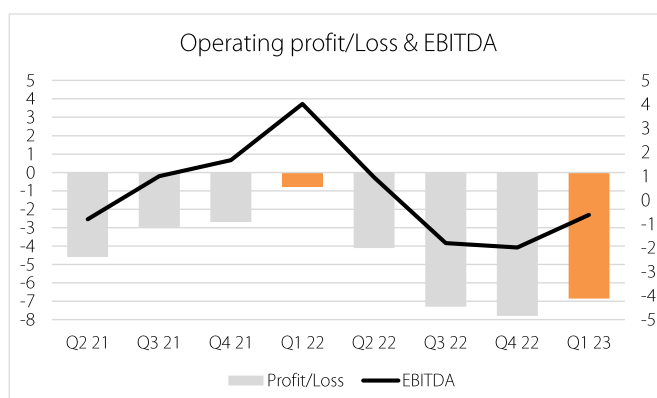
The gross margin during the quarter totaled 16.9% (32.4). The lower gross margin is explained by the lower turnover, while depreciation has increased because only minor depreciation was made on assets related to EastCoast during the first quarter of 2022, and these have now increased due to changed accounting policies. Depreciation and amortization in the first quarter amounted to SEK 2.8 (1.5) million.



Operating expenses for the quarter fell to SEK 19.3 (22.5) million due to a strong focus on cost control. The profit/loss at EBITDA level totaled SEK -0.6 (4.0) million. The decline in EBITDA can be explained by lower royalty revenues in Algo.

The operating profit/loss for the quarter totaled SEK -6.9 (-0.8) million. Earnings for the quarter totaled SEK -6.9 (-1.2) million. Total depreciation amounted to SEK 6.2 (4.8) million, the increase in depreciation is mainly due to assets related to EastCoast.

Earnings per share (average number of shares) for the quarter totaled SEK -0.15 (0.00). The comparative period has been adjusted as a result of the consolidation of shares (1:10).



NET FINANCIAL ITEMS AND TAX

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

Net financial items are attributable to exchange rate differences in cash and cash equivalents, and also interest on the lease liability in accordance with IFRS 16, as well as interest expense on the deferred fixed purchase price related to the acquisition of EastCoast. The repayment plan for the acquisition of EastCoast was renegotiated in the fourth quarter (see details under Note 4).

CASH FLOW AND INVESTMENTS

The cash flow from operating activities for the quarter totaled SEK -5.8 (7.1) million, of which SEK -5.1 (3.4) million is attributable to changes in working capital. Working capital accumulation is adversely affected by a delayed payment from a major customer of SEK 5.8 million. During the quarter, the group invested SEK 0.0 M (0.1) in tangible fixed assets. Total cash flow for the period was SEK -12.0 (-6.3) million.

CAPITALIZATION AND AMORTIZATION OF DEVELOPMENT WORK

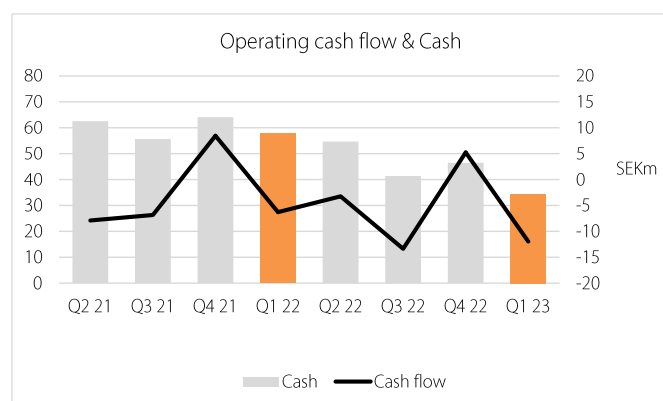
Development expenses of SEK 5.2 (4.8) million were capitalized during the quarter, and amortization of capitalized development expenses in respect of Digital Identity and Algo totaled SEK 4.5 (3.3) million.

FINANCIAL POSITION AND LIQUIDITY

Cash and cash equivalents at the end of the period totaled SEK 34.4 (57.8) million.

On April 3, the company announced a forthcoming new issue of shares of approximately SEK 50 million before costs for the rights issue with preferential rights for existing shareholders. The rights issue is subject to approval at the Annual General Meeting on May 10, 2023. The record date for participation in the rights issue is May 12, 2023.

Total equity at the end of the period totaled SEK 138.9 (126.8) million, and equity per share was SEK 2.92 (3.20). The comparative period has been adjusted as a result of the consolidation of shares (1:10).



THE PARENT COMPANY

The parent company's turnover for the interim period totaled SEK 14.2 (23.8) million. The operating profit/loss totaled SEK -7.8 (-1.6) million and was affected by amortization of goodwill totaling SEK 0.6 (0.6) million. Cash and cash equivalents at the end of the interim period totaled SEK 22.6 (43.8) million, and equity SEK 129.1 (114.9) million.

ORGANIZATION AND STAFF

The organization consists of the head office in Lund, Sweden, and offices in Stockholm, Sweden, Potsdam, USA, and Shanghai, China. At the end of the interim period, the Group had a workforce of 50 (57) people, including on-site consultants. The number of employees was 32 (30), of which 26 (22) 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.

FINANCIAL CALENDAR

Annual General Meeting 2023 in Lund – May 10, 2023

Q2 Interim report 2023 - August 15, 2023

Q3 Interim Report 2023 - November 10, 2023

RISK FACTORS

The Group and parent company's business risks and risk management as well as the management of financial risks are described in detail in the Annual Report for 2022, which was issued in April 2023. There have been no incidents of significant importance since then that would affect or change these descriptions of the Group or parent company's risks and how they are managed.

OWNERSHIP STRUCTURE

Precise Biometrics AB (publ), corporate ID number 556545-6596, is the parent company of the Precise Biometrics Group. Precise Biometrics AB's shares are listed on the Small Cap list of the Nasdaq OMX Nordic. The number of shareholders at the end of the year was 17,428 (17,208). 3,380,433 PREC shares were traded during the quarter. The closing price on December 31 was SEK 3.83, and during the quarter the share price fluctuated between SEK 3.50 and SEK 5.95.

AUDIT

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

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

Lund, May 9, 2023

Torgny Hellström,
Chairman of the Board

Torbjörn Clementz,
Board member

Mats Lindoff,
Board member

Synnöve Trygg,
Board member

Åsa Schwarz,
Board member

Peter Gullander,
Board member

Patrick Höjjer,
CEO

For further information, please contact:

Patrick Höjjer, CEO

Email: patrick.hojjer@precisebiometrics.com

This information is information that Precise Biometrics AB is obligated to disclose pursuant to the EU Market Abuse Regulation. The information was submitted for publication on May 9, 2023 at 08:00 AM CET.

CONSOLIDATED INCOME STATEMENT – IN SUMMARY

| Amounts in SEK thousand | Note | 2023 Q1 | 2022 Q1 | 2022 Full-year | Rolling 12 mth |
|--|------|----------------|----------------|-------------------|-------------------|
| Net sales | 2,3 | 19 150 | 28 312 | 91 018 | 81 856 |
| Cost of goods sold | | -6 741 | -6 606 | -25 982 | -26 117 |
| Gross profit | | 12 409 | 21 706 | 65 036 | 55 739 |
| Marketing and sales expenses | | -6 806 | -9 134 | -34 796 | -32 468 |
| Administrative expenses | | -3 516 | -4 447 | -17 613 | -16 682 |
| R&D expenses | | -8 911 | -9 863 | -34 905 | -33 953 |
| Other operating income/expenses | | -39 | 937 | 2 262 | 1 286 |
| | | -19 271 | -22 508 | -85 052 | -81 815 |
| Operating profit/loss | | -6 862 | -802 | -20 016 | -26 076 |
| Financial income/expenses | 4 | -166 | -446 | -3 453 | -3 173 |
| Profit/Loss before tax | | -7 028 | -1 248 | -23 469 | -29 249 |
| Tax | | 87 | 86 | 1 239 | 1 240 |
| Profit/loss for the period attributable to parent company shareholders | | -6 941 | -1 162 | -22 230 | -28 009 |
| Earnings per share, remaining operations, SEK* | | | | | |
| - before dilution | | -0,15 | 0,00 | -0,48 | -0,62 |
| - after dilution | | -0,15 | 0,00 | -0,48 | -0,62 |
| CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME | | | | | |
| Profit/Loss for the period | | -6 941 | -1 162 | -22 230 | -28 009 |
| Other comprehensive income: | | | | | |
| <i>Items that may be reclassified to profit or loss</i> | | | | | |
| Changes in accumulated exchange rate differences | | -13 | 47 | 267 | 207 |
| Other comprehensive income for the period | | -13 | 47 | 267 | 207 |
| Profit/Loss total attributable to holders of participations in the parent company | | -6 954 | -1 115 | -21 963 | -27 802 |

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

Comparative periods have been adjusted as a result of the consolidation (1:10) adopted by the Annual General Meeting on May 19, 2022. As a result of the consolidation, the number of shares and votes in Precise Biometrics has decreased by 356,367,546. Prior to the consolidation, there were a total of 395,963,940 shares and votes in Precise Biometrics, and after the consolidation the number of shares and votes was 39,596,394. As of December 31, 2023 the total number of shares and votes in the company is 47,512,597.

CONSOLIDATED BALANCE SHEET – IN SUMMARY

Amounts in SEK thousand

| ASSETS | Note | 2023-03-31 | 2022-03-31 | 2022-12-31 |
|---|------|----------------|----------------|----------------|
| FIXED ASSETS | | | | |
| Material assets | | 8 700 | 10 715 | 9 090 |
| Goodwill and immaterial assets | | 138 931 | 136 331 | 138 898 |
| TOTAL FIXED ASSETS | | 147 631 | 147 046 | 147 988 |
| CURRENT ASSETS | | | | |
| Inventories | | 311 | 441 | 311 |
| Accounts receivable | | 16 355 | 14 737 | 11 478 |
| Other current receivables | | 3 400 | 844 | 3 643 |
| Accruals and deferred income | | 2 620 | 2 921 | 3 397 |
| Cash and cash equivalents | 4,6 | 34 434 | 57 819 | 46 405 |
| TOTAL CURRENT ASSETS | | 57 120 | 76 759 | 65 234 |
| TOTAL ASSETS | | 204 751 | 223 805 | 213 222 |
| EQUITY AND LIABILITIES | | | | |
| EQUITY | | | | |
| Equity | | 138 925 | 126 805 | 146 302 |
| TOTAL EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS | | 138 925 | 126 805 | 146 302 |
| LONG-TERM DEBT | | | | |
| Long term debt | 6 | 25 237 | 40 104 | 25 350 |
| TOTAL LONG-TERM DEBT | | 25 237 | 40 104 | 25 350 |
| SHORT-TERM LIABILITIES | | | | |
| Short-term liabilities | 4,6 | 40 589 | 56 896 | 41 570 |
| Total Short-term liabilities | | 40 589 | 56 896 | 41 570 |
| TOTAL EQUITY AND LIABILITIES | | 204 751 | 223 805 | 213 222 |

CONSOLIDATED CASH FLOW STATEMENT – IN SUMMARY

| Amounts in SEK thousand | Note | 2023 Q1 | 2022 Q1 | 2022 Full-year | Rolling 12 mth |
|--|------|----------------|----------------|-------------------|-------------------|
| Cash flow from operating activities | | | | | |
| Operating profit/loss | | -6 862 | -802 | -20 016 | -26 076 |
| Adjustments for items not included in cash flow | | 6 241 | 4 561 | 21 188 | 22 868 |
| Interest payments, net | | -44 | -85 | -299 | -258 |
| Tax paid | | -4 | -3 | -21 | -22 |
| Cash flow from operating activities before changes in working capital | | -669 | 3 671 | 852 | -3 488 |
| Cash flow from changes in working capital | | | | | |
| Change in inventories | | 0 | 107 | 237 | 130 |
| Change in current receivables | | -3 868 | 10 883 | 11 075 | -3 676 |
| Change in current liabilities | | -1 273 | -7 558 | -8 233 | -1 948 |
| | | -5 141 | 3 432 | 3 079 | -5 494 |
| Cash flow from operating activities | | -5 810 | 7 103 | 3 931 | -8 982 |
| Acquisition of subsidiaries | 6 | 0 | -7 907 | -38 268 | -30 361 |
| Investment in fixed assets | | -17 | 0 | -284 | -301 |
| Investment in intangible assets | | -5 191 | -4 915 | -21 456 | -21 732 |
| Cash flow from investing activities | | -5 208 | -12 822 | -60 008 | -52 394 |
| New share issue | | 0 | 0 | 44 319 | 44 319 |
| Commission expenses | | -423 | -130 | -3 936 | -4 229 |
| Repurchase of own shares | | 0 | 0 | -326 | -326 |
| Payment for sale/buy-back of options | | 0 | -3 | 156 | 159 |
| Payment of lease liability | | -529 | -447 | -1 900 | -1 982 |
| Cash flow from financing activities | | -952 | -580 | 38 313 | 37 941 |
| Total Cash flow | | -11 969 | -6 298 | -17 765 | -23 436 |
| Cash & cash equivalents at beginning of year | | 46 405 | 64 102 | 64 102 | 57 816 |
| Exchange rate differences in cash & cash equivalents | | -2 | 12 | 67 | 53 |
| Cash & cash equivalents at end of period | | 34 434 | 57 816 | 46 405 | 34 434 |

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

CONSOLIDATED CHANGE IN EQUITY – IN SUMMARY

| Amounts in SEK thousand | | 2023 | 2022 | 2022 | Rolling |
|---|------|----------------|----------------|----------------|----------------|
| | Note | Q1 | Q1 | Full-year | 12 mth |
| Equity at start of period | | 146 302 | 128 053 | 128 053 | 146 302 |
| Comprehensive income | | | | | |
| Profit/loss for the period | | -6 941 | -1 162 | -22 230 | -28 009 |
| | | | | | 0 |
| Other comprehensive income | | | | | |
| Exchange differences | | -13 | 47 | 267 | 207 |
| Total other comprehensive income | | -13 | 47 | 267 | 207 |
| Total comprehensive income | | -6 954 | -1 115 | -21 963 | -27 802 |
| | | | | | 0 |
| Transactions with shareholders | | | | | |
| Stockoptions | 5 | 0 | -3 | 156 | 159 |
| Repurchase of own shares | 5 | 0 | 0 | -326 | -326 |
| Set-off issue | | 0 | 0 | 0 | 0 |
| New share issue | | 0 | 0 | 43 993 | 43 993 |
| New issue cost | | -423 | -130 | -3 936 | -4 229 |
| Total transactions with shareholders | | -423 | -133 | 40 212 | 39 922 |
| Equity end of period | | 138 925 | 126 805 | 146 302 | 158 423 |

NOTE 1 – ACCOUNTING POLICIES

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. The parent company's financial statements have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Annual Reporting Board's recommendation RFR 2, Accounting for Legal Entities. The recognition and measurement policies and bases of estimates applied in the Annual Report for 2021 report have also been used in this interim report, supplemented by segment reporting in accordance with IFRS 8.

NOTE 2 – REVENUE ALLOCATION

| Amounts in SEK thousand | 2023 Q1 | 2022 Q1 | 2022 Full-year | Rolling 12 mth |
|---------------------------------------|---------------|---------------|-------------------|-------------------|
| Segment | | | | |
| Algo | | | | |
| Royalty | 4 085 | 10 230 | 21 150 | 15 005 |
| Licenses, incl. support & maintenance | 8 838 | 11 164 | 42 046 | 39 720 |
| Other | 1 103 | 876 | 4 634 | 4 860 |
| Digital Identity | | | | |
| Royalty | 0 | 0 | 0 | 0 |
| Licenses, incl. support & maintenance | 4 329 | 4 341 | 15 954 | 15 942 |
| Other | 795 | 1 700 | 7 236 | 6 331 |
| Total | 19 150 | 28 312 | 91 018 | 81 856 |
| Timing of revenue recognition* | | | | |
| At point in time | 1 965 | 3 357 | 12 664 | 11 272 |
| Over time | 17 185 | 24 955 | 78 354 | 70 584 |
| Total | 19 150 | 28 312 | 91 018 | 81 856 |
| Region/Country | | | | |
| Europe | 7 237 | 7 350 | 27 218 | 27 104 |
| - w hereof Sweden | 5 393 | 5 385 | 20 737 | 20 745 |
| Asia | 8 406 | 17 650 | 51 039 | 41 795 |
| - w hereof China | 1 320 | 3 856 | 15 364 | 12 828 |
| - w hereof Taiwan | 6 067 | 11 718 | 29 576 | 23 925 |
| USA | 3 520 | 3 312 | 12 762 | 12 970 |
| Total | 19 150 | 28 312 | 91 018 | 81 856 |

NOTE 3 – SEGMENT REPORTING

Precise Biometrics' operations are divided into two segments as of 2022: Digital Identity and Algo. The segments have arisen as a result of the acquisition of EastCoast at the end of 2021, as the importance of separate follow-up on the segments has increased.

| Amounts in SEK thousand | 2023 | | | 2022 | | | 2022 | | | Rolling | | | | | |
|-------------------------|------|---------------|------------------|---------------|---------------|--------------|------------------|---------------|--------------|---------------|------------------|---------------|---------------|------|------------------|
| | Q1 | Algo | Digital Identity | Total Segment | Q1 | Algo | Digital Identity | Total Segment | Full-year | Algo | Digital Identity | Total Segment | 12 mth | Algo | Digital Identity |
| Net sales | | 14 026 | 5 124 | 19 150 | 22 271 | 6 041 | 28 312 | 67 829 | 23 189 | 91 018 | 59 584 | 22 272 | 81 856 | | |
| Cost of goods sold | | -2 484 | -4 257 | -6 741 | -2 524 | -4 082 | -6 606 | -9 070 | -16 913 | -25 982 | -9 030 | -17 088 | -26 117 | | |
| Gross profit | | 11 542 | 867 | 12 409 | 19 747 | 1 959 | 21 706 | 58 759 | 6 277 | 65 036 | 50 554 | 5 185 | 55 739 | | |

Other information

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

| Reconciliation profit/Loss | Q1 2023 | Q1 2022 | Full-year 2022 | Rolling 12 mth |
|---------------------------------|---------------|---------------|-------------------|-------------------|
| Segment profit/Loss | 12 409 | 21 706 | 65 036 | 55 739 |
| Marketing and sales expenses | -6 806 | -9 134 | -34 796 | -32 468 |
| Administrative expenses | -3 516 | -4 447 | -17 613 | -16 682 |
| R&D expenses | -8 911 | -9 863 | -34 905 | -33 953 |
| Other operating income/expenses | -39 | 937 | 2 262 | 1 286 |
| Financial income/expenses | -166 | -446 | -3 453 | -3 173 |
| Profit/Loss before tax | -7 028 | -1 247 | -23 469 | -29 250 |

NOTE 4 – FINANCIAL INSTRUMENTS

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

INTEREST-BEARING LIABILITIES

On November 30, 2022, a supplementary agreement was signed that changed the terms and conditions for the remaining liability of SEK 55,000 thousand for the acquisition of EastCoast Solutions AB (see Note 6). SEK 30,000 thousand was paid on December 1, 2022. SEK 10,000 thousand will be paid on November 30, 2023, SEK 5,000 thousand 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, if 3 months STIBOR + 8%, will be added from November 23 until the amounts have been paid. The liability is recognized as an interest-bearing liability as 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 9,834 thousand) and other non-current liabilities (SEK 16,789 thousand). The effect on earnings of the translation of the liability was estimated at SEK 2,112 thousand and is reported under financial items as other financial expenses. Precise has the option to pay off the entire remaining purchase price early without incurring any interest expenses.

NOTE 5 – OPTION PROGRAM AND LTI PROGRAM

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

The Annual General Meeting resolved, in accordance with the Board's proposal, to establish a long-term share bonus program (LTI 2022/2028) for all employees in Precise Biometrics. In order to facilitate the implementation of LTI 2022/2028 and to ensure the delivery of shares to the participants, and to cover the company's costs for social security contributions, the meeting also decided to amend the Articles of Association in the form of the introduction of new Class C shares, authorization for the Board of Directors to issue Class C shares, authorization for the Board of Directors to buy back Class C shares, and approval of the transfer of shares to participants in LTI 2022/2028. The implementation of Class C shares took place in Q4 2022. As of December 31, 2023, Precise Biometrics held 1,085,000 Class C shares.

NOTE 6 – BUSINESS COMBINATIONS

As of November 30, 2021, the group acquired 100% of the shares in EastCoast Solutions AB and 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 after the end of the year.

On November 30, 2022, a supplementary agreement was signed that changed the terms and conditions for the remaining liability of SEK 55,000 thousand for the acquisition. See Note 4 for details of the new terms and conditions.

IMPACT ON CASH IN Q1 2023 (REPORTED IN INVESTMENT ACTIVITIES)

There is no impact on the Group's cash and cash equivalents during Q1 2023.

* See Note 4 regarding repayment of liability

PARENT COMPANY INCOME STATEMENT – IN SUMMARY

| Amounts in SEK thousand | Note | 2023 Q1 | 2022 Q1 | 2022 Full-year | Rolling 12mth |
|------------------------------------|------|----------------|----------------|-------------------|------------------|
| Net sales | 1 | 14 177 | 23 831 | 72 048 | 62 394 |
| Cost of goods sold | | -8 450 | -9 155 | -33 203 | -32 498 |
| Gross profit | | 5 727 | 14 676 | 38 845 | 29 896 |
| | | | | | 0 |
| Marketing and sales expenses | | -4 891 | -7 212 | -27 356 | -25 035 |
| Administrative expenses | | -3 269 | -3 448 | -16 567 | -16 388 |
| R&D expenses | | -5 271 | -6 586 | -19 903 | -18 588 |
| Other operating income/expenses | | -85 | -929 | 2 287 | 3 131 |
| | | -13 516 | -16 317 | -61 539 | -58 738 |
| | | | | | 0 |
| Operating profit/loss | | -7 789 | -1 641 | -22 694 | -28 842 |
| | | | | | 0 |
| Financial income/expenses | | -103 | -382 | -3 196 | -2 917 |
| | | | | | 0 |
| Group contributions received | | 0 | 0 | 6 045 | 6 045 |
| | | | | | 0 |
| Profit/loss before tax | | -7 892 | -2 023 | -19 845 | -25 714 |
| | | | | | 0 |
| Tax | | 0 | 0 | 0 | 0 |
| Profit/loss for the period* | | -7 892 | -2 023 | -19 845 | -25 714 |

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

PARENT COMPANY BALANCE SHEET – IN SUMMARY

Amounts in SEK thousand

| ASSETS | Note | 2023-03-31 | 2022-03-31 |
|-------------------------------------|------|----------------|----------------|
| Fixed assets | | | |
| Fixed assets | | 2 510 | 3 467 |
| Immaterial assets | | 39 126 | 40 342 |
| Deferred tax assets | | 90 558 | 90 558 |
| TOTAL FIXED ASSETS | | 132 194 | 134 367 |
| CURRENT ASSETS | | | |
| Inventories | | 311 | 441 |
| Accounts receivable | | 12 667 | 12 963 |
| Accounts receivable Group | | 844 | - |
| Other receivables | | 8 795 | 1 045 |
| Accruals and deferred income | | 2 214 | 2 637 |
| Cash and cash equivalents | | 22 613 | 43 825 |
| TOTAL CURRENT ASSETS | | 47 444 | 60 911 |
| TOTAL ASSETS | | 179 638 | 195 278 |
| EQUITY AND LIABILITIES | | | |
| Restricted Equity | | | |
| Share capital | | 14 254 | 11 879 |
| Paid-in unregistered share capital | | - | - |
| Statutory reserve | | 1 445 | 1 445 |
| Reserve for development expenses | | 26 672 | 24 655 |
| Total restricted equity | | 42 370 | 37 979 |
| Unrestricted Equity | | | |
| Share premium reserve | | 137 635 | 99 920 |
| Retained earnings | | -42 965 | -20 937 |
| Profit/loss for the year | | -7 892 | -2 023 |
| Total non-restricted equity | | 86 777 | 76 961 |
| Total Equity | | 129 147 | 114 939 |
| LONG-TERM DEBT | | | |
| Long term debt | | 16 866 | 29 126 |
| TOTAL LONG-TERM DEBT | | 16 866 | 29 126 |
| SHORT-TERM LIABILITIES | | | |
| Short-term liabilities | | 33 625 | 51 213 |
| Total Short-term liabilities | | 33 625 | 51 213 |
| TOTAL EQUITY AND LIABILITIES | | 179 638 | 195 278 |

CONSOLIDATED KEY INDICATORS

| Amounts in SEK thousands unless otherwise stated | 2023 | 2022 | 2022 | Rolling |
|--|---------|---------|-----------|---------|
| | Q1 | Q1 | Full-year | 12 mth |
| Net sales | 19 150 | 28 312 | 91 018 | 81 856 |
| Net sales growth, % | -32,4% | 39,4% | 9,2% | -10,4% |
| Gross margin, % | 64,8% | 76,7% | 71,5% | 68,1% |
| EBITDA | -625 | 4 020 | 1 147 | -3 497 |
| Operating profit/loss | -6 862 | -802 | -20 016 | -26 076 |
| Working capital * | 26 410 | 44 567 | 33 498 | 26 410 |
| Capital employed | 138 925 | 166 909 | 146 302 | 138 925 |
| Liquidity ratio, % | 140,0% | 134% | 156,0% | 140% |
| Equity/assets ratio, % | 67,9% | 56,7% | 68,6% | 67,9% |
| Earnings per share before dilution, SEK | -0,15 | 0,00 | -0,47 | -0,62 |
| Earnings per share after dilution, SEK | -0,15 | 0,00 | -0,47 | -0,62 |
| Equity per share, SEK | 2,92 | 3,20 | 3,08 | 2,92 |
| Number of shares (thousands) | 47 513 | 39 596 | 47 513 | 47 513 |
| Weighted avg. number of shares, adjusted for dilution effect (thousands) | 47 513 | 39 596 | 41 304 | 43 374 |
| Number of employees at the end of the period | 32 | 30 | 30 | 32 |
| Average number of employees during the period | 31 | 31 | 30 | 31 |
| Annual Recurring Revenue*** | 17 274 | - | 16 190 | 17 274 |

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

** Comparative periods have been adjusted as a result of the consolidation (1:10) adopted by the Annual General Meeting on May 19, 2022. As a result of the consolidation, the number of shares and votes in Precise Biometrics has decreased by 356,367,546. Prior to the consolidation, there were a total of 395,963,940 shares and votes in Precise Biometrics, and after the consolidation the number of shares and votes was 39,596,394. As of December 31, 2023, the total number of shares and votes in the Company is 47,512,597.

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

RECONCILIATION OF CONSOLIDATED ALTERNATIVE KEY INDICATORS

| Amounts in SEK thousands unless otherwise stated | 2023 Q1 | 2022 Q1 | 2022 Full-year | Rolling 12 mth |
|---|----------------|----------------|-------------------|-------------------|
| Net sales | 19 150 | 28 312 | 91 018 | 81 856 |
| Net sales growth, % | -32,4% | 39,4% | 9,2% | -10,4% |
| Gross profit | 12 409 | 21 706 | 63 036 | 55 739 |
| Net sales | 19 150 | 28 312 | 91 018 | 81 856 |
| Gross margin, % | 64,8% | 76,7% | 71,5% | 68,1% |
| Operating profit/loss | -6 862 | -802 | -20 016 | -26 076 |
| Net sales | 19 150 | 28 312 | 91 018 | 81 856 |
| Operating margin, % | -35,8% | -2,8% | -22,0% | -31,9% |
| EBITDA | -625 | 4 020 | 1 147 | -3 497 |
| Depreciation and amortization | -6 237 | -4 821 | -21 163 | -22 579 |
| Operating profit/loss | -6 862 | -802 | -20 016 | -26 076 |
| Current assets | 57 120 | 76 759 | 65 234 | 45 595 |
| Current liabilities excl. current liabilities EastCoast International | 30 710 | 32 349 | 31 736 | 30 097 |
| Working capital * | 26 410 | 44 410 | 33 498 | 15 498 |
| Sales expenses | -6 806 | -9 134 | -34 796 | -32 468 |
| Administrative expenses | -3 516 | -4 447 | -17 613 | -16 682 |
| R&D expenses | -8 911 | -9 863 | -34 905 | -33 953 |
| Other operating income/expenses | -39 | 937 | 2 262 | 1 286 |
| Total operating expenses | -19 272 | -22 507 | -85 052 | -81 817 |
| Balance sheet total | 204 751 | 223 805 | 213 222 | 204 751 |
| Non-interest-bearing liabilities * | 65 826 | 97 000 | 66 930 | 65 826 |
| Capital employed | 138 925 | 126 805 | 146 302 | 138 925 |
| Closing equity | 138 925 | 126 805 | 146 302 | 138 925 |
| Average equity | 140 939 | 115 952 | 137 909 | 140 939 |
| Current assets minus inventories | 56 809 | 76 318 | 64 923 | 56 809 |
| Current liabilities | 40 589 | 56 896 | 41 570 | 40 589 |
| Liquidity ratio, % | 140% | 134% | 156% | 140% |
| Equity | 138 925 | 126 805 | 146 302 | 138 925 |
| Total assets | 204 751 | 223 805 | 213 222 | 204 751 |
| Equity/assets ratio, % | 67,9% | 56,7% | 68,6% | 67,9% |

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

FINANCIAL GLOSSARY

Turnover growth

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

Gross margin

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

Operating profit/loss

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

Operating expenses

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

EBITDA

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

Operating margin

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

Cash flow

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

Working capital

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

Capital employed

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

Equity

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

Average equity

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

Liquidity ratio

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

Equity/assets ratio

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

Return on equity

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

Earnings per share before dilution

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

Earnings per share after dilution

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

Equity per share

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

Annual Recurring Revenue (ARR)

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