

Q4



PRECISE BIOMETRICS YEAR-END REPORT 2021

Strong end to an eventful year

YEAR-END REPORT FOR THE PERIOD JANUARY TO DECEMBER 2021

FOURTH QUARTER

- Net sales totaled SEK 27.4 (22.5) million.
- EBITDA totaled SEK 1.7 (0.7) million.
- The operating profit/loss totaled SEK –2.7 (–2.6) million.
- Earnings for the period totaled SEK –2.4 (–8.8) million.
- Earnings per share totaled SEK –0.01 (–0.02).
- Cash flow from operating activities totaled SEK 3.2 (12.2) million.

FULL-YEAR PERIOD, JANUARY-DECEMBER

- Net sales totaled SEK 83.3 (92.3) million.
- EBITDA totaled SEK 1.9 (6.9) million.
- The operating profit/loss totaled SEK –14.1 (–5.8) million.
- Earnings for the period totaled SEK –13.4 (–12.2) million.
- Earnings per share totaled SEK –0.04 (–0.03).
- Cash flow from operating activities totaled SEK –1.5 (21.9) million.

SIGNIFICANT EVENTS DURING THE QUARTER

- Successful integration of YOUNiQ with the security platform Integra.
- Precise signed and completed the acquisition of EastCoast Solutions for acceleration in the SaaS business area Digital Identity.
- Precise paid SEK 18 million in cash in the first installment of the acquisition together with a share issue corresponding to an amount of SEK 6.5 million.
- As part of the financing of the acquisition of EastCoast Solutions, Precise completed a directed issue to Swedish and international professional investors and family offices, for an amount of SEK 23 million.
- Precise signed two commercial licensing agreements with two Original Design Manufacturers (ODMs) to provide fingerprint technology, Precise BioMatch, to the automotive industry.

SIGNIFICANT EVENTS AFTER THE END OF THE FULL-YEAR PERIOD

- Precise entered into a partnership agreement with Infineon Technologies to provide fingerprint technology, Precise BioMatch, to the automotive industry.
- Precise entered into a partnership with Certego regarding the integration of YOUNiQ in their security services.
- The first installation of YOUNiQ for remote control of electricity and heating for Algeco in Kiruna.
- The Board of Directors of Precise has appointed Patrick Höijer as the new CEO of the company, taking office no later than June 1, 2022.

FINANCIAL DATA AND KEY INDICATORS

Amounts in SEK thousands unless otherwise stated

KEY INDICATORS

Amounts in SEK thousands unless otherwise stated	2021 Q4	2020 Q4	2021 Full-Year	2020 Full-Year
Net sales	27 434	22 494	83 319	92 349
Net sales growth, %	22,0%	-42,0%	-9,8%	0,5%
EBITDA	1 666	703	1 872	6 862
Gross margin, %	77,4%	84,7%	76,3%	84,2%
Operating profit/loss	-2 693	-2 625	-14 073	-5 792
Operating margin, %	-9,8%	-11,7%	-16,9%	-6,3%
Cash flow from the operating activities	3 156	12 215	-1 493	21 896
Cash and cash equivalents	64 102	76 258	64 102	76 258

See the Financial Glossary for definitions.

INVITATION TO PRESENTATION OF THE YEAR-END REPORT

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

The conference call starts at 10:00 AM (CET) on February 18.

Link to all public information such as link to webcast and participant number for the telephone conference:

<https://financialhearings.com/event/43357>

To take part, click on the link above to listen to and follow the presentation online, or call one of the following numbers to follow by phone.

SE: +46856642692

UK: +443333009032

US: +16467224902

You will be asked to state your name when you connect to the conference call, and there will be an opportunity to ask questions in Swedish. The conference call will be held in English.

Participating on behalf of Precise:

Stefan K Persson, CEO

Annika Freij, CFO

CEO COMMENTS

2021 was an eventful year in which we made great progress within Digital Identity and Algo. At the end of the year we acquired EastCoast Solutions, a leading provider of visitor management systems, and we completed several successful YOUNIQ installations, including the first for Algeco in Germany. In terms of Algo, the component shortage impacting our customers also continued in the fourth quarter, which contributed to reduced royalty revenues. It is therefore pleasing that we, at the end of the year, signed licensing agreements with two new customers in the automotive industry. Net sales for Q4 2021 totaled SEK 27.4 (22.5) million, driven primarily by increased licensing revenues in Algo as a result of transactions in the automotive industry, combined with progress in Digital Identity.

Through the acquisition of EastCoast, we have increased our base of recurring revenues (ARR) with good profitability, and through our SaaS model we have ARR around SEK 13 million at the end of the year. Net sales in Digital Identity totaled SEK 4.7 (0.1) million during the quarter, which creates stable and diversified revenues as we enter 2022. In Digital Identity, we have an interesting pipeline that includes pilot projects with EastCoast, which are planned for commercialization during the first half of 2022, as well as additional projects with existing YOUNIQ customers.

As in the first nine months of 2021, the fourth quarter was also characterized by a continued component shortage among our customers, which had a negative impact on royalty revenues in Algo. We were also burdened by an increase in administrative costs attributable to the acquisition of EastCoast. Despite this, we achieved an EBITDA of SEK 1.7 (0.7) million, primarily resulting from two new customers in the automotive industry, as well as the acquisition of EastCoast, which delivered its best month of the year in December. By gradually broadening Algo into new applications based on fingerprint recognition and continuing to focus on growth in Digital Identity, we are securing a long-term profitable business.

We have continued to focus on strategic partnerships. After the end of the quarter, we entered into a partnership with Infineon to provide our fingerprint technology, Precise BioMatch, to the automotive industry. This partnership offers many opportunities going forward in a new vertical, which is fully in line with the expansion we are now undertaking in Algo, and we see potential for more application areas in the long term, even outside the automotive industry.

It has been a strong conclusion to an active and eventful year in which we continued to accelerate in Digital Identity while at the same time expanding the application areas in Algo. I would like to thank our shareholders, partners and employees for having been part of this Precise journey thus far. I am convinced that my successor will continue to advance the company's positions as a leading global provider of identification software in which YOU are the key.

Stefan K Persson, CEO

MARKET AND SALES

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:

Digital Identity	Algo
Precise YOUNIQ® – Secures digital identity in a simple, secure way	Precise BioMatch®
EastCoast Solutions – Safe and efficient system for visitor management	Mobile - Verifies fingerprints on mobile devices
	Card - Verifies fingerprints on smart cards
	Car - Verifies fingerprint in cars

MARKET DEVELOPMENT

Digital Identity

We increasingly use digital services that require user identification. Since the registration process is often complicated and users choose passwords that are too simple, there is growing demand for easier and safer ways of verifying digital identity. Our increasingly more interconnected world also means that we not only use our digital identity in multiple channels, but also on a number of different devices, which amplifies the need for secure and effective identification.

One area of application with solid market potential is biometric access to buildings and premises, where growth is driven by trends such as security, sustainability, technological development and regulation. Precise has identified six segments where there is high demand for secure and convenient access solutions. These are apartment buildings, commercial properties, construction sites, gyms, industrial sites and the public sector. The market for this solution is currently in its beginning, but the potential is expected to increase as awareness of the technology increases.

Algo

Continued demand for user-friendly telephones and tablets with full screens is driving the trend for mobile devices. The next development step is sensors that cover the full screen and can read a fingerprint wherever it is placed on the display. According to an analysis from IHS Market, optical and ultrasonic sensors for phones in the higher price segment will continue to increase. As the average price of these sensors is much higher than for capacitive sensors, they will account for a significant share of the market value for fingerprint sensors. Precise's customers are in this segment.

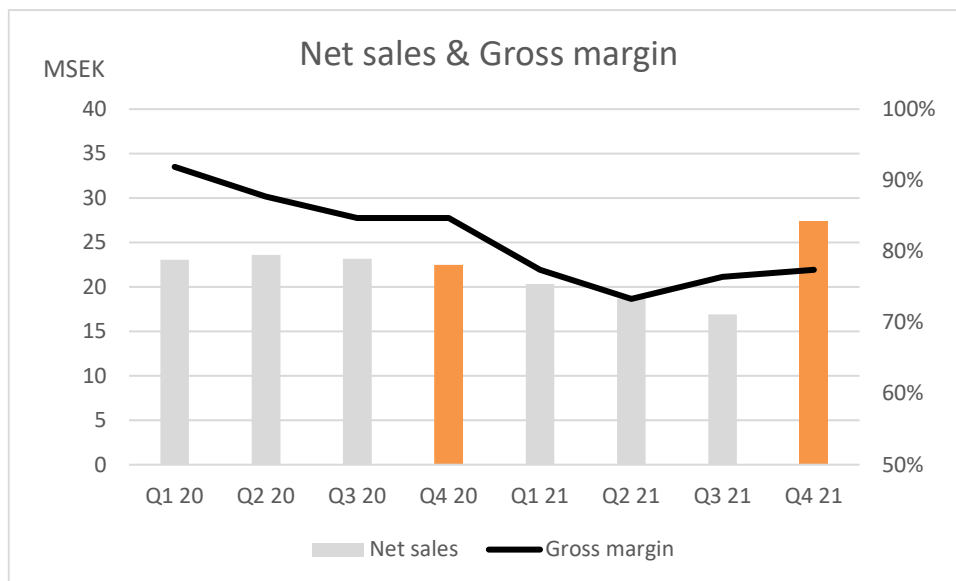
Biometrics for identity verification has become an increasingly important tool in the battle against fraud in virtually all payment channels. Payments have become the main driving force for the development of biometrics at consumer level. Card manufacturers are focusing increasingly on the certification and cost-optimization of contactless biometric payment cards, which is a precondition for card issuers to be able to achieve a broad launch on the market.

At the end of 2021, Precise entered into two licensing agreements to provide fingerprint technology to the automotive industry. There has been discussions for a long time of integrating biometrics in vehicles, and although there are some solutions on the market today, it is only recently that higher product volumes have started to emerge. The market is young but also characterized by higher unit prices and long product life cycles of around 7–10 years.

NET SALES AND OPERATING PROFIT/LOSS IN THE QUARTER

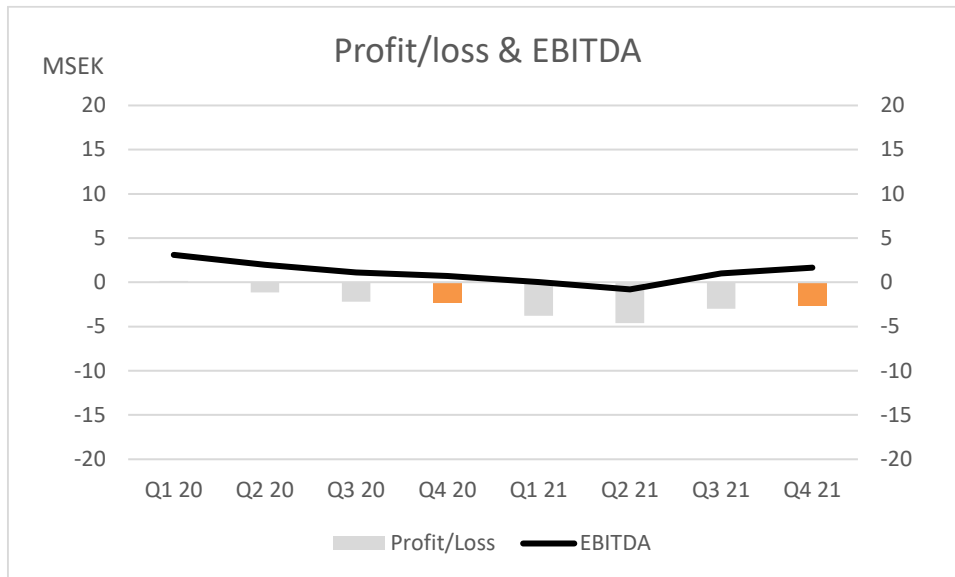
Net sales for the quarter increased to SEK 27.4 (22.5) million. Net sales were split between royalty revenues of SEK 6.5 (10.9) million, license fees (including support and maintenance) SEK 18.7 (10.7) million and Other of SEK 2.2 (0.9) million. The decrease in royalty revenues was driven primarily by the component shortage among our customers, which resulted in lower production volumes. The increase in licensing revenues is primarily due to two new customers in the automotive industry, but also the acquisition of EastCoast. Net sales for Digital Identity totaled SEK 4.7 (0.1) million, and are reported under Other and Licenses. The net sales increase in Digital Identity is partly due to the acquisition of EastCoast, which in December contributed net sales of SEK 2.1 million, as well as sales of hardware relating to Digital Identity installations. With the acquisition of EastCoast, we have strengthened our SaaS model and as at the end of the year we have ARR (annual recurring revenue) of the order of SEK 13 million, which is an increase of more than 3,000% compared with the same period last year.

The gross margin during the quarter totaled 77.4% (84.7%). The decline is primarily due to the fact that the margin for hardware sales relating to Digital Identity installations is not as good as than the margin for software. Amortization of capitalized development expenses increased to SEK 3.2 (2.6) million, relating primarily to Digital Identity. Amortization of acquired intangible assets totaled SEK 0.3 (0.2) million.



Operating expenses for the quarter increased to SEK 23.9 (21.7) million, primarily due to acquisition costs of SEK 2.6 million in connection with the acquisition of EastCoast.

The operating profit/loss for the quarter totaled SEK -2.7 (-2.6) million. The slightly higher operating profit/loss is explained by the higher net sales, but was lowered due to higher operating expenses. Earnings for the quarter totaled SEK -2.4 (-8.8) million. Total depreciation/amortization totaled SEK 4.3 (3.3) million. The profit/loss at EBITDA level totaled SEK 1.7 (0.7) million. Earnings per share (average number of shares) for the quarter totaled SEK -0.01 (-0.02).



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

Net sales during the full-year period totaled SEK 83.3 (92.3) million. Net sales were split between royalty revenues of SEK 31.3 (47.1) million, license revenues (including support and maintenance) SEK 46.4 (39.7) million and Other of SEK 5.6 (5.6) million. The decrease in royalty revenues is driven primarily by the component shortage among our customers, which resulted in lower production volumes. The increase in licensing revenues is partly attributable to two new customers in the automotive industry, as well as the acquisition of EastCoast, which had net sales in December totaling SEK 2.1 million. Net sales for Digital Identity totaled SEK 6.6 (1.7) million, and are reported under Other and Licenses. The increase is partly due to the acquisition of EastCoast, but also due to increased sales of YOUNiQ.

The gross margin during the full-year period totaled 76.3% (84.2). The change is primarily due to increased amortization of capitalized development expenses, changes in the product mix, and lower sales. Amortization of capitalized development expenses increased to SEK 12.1 (9.6) million, relating primarily to Digital Identity. Amortization of acquired intangible assets totaled SEK 1.1 (0.8) million.

Operating expenses for the full-year period totaled SEK 77.6 (83.6) million. The decrease is primarily due to lower research and development expenses. The development of the sales organization continued during the period, and the acquisition of East Coast increased expenses by SEK 2.6 million in addition to the company's normal operations.

The operating profit/loss for the full-year period totaled SEK -14.1 (-5.8) million. The downturn in the operating profit/loss is explained by lower net sales combined with a lower gross margin, which is partly offset by slightly lower expenses. Earnings for the full-year period totaled SEK -13.4 (-12.2) million. Total depreciation/amortization totaled SEK 15.9 (12.7) million. The profit/loss at EBITDA level totaled SEK 1.9 (6.9) million. Earnings per share (average number of shares) for the interim period totaled SEK -0.04 (-0.03).

NET FINANCIAL ITEMS AND TAX

Precise has no interest-bearing liabilities apart from lease liabilities and the discounted deferred fixed purchase price relating to the acquisition of EastCoast. 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. Net financial items for the quarter totaled SEK 0.4 (-0.5) million and the tax expense totaled SEK -0.1 (-5.8) million.

Net financial items for the interim period totaled SEK 0.7 (-0.6) million and the tax expense totaled SEK -0.1 (-5.8) million.

CASH FLOW AND INVESTMENTS

The cash flow from operations for the quarter totaled SEK 3.2 (12.2) million, of which SEK 2.7 (10.6) million is attributable to changes in working capital. The group invested SEK 0.6 (0.6) million in property, plant and equipment during the quarter.

The cash flow for the full-year period from current operations totaled SEK –1.5 (21.9) million, of which SEK – 2.6 (15.8) million is attributable to changes in working capital. The group invested SEK 3.1 (2.2) million during the full-year period in property, plant and equipment.

CAPITALIZATION AND AMORTIZATION OF DEVELOPMENT WORK

Development expenses of SEK 4.1 (5.2) million were capitalized during the quarter, and amortization of capitalized development expenses in respect of Digital Identity and Algo totaled SEK 3.1 (2.6) million.

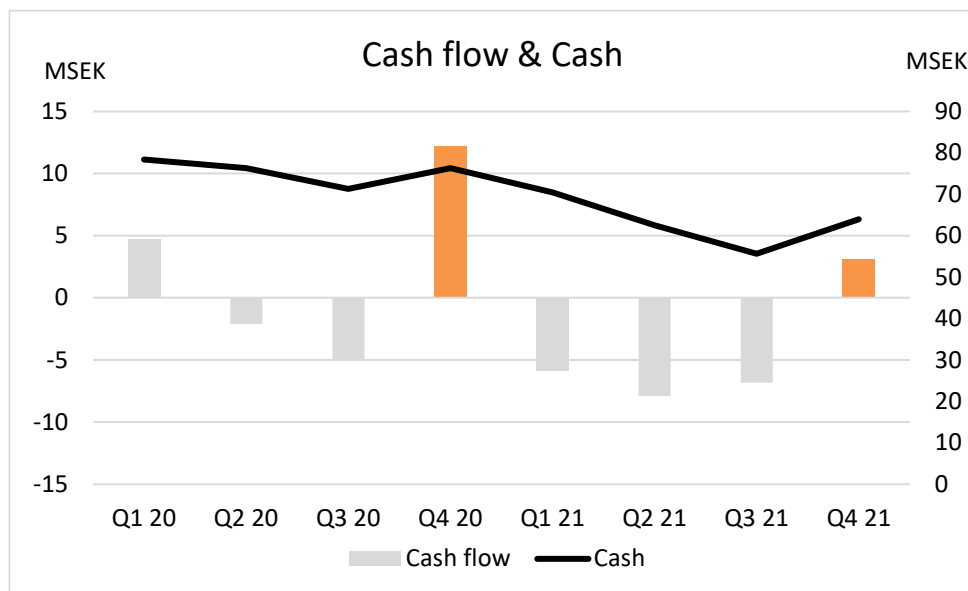
Development expenses of SEK 16.6 (15.6) million were capitalized during the full-year period, and amortization of capitalized development expenses totaled SEK 12.1 (9.6) million.

FINANCIAL POSITION AND LIQUIDITY

Cash and cash equivalents at the end of the period totaled SEK 64.1 (76.3) million.

As part of the financing of the acquisition of EastCoast Solutions, a directed issue of 28,750,000 shares was also made to Swedish and international professional investors and family offices, corresponding to an amount of SEK 23 million, and a set-off issue of 6,982,473 new shares to EastCoast International, corresponding to an amount of SEK 6.5 million, with issue costs totaling SEK 2.1 million.

Total equity at the end of the period totaled SEK 128.1 (114.0) million, and equity per share was SEK 0.32 (0.32).



THE PARENT COMPANY

The parent company's net sales for the full-year period totaled SEK 79.0 (90.9) million. The operating profit/loss totaled SEK –14.8 (–8.4) million and was charged with amortization of goodwill totaling SEK 2.5 (2.5) million.

Cash and cash equivalents at the end of the full-year period totaled SEK 52.8 (73.4) million, and equity SEK 117.1 (103.6) 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 55 (48) people, including on-site consultants and employees of EastCoast. The number of employees was 31 (23), of which 24 (17) located in Sweden. Precise works in an agile way together with several partners, creating a fast-moving, scalable organization. The employee number does not include partners.

REPORTING DATES

Q1 Interim Report 2022	May 13, 2022
Q2 Interim Report 2022	August 12, 2022
Q3 Interim Report 2022	November 11, 2022

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on May 19, 2022. The Annual Report for 2021 will be available on Precise Biometrics' website and at the head office at the latest on April 6, 2022.

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 11, 2022 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 11, 2022. 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 13, 2022 will be included in the production of the share register. Further instructions will be provided in the notice of the Annual General Meeting.

The board proposes that no dividends be distributed for the fiscal year 2021.

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 2020, which was issued in March 2021. 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. The component shortage identified in the mobile industry may have a continued impact on net sales, as the royalty revenues in Algo are based on customers' sales volumes.

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 17,636 (18,697). 279,098,750 shares were traded during the quarter. The closing price on December 31 was SEK 1.38, and during the quarter the share price fluctuated between SEK 0.7 and SEK 1.668.

AUDIT

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

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

Lund, February 18, 2022

Torgny Hellström,

Chairman of the Board

Torbjörn Clementz,
styrelseledamot

Mats Lindoff,
styrelseledamot

Synnöve Trygg,
styrelseledamot

Åsa Schwarz,
styrelseledamot

Stefan K Persson,
CEO

For further information, please contact:

Stefan K. Persson, CEO

Phone: +46 707 92 08 31

Email: stefan.k.persson@precisebiometrics.com

This is information that Precise Biometrics AB is obliged to disclose pursuant to the EU Market Abuse Regulation. The information was submitted for publication on February 18, 2022 at 08:00 AM CET.

CONSOLIDATED INCOME STATEMENT – IN SUMMARY

Amounts in SEK thousand	Note	2021 Q4	2020 Q4	2021 Full-Year	2020 Full-Year
Net sales	2	27 434	22 494	83 319	92 349
Cost of goods sold		-6 213	-3 440	-19 776	-14 581
Gross profit		21 221	19 054	63 543	77 768
Marketing and sales expenses		-8 505	-9 092	-31 649	-30 737
Administrative expenses		-7 019	-3 636	-18 018	-15 181
R&D expenses		-8 314	-7 842	-28 161	-35 941
Other operating income/expenses		-76	-1 109	212	-1 701
		-23 914	-21 679	-77 616	-83 560
Operating profit/loss		-2 693	-2 625	-14 073	-5 792
Financial income/expenses		353	-446	724	-618
Profit/Loss before tax		-2 340	-3 071	-13 349	-6 410
Tax		-92	-5 753	-97	-5 754
Profit/Loss for the period		-2 432	-8 824	-13 446	-12 164
Profit/Loss after tax from discontinued operations		-	280	-	-75
Profit/loss for the period attributable to parent company shareholders		-2 432	-8 544	-13 446	-12 239
Earnings per share, remaining operations, SEK*					
- before dilution		-0,01	-0,02	-0,04	-0,03
- after dilution		-0,01	-0,02	-0,04	-0,03
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME					
Profit/Loss for the period		-2 432	-8 544	-13 446	-12 239
Other comprehensive income:					
<i>Items that may be reclassified to profit or loss</i>					
Changes in accumulated exchange rate differences		57	-132	169	-184
Other comprehensive income for the period		57	-132	169	-184
Profit/Loss total attributable to holders of participations in the parent company		-2 375	-8 676	-13 277	-12 423

*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.

CONSOLIDATED BALANCE SHEET – IN SUMMARY

Amounts in SEK thousand

ASSETS	Note	2021-12-31	2020-12-31
FIXED ASSETS			
Material assets		11 466	8 922
Goodwill and immaterial assets		135 480	47 664
TOTAL FIXED ASSETS		146 946	56 586
CURRENT ASSETS			
Inventories		548	1 052
Accounts receivable	3	24 027	12 933
Other current receivables	3	1 923	2 443
Accruals and deferred income		3 506	3 681
Cash and cash equivalents	3,5	64 102	76 258
TOTAL CURRENT ASSETS		94 106	96 367
TOTAL ASSETS		241 052	152 953
EQUITY AND LIABILITIES			
EQUITY			
Equity		128 053	114 044
TOTAL EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS		128 053	114 044
LONG-TERM DEBT			
Long term debt	5	40 463	5 668
TOTAL LONG-TERM DEBT		40 463	5 668
SHORT-TERM LIABILITIES			
Short-term liabilities	3,5	72 536	33 241
Total Short-term liabilities		72 536	33 241
TOTAL EQUITY AND LIABILITIES		241 052	152 953

CONSOLIDATED CASH FLOW STATEMENT – IN SUMMARY

Amounts in SEK thousand	Note	2021 Q4	2020 Q4	2021 Full-Year	2020 Full-Year
Cash flow from operating activities before changes in working capital		517	1 637	1 089	6 083
Cash flow from changes in working capital		2 639	10 578	-2 582	15 813
Cash flow from operating activities		3 156	12 215	-1 493	21 896
Cash flow from investment activities		-15 286	-5 865	-30 258	-17 897
Cash flow from financing activities		20 555	-1 378	19 543	-1 378
Cash flow for the period		8 425	4 972	-12 208	2 621
Cash and cash equivalents at the start of the period		55 658	71 294	76 258	73 676
Translation difference in cash and cash equivalents		19	-8	52	-39
Cash and cash equivalents at the end of the period *		64 102	76 258	64 102	76 258

*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	Note	2021 Full-Year	2020 Full-Year
Equity at start of period		114 044	126 467
Comprehensive income			
Profit/loss for the period		-13 446	-12 239
Other comprehensive income			
Exchange differences		168	-184
Total other comprehensive income		168	-184
Total comprehensive income		-13 278	-12 423
Transactions with shareholders			
Stockoptions	4	-97	-
Set-off issue	5	6 466	-
New share issue	5	23 000	-
New issue cost	5	-2 082	-
Total transactions with shareholders		27 287	-
Equity end of period		128 053	114 044

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 as well as the bases of estimates and judgments applied in the Annual Report for 2020 have also been used in this interim report, supplemented by partly new policies in respect of revenue recognition in the Group's area of application Algo (automotive industry) and Digital Identity (EastCoast). New policies as a consequence of new customer agreements mean that in some cases software deliveries are reported at a time in connection with control being transferred to the customer.

NOTE 2 – REVENUE ALLOCATION

Amounts in SEK thousand	2021 Q4	2020 Q4	2021 Full-Year	2020 Full-Year
Revenue type				
Royalty	6 536	10 939	31 300	47 108
Licenses, incl. support & maintenance	18 663	10 680	46 378	39 667
Other	2 235	875	5 641	5 574
Total	27 434	22 494	83 319	92 349
Region/Country				
Europe	8 110	610	11 000	4 583
- w hereof Sweden	4 650	98	6 747	2 197
Asia	16 588	17 234	61 613	74 164
- w hereof China	3 871	2 641	14 519	9 319
- w hereof Taiwan	8 360	13 059	39 421	58 198
USA	2 736	4 650	10 706	13 602
Total	27 434	22 494	83 319	92 349
Product area				
Algo	22 776	22 397	76 761	90 571
Digital Identity	4 658	97	6 558	1 778
Total	27 434	22 494	83 319	92 349

NOTE 3 - 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.

NOTE 4 – OPTION PROGRAM

The 2019 shareholders' general meeting made a decision to offer an incentive plan for the company's CEO and CFO to the effect that a maximum of 1,300,000 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 June 1, 2022 until June 30, 2022. The subscription price for the options has been set at SEK 0.32 and the subscription price for the shares at SEK 1.65. 300,000 stock options have been bought back from the former CFO and canceled. At the end of the full-year period, 1,000,000 options had been subscribed by the CEO, corresponding to 100% of the total remaining stock options. Assuming that all stock options are exercised

to subscribe to new shares, the number of shares in the company will increase by 1,000,000 shares. The CEO's options will be bought back during Q1 2022, when the CEO leaves the company.

NOTE 5 – BUSINESS COMBINATIONS

As at November 30, 2021, the Group acquired 100% of the shares in EastCoast Solutions AB and Besöksystem Sverige AB, and the total purchase price transferred totaled SEK 86,203,000. The acquisition of Besöksystem Sverige AB is intangible, which is why combined information is provided.

The acquisition accelerates Precise Biometrics' SaaS offering (Software as a Service) in Digital Identity and will be supplemented through the acquisition by EastCoast Solutions' leading visitor management system. The acquisition will significantly enhance Precise's position in the area of physical accessibility and stimulates cross-selling.

The purchase price totals SEK 86,203,000, of which SEK 24,466,000 was paid as at 31 December 2021, partly via a cash payment of SEK 18,000,000 and partly via the issuing of new shares totaling SEK 6,466,000. An additional SEK 8,268,000 has been paid in cash after the end of the year. The remaining SEK 55,000,000 will be paid on two occasions, of which SEK 25,000,000 will be paid one (1) year after completion of the acquisition and SEK 30,000,000 will be paid two (2) years after the completion of the acquisition. The amounts have been calculated at current value at a rate of 1.8% and are reported as other current and other non-current liabilities respectively.

Remuneration transferred

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

TSEK	
Cash and cash equivalents	26 268
Newly issued shares, 6 982 473 ordinary shares	6 466
Deferred fixed purchase price	53 469
Total purchase price	86 203

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

Acquisition-related expenses

Acquisition-related expenses totaling SEK 2,577,000 have been reported as an expense during the current year, under Administration expenses in the consolidated income statement.

Identifiable assets and transferred liabilities

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

TSEK	
Intangible assets	23 093
Financial assets	107
Tangible fixed assets	28
Current assets	2 561
Cash and cash equivalents	7 324
Non-interest bearing liabilities	-2 676
Deferred tax liability	-5 645
Total acquired identifiable net assets	24 792
Goodwill	61 411
Total	86 203

Revenue and profit from acquired company

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

Goodwill

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

Impact on cash and cash equivalents at the time of acquisition

TSEK

Purchase price for shares	86 203
Purchase price for shares	-86 203
Deducted: Offsetting issue	6 466
Deducted: Deferred fixed purchase price	53 469
Deducted: Deferred cash settlement	8 268
Added: Cash and cash equivalents in acquired companies at time of acquisition	7 324

Impact on Group's cash and cash equivalent at the time of acquisition	-10 676
------------------------------------------------------------------------------	----------------

PARENT COMPANY INCOME STATEMENT – IN SUMMARY

Amounts in SEK thousand	Note	2021 Q4	2020 Q4	2021 Full-Year	2020 Full-Year
Net sales	1	24 325	21 572	79 048	90 857
Cost of goods sold		-8 048	-5 209	-29 962	-21 553
Gross profit		16 278	16 363	49 086	69 304
Marketing and sales expenses		-7 253	-8 692	-28 737	-28 928
Administrative expenses		-4 333	-3 629	-15 290	-15 137
R&D expenses		-5 877	-6 289	-20 003	-31 824
Other operating income/expenses		-75	-831	212	-1 777
		-17 539	-19 441	-63 819	-77 666
Operating profit/loss		-1 261	-3 078	-14 733	-8 362
Financial income/expenses		407	-384	947	-526
Profit/loss before tax		-854	-3 462	-13 786	-8 888
Tax		0	-5 750	0	-5 750
Profit/loss for the period*		-854	-9 212	-13 786	-14 638

*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	2021-12-31	2020-12-31
Fixed assets			
Fixed assets		3 769	1 696
Immaterial assets		40 154	39 141
Deferred tax assets		90 558	1 778
TOTAL FIXED ASSETS		134 481	42 615
CURRENT ASSETS			
Inventories		548	1 052
Accounts receivable		17 806	12 142
Other receivables		2 000	2 923
Accruals and deferred income		3 202	3 539
Cash and cash equivalents		52 782	73 434
TOTAL CURRENT ASSETS		76 337	93 090
TOTAL ASSETS		210 818	135 705
EQUITY AND LIABILITIES			
Restricted Equity			
Share capital		11 879	10 807
Statutory reserve		1 445	1 445
Reserve for development expenses		23 642	19 228
Total restricted equity		36 965	31 480
Unrestricted Equity			
Share premium reserve		100 050	73 738
Retained earnings		-6 135	13 012
Profit/loss for the year		-13 786	-14 638
Total non-restricted equity		80 130	72 112
Total Equity		117 095	103 593
LONG-TERM DEBT			
Long term debt		28 922	0
TOTAL LONG-TERM DEBT		28 922	0
SHORT-TERM LIABILITIES			
Short-term liabilities		64 801	32 112
Total Short-term liabilities		64 801	32 112
TOTAL EQUITY AND LIABILITIES		210 818	135 705

CONSOLIDATED KEY INDICATORS

Amounts in SEK thousands unless otherwise stated	2021	2020	2021	2020
	Q4	Q4	Full-Year	Full-Year
Net sales	27 434	22 494	83 319	92 349
Net sales growth, %	22,0%	-42,0%	-9,8%	0,5%
Gross margin, %	77,4%	84,7%	76,3%	84,2%
Operating profit/loss	-2 693	-2 625	-14 073	-5 792
Operating profit/loss, total operations	-2 693	-2 345	-14 073	-5 867
Working capital, total operations*	54 414	63 126	54 414	63 126
Capital employed, total operations	128 053	114 044	128 053	114 044
Liquidity ratio, total operations, %	129%	287%	129%	287%
Equity/assets ratio, total operations, %	53,1%	74,6%	53,1%	74,6%
Earnings per share before dilution, SEK	-0,01	-0,02	-0,03	-0,03
Earnings per share before dilution, total operations, SEK	-0,01	-0,02	-0,03	-0,03
Earnings per share after dilution, SEK	-0,01	-0,02	-0,04	-0,03
Earnings per share after dilution, total operations, SEK	-0,01	-0,02	-0,04	-0,03
Equity per share, total operations, SEK	0,32	0,32	0,32	0,32
Number of shares (thousands)	395 964	360 231	395 964	360 231
Weighted avg. number of shares, adjusted for dilution effect (thousands)	368 209	360 231	362 242	360 231
Number of employees at the end of the period	31	23	31	23
Average number of employees during the period	27	23	25	24

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

RECONCILIATION OF CONSOLIDATED ALTERNATIVE KEY INDICATORS

Amounts in SEK thousands unless otherwise stated	2021 Q4	2020 Q4	2021 Full-Year	2020 Full-Year
Net sales	27 434	22 494	83 319	92 349
Net sales growth, %	22,0%	-42,0%	-9,8%	0,5%
Gross profit	21 221	19 054	63 543	77 768
Net sales	27 434	22 494	83 319	92 349
Gross margin, %	77,4%	84,7%	76,3%	84,2%
Operating profit/loss	-2 693	-2 625	-14 073	-5 792
Net sales	27 434	22 494	83 319	92 349
Operating margin, %	-9,8%	-11,7%	-16,9%	-6,3%
Operating profit/loss remaining operations	-2 693	-2 625	-14 073	-5 792
Operating profit/loss discontinued operations	-	280	-	-75
Rörelseresultat total verksamhet	-2 693	-2 345	-14 073	-5 867
EBITDA	1 666	703	1 872	6 862
Depreciation and amortization	-4 359	-3 328	-15 945	-12 654
Operating profit/loss remaining operations	-2 693	-2 625	-14 073	-5 792
EBITDA, total operations	1 666	983	1 872	6 787
Depreciation and amortization, total operations	-4 359	-3 328	-15 945	-12 654
Operating profit/loss total operations	-2 693	-2 345	-14 073	-5 867
Sales expenses	-8 505	-9 092	-31 649	-30 737
Administrative expenses	-7 019	-3 636	-18 018	-15 181
R&D expenses	-8 314	-7 842	-28 161	-35 941
Other operating income/expenses	-76	-1 109	212	-1 701
Total operating expenses	-23 914	-21 679	-77 616	-83 560
Balance sheet total, total operations	241 052	152 953	241 052	152 953
Non-interest-bearing liabilities, total operations*	112 999	38 909	112 999	38 909
Capital employed, total operations	128 053	114 044	128 053	114 044
Closing equity, total operations	128 053	114 044	128 053	114 044
Average equity, total operations	111 919	122 248	111 919	122 248
Current assets minus inventories	93 558	95 315	93 558	95 315
Current liabilities	72 536	33 241	72 536	33 241
Liquidity ratio, total operations, %	129%	287%	129%	287%
Equity	128 053	114 044	128 053	114 044
Total assets	241 052	152 953	241 052	152 953
Equity/assets ratio, total operations, %	53,1%	74,6%	53,1%	74,6%

* The key indicator is calculated including long-term and short-term liabilities to East Coast International

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. 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, 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 for the year.

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.

EARNINGS PER SHARE, REMAINING OPERATION, BEFORE DILUTION

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

EARNINGS PER SHARE, REMAINING OPERATION, AFTER DILUTION

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

EARNINGS PER SHARE, TOTAL OPERATION, BEFORE DILUTION

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

EARNINGS PER SHARE, TOTAL OPERATION, AFTER DILUTION

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

EQUITY PER SHARE, TOTAL OPERATION

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