

A woman with brown hair, wearing a blue and white striped shirt and jeans, is smiling and holding a brown paper bag filled with groceries, including bread. She is standing in a doorway, looking down at the bag. The door is light-colored wood with a silver handle and lock. The background is a plain, light-colored wall. The floor is covered with a patterned rug.

# PRECISE BIOMETRICS ANNUAL REPORT 2019



# CONVENIENT & SECURE IDENTIFICATION FOR EVERYONE, EVERYWHERE



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



# CONTENTS

Year in brief	4
Important events during the year	5
This is Precise	5
The CEO's comments	6

## **Our business**

Vision	8
Business model	8
Business areas	8
Revenue mode	9
Growth strategy	9
What is biometrics	10
Driving forces within the company's product areas	12
Market position	13
Precise YOUNIQ - Access	14
Sustainability	16
Interviews with the team	18
The share and shareholders	20

## **Administration report**

Corporate governance report	31
Five-year overview	37

## **Financial reports**

Consolidated income statement & statement of comprehensive income	40
Consolidated balance sheet	41
Consolidated cash flow statement	42
Change in equity in the group	43
Notes, Group	44
Parent company's income statement & statement of comprehensive income	65
Parent company's balance sheet	66
Parent company's cash flow statement	67
Change in equity in the parent company	68
Notes, parent company	69

Assurance	82
Audit report	83
Financial glossary	88
Annual general meeting	89
Financial calendar	90

The formal annual report contains administration report and financial reports.

# YEAR IN BRIEF

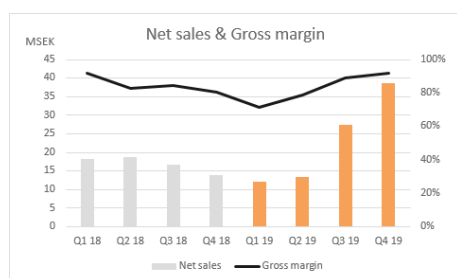
Precise's net sales rose during the year as a result of the implementation of the new strategy, which created growth and increased earnings. The cost savings following the reorganization in 2018 resulted in a controlled cost base, while the company continues to gradually increase the rate of investment in all business areas.

The offering in the Digital Identity business area has been extended via the launch of Precise YOUNiQ – Access, a product offering physical access to facilities. Collaborations with partners such as Egis Technology have enhanced the offering within the Mobile business area and contributed towards the high rate of growth.

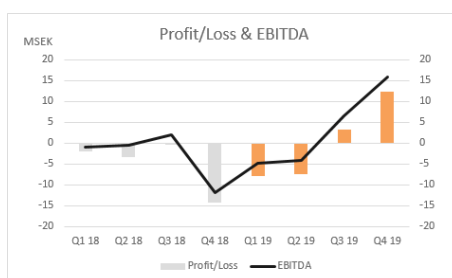
## PRECISE IN FIGURES

<b>91,9 (67,6)</b>	<b>NET SALES, SEK MILLION</b>	<b>116,9 (137,0)</b>	<b>AVERAGE EQUITY, SEK MILLION</b>
<b>86,4 (85,2)</b>	<b>GROSS MARGIN, %</b>	<b>79,8 (79,0)</b>	<b>EQUITY-ASSETS RATIO, %</b>
<b>13,8 (-11,2)</b>	<b>EBITDA, SEK MILLION</b>	<b>-0,5 (-26,1)</b>	<b>OPERATING CASH FLOW, SEK MILLION</b>
<b>76,5 (71,4)</b>	<b>WORKING CAPITAL, SEK MILLION</b>		

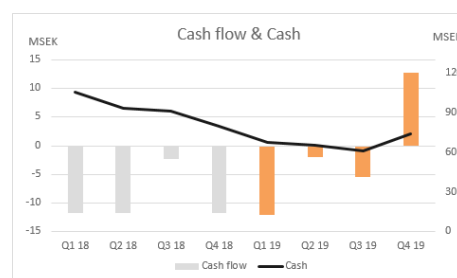
### NET SALES & GROSS MARGIN



### OPERATING PROFIT/LOSS



### OPERATING CASH FLOW





## SIGNIFICANT EVENTS 2019



THE ESTABLISHMENT OF THE NEW OFFICE IN SHANGHAI TO FURTHER IMPROVE CUSTOMER SERVICE AND SUPPORT



PRECISE ENTERED INTO A STRATEGIC PARTNERSHIP WITHIN MOBILE DEVICES WITH EGIS TECHNOLOGY, A LEADING SENSOR MANUFACTURER



INCREASED OFFERING WITHIN DIGITAL IDENTITY, THROUGH PRECISE YOUNIQ – ACCESS



COOPERATION WITH COVR SECURITY IN REGARD TO THE DEVELOPMENT OF A COMMON PRODUCT FOR DIGITAL SERVICES



PRECISE INTEGRATED IN THE FIRST BIOMETRIC SMART CARD MODULE WITH MASTERCARD CAST CERTIFICATE



COOPERATION WITH INFINITY OPTICS TO DEVELOP IDENTIFICATION SOFTWARE BASED ON HASH TECHNOLOGY, BUILT ON INFINITY OPTICS QUANTUMCRYPT (TM) - TECHNOLOGY

## PRECISE IN BRIEF

Precise is a global supplier of identification software. The company offers products in various areas of application that enable users – using their own biometrics – to identify themselves in a convenient and secure way. No matter who you are, where you are and what you do, you must always have access to your digital identity.

Precise's products are used millions of times every day by people all over the world. Identification is at the heart of

Precise, and with a passion for innovation, the company works continuously to create new products that meet users' needs.

Precise has three business areas: Digital Identity, Mobile and Smart Card, and operates out of its offices in Lund, Sweden, Potsdam NY, USA and Shanghai, China. The Precise share is listed at Nasdaq Stockholm (PREC).

Please visit [www.precisebiometrics.com](http://www.precisebiometrics.com) for more information.



# THE CEO'S COMMENTS

2019 was an eventful year for Precise, one in which we implemented a totally new strategy for the company. We made progress in the development of our Digital Identity and Smart Card business areas, and significantly enhanced our position in the Mobile business area. Our strategy to work on a more focused basis is having increasing effects, which is reflected in both revenue and results.

At the beginning of 2019, a journey was initiated towards moving Precise to a position in which we will come closer to the end customer. As one element of the implementation of the revised strategy, the reorganization of the business was completed during the first quarter. This means that the office in Karlstad was closed down and the research & development resources in Sweden were centralized in Lund, so that synergies can be achieved in current operations. During the first half of 2019 we also opened our new office in Shanghai, expanding our presence in a key market. From the business in Shanghai we offer functions including customer service, support and product development for customers in Asia.

The result of the newly implemented strategy is a significantly more efficient organization in which we have not only a more controlled cost base, but also better conditions for closer collaboration with business partners and customers.

## Focus on innovation

Product development is and always has been the main focus for Precise, and we strive constantly to improve our offering and drive the market for identification solutions by means of innovations at the absolute forefront of technology. In the Digital Identity business area – where we focus on developing convenient, secure alternatives to identification in a large number of areas of application – Precise has taken important steps towards the commercialization of the Precise YOUNIQ product. It was announced in June that we have entered into a partnership with Covr Security, one aspect of which involves enabling secure transactions online between mobile devices. We intend to offer a shared product that enables convenient and secure verification of identity for digital services, for example in the areas of finance, gaming, retail and healthcare.

We have also identified one area of application that we feel has major potential - access to facilities - for which we are developing a product for different kinds of access solutions. The product consists of specially-developed identification software intended for various types of authorization control. Using our identification software – and a camera connected to the system – a user's identity

can be verified more smoothly and securely than ever before. The passive identification of the user entails that the user does not need to use keys or an access card to enter the door. We believe strongly in our product for this area of application, and we are now stepping up the pace of commercialization work.

The biggest proportion of our growth can be attributed to the Mobile business area, where we concluded a licensing agreement with the sensor manufacturer Egis Technology during the year. As a result of this, Precise's fingerprint software has been implemented in a number of optical sensors, which have in turn been implemented in a large range of mobile devices from leading OEM manufacturers.

We have also continued to have strong collaboration with actors such as Qualcomm and a number of sensor partners in China and Korea. We also take a positive view of optical sensors winning market shares, where we feel very secure in our delivery, and we are working constantly to develop and refine our technology to retain our market-leading position.

We have also made significant progress in the development of our product for smart cards, which according to analysts will be the next global mass market in the field of biometrics. In 2019 we received confirmation that our fingerprint software was integrated into the first payment card to be awarded the MasterCard CAST certificate, a significant step which makes it possible to include Precise's technology in biometric payment cards for commercial sale. Alongside payment cards, we also see potential for other areas of application for smart cards, such as access.

In conclusion, I take a positive view of developments this year and of what we have achieved during 2019. With our sights set on growth, we will continue to invest in all business areas and at the same time work in a focused way to maintain efficiency through the organization during 2020. We expect the uncertain situation in Asia – resulting from the coronavirus and the consequences this is having for our partners in Asia – to have an impact on order input during the first half of 2020. We are keeping a close eye on reports and constantly evaluating the effects this might have on our business. Our response to the current market situation is that we will continue working to increase the gap to our competitors and secure our position as the preferred supplier of identification software for secure and convenient identification, wherever you are, wherever you are and whatever you are doing.

Stefan K Persson

CEO







# THE BUSINESS

## VISION

Precise's vision is to enable convenient and secure identification, for everyone, everywhere. Whoever you are, wherever you are and whatever you are doing, you must always have access to your digital identity in a convenient and secure way. A vision that is more topical than ever today, as we live in an age with the extensive use of mobile devices and computers, and more and more products are being digitalized at a rapid rate via the Internet of Things (IoT).

## BUSINESS CONCEPT

Precise develops and sells biometrics solutions for convenient and secure verification of people's digital identity in mobile phones, smart cards and digital platforms. The company's revenues are based on licensing revenues, royalties and support & maintenance.

## BUSINESS AREAS

Precise has identified three areas on which the company is focusing in order to create growth.

### *Digital identity*

Precise's objective in the area of Digital Identity is to offer convenient and secure alternatives to identification in various areas of application. Precise is developing products that combine different biometric modalities and can be adapted to different areas of application. Examples of areas of application include access to facilities and digital services in sectors such as finance, health and betting.

### *Mobile*

In the Mobile business area, Precise licenses its identification software to selected sensor manufacturers, who offer and market products to OEM manufacturers, who in turn sell products to end users. Precise's customers include a majority of the most prominent sensor manufacturers around the world.

### *Smart Card*

In the Smart Card area, Precise has developed a product that is integrated into a fingerprint sensor and guarantees authentication of the user's identity. The user's fingerprint template is stored in a secure chip on the card where the payment application is run, in the same way as PIN codes are processed at present, which provides the best protection of the user's identity.



Identification - digital services & IoT



Identification - mobile devices



Identification & verification by card



## PRODUCT PORTFOLIO

The company currently offers the following products: YOUNIQ®, Precise BioMatch® Mobile and Precise BioMatch® Card.

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

## REVENUE MODEL

Precise intäkter är fördelade inom tre huvudsakliga källor; licensintäkter för rätten att använda bolagets teknik, royalties per såld produkt samt support och underhåll för sålda produkter. Bolaget har ett flertal samarbeten med partners som grundar sig i att gemensamt utveckla produkter till kunder för att ömsesidigt dra nytta av teknologi och produktinnovationer.

## GROWTH STRATEGY

The market for biometric solutions is developing constantly, and Precise is continuously conducting research into new opportunities to grow and create innovative solutions for convenient and secure identification. Precise aims, through strategic partnerships, to create growth and expand the company's offering in all business areas. This work is focused on innovation in order to constantly develop products and broaden the range by means of adaptation to more areas of application. The objective is that whoever you are, wherever you are and whatever you are doing, you shall always have access to your digital identity in a convenient and secure way. The user becomes his or her own unique key via his or her biometrics.

It is planned that growth will come primarily from both increasing licensing revenues and royalties. The company has three main focus areas that are considered of particular strategic importance in order to further increase the leading position in the market and to lay a stable foundation for long-term, sustainable growth.

## *Product innovation*

Product development is and has always been Precise focus and the company is constantly striving to improve its offering and drive the market for identification solutions through innovations at the forefront. Since its foundation, the company has successfully launched innovative products that are user-friendly and secure.

## *Operational ability*

Precise leading position is primarily based on the competitive advantage that come from the company's operational excellence in offering products for convenient and secure identification. Biometric identification is very complex and requires effective interaction between people and systems to function. Precise has, over its more than 20 years, built up an overall experience that is unique among the players in the industry.

## *Scalability*

Through its existing product portfolio and customer stock, Precise has major opportunities to further develop, expand and improve its offering in the field of convenient and secure identification. Given the strong technical developments in the field of biometrics, more and more OEM manufacturers, real estate companies and actors with a high number of users are choosing to integrate biometric solutions. Precise's identification software, together with the company's ability to integrate biometric technologies into various solutions, offers scalability, and Precise can expand its offering by means of efficient adaptation to different areas of application.

# WHAT IS BIOMETRICS?

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

## BIOMETRIC TECHNOLOGIES

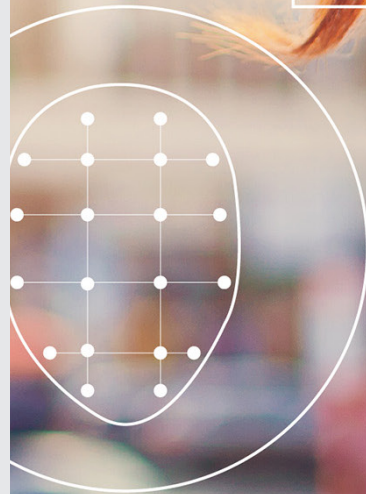
Biometrics involves measuring either an individual's personal attributes (e.g., fingerprint, iris) or something they do (e.g., movement patterns, speech). Biometric technologies are automatic systems set up in order to: (1) collect biometric information (e.g., fingerprints) from a person; (2) extract information from the material for a template; (3) compare information from templates saved previously; (4) determine whether the biometric information is identical. Biometric technologies therefore consist of both hardware (e.g., fingerprint sensor), which can physically read the biometric information, and software, which together with the hardware gathers biometric information in order to extract, compare and match the information.

## USER EXPERIENCE

The key to the user experience of a biometric solution is that it works to the highest possible level of security (accuracy) and that it achieves the highest possible speed for processing the information so that the individual can be authenticated. This means that the time from the point when a person's unique physical characteristics start to be read until the person is either given access or rejected must be as short as possible.

## FAR/FRR

The terms FAR (False Acceptance Rate) and FRR (False Rejection Rate) are used to describe the security of a solution. These terms have a symbiotic relationship with one another and are determined by the limits in the software. A low FAR means a more secure solution (no unauthorized persons are allowed in), but it can result in a high FRR (more authorized persons are denied). A high-quality biometric system with a good user experience provides rapid authentication and has a high level of accuracy (low FAR and FRR values). A four-digit PIN code corresponds to a security level of 1/10,000, which means that one person in 10,000 gains unauthorized access. This can be compared with the high level of security commonly used for fingerprint technology in modern mobile phones, where one user in 50,000 gains unauthorized access. This level of security is even higher in certain phones.









# DRIVING FORCES WITHIN THE COMPANY'S PRODUCT AREAS

With the increased use of mobile devices, the rise of the Internet of Things (IoT) and an increasing number of connected homes, products with integrated biometric solutions will become more widely available to the general public. This means a greater need for convenient and secure systems to verify our identities, for example for access systems at airports, hospitals and workplaces, which means a greater need for biometric solutions that are user-friendly, cost-efficient and, not least of all, secure.

Biometric systems with fingerprint, facial, voice, behavioral and iris recognition make it possible for a digital identity to be verified, making the user's day-to-day life more convenient and secure. This meets demand among users for user-friendly solutions and creates new opportunities to adapt services based on behavior. This trend places major demands on convenient and secure verification of the digital identity of individuals in order to minimize the risk of fraud and to protect private property.

The next stage in the evolution of biometrics in mobile devices is solutions that combine different kinds of biometrics and smart technology in order to verify a person, with minimal or no action by the actual user. Such solutions will offer continuous authentication, where the user is being identified passively in the background, improving both user-friendliness and security. Demand for user-friendly design and mobile devices with full-screen displays is driving the trend of under-display sensors. This trend has resulted in more sensor manufacturers having developed their product offerings and extended their offerings to include optical and ultrasound sensors.

While this development is taking off, the next generation of under-display sensors is being tested, which makes it possible to read fingerprints on the whole screen compared with current technology, which requires the finger to be placed within a limited area on the screen. This development is a natural step towards the goal of developing displays with inbuilt sensors that can read fingerprints over the whole screen, while also enabling continuous authentication and increasing user convenience.

Sales of optical sensors for phones in the lower price segment are rising, while unit prices continue to fall, which also affects the market value of these sensors, as prices are falling faster than volumes are rising.

Smart cards are expected to be the next major market for biometrics. The level of activity for actors along the entire value chain

for the development of biometric smart cards intensified during 2019. Payments are the primary driver of the development of biometrics at the consumer level, and analysts expect biometric cards to be a rapidly growing area in the coming years. Biometrics for identity verification has also become an increasingly important tool in the battle against fraud in virtually all payment channels. Card manufacturers are therefore focusing increasingly on the certification of contactless biometric payment cards, which is a precondition for card issuers to be able to achieve a broad-based market introduction. Sales of contactless biometric payment cards are expected to commence in 2020.







# MARKET POSITION

## DIGITAL IDENTITY

Precise is convinced that biometrics are the key to convenient and secure identification, whatever the area of application, and has therefore expanded the company's business operation 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. It is also possible to identify the user, offer continuous and passive authentication, as well as unique personal adaptation, which makes everyday life easier for people and enhances the user experience of products and services.

In 2019, Precise made significant progress in product development and signed strategically important partnership agreements with actors such as Covr Security, Infinity Optics Solutions and Innovatics. The company focused primarily on the access area of application during 2019, where Precise is developing identification software for different kinds of access systems. The company is in an early phase of the commercialization process, although in 2019 it did sign the first commercial contracts.

## MOBILE

Precise has a strong position in the segment for fingerprint sensors for mobile devices, in terms of both optical and ultrasound sensors. In 2019, an office was opened in Shanghai, providing better local support together with customized solutions for the company's customers in the Asian market. More and more phones are being equipped with optical or ultrasound sensors that are integrated beneath the display. Demand for these sensors is growing rapidly and is expected to continue to

increase over the next few years. Precise will strive to achieve a leading market position in this rapidly expanding area.

## SMART CARD

With more than 20 years' experience of developing identification software primarily for mobile devices, it was a natural step for Precise to develop a product adapted for smart cards, in order to be able to capitalize on a growing market.

The Precise BioMatch Card product guarantees the user's identity through fingerprint recognition, which is a user-friendly solution that enhances security for both end users and card issuers, while at the same time contributing to increased customer flows. In addition to payments and transactions, Precise has identified additional areas of application where biometric smart cards fulfill a function in everyday life, for example access.

Precise continued its partnership during the year with NXP in the field of contactless biometric smart cards. In 2019 Precise received confirmation that the company's product, though collaboration with NXP, had been integrated into the first biometric smart card module with the MasterCard CAST certificate. Being certified with CAST means that the module meets all of MasterCard's security requirements and that all actors involved in the payments can rest assured in their work with the module when it is integrated into a biometric smart card. This certification means that Precise BioMatch Card is approved for commercial sales, although before significant volumes arise it is a requirement that other parts of the value chain are certified.

# PRECISE YOUNIQ ACCESS

## – CrossFit Täby



Precise YOUNIQ for Access was launched back in August 2019, and has since then been involved in a number of successful pilot projects.

Joakim Langhard, co-owner of CrossFit Täby in Stockholm, has been testing the solution for some time now. The idea is that facial recognition will enable employees, visitors and gym members to gain access to the premises in a more convenient and secure way.

### **Tell us about CrossFit Täby and the challenges you face in enabling access to your gym?**

At CrossFit Täby we are specialists in CrossFit training, providing expertise for all our members – young and old, from beginners to contestants in the discipline – with knowledge and health as our central focus. It's a busy gym as we provide several instructor-led workouts each day as well as an open gym for our members to use as they wish with a rig and free weight area plus weight and exercise machines.

Our staff are available from Tuesday – Friday from 10.00 – 15.00. We know however that not all of our members can attend the gym at these times so the facility is open for them to use at any time between 05:00 and 23:00 to suit their personal schedules. The challenge we've been trying to overcome is that once a customer buys their membership via our website, they then have to come here to meet one of our staff to be registered and provided with a security access tag which allows them to enter the gym. As well as taking time, this just isn't convenient for our customers.

Then, once members or new employees have been granted access in this way, they will sometimes lose or forget their access tag, so a new or temporary one has to be issued – with further inconvenience and admin costs. Finally, even though the initial process of access and identity checking has been carried out correctly, you simply can't be certain that the correct person has entered by relying on this method of using the tag since they can be stolen or borrowed, allowing the wrong person to enter.

### **How is using Precise YOUNIQ helping to solve these challenges?**

Precise YOUNIQ will make it much easier for us by remotely asking a customer or new staff member to register their face and linking them to an account in our access system. They can subsequently gain access using the facial recognition system without us having to meet them in person to issue a tag and they won't need to worry about losing or forgetting it.

### **What benefits are you expecting as a result of using Precise YOUNIQ?**

By using this facial recognition system we'll have greater security; stolen tags can't be used to access the facilities and members cannot lend their tag to friends or relatives. Plus we will no longer have the issue of members not being able to enter the gym if they have lost or forgotten their security tag. It is also helping us to be more efficient and improves the experience for our members, for example as a member approaches the camera and they are recognized, they will be automatically checked in on one of our training sessions. Even if several members walk through the door at the same time, the facial recognition system will be able to identify all the members correctly enabling the system to process their access in line with their membership and training card. It's a very smooth experience for everyone!

### **What are the next steps for the pilot?**

At the moment we are piloting the system with the gym management and coaches. The next step is to integrate Precise YOUNIQ with our access and gym system for members. We are in a close dialogue with the Precise team and there will be some updates going forward, such as an admin tool to enable a convenient and secure remote enrolment for our members. Once the new software is implemented we'll be moving on to test the systems together with our own access system. Exciting times are ahead and I'm looking forward to sharing the new access system and all the benefits it brings with our members once we are ready to start using it with everyone.









# SUSTAINABILITY

Sustainability is an important element of Precise's business and shall promote social and environmentally aware responsibility. The company focuses on the areas where our business is considered to have the greatest impact:

- **WORKING ENVIRONMENT**
- **EQUAL TREATMENT IN ALL RELATIONSHIPS**
- **BUSINESS ETHICS**
- **ENVIRONMENT**

The company's sustainability policy acts as a guiding principle for the company's actions when more short-term, operational decisions have to be made, and also for long-term, strategic development. Precise evaluates the company's efforts in this area on an ongoing basis in order to further integrate sustainability into the company's development.



## WORKING ENVIRONMENT

Precise is a knowledge-based company that depends on the desire and ambition of our employees to continuously push the limits of technology. The company works actively to create a working environment that gives employees the right conditions in which to develop.

A stimulating, secure working environment is created by means of openness, creating an understanding of the company's objectives, responsibility to the individual, training and salary benefits. Precise's systematic work environment management prevents ill health and promotes a good working environment. All forms of discrimination are unacceptable and it must be equally easy for all employees to pursue a career, regardless of background and gender.

Precise has five core values that are deeply rooted among the employees and is the basis of which the company is governed:

**TRANSPARENCY:** We are open, honest and responsive.

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

**RELIABILITY:** We take responsibility and keep what we promise.

**QUALITY:** Our deliveries are well thought out, well thought out and holds the highest quality.

**COMMITMENT:** We always do our best and our work results has a direct impact on the success of our customers and our company.

## EQUAL TREATMENT IN ALL RELATIONSHIP

Precise is developing to become an increasingly international company with increased diversity. Different backgrounds and experiences are important for the company's development, and Precise does not accept any form of discrimination against employees in connection with employment or duties at work on the basis of gender, religion, age, physical ability, sexual orientation, nationality, political opinion or social or ethnic origin. The company's long-term objective for equality is that there shall be no differences in the company with regard to professional roles and levels of compensation that can be related to gender affiliation. Furthermore, all employees shall perceive that they have an equal situation regardless of gender in their day-to-day work and in respect of the impact of work on their private and family life. The company also has an ambition to promote a more even gender balance and to achieve a situa-

tion in which the numbers of company employees are more evenly distributed in respect of gender within all units.

## CODE OF CONDUCT AND BUSINESS ETHICS

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

## ENVIRONMENTAL IMPACT

Precise strives to select efficient, sustainable alternatives in order to reduce the company's impact on the environment. The company develops and sells biometric authentication products, which in itself has little impact on the environment. Precise strives to choose environmentally-friendly IT infrastructure and deliver software solutions as downloadable files, which involves minimal environmental impact in connection with delivery and distribution. Precise is growing to become an increasingly international company with operations in a number of countries in Europe, North America and Asia. As air travel accounts for a large proportion of the company's climate impact, the use of videoconferencing is encouraged in order to minimize the number of trips. In 2018, more than one thousand video meetings were held, of which approximately five per cent replaced physical travel. This represents emissions savings equivalent to about 50 round trip flights to Beijing. As the company has now opened an office in Shanghai to offer local support and service to customers, the number of flights to China will be reduced significantly. The company operates in premises that have environmental certification in accordance with LEED Gold. LEED is an international certification system that assesses the environmental impact from five aspects: the location of the premises, water-saving, energy consumption, internal environment, and material and resource consumption. Precise evaluates procedures and work methods on an ongoing basis in order to identify more effective methods that reduce the company's environmental impact.

## Employee interview – Matthew Bai



Precise Biometrics' office in Shanghai was established just over a year ago to enhance support for its customers in Asia. Led by Matthew Bai, Customer Program Manager, a strong pipeline of business is in place and the team has been extended to support the company's important new customers in the region.

### **Tell us a little about your role please and what a typical working day looks like.**

I've worked here in Shanghai as the Customer Program Manager for Precise since November 2018. My key focus is to make sure that we have excellent support here for our customers in Asia – establishing and growing the team we need here in the region and working closely with our customers. As the main contact for customers I have a daily sync-up with them and work closely with the whole team to make sure we are creating great solutions together.

### **What benefits have your customers seen from Precise opening up the new office in Shanghai?**

The key benefit is that engineers are closer and can respond quickly when a customer needs support. Now we are located in the region we operate in, we're in the same time zone so can often be on site within half a day for something urgent. This makes a real difference for customers given the fast development of projects they are engaged in.

### **What do you like best about working for Precise?**

I really enjoy the working environment and friendliness of the people here. The team is full of expertise and works well together. I like that everyone is so professional, has a lot of experience and can solve challenges really quickly – that makes my work a lot easier!

### **What are you most proud of achieving while working with Precise?**

My goal is to provide great levels of customer service and I'm proud of what we've been able to achieve through the Shanghai office so far. I'm delighted that we have successfully built a great team here and that our customers are happy with the support we deliver. In the end that will secure and extend business opportunities with our customers, which is what we are here to achieve.

### **What are your goals for the coming year?**

For the coming year I want to see the business get even better – seizing all the challenges and opportunities. Our team is still young and we have a lot to learn, working and collaborating together. I hope we can achieve that learning and aim to be in a position to take on even more of the core value work for the business. That's my goal for the next year and I will be really happy if we can achieve that. On the personal side, my goal is to enhance customer support even more and really establish excellence in the team.

### **How do you like to spend your free time?**

In my free time I have a number of hobbies and interests. I really enjoy building and flying remote control planes and I make small models like robot miniatures. And of course I like to spend time with my family. My son loves the Transformer movies which I enjoy watching with him!







# THE SHARE & SHAREHOLDER

## HISTORY

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

As of December 30, 2019 the company had 360,231,467 shares listed on the Small Cap list of the Nasdaq OMX. A standard trading unit is one share. The short name is PREC and the ISIN code is SE0001823303

## SHARE PRICE DEVELOPMENT

In 2019 there was a total turnover of 352 467 953 PREC shares, i.e. an average of 1 409 872 shares per day of trading. The closing price on December 30 2019 was SEK 1,69 kr. During the year the share price fluctuated between SEK 2,03 and 0,9

## OWNERSHIP

The number of shareholders at the end of the year was 20 575 (21 691). Foreign shareholders accounted for 13,5 (12,2). See table for shareholder statistics as of December 30, 2019

At the annual general meeting in 2017, a decision was made to offer an incentive program for the company's employees to the effect that a maximum of five million (5,000,000) stock options could be issued, with each stock option providing entitlement to subscribe to one (1) share in the company. Subscription to the stock options was to take place no later than December 31, 2017. Subscription through the exercising of stock options may take place during the period June 1, 2020 until June 30, 2020. The subscription price for the options was set at SEK 0.06 and the subscription price for the shares at SEK 5.40. At the end of the first half of 2019, 1,230,000 options had been subscribed, corresponding to 25% of the total stock option; this was after options subscribed by employees, including former CEO, had been bought back. Assuming that all stock options are exercised to subscribe to new shares, the number of shares in the company will increase by 1,330,000 shares.

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

Dilution is considered in cases where earnings per share deteriorate. Dilution has been considered as the average share price during the interim period was above the price of the incentive program decided 2019.

See also note 5 for the group

## SHAREHOLDER INFORMATION

Previously published annual reports, interim reports and other information can be found at [www.precisebiometrics.com](http://www.precisebiometrics.com). It is also possible to order information by calling +46 46 31 11 00.

Questions may be addressed directly to the company via email: [investor@precisebiometrics.com](mailto:investor@precisebiometrics.com).



# SHARE CAPITAL DEVELOPMENT OVER THE LAST TEN YEARS

	INCREASE IN NUMBER OF SHARES	TOTAL NUMBER OF SHARES	CHANGE IN SHARE CAPITAL, SEK	TOTAL SHARE CAPITAL, SEK	NOMINAL AMOUNT, SEK
2010 -		134 960 800		53 984 320	0,4
2011 - New issue 1)	53 984 320	188 945 120	21 593 728	75 578 048	0,4
2012 - New issue 2)	75 578 048	264 523 168	30 231 219	105 809 267	0,4
2012 - Reduction of share capital 3)	-	264 523 168	-31 742 780	74 066 487	0,28
2013 - New issue 4)	58 782 926	323 306 094	16 459 219	90 525 706	0,28
2013 - New issue 5)	22 000 000	345 306 094	6 160 000	96 685 706	0,28
2015 - Reduction of share capital 6)		345 306 094	-86 326 523	10 359 183	0,03
2016 - New issue 7)	14 925 373	360 231 467	447 761	10 806 944	0,03
<b>2019-12-31</b>	<b>-</b>	<b>360 231 467</b>	<b>-</b>	<b>10 806 944</b>	<b>0,03</b>

1) Issue with preferential rights to existing shareholders. The subscription rate amounted to SEK 1.60 and Precise Biometrics received an issue amount of SEK 54 million.

2) Issue with preferential rights to existing shareholders. The subscription rate amounted to SEK 1.00 and Precise Biometrics received an issue amount of SEK 54 million.

3) Issue with preferential rights to existing shareholders. The subscription rate amounted to SEK 0.72 and Precise Biometrics received an issue amount of SEK 54.4 million.

4) Reduction of share capital. The AGM decided, in accordance with the board's proposal, that the company's share capital should be reduced by SEK 31,742,780.16 to cover losses. The reduction represents a reduction in the nominal value of the shares by SEK 0.12 from SEK 0.40 to SEK 0.28.

5) Issue with preferential rights to existing shareholders. The subscription rate amounted to SEK 0.93 and Precise Biometrics received an issue amount of SEK 54.7 million.

6) Special issue of 22 million shares. The subscription rate amounted to SEK 3.90 and Precise Biometrics received an issue amount of SEK 85.8 million.

7) Reduction of share capital. The AGM decided, in accordance with the board's proposal, that the company's share capital should be reduced from SEK 96.7 million to SEK 10.4 million. The reduction represents a fall in the nominal value of the shares by SEK 0.25 from SEK 0.28 to SEK 0.03.

8) Special issue of 14.9 million shares. The subscription rate amounted to SEK 3.35 and Precise Biometrics received an issue amount of SEK 47.2 million.

# SHAREHOLDER STATISTICS

## SHAREHOLDER REGISTER

	NUMBER OF SHARES	NO. IN % OF CAPITAL STOCK AND VOTES
Avanza Pension	25 299 532	7,0%
Nordnet Pensionsförsäkring	8 402 428	2,3%
Swedbank Försäkring	4 809 527	1,3%
Curt Blixt	3 000 000	0,8%
Emil Natchev	2 870 100	0,8%
Torgils Bonde	2 326 000	0,6%
Nils Arvidsson	2 279 559	0,6%
Christer Jönsson	1 952 684	0,5%
Darko Malesev	1 885 695	0,5%
Bengt Andersson	1 876 283	0,5%
Övriga	305 529 659	85,1%
<b>Total</b>	<b>360 231 467</b>	<b>100,0%</b>

## ALLOCATION OF SHAREHOLDERS

	NUMBER OF SHARES	NO. IN %
Foreign owners	48 845 699	13,5%
Swedish owners	311 385 768	86,5%
- of which institutions	33 075 416	9,1%
- of which Unit trusts	2 885 858	0,8%
- of which Private persons	275 424 494	76,6%

## ALLOCATION OF SHARES

	NO. IN %
10 largest shareholders	15,2%
20 largest shareholders	19,8%
50 largest shareholders	26,8%
100 largest shareholders	33,1%



## SHAREHOLDER STATISTICS (NUMBER OF SHARES OWNED)

	NO. OF SHAREHOLDERS	NO. IN %	NUMBER OF SHARES	PROPORTION OF VOTES
1 - 2 000	11 012	53,5%	7 742 821	2,1%
2 001-10 000	5 871	28,5%	31 320 764	8,7%
10 001 - 1 000 000	3 666	17,8%	211 894 496	58,9%
1 000 001 -	26	0,1%	78 647 008	21,8%
Anonymous ownership			30 626 378	8,4%
<b>Total</b>	<b>20 575</b>	<b>100,0%</b>	<b>360 231 467</b>	<b>100,0%</b>

## GEOGRAPHIC DISTRIBUTION OF SHAREHOLDINGS IN PER CENT

	SHARE
Sweden	86,5%
Denmark	3,5%
Finland	0,5%
Norway	0,5%
China	0,2%
Portugal	0,1%
Spain	0,1%
Others	8,5%
	<b>100,0%</b>

Source: Monitor, Modular Finance AB, based on data from Euroclear.



# ADMINISTRATION REPORT

*The Board of Directors and the CEO of Precise Biometrics (publ), CIN 556545-6596, with headquarters in Lund Municipality, Sweden, hereby submit their Annual Report and consolidated financial statements for the fiscal year 2019.*

## ACTIVITIES

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

### Digital Identity

YOUNIQ® - Secures digital identity in a simple, secure way

### Smart Card

Precise BioMatch® Card - Verifies fingerprints in smart cards

### Mobile

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

in addition to the areas listed above, Precise is active in a number of selected initiatives such as cars and door locks

## IMPORTANT EVENTS DURING THE END OF THE FISCAL YEAR

- The reorganization initiated in fall 2018 has been completed and the Shanghai office is fully operational
- The company's algorithm was integrated into Hyundai Motors' Smart Fingerprint Access and Startup System
- Precise entered into a strategic partnership within mobile devices with Egis Technology, a leading sensor manufacturer
- Precise entered into a strategic partnership within digital identity with Covr Securit
- Precise integrated in the first biometric smart card module with Mastercard CAST certificate
- Expanded offering in Digital Identity by launching YOUNIQ access - a product developed for physical access to facilities
- Cooperation agreement with Infinity Optics
- Liveness detection integrated into Precise's identification software for access control systems
- Cooperation agreement with Innovatrics

## IMPORTANT EVENTS SINCE THE END OF THE FISCAL YEAR

- Precise enters into agreement with Exeger for biometric access to facilities
- The spread of COVID-19 affects communities and companies around the world. Financial effects for Precise are difficult to



quantify at this early stage. Precise employs about 50 people where the vast majority currently work from home and the business has so far been run without major disruptions. Due to the digital nature of the company's products, the authorities' restrictions on people's mobility in society do not affect how customers and end users can access the company's products. On the other hand, there is a risk that demand for mobile devices and other products with the company's identification software may decrease as a result of the uncertainty that has arisen and the company expects it to have an effect on order bookings during the first half of 2020. Precise developments in COVID-19 follow closely, and continuously evaluates what effects it may have on operations.

## SALES AND EARNINGS FOR THE REMAINING OPERATION

The Mobile Smart Card Solutions business area (Tactivo) is classified as discontinued operations since 2017 (with reclassification of 2016). Information on the divestiture was given in June 2017, and in accordance with IFRS 5, reported as divested business. In accordance with IFRS 8, the remaining business is classified as one segment, and no separate segment reporting done.

The discontinued operation's impact on cash flow has not been reported separately, as the company does not consider it possible to report the discontinued operation's impact on cash flow. Cash flow is instead reported for the total operation. Unless otherwise specified, reported figures relate to the remaining operation.

Net sales during the full year increased by 35,9% and totaled SEK 91.9 (67.6) million, split by royalty revenue SEK 31.2 (18.0) million, license fees SEK 45,5 (37.0) million, support & maintenance SEK 9.1 (9.5) and other SEK 6.1 (3.1) million. The gross margin for the full year totaled 86.4% (85.2). The total amortization of capitalized development expenses was SEK 10.2 (7.4) million. Amortization of acquired intangible assets totalled SEK 0.8 (0.7) million. Operating expenses for the full year increased by SEK 1.2 million and totalled SEK 78.8 (77.6) million. The increased costs in R&D was related to increased investments in Digital Identity and Mobile. The higher turnover has led to increased cost for commission and foreign withholding tax. Lower staff costs are related to the completed reorganization. The operating profit/loss for the full year totaled to SEK 0.7 (-22.2) million. Improved result is primarily explained by higher gross profit. Earnings for the period totaled SEK 1.0 (-20.0) million. Total depreciation/write down totaled SEK 13,1 (8,8) million. The operating profit/loss at EBITDA level totaled SEK 13.8 (-11.8) million. Earnings per share (average number of shares) for the period totaled SEK 0.00 (-0.06).

## INVESTMENTS IN FIXED ASSETS

The group invested SEK 0.3 million (0.3) during the year in fixed assets. Depreciation of fixed assets during the year amounted to SEK 0.4 million (0.4).

## INVESTMENTS IN INTANGIBLE ASSETS

The group invested SEK 0.1 million (0.0) during the year in intangible assets. Amortization of intangible assets amounted to SEK 0.8 million (0.8).

## CAPITALIZATION AND AMORTIZATION OF DEVELOPMENT WORK

Development expenses of SEK 5.4 million (11.0) were capitalized during the year. Amortization of capitalized development expenses amounted to SEK 10.2 million (6.5) during the year, and this is recorded in the Cost of Goods Sold.

## FINANCIAL POSITION AND LIQUIDITY – TOTAL OPERATION

Cash flow from the company's total operating activities for the full year totaled SEK -0,5 (-26.1) million. Adjusted for the costs related to the reorganization that was accounted for in the fourth quarter in 2018, the cash flow amounted to SEK 3.5 million. The costs related to the reorganization has reduced the cash flow by SEK 4.0 million.

Cash & cash equivalents at the year-end amounted to SEK 73.7 million (79.5).

As of December 31, 2019, equity amounted to SEK 126.5 million (125.5) and equity per share to SEK 0.35 (0.35).

## FIVE-YEAR SUMMARY

The Five-Year Summary, which is part of the administration report, appears on pages 37-38 in order to better illustrate financial development.

## THE SHARE AND THE SHAREHOLDERS

At the year-end, Precise Biometrics' share capital was SEK 10,806,944, distributed among 360,231,467 shares listed on Nasdaq Stockholm's Small Cap list, Industrial Goods & Services Sector. A standard trading unit is one share. The quote value of the share is SEK 0.03.

### Share price development

In 2019 there was a total turnover of 352,467,953 PREC shares, i.e., an average turnover of 1,409,872 shares per day of trading. The closing price on December 30, 2019 was SEK 1.69. During the year the share price fluctuated from SEK 0.98 to 2.03.

### Ownership

The number of shareholders at the end of the year was 20 575 (21,691). The proportion of foreign owners was 13.5% (12.2). No shareholder in the company holds shares, directly or indirectly, that represent at least one tenth of the voting rights for all shares.

### Transferability of shares

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

### Warrants

At the AGM in 2017, a decision was made to offer an incentive program for the company's employees to the effect that a maximum of five million (5,000,000) stock options could be issued, with each stock option providing entitlement to subscribe to one (1) share in the company. Subscription to the stock options was to take place no later than December 31, 2017. Subscription through the exercising of stock options may take place during the period June 1, 2020 until June 30, 2020. The subscription price for the options was set at SEK 0.06 and

the subscription price for the shares at SEK 5.40 in accordance with the market valuation, which took place based on the Black & Scholes valuation model. At the end of 2018, 1,630,000 options had been subscribed, representing 33% of the total stock option; this was after 1,600,000 options had been bought back from employees who had ended their employment. Assuming that all stock options are exercised

to subscribe to new shares, the number of shares in the company will increase by 1,630,000 shares.

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

The dilution impact is considered as the average rate corresponds to the program decided 2019.

See also Note 5 for the Group.

## PATENTS

The company's overall patent strategy has the objective of securing the rights to our own technology and products in selected markets, creating value for future business, and enhancing the company's competitiveness. The patent portfolio at the end of 2019 includes 74 (78) registered patents in selected markets and 10 (23) patent applications within 27 (28) different patent families.

## TRADE MARKS

**YOUNIQ®** – The trade mark is registered in the EU

**Precise BioMatch® Card** - The trade mark is registered in the EU, the US and China.

**Precise BioMatch® Mobile** - The trade mark is registered in the EU, the US and China.

**Precise BioMatch® Embedded** - The trade mark is registered in the EU, the US and China.

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

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

**Precise Match-on-Card** - The trade mark is registered in the EU.

**Precise BioLive™** - Registered as a trade mark in the EU.

## RESEARCH AND DEVELOPMENT (R&D)

RESEARCH AND DEVELOPMENT (R&D) research at Precise is of fundamental importance for the company and is important in order to maintain competitiveness in an industry that is continuously deve-

loping. The company has a world-leading team in the area of research and development. With more than 20 years' experience of developing algorithm solutions for mobile phones and smart cards, the company has expertise that few can match in the industry. Precise's research and development department works with the development of existing products and patents, and to develop new solutions.

## ORGANIZATION AND STAFF

The reorganization initiated the end of 2018 a reorganization was finalized during 2019, whereby the office in Karlstad was closed. The organization consists of a head office in Lund, Sweden and offices in Potsdam, USA and Shanghai, China. At the end of the interim period the group had a workforce of 48 (38) people, including on-site consultants. The number of employees was 22 (27), of which 14 (22) were 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.

See also Note 5 for the Group.

## GUIDELINES FOR REMUNERATION TO LEADING EXECUTIVES 2019

A decision was made at the annual General Meeting in 2019 on the establishment of guidelines for remuneration to leading executives, with the effect that remuneration and terms of employment shall be in line with the market and competitive, and there will be a pre-terminated cap on remuneration. The variable salary will not exceed 75 per cent of the fixed annual salary for the CEO and 50 per cent for other executives. remuneration will also be provided in the form of options or other share-related incentive plans.

The president is subject to a mutual period of notice of 6 months and the other executives to a period of notice of 6 months. Severance pay for the CEO may not exceed 6 months' salary if employment is terminated at the initiative of the company. Other executives are not entitled to severance pay.

The retirement age is 65, and pension premiums are calculated on a scale based on age and salary, and may amount to a maximum of 25 per cent of the fixed salary. The guidelines laid down by the AGM correspond with those for the previous year.

## PROPOSAL BY THE BOARD OF DIRECTORS' OF PRECISE BIOMETRICS AB (PUBL) FOR EXECUTIVE REMUNERATION

The Board of Directors of Precise Biometrics AB (publ) ("Precise Biometrics" or the "company") proposes that the annual general meeting 2020 resolves on the following guidelines for executive remuneration. The individuals who are members of the group management of Precise Biometrics during the period of which these guidelines are in force, fall within the provisions of these guidelines. The guidelines are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the annual general meeting 2020. These guidelines do not apply to any remuneration decided or approved by the general meeting.



If a Board member performs work for Precise Biometrics in addition to the assignment as Board member, these guidelines shall apply to any remuneration related to such work (e.g. consulting fees).

### ***The guidelines promotion of Precise Biometrics business strategy, long-term interests and sustainability***

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

Long-term share related incentive plans have been implemented in Precise Biometrics. Since the incentive plans have been resolved by the general meeting, they are excluded from these guidelines. The incentive plans comprise, among others, senior executives and other employees in the company, and aims to offer employees an opportunity to take part of the company's value growth by promoting increased commitment and motivation to strive for a long-term favorable financial development in the company. The share-related incentive plans further contribute to strengthening Precise Biometrics' ability to recruit and retain qualified personnel and enables Precise Biometrics to offer a competitive total remuneration. The incentive plans are conditional upon the participant's own investment and holding periods of several years. The outcome of the incentive plans is currently related to the development of the company's share price on Nasdaq Stockholm. For more information regarding these incentive plans, please see Precise Biometrics website, [www.precisebiometrics.com](http://www.precisebiometrics.com).

### ***Types of remuneration etc.***

The remuneration to senior executives shall be on market terms and entail both short and long-term incentives. The remuneration shall consist of fixed cash salary, pension benefits and other benefits and may furthermore consist of variable cash remuneration. Additionally, the general meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related remunerations.

### ***Fixed cash salary***

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

### ***Variable cash remuneration***

Variable remuneration shall be based on predetermined, well-defined

and measurable financial and non-financial criteria for the group. The variable remuneration for the CEO may amount to not more than 75 percent of the fixed cash salary and may amount to not more than 50 percent of the fixed cash salary for other senior executives. The criteria for the variable cash remuneration shall primarily relate to the result, growth, financial position and operations of the group. In addition, individual criteria may be established.

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

### ***Pension benefits***

For the CEO, pension benefits shall be premium defined. Variable cash remuneration shall not qualify for pension benefits. Pension premiums for premium defined pension shall amount to not more than 25 percent of the fixed annual cash salary.

For other senior executives, pension benefits shall be premium defined unless the executive is covered by defined benefit pension according to mandatory provisions of a collective agreement. Variable cash remuneration shall not qualify for pension benefits, unless stipulated in applicable pension policy or mandatory collective agreement provisions applicable to the executive. The pension premiums for premium defined pension shall be paid according to a premium plan that shall take the executives' age and pension qualifying income into account. The pension premiums according to such a premium plan shall amount to not more than 25 percent of the pension qualifying income unless other premium levels are stipulated in mandatory collective agreement provisions.

### ***Other benefits***

Other benefits may include, for example, life insurance, health and medical insurance, occupational health service and company car. Such benefits may amount to not more than 10 percent of the fixed annual cash salary.

### ***Foreign employments and expatriated executives***

To the extent senior executives are covered by employment contracts subject to other rules than Swedish, these may be duly adjusted to comply with mandatory rules or established local practice. Executives who are expatriates to or from Sweden may receive additional remuneration and other benefits to the extent reasonable in light of the special circumstances associated with the expat arrangement. Such benefits shall amount to not more than 30 percent of the fixed annual cash salary. Remuneration covered by the guidelines in this part shall be determined with the overall purpose of these guidelines, to the extent possible, taken into account.

### ***Remuneration to Board members***

If a Board member (including a Board member acting through a whol-

ly owned company) perform work for Precise Biometrics in addition to the assignment as Board member, certain cash remuneration may be paid for such work (consultancy fee) provided that such services promote the implementation of the business strategy, long-term interests and sustainability of Precise Biometrics. The annual consultancy fee shall be in line with market terms and be related to the benefits for Precise Biometrics and for each Board member not exceed the annual Board member remuneration. Remuneration to Board members, and other terms and conditions, shall be decided by the Board of Directors.

#### ***The satisfaction of criteria for awarding variable cash remuneration, etc.***

The Remuneration Committee shall prepare, monitor and evaluate matters regarding variable cash remuneration on behalf of the Board of Directors. After the measurement period for awarding variable cash remuneration has ended, it shall be determined to which extent the criteria have been satisfied. Evaluations regarding fulfilment of financial criteria shall be based on established financial information for the relevant period. Remuneration to the CEO shall be resolved by the Board of Directors based on the recommendation by the Remuneration Committee. Remuneration to other senior executives shall be resolved by the CEO after consultation with the Remuneration Committee and the Board of Directors.

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

#### ***Employment term and termination of employment***

Senior executives shall be employed until further notice or, when applicable, be hired on consultancy basis. Between Precise Biometrics and the CEO, a mutual notice period of not more than six months shall apply. Fixed cash salary and severance pay for the CEO during the notice period shall in total not exceed an amount corresponding to twelve months of fixed cash salary. At termination by the CEO, there shall be no right to severance pay.

Between Precise Biometrics and other senior executives, a mutual notice period of not more than six months shall apply. Other senior executives shall not be entitled to severance pay.

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

#### ***Salary and employment conditions for employees***

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

#### ***The decision-making process to determine, review and implement the guidelines***

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

#### ***Deviation from the guidelines***

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

#### ***Transitional provisions applicable for the annual general meeting 2020***

Precise Biometrics has, at the time of the annual general meeting on May 15, 2020, no remuneration commitments not yet due for payment.

### **CHANGE OF CONTROL CLAUSE**

There are no agreements, with the exception of the employment contracts, the content of which is essentially commented upon above, between the company and its employees, which stipulate that compensation should be paid if their employment terminates as a result of a public takeover offer.

### **SUSTAINABILITY AND ENVIRONMENT**

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

Precise Biometrics works continuously to create a workplace that



prevents any unhealthy impact on the health and well-being of employees. Different backgrounds and experiences are important for the company's development, and Precise Biometrics does not accept any form of discrimination against employees in connection with employment or duties at work on the basis of gender, religion, age, physical ability, sexual orientation, nationality, political opinion or social or ethnic origin. The company's Code of Conduct emphasizes the fundamental ethical principles that Precise Biometrics observes when conducting its business operations, and supports the company's employees and consultants in their relations with business partners and other stakeholders. The Code of Conduct includes, among other things, guidelines, values and rules on ethical business, relationships with employees, customers and suppliers, and information to shareholders. Precise Biometrics strives to select efficient, sustainable alternatives in order to reduce the company's impact on the environment. The company develops and sells fingerprint software, which in itself has little impact on the environment. Precise Biometrics strives to choose environmentally-friendly IT infrastructure and deliver software solutions as downloadable files, which involves minimal environmental impact in connection with delivery and distribution.

## SIGNIFICANT RISKS AND UNCERTAINTIES

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

### ACQUISITIONS

During 2019 and 2018, no acquisitions were made. NexiD biometrics inc. was acquired during 2017 and an acquisition calculation was prepared. risk associated with the acquisition is primarily if sales and earnings in the future do not develop as planned, in which case there may be a need to write down intangible assets.

### RISKS RELATED TO OPERATIONS

#### Technological development

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

#### Market development

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

#### Staff

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

### Partners

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

### Patents and industrial and intellectual property rights

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

### Competitors

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

### Sales

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

### Forecasting uncertainty

The company operates in a rapidly changing market. Revenues have largely consisted of royalties based on customer utilization. The products for smart cards and mobile phones are characterized by long selling-in processes. Earlier or later submissions of orders can have a significant effect on sales and profits. These factors make forecasting very difficult.

### FINANCIAL RISKS

The company is exposed to various financial risks, which are managed in accordance with policies adopted by the board. The company is mainly

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

See also Note 11 for the Group.

### PARENT COMPANY - TOTAL OPERATION

The parent company's net sales for the full year amounted to SEK 90.4 (66.9) million. The operating profit/loss totaled SEK -3.4 (-20.8) million and was affected by amortizations of goodwill totaling SEK 2.5 (2.5) million.

Cash and cash equivalents at the end of the quarter totaled SEK 70.2 million (78.0) and total equity amounted to SEK 118.2 million (121.9).

### PROPOSED DISTRIBUTION OF EARNINGS

The following assets are at the disposal of the AGM:

Share premium reserve, SEK	73 737 913
Retained earnings, SEK	23 138 551
Net loss for the year, SEK	-4 078 424
<b>Total non-restricted equity, SEK</b>	<b>92 798 040</b>

The board proposes that SEK 92,798, 040 be carried forward to the new accounts. The board proposes that the AGM should not issue a dividend for the fiscal year 2019.



# CORPORATE GOVERNANCE REPORT 2019

*The Corporate Governance Report provides a general description of how Precise Biometrics works, how the company's decision-making functions, and how the company applies the Swedish Corporate Governance Code ("the Code"). Certain disclosures in accordance with Chapter 6, Section 6 of the Swedish Annual Accounts Act can be found in the Administration Report on pages 24-30 in the Annual Report.*

## CONTROL OF PRECISE BIOMETRICS

Corporate governance is the system through which the owners, directly or indirectly, govern and control a company. In a limited liability company like Precise Biometrics, governance, control and management are allocated between the shareholders, auditors, board of directors and the CEO in accordance with current legislation, regulations and instructions. The governance of Precise Biometrics is based on the Swedish Companies Act, the company's articles of association, the Nasdaq Stockholm rules for issuers, the Code, and internal control documents such as the financial policy and information policy, see website under investors/Corporate Governance.

The board of directors of Precise Biometrics is responsible for implementing appropriate corporate governance and reviews this annually together with leading executives. The Corporate Governance report describes how Precise Biometrics was governed during 2019. There are no deviations from the Code to report for the fiscal year 2019.

## ARTICLES OF ASSOCIATION

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

## ANNUAL GENERAL MEETING

The AGM is Precise Biometrics' highest ranking decision-making body and the forum through which shareholders can exercise their influence over the company. At the AGM, shareholders exercise their right to vote by appointing board members and external auditors, deciding on the adoption of the income statement and balance sheet, expressing an opinion on the discharge from liability for board members and the CEO in relation to the company, determine principles for how the nomination committee is to be elected, and establish guidelines for remuneration to leading executives. Shareholders also have the opportunity at the AGM to ask questions concerning the company and normally all the members of the board, the group executive team and the auditors must be present to answer such questions.

Precise Biometrics' AGM 2019 was held at the company's head office in Lund, Sweden on May 15, 2019. The AGM adopted the accounts for 2018 and granted the board of directors and the CEO discharge from liability for the fiscal year 2018. In addition to mandatory matters, as set out in the articles of association, the following decisions were made

- Torgny Hellström, Torbjörn Clementz, Mats Lindoff, and Synnöve Trygg were re-elected as board members and Åsa Schwarz was as new board member. Torgny Hellström was re-elected as Chairman of the Board. The number of board members were reduced with one person and now consists of 5 people.
- The accounting firm Ernst & Young AB was re-elected as the company's auditor for a mandate period of one year, with authorized public accountant Johan Thuresson as lead auditor.
- No dividend was paid for the fiscal year 2018.
- The level of the board fee and committee fee was confirmed, as were guidelines for remuneration to leading executives, the essential content of which is that remuneration and terms of employment shall be in line with the market and competitive.
- The board was authorized, as in previous years, to make a decision on the new issue of a maximum of 36,023,146 shares and/or convertibles, with or without departure from the preferential rights of shareholders, for the purpose of enabling the company to receive a capital infusion from new owners, which are considered to be strategically important from an operational, financial, structural or other perspective.

For further information on the decisions made at the AGM 2019, please refer to the company's website under investors/Corporate Governance/annual General Meeting

The Annual General Meeting will be held on May 15, 2020 at 2:00 PM at Mobilvägen 10, Lund, Sweden. The Annual Report for 2019 will be available on Precise Biometrics Biometrics' website and at the head office at the latest on April 24, 2020. Shareholders who wish to participate in the Annual General Meeting must be registered in the share register kept by Euroclear Sweden AB as of May 11, 2020 and register their participation no later than May 8. Shareholders who have had their shares registered through an agent must, in order to participate in the meeting, register their shares in their own name through the agent before May 8, 2019.

## NOMINATION COMMITTEE

The nomination committee prior to the AGM 2019 consisted of Hans Ek (SEB Fonder), Torgils Knutsson Bonde and Torgny Hellström (Chairman of the Board). The nomination committee's motivating statement before the AGM 2018 stated that the nomination committee had, in preparing its proposal for the board, applied rule 4.1 in the Code as a diversity policy. The aim of the policy is that the board have an appropriate composition with due reference to the company's operations, stage of development and situation in general, characterized by versatility and breadth with regard to competence, experience and background, and that the aim should be to have an even gender balance. The AGM 2019 decided to appoint board members in accordance with the nomination

committee's proposal, which resulted in the current board, consisting of five members, two of them women and three men, which the nomination committee considered to be appropriate with reference to the major changes in the board that have taken place in recent years. The nomination committee is of the opinion that work aimed at achieving a gender-equal board in accordance with the Code should continue.

The nomination committee prior to the AGM 2020 consists of Torgils Knutsson Bonde, Christer Jönsson and Torgny Hellström (Chairman of the Board). In addition to the Chairman of the Board, the members represent the two largest shareholders in the company as of August 30, 2019 who have agreed to participate in the nomination committee. The nomination

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

## BOARD OF DIRECTORS

In 2019, the board held 13 board meetings at which minutes were taken. The Chairman organizes and leads the work of the board. Issues dealt with during the year included strategy and long-term focus, organization,



NAME	TORGNY HELLSTRÖM	SYNNÖVE TRYGG	ÅSA SCHWARZ
POSITION	Chairman	Board member	Board member
YEAR OF SELECTION	2013	2016	2019
BIRTH YEAR	1958	1959	1973
EDUCATION	LL.B.	BBA – Stockholm University, Advanced Management Program – Stockholm School of Economics	Bachelor of Arts with a major in Computer and Systems Science and in Business Administration, from Stockholm University & KTH
OTHER SIGNIFICANT ASSIGNMENTS	Founder of and senior management consultant at Ruddex International AB. Chairman of the board at Starbreeze AB. Chairman of the board at DDM Holding AG and MagComp AB, Board member in True Heading AB and Seapilot AB, CEO and other leading positions within Anoto Group, Vice President at Ericsson, leading positions at Ericsson, IBM Europe and IBM Nordic legal departments.	Member of the Board of Directors of Volvo Finans Bank AB, SBAB Bank AB and Valitor hf (Iceland). CEO Trygg Consulting AB.  CEO SEB Kort AB, Member of the Board of Intrum AB, Landshypotek Bank AB, Trygg Hansa, Mastercard Europé, DinersClub International, Eurocard AB.	Responsible for business development and communication at Knowit Cybersecurity & Law. Author in own company and board member of Knowit IT Strategy.  Has over twenty years of experience in cyber security and has worked in the industry in many different roles such as security specialist, marketing manager and founder of companies such as Cybercom, Nexus and Dagaz.
SHARES IN PRECISE BIOMETRICS	400 000 (through company and private)	60 000	160 000
ATTENDANCE/BOARD MEETINGS	13/13	13/13	7/13
COMMITTEE WORK	Audit committee & Compensation committee	Audit committee	Compensation committee 15maj 2019 -
ATTENDANCE/NUMBER OF COMMITTEE MEETINGS	6/7 & 1/1	7/7	-
INDEPENDENT OF THE COMPANY AND ITS MANAGEMENT AND MAJOR SHAREHOLDERS	yes	yes	



corporate governance, financing, and interim and year-end reports. The board conducted an evaluation of the board in which members submitted in writing their views on the board and the work of the board. The results were discussed at individual meetings between each board member and the Chairman of the Board, and jointly with the entire board. The Chairman of the Board presented the results of the board evaluation to the nomination committee.

Precise Biometrics' board of directors shall, in accordance with the articles of association, consist of a minimum of three, and a maximum of seven members. Since the AGM 2018 the board has consisted of six members: Torgny Hellström (Chairman), Torbjörn Clementz, Matts Lilja, Mats Lindoff, Synnöve Trygg and Anna Almlöf. All board members are independent in

relation to Precise Biometrics and corporate management, and also to larger shareholders. At the time of the submission of the annual report, none of the board members in the company have a direct or indirect holding in the company that represents at least one tenth of the voting rights for all shares in the company. The table below sets out the age, education and other assignments of board members, together with their holding of financial instruments in the company. The table below also reports the attendance of members at board and committee meetings for elections, etc., as well as their independence.

The CEO keeps the board of directors up-to-date at all times on the development of the business. In addition to the ordinary meetings, the Chairman and other directors have been in continuous contact with leading executives in the company, primarily the CEO and the CFO. In addition to meetings where minutes were taken, the board has received monthly updates on the company's financial results and position.



#### TORBJÖRN CLEMENTZ

#### MATS LINDOFF

Board member	Board member
2009	2014
1961	1961
MBA	M.S
Own consultancy firm and board member at Sport & Rehab in Ängelholm and ArcAroma Pure AB. Chairman at Veg of Lund AB.	Consultant in own business Lindoff Technology AB and board member at Enea, Combain and IMINT AB.
CFO at Kährs Group, One Nordic AB, CFO and Vice President at BE Group.	CTO at Sony Ericsson, CEO at C Technologies, Product Development Manager at Ericsson.
59 555	75 000
13/13	13/13
Audit committee	Compensation committee
7/7	1/1
yes	yes

### AUDIT COMMITTEE

The audit committee's undertaking is to support the board in its work to fulfill its responsibilities in the areas of auditing, internal control and financial reporting. In addition to this, the work of the audit committee includes supporting the board in the preparation of proposals for the choice of auditor and, when applicable, the procurement of audit services, monitoring the auditor's independence and staying informed about the Swedish Supervisory Board of Public Accountants' quality control of the auditor. In 2019 the committee focused primarily on reporting (quarterly reports, annual financial reporting and internal reporting), business-related risks and internal control. The committee holds meetings two to three times a year and in conjunction with the compilation of each interim report. The committee held 7 meetings during the year, of which four were in conjunction with the quarterly reports. The audit committee must meet the company's auditor at least twice in every calendar year. Since the AGM 2019 the company's audit committee has consisted of board members Torbjörn Clementz (committee chairman), Torgny Hellström and Synnöve Trygg.

### COMPENSATION COMMITTEE

The duties of the compensation committee include issues concerning salaries, pension terms and conditions, incentive plans and other terms and conditions for the employment of the CEO and other leading executives. In 2019 the committee focused primarily on remuneration to leading executives, including the issue of incentive plans. The committee has also prepared board proposals for guidelines for remuneration to leading executives, which can be found in the Administration Report. The committee held one meeting during the year. Since the AGM 2019 the company's compensation committee has consisted of board members Torgny Hellström (committee chairman), Mats Lindoff and Åsa Schwartz.

## GROUP EXECUTIVE TEAM

Precise biometrics' group executive team is based at the headquarters in Lund, Sweden. at the end of 2018 the group executive team consisted of the CeO, CTO, CFO, r&D Director and VP Sales. The composition of the group ensures short decision-making channels. The group held formal weekly meetings during the year and a strategy and budget meeting.

The table below provides a more detailed presentation of the group management team.

## AUDITORS

At the AGM 2019 Ernst & Young AB (EY), with Johan Thuresson as lead auditor, was elected to be Precise Biometrics' auditor for the period until the AGM 2020. The auditors undertake assignments for other listed companies, but not to such an extent that the time required is not allocated for Precise Biometrics. None of the auditors has any assignments that would question their independence. As part of his audit assignment, Johan Thuresson participated in one board meeting and three audit committee meetings, and has been in regular contact with the CEO, the CFO and the Chairman of the Board.

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

## INTERNAL CONTROL AND RISK MANAGEMENT IN RESPECT OF FINANCIAL REPORTING

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

The company's organization and the way the business is run form an important platform for internal control. all areas of responsibility and employees have clearly defined roles. The most important policy documents are documented in the form of policies and instructions, and have been adopted by the boards and are revised annually. These documents are primarily the economic and finance policy, the Code of Conduct, the communication policy, the insider trading policy, the iT policy, the sustainability policy, the equality and diversity plan and the working environment policy.



**STEFAN K PERSSON**



**ULRIK NILSSON**



**TOM SØBERG**

POSITION	CEO	CFO	CTO
EMPLOYED SINCE	2018	2018	2019
YEAR OF BIRTH	1967	1970	1969
EDUCATION	Applied Physics	MBA	Luleå University of Technology, HVTFS
PREVIOUS ASSIGNMENTS	Executive Vice President at Bang & Olufsen, EVP & COO at Bang & Olufsen, Vice President at Sony Mobile Communications, Vice President at Sony Ericsson	Over 15 years' experience from leading financial positions at Gambro, most recently from a position as head of Gambro finance and accounting at baxter international	VP, head of r&D at bang & Olufsen, Global r&D Director, electric at husqvarna, Director, head of hardware Development & General Manager, head of Platform Development beijing at Sony Mobile Communications
SHARES IN PRECISE BIOMETRICS	410 041	200 000	-
WARRANTS IN PRECISE BIOMETRICS	1 000 000	300 000	-



### Control environment

Operational decisions are made by the group executive, while decisions on strategy, focus, acquisitions and general financial matters are made by the board. Internal control is designed to work in this organization. The basis of internal control in respect of financial reporting consists of the general control environment comprising an organization, decision-making paths, authorizations and responsibilities that have been documented and communicated. The company's control environment also consists of collaboration between the group executive, the board and the compensation and audit committees. In order to create and maintain a functional control environment the board has prepared several important documents for the financial reporting. These documents consist of, among other things, the rules of procedure as applied by the board and instructions for the CEO. The CEO is responsible for ensuring that the guidelines adopted by the board are followed in daily operational work. The CEO briefs the board on a fixed regular basis at board meetings and through monthly reports. The company follows well-defined procedures in relation to annual and monthly financial reporting. The closing financial statements are presented to the board according to a predetermined template.

The company's auditors report at least once every fiscal year to the

board and at least twice to the audit committee. An examination of internal control was performed within the framework of the external audit. The lead auditor also maintains regular contact with the Chairman of the board.

### Risk assessment

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

### Control activities

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



**FREDRIK CLEMENTSON**



**FREDRIK SJÖHOLM**

R&D Director	VP Sales
2007	2016
1980	1970
M.Sc.	MBA
Over ten years' experience at Precise biometrics as developer, project manager and in sales. Previous experience from roles in development at Obigo and Teleca USA	Many years' experience from senior positions in sales and business development at technology companies such as Cybercom, enea, Sony ericsson and Telelogi
75 000	-
300 000	300 000

ted as required. Manual inspections are carried out to prevent errors in financial reporting. These inspections are also integrated into accounting and other iT systems. The regular audit involves an evaluation of those controls that the auditor considers reliable. any observations following this examination are reported to both the group executive and the board.

### **Information and communication**

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

external information and communication take place in accordance with the eU's Market abuse regulation, Swedish law, the stock exchange's rule book for issuers and the Code. The company issues interim financial statements for the business three times a year, as of March 31, June 30 and September 30. The company also reports on the year-end financial statements as of December 31 in its year-end report. all documents, press releases and presentations in connection with reports are available on the company's website.

The board receives monthly reports from the CeO and the CfO about the company's financial position, development and projects in progress. The company continuously informs staff of updates to accounting policies, policies and other changes in reporting requirements.

### **Follow-up**

The board and the audit committee continually assess the information submitted by the group executive. The company's financial situation is reviewed at every board meeting and through monthly reports. budget comparisons and forecasts, including analysis of any deviations, are

described in the monthly reports. The board examines interim and year-end financial statements before they are published. every year the board evaluates both its own work and that of the CeO.

### **Internal audits**

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



# Five-Year Overview

## INCOME STATEMENT - REMAINING OPERATION

<i>Amounts in SEK thousands</i>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Net sales	91 927	67 645	61 039	83 299	56 337
Cost of goods and services sold	-12 470	-10 000	-4 091	-1 681	-17 059
<b>Gross profit</b>	<b>79 457</b>	<b>57 645</b>	<b>56 948</b>	<b>81 618</b>	<b>39 278</b>
Selling expenses	-28 220	-27 664	-29 735	-18 183	-12 685
Administrative expenses	-14 811	-15 508	-14 105	-15 004	-13 587
R&D expenses	-35 794	-33 519	-25 276	-24 904	-22 631
Other operating income/expenses	19	-911	-1 769	1 881	219
<b>Operating profit/loss</b>	<b>651</b>	<b>-19 958</b>	<b>-13 936</b>	<b>25 407</b>	<b>-9 407</b>
Net financial items	-556	-608	-1 664	-12	-62
<b>Profit/loss after financial items</b>	<b>95</b>	<b>-20 565</b>	<b>-15 600</b>	<b>25 395</b>	<b>-9 469</b>
Tax	926	-1 622	-7 094	13 200	-
<b>Profit/loss for the year</b>	<b>1 021</b>	<b>-22 187</b>	<b>-22 694</b>	<b>38 595</b>	<b>-9 469</b>

Omräkning av jämförelsetal avseende redovisning av kvarvarande verksamhet och avskrivningar på aktiverade utvecklingskostnader har inte gjorts för 2015.

## BALANCE SHEET - TOTAL OPERATION

<i>Amounts in SEK thousands</i>	<b>12/31/2019</b>	<b>12/31/2018</b>	<b>12/31/2017</b>	<b>12/31/2016</b>	<b>12/31/2015</b>
<b>Assets</b>					
Fixed assets	820	918	956	1 285	2 132
Nyttjanderättstillgångar	1 065				
Intangible assets	42 415	47 955	45 306	10 436	11 152
Deferred tax assets	5 750	5 213	6 106	13 200	-
Current assets	108 423	104 701	135 688	171 176	85 664
- Cash & cash equivalents	73 676	79 543	116 955	135 753	52 356
Assets held for sale	-	-	1 562	-	-
<b>Total assets</b>	<b>158 473</b>	<b>158 787</b>	<b>189 618</b>	<b>196 096</b>	<b>98 948</b>
<b>Eget kapital och skulder</b>					
Equity	126 467	125 481	145 805	163 009	83 059
Långfristiga skulder	126				
Current liabilities and provisions	31 880	33 306	43 813	33 087	15 889
<b>Total equity and liabilities</b>	<b>158 473</b>	<b>158 787</b>	<b>189 618</b>	<b>196 096</b>	<b>98 948</b>

## CASH FLOW STATEMENT - TOTAL OPERATION

<i>Amounts in SEK thousands</i>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Cash flow from operating activities before					
Change in working capital	11 488	-9 339	-4 670	24 824	396
Changes in working capital	-11 965	-16 716	27 458	12 834	-4 854
Cash flow from investing activities	-5 843	-11 386	-40 821	-5 268	-3 004
Cash flow from financing activities	396	-96	194	50 000	-
<b>Change in cash &amp; cash equivalents</b>	<b>-5 924</b>	<b>-37 537</b>	<b>-17 840</b>	<b>82 390</b>	<b>-7 463</b>

## KEY FIGURES (GROUP)

<i>Amounts in SEK thousands unless otherwise stated</i>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Net sales	91 927	67 645	61 039	83 299	56 337
Net sales growth, %	35,9%	10,8%	-26,7%	95,7%	79,5%
Gross margin, %	86,4%	85,2%	93,3%	98,0%	69,7%
Operating profit/loss	651	-19 958	-13 936	25 407	-
Operating profit/loss, total operation	224	-18 225	-8 676	18 005	-9 407
Working capital, total operation	76 544	71 395	91 876	138 089	69 775
Capital employed, total operation	126 593	125 481	145 805	163 009	83 059
Liquidity ratio, total operation,%	340%	314%	310%	511%	486%
equity/assets ratio, total operation,%	79,8%	79,0%	76,9%	83,1%	83,9%
Return on equity, total operation, %	0,5%	neg	neg	27,2%	neg
Earnings per share before dilution, SEK	0,00	-0,06	-0,06	0,11	-0,03
Earnings per share before dilution, total operation, SEK	0,00	-0,06	-0,05	0,09	-
Earnings per share after dilution, SEK	0,00	-0,06	-0,06	0,11	-0,03
Earnings per share after dilution, total operation, SEK	0,00	-0,06	-0,05	0,09	-
Equity per share, total operation, SEK	0,35	0,35	0,40	0,45	0,24
No. of shares (thousands)	360 231	360 231	360 231	360 231	345 306
Weighted average number of shares, adjusted for dilution effect (thousands)	360 881	360 231	360 231	346 843	345 306
Number of employees at end of period	22	27	35	26	22
Average number of employees during the period	20	32	31	26	22

Conversion of comparative figures for reporting of the remaining operation and amortization of capitalized development expenses was not performed for 2015, see also Note 1 in notes for the group.

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



## THE GROUP, RECONCILIATION OF ALTERNATIVE KEY FIGURES

Amounts in SEK thousands unless otherwise stated

	2019	2018	2017	2016	2015
Gross profit	79 457	57 645	56 948	81 618	39 278
Net sales	91 927	67 645	61 039	83 299	56 337
<b>Gross margin, %</b>	<b>86,4%</b>	<b>85,2%</b>	<b>93,3%</b>	<b>98,0%</b>	<b>69,7%</b>
Operating profit/loss	651	-19 957	-13 936	25 407	-9 407
Net sales	91 927	67 645	61 039	83 299	56 337
<b>Operating margin, %</b>	<b>0,7%</b>	<b>-29,5%</b>	<b>-22,8%</b>	<b>30,5%</b>	<b>-16,7%</b>
EBITDA	13 791	-11 189	-10 350	27 424	-
Depreciation & amortization	-13 140	-7 837	-3 586	-2 017	-
Write-downs	-	-932	-	-	-
<b>Operating profit/loss</b>	<b>651</b>	<b>-19 958</b>	<b>-13 936</b>	<b>25 407</b>	<b>-</b>
EBITDA, total operation	13 364	-9 456	-3 953	24 836	457
Depreciation & amortization, total operation	-13 140	-7 837	-4 719	-6 301	-9 865
Write-downs, total operation	-	-932	-	-529	-
<b>Operating profit/loss, total operation</b>	<b>224</b>	<b>-18 225</b>	<b>-8 673</b>	<b>18 005</b>	<b>-9 408</b>
Operating profit/loss, remaining operation	651	-19 958	-13 936	25 407	-
Operating profit/loss, discontinued operation	-427	1 733	5 264	-7 402	-
<b>Operating profit/loss, total operation</b>	<b>224</b>	<b>-18 225</b>	<b>-8 673</b>	<b>18 005</b>	<b>-</b>
Selling expenses	-28 220	-27 664	-29 735	-18 183	-12 685
Administration expenses	-14 811	-15 508	-14 105	-15 004	-13 587
R&D expenses	-35 794	-33 519	-25 276	-24 904	-22 631
Other operating income/expenses	19	-911	-1 769	1 881	219
<b>Total operating expenses</b>	<b>-78 806</b>	<b>-77 602</b>	<b>-70 885</b>	<b>-56 211</b>	<b>-48 685</b>
Balance sheet total, total operation	158 473	158 787	189 618	196 096	98 949
Non-interest-bearing liabilities, total operation	30 809	33 306	43 813	33 087	15 889
<b>Capital employed, total operation</b>	<b>127 664</b>	<b>125 481</b>	<b>145 805</b>	<b>163 009</b>	<b>83 059</b>
Closing equity, total operation	126 467	125 481	145 805	163 009	83 059
<b>Average equity, total operation</b>	<b>116 941</b>	<b>137 035</b>	<b>155 322</b>	<b>114 534</b>	<b>80 451</b>
Current assets less inventories	108 423	104 701	135 688	168 985	77 161
Current liabilities	31 880	33 306	43 813	33 087	15 889
<b>Liquidity ratio, total operation</b>	<b>340%</b>	<b>314%</b>	<b>310%</b>	<b>511%</b>	<b>486%</b>
Equity	126 467	125 481	145 805	163 009	83 059
Total assets	158 473	158 787	189 618	196 096	98 949
<b>Equity/assets ratio, total operation</b>	<b>79,8%</b>	<b>79,0%</b>	<b>76,9%</b>	<b>83,1%</b>	<b>83,9%</b>
Profit after taxes	594	-20 454	-17 431	31 193	-9 469
Average equity	116 941	137 035	155 322	114 534	80 451
<b>Return on equity, total operation</b>	<b>0,5%</b>	<b>Neg</b>	<b>Neg</b>	<b>27,2%</b>	<b>Neg</b>

# CONSOLIDATED INCOME STATEMENT

Amounts in SEK thousands

	Note	2019	2018
Net sales	2	91 927	67 645
Cost of goods and services sold	3	-12 470	-10 000
<b>Gross profit</b>		<b>79 457</b>	<b>57 645</b>
Selling expenses		-28 220	-27 664
Administration expenses		-14 811	-15 508
R&D expenses		-35 794	-33 519
Other operating income/expenses		19	-911
	3,4,5,6,7	<b>-78 806</b>	<b>-77 602</b>
<b>Operating profit/loss</b>		<b>651</b>	<b>-19 958</b>
Interest income and similar income statement items	8	38	5
Interest expenses and similar income statement items	8	-594	-613
		<b>-556</b>	<b>-608</b>
<b>Profit/loss before tax</b>		<b>95</b>	<b>-20 565</b>
Tax	9	926	-1 622
<b>Profit/loss for the year from remaining operation</b>		<b>1 021</b>	<b>-22 187</b>
Profit/loss after tax from discontinued operation	19	-427	1 733
<b>Profit/loss for the year, total operation</b>		<b>594</b>	<b>-20 454</b>
<b>Profit/loss for the year attributable to holders of participations in the parent company</b>		<b>594</b>	<b>-20 454</b>
Earnings per share, remaining operation, SEK			
- before dilution, SEK	10	0,00	-0,06
- after dilution, SEK	10	0,00	-0,06
Earnings per share, total operation, SEK			
- before dilution, SEK	10	0,00	-0,06
- after dilution, SEK	10	0,00	-0,06

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<b>Profit/loss for the year</b>	<b>594</b>	<b>-20 454</b>
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified to profit or loss</i>		
Translation differences, foreign operations	-4	226
<b>Other comprehensive income for the year</b>	<b>-4</b>	<b>226</b>
<b>Total comprehensive income</b>	<b>590</b>	<b>-20 228</b>
<b>Comprehensive income for the year attributable to holders of participations in the parent company</b>	<b>590</b>	<b>-20 228</b>

# CONSOLIDATED BALANCE SHEET

Amounts in SEK thousands

ASSETS	Note	12/31/2019	12/31/2018
<b>Fixed assets</b>			
Fixed assets	12	820	918
Nyttjanderättstillgångar	7	1 065	
Intangible assets	13	42 415	47 955
Deferred tax assets	9	5 750	5 213
<b>Total fixed assets</b>		<b>50 050</b>	<b>54 086</b>
<b>Current assets</b>			
Accounts receivable	14,18	29 279	19 667
Other receivables	15	3 593	3 931
Prepaid expenses and accrued income	15	1 875	1 560
Liquid assets	18	73 676	79 543
<b>Total current assets</b>		<b>108 423</b>	<b>104 701</b>
<b>TOTAL ASSETS</b>		<b>158 473</b>	<b>158 787</b>
<b>EQUITY &amp; LIABILITIES</b>			
<b>EQUITY</b>			
Share capital		10 807	10 807
Additional paid-in capital		823 185	822 789
Reserves and translation differences		4 283	4 287
Retained loss/Profit or loss for the year		-711 808	-712 402
<b>Total equity</b>		<b>126 467</b>	<b>125 481</b>
<b>Total equity attributable to the parent company's shareholders</b>		<b>126 467</b>	<b>125 481</b>
<b>Långfristiga skulder</b>			
Räntebärande långfristiga skulder	7	74	
Övriga långfristiga skulder	5	52	
<b>Summa långfristiga skulder</b>	16	<b>126</b>	
<b>Current liabilities</b>			
Accounts payable	18	4 862	4 589
Räntebärande kortfristiga skulder	7	997	
Other current liabilities	18	178	1 831
Accrued expenses and prepaid income	17	25 843	26 885
Other provisions		-	-
<b>Total current liabilities</b>		<b>31 880</b>	<b>33 306</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>158 473</b>	<b>158 787</b>



# CONSOLIDATED CASH FLOW STATEMENT

Amounts in SEK thousands

	Note	2019	2018
<b>Cash flow from operating activities</b>			
Operating profit/loss		224	-18 225
Adjustments for items not included in cash flow		11 202	10 221
Net financial items	8	-327	-607
Tax paid		389	-728
<b>Cash flow from operating activities before change in working capital</b>		<b>11 488</b>	<b>-9 339</b>
<b>Cash flow from changes in working capital</b>			
Change in current receivables		-9 591	-6 425
Change in provisions		52	-207
Change in current liabilities		-2 426	-10 084
		<b>-11 965</b>	<b>-16 716</b>
<b>Cash flow from operating activities</b>		<b>-477</b>	<b>-26 055</b>
Investment in fixed assets	12	-310	-416
Investment in intangible assets	13	-5 533	-10 970
<b>Cash flow from investing activities</b>		<b>-5 843</b>	<b>-11 386</b>
<b>Cash flow after investments</b>		<b>-6 320</b>	<b>-37 441</b>
Payment for buy-back of options		396	-96
<b>Cash flow from financing activities</b>		<b>396</b>	<b>-96</b>
<b>Net cash flow for the year</b>		<b>-5 924</b>	<b>-37 537</b>
Cash & cash equivalents at beginning of year		79 543	116 955
Exchange rate differences in cash & cash equivalents		57	125
<b>Cash &amp; cash equivalents at end of year <sup>1)</sup></b>		<b>73 676</b>	<b>79 543</b>

The discontinued operation's impact on the financial position has not been reported separately, as the company does not consider it possible to report the discontinued operation's impact on cash flow. Cash flow is instead reported for the total operation. The operating profit/loss consequently includes the profit/loss from the discontinued operation.

Adjustments for items not included in cash flow consist of depreciation/amortization, write-downs and exchange rate losses.

An analysis of changes in leasing debt is done in Note 7 for the group. There are no other interest-bearing liabilities in either 2019 or 2018, so there is no need to specify a change between the years.

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

# CHANGE IN EQUITY (GROUP)

Belopp i tkr

	Attributable to parent company's owners				
	Share capital	Additional paid-in capital	Translation difference	Retained loss/ profit or loss for the year	Total equity
<b>Opening balance as of January 1, 2018</b>	<b>10 807</b>	<b>822 885</b>	<b>4 061</b>	<b>-691 948</b>	<b>145 805</b>
<b>Comprehensive income</b>					
Profit/loss for the year	-	-	-	-20 454	-20 454
<b>Other comprehensive income</b>					
Exchange rate differences	-		226		226
Total other comprehensive income	-	-	226	-	226
Total comprehensive income	-	-	226	-20 454	-20 228
<b>Transactions with shareholders</b>					
Payment for issue of options		-96	-		-96
<b>Total transactions with shareholders</b>	<b>-</b>	<b>-96</b>	<b>-</b>	<b>-</b>	<b>-96</b>
<b>Closing balance as of December 31, 2018</b>	<b>10 807</b>	<b>822 789</b>	<b>4 287</b>	<b>-712 402</b>	<b>125 481</b>
<b>Opening balance as of January 1, 2019</b>	<b>10 807</b>	<b>822 789</b>	<b>4 287</b>	<b>-712 402</b>	<b>125 481</b>
<b>Comprehensive income</b>					
Profit/loss for the year	-	-	-	594	594
<b>Other comprehensive income</b>					
Exchange rate differences	-		-4		-4
Total other comprehensive income	-	-	-4	-	-4
Total comprehensive income	-	-	-4	594	590
<b>Transactions with shareholders</b>					
Payment for buy-back of options		396	-		396
<b>Total transactions with shareholders</b>	<b>-</b>	<b>396</b>	<b>-</b>	<b>-</b>	<b>396</b>
<b>Closing balance as of December 31, 2019</b>	<b>10 807</b>	<b>823 185</b>	<b>4 283</b>	<b>-711 808</b>	<b>126 467</b>

# NOTES (GROUP)

- 1 - GENERAL ACCOUNTING POLICIES**
- 2 - REVENUE ALLOCATION**
- 3 - COSTS ALLOCATED PER TYPE**
- 4 - EMPLOYEES AND PERSONNEL EXPENSES**
- 5 - REMUNERATION TO LEADING EXECUTIVES**
- 6 - AUDITORS' REMUNERATION**
- 7 - OPERATIONAL LEASING AGREEMENTS**
- 8 - FINANCIAL INCOME AND EXPENSES**
- 9 - INCOME TAX AND DEFERRED TAX ASSETS**
- 10 - EARNINGS PER SHARE**
- 11 - FINANCIAL RISK FACTORS**
- 12 - TANGIBLE ASSETS**
- 13 - INTANGIBLE ASSETS**
- 14 - ACCOUNTS RECEIVABLE**
- 15 - PREPAID EXPENSES AND ACCRUED INCOME**
- 16 - OTHER PROVISIONS**
- 17 - ACCRUED EXPENSES AND PREPAID INCOME**
- 18 - FINANCIAL INSTRUMENTS**
- 19 - DISCONTINUED OPERATION**
- 20 - IMPORTANT EVENTS SINCE THE END OF THE YEAR**



## NOTE 1 - GENERAL ACCOUNTING POLICIES

### GENERAL

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

The recognition and measurement policies applied in the Annual Report for 2018 have also been used in this annual report, with the exception of the application of new accounting standards as described below. Unless otherwise stated, all amounts are given in SEK thousands, and unless otherwise stated amounts in brackets refer to the previous fiscal year.

#### ***New or amended accounting standards implemented in 2019***

##### ***IFRS 16 Leases***

IFRS 16 came into force on January 1, 2019 and replaced IAS 17. Rights to use lease assets are reported as assets (fixed assets) and obligations to pay lease charges are reported as a financial liability. Expenses are divided into interest expenses and depreciation of the asset.

The group has chosen to report the transition to the new standard using the simplified method, which means that the comparative year has not been translated. A marginal borrowing rate of 3% was used to calculate the lease commitment as of January 1, 2019. Rights of use have been valued at the value of the lease liability, adjusted for any prepaid or accrued lease charges reported in the balance sheet as of December 31, 2018. The group has applied the practical exceptions on an ongoing basis, meaning that leases with a lease period of max. 12 months and leases in which the underlying asset has a low value will be excluded from the calculation of lease liability. These agreements are recognized as expenses on a straight-line basis in the income statement. The group also applies the practical solution of not differentiating between non-lease components and lease components, which means that non-lease components have been included in the calculation of the lease liability.

IFRS 16 is only applied at group level. This means that the parent company's policies for reporting leases remain unchanged.

Other new or amended IFRS have not caused any changes for the group.

##### ***New and amended IFRS that have not yet come into force***

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

The accounting and valuation principles applied are described below.

### CONSOLIDATED ACCOUNTS

The consolidated statements are prepared using the acquisition method. Subsidiaries are included in the consolidated financial statements as of the date the controlling influence is transferred to the parent company. Intergroup transactions, balance sheet items, earnings and expenses between group companies are eliminated. Profits and losses resulting from intergroup transactions, and which are reported in assets, are also eliminated.

### TRANSLATION OF FOREIGN CURRENCY

#### ***Functional currency***

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

#### ***Transactions and balance sheet items***

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

#### ***Group companies***

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

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

#### ***Segment reporting***

Income is reported so as to correspond with the internal reporting submitted to the chief executive. The chief executive is the function responsible for the allocation of resources and assessment of the income trend, and consists of the CEO and the group executive team.

#### ***Disposal of the Mobile Smart Card Solutions business area (Tactivo)***

The disposal of the Mobile Smart Card Solutions business area was completed as planned as of January 1, 2018. Information about the sale was issued in June 2017 and in accordance with IFRS 5 the busi-

ness area was reported as a business held for sale for the rest of 2017. In accordance with IFRS 8, the discontinued operation is not reported in segment reporting, and as the remaining operation consists exclusively of the Fingerprint Technology business area, there is therefore no longer any segment reporting.

## REVENUE RECOGNITION

The group's revenues consist primarily of revenues from licenses and support & maintenance related to this. Sales are reported net of VAT and discounts.

### *License revenues*

License revenues are divided into two categories based on when the contract asset arises.

Agreements give the customer a license for the software, which is developed and updated on an ongoing basis. The group has made the assessment that there is a performance commitment to the customer. It has been concluded that the license should be classified as a right to have access, and revenues for these licenses are therefore reported over time. License revenues are recognized as revenue based on the length of the license agreement when license agreements, without consequential loss clauses, have been signed and delivery has taken place, and when price and payment plans have been determined without any other commitments in addition to the provision of licenses. This results in a contract liability, which is reported as prepaid income. For additional information, see Note 17 in the notes for the group. License revenues are normally invoiced for a twelve-month period at a one-time amount.

Once a quarter, customers report the number of products that have been manufactured in which the license was used, and this forms the basis of ongoing invoicing of royalties. Sales-based royalties are recognized as revenue in the period when use of licenses takes place.

Revenue for support and maintenance:

A fixed price for Support and Maintenance is recognized as revenue on the basis of the length of the agreement. Revenues from sales of Support and Maintenance services on open account are reported in the period in which the services are carried out.

## Commission expenses

Commission expenses arise in connection with a sale when an agent is involved in the sale. The commission is reported as a selling expense.

## FIXED ASSETS

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

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

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

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

## INTANGIBLE ASSETS

### *Research and development*

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

### *Software*

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

### *Patents*

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

### *Customer relations*

Customer relations obtained in connection with the acquisition of NexID Biometrics Inc. are written off over the estimated useful life, which is five years.

### *Database*

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

**Goodwill**

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

**WRITE-DOWNS**

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

**FINANCIAL INSTRUMENTS**

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

**Accounts receivable**

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

**Cash and cash equivalents**

The company's cash and cash equivalents consist solely of funds deposited in bank accounts with no risk.

**Other financial liabilities**

A financial asset is recognized in the balance sheet when the company becomes a party to the contractual terms of the instrument. A liability is recognized when the counterparty has delivered and there is a contractual obligation to pay, even if an invoice has not yet been received. Accounts payable are recognized when an invoice has been received. A financial liability is removed from the balance sheet when the obligation specified in the contract is honored or settled in any other way. Other financial liabilities consist primarily of accounts payable, which are reported at accrued acquisition value.

**Derivatives**

Derivatives consist of forward contracts and are used for hedging purposes. These are valued at fair value, which is determined according to level 2. The company had no derivatives at the year-end.

**EQUITY**

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

**INCOME TAXES**

Tax expenses for the period include current and deferred taxes. Tax is reported in the income statement, except when the tax relates to items reported in other comprehensive income or directly in equity. In such cases, the tax is also reported in other comprehensive income or equity. The valuation of all tax liabilities/receivables is made at nominal amounts and the actual tax cost is calculated on the basis of the tax regulations decided on the balance sheet date, or decided in practice in the countries where the parent company and its subsidiaries operate and generate taxable income.

Deferred tax is reported, in accordance with the balance sheet method, as all the temporary differences arising between the taxable value of assets and liabilities and their reported values in the consolidated financial statements. Deferred tax assets are reported only to the extent that there are sufficient taxable temporary differences or other factors that indicate convincingly that the deferred tax asset will be used. Deferred income tax is calculated on application of tax rates (and laws) decided or advised on the balance sheet date and which are expected to apply when the deferred tax receivable is realized or the deferred tax liability is settled. Deferred tax is reported for tax loss carryforwards and other tax deductions to the extent that it is likely that there will be taxable profits against which the tax loss carryforwards can be used.

**REMUNERATION TO EMPLOYEES****Pensions**

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

**Severance pay**

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

**Share-based compensation**

Precise Biometrics has an outstanding options program for staff employed in Sweden (see Note 5 in the notes for the group - Remuneration to leading executives). Stock options were issued on competitive terms when they were transferred to employees. On acquisition of subscription options by employees, the payments received are reported in other paid-in capital. The capital stock is increased by each newly issued share's nominal value on the utilization of options, and the corresponding share premium is reported in other paid-in capital.



## PROVISIONS

Provisions are reported when the group has an existing legal or informal obligation as a result of previous events, and it is more likely than not that an outflow of resources will be necessary to settle the commitment, and the amount has been calculated reliably.

## WITHHOLDING TAX

Withholding tax arises on sales to customers in certain countries in Asia. Withholding tax is reported as a selling expense in connection with the underlying sales transaction.

## LEASES UP TO AND INCLUDING 2018

Leasing in which an essential part of the risks and advantages of ownership is retained by the lessor is classified as operational leasing. Payments made during the term of the lease (after deductions for any incentives from the lessor) are recognized as an expense in the income statement on a straight-line basis over the term of the lease. The group has no financial leasing contracts.

## LEASES AS OF 2019

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

Leases are reported as rights of use and a corresponding liability on the date when the leased asset is available for use by Precise Biometrics. The right of use and the lease liability are reported on the lines Right of use assets, Long-term interest-bearing liabilities and Current interest-bearing liabilities in the balance sheet. Each lease payment is distributed between repayment of the liability and interest expense. The interest expense is distributed over the term of the lease so that each reporting period is charged with an amount corresponding to a fixed interest rate for the liability reported during each period. The right of use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the term of the lease.

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

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

The lease payments are discounted by the implicit interest rate if that rate can be defined, otherwise the marginal borrowing rate.

Rights of use are initially valued at:

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

Precise Biometrics has chosen to apply exceptions in IFRS 16, which means that payments for short-term contracts and leases of minor value are recognized as expenses on a straight-line basis in the income statement. Short-term contracts are agreements with a lease term of 12 months or less.

Options to extend or terminate agreements are included in a number of the group's leases in respect of buildings. These terms are used to maximize flexibility in managing agreements. Options that provide an opportunity to extend or terminate agreements can either be exercised solely by the group (and not by the lessors) or by either lessee or lessor. An assessment in respect of exercising options to extend or terminate agreements is reviewed in the event of a significant event or change in circumstances that affects this assessment and the change is within the lessee's control.

For additional information, please refer to Note 7 in the notes for the group.

## IMPORTANT ESTIMATES AND EVALUATIONS FOR ACCOUNTING PURPOSES

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

### *Deferred tax*

The group has to pay taxes in two countries. In view of the historical development of the group's earnings, an assessment has been made that the group's tax expense is limited, at least in the short term. The group makes regular assessments concerning the opportunity to utilize loss deductions in the future. Every year, the company performs an assessment in respect of the calculation of the deferred tax asset and bases the calculation on a cautious assessment of future foreseeable taxable earnings. The decision made to change corporation tax has been taken into consideration when calculating the deferred tax assets.

### *Impairment testing of goodwill*

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

For additional information, please refer to Note 13 in the notes for the group.

## NOTE 2 - REVENUE ALLOCATION

As described in note 1, the remaining operation following the divestment of the Mobile Smart Card Solutions business area (Tactivo) consists solely of fingerprint Technology, and for this reason there is no longer any segment reporting.

The group has one (three) major customer that accounts for more than 10% of net sales. Revenues from this customer amount to 51% (35%) of net sales.

	2019	2018
<b>Revenue type</b>		
Royalties	31 234	18 020
Licenses	45 515	36 952
Support & Maintenance	9 119	9 544
Other	6 059	3 129
<b>Total</b>	<b>91 927</b>	<b>67 645</b>
<b>Region/Country</b>		
Europe	11 083	11 883
- of which Sweden	4 984	6 115
Asia	65 586	40 820
- of which China	7 641	13 202
- of which Taiwan	53 612	9 993
US	15 258	14 942
<b>Total</b>	<b>91 927</b>	<b>67 645</b>
<b>Timing of revenue allocation</b>		
Services transferred over time	54 634	46 496
Performance commitment that is fulfilled at a certain time	37 293	21 149
<b>Total</b>	<b>91 927</b>	<b>67 645</b>

## NOTE 3 - COSTS ALLOCATED PER TYPE

	2019	2018
Employee benefit expenses	32 350	44 218
Depreciation and write-downs	13 140	8 769
Development expenses	8 705	7 551
Consulting costs	18 438	11 169
Other external expenses <sup>1)</sup>	18 643	15 896
<b>Total</b>	<b>91 276</b>	<b>87 603</b>

<sup>1)</sup>This item includes exchange rate gains/losses.

## NOTE 4 - EMPLOYEES AND PERSONNEL EXPENSES

Gender balance in group	2019		2018	
	Men	Women	Men	Women
Precise biometrics AB, Sweden	12	3	23	4
Precise biometrics, Inc., USa	4	1	4	1
	<b>16</b>	<b>4</b>	<b>27</b>	<b>5</b>

Gender balance in corporate management	2019	2018
<i>Proportion of women</i>		
Board of directors	37%	33%
CEO and other leading executives	0%	0%

Salaries and remunerations are allocated as follows:	2019	2018
<i>Board and CEO, Sweden</i>		
Salaries and other remuneration	5 071	4 628
Pension expenses	630	388
Payroll overhead, including payroll tax	1 518	1 353
<b>Total</b>	<b>7 219</b>	<b>6 369</b>
<i>Others, Sweden</i>		
Salaries and other remuneration	13 870	22 378
Pension expenses	1 845	4 264
Payroll overhead, including payroll tax	4 950	7 881
<b>Total</b>	<b>20 665</b>	<b>34 523</b>
<b>TOTAL, SWEDEN</b>	<b>27 884</b>	<b>40 892</b>
<i>Others, US</i>		
Salaries and other remuneration	3 636	3 399
Social security expenses	757	758
<b>Total</b>	<b>4 393</b>	<b>4 157</b>
<b>TOTAL</b>	<b>32 278</b>	<b>45 048</b>



## NOTE 5 - REMUNERATION TO LEADING EXECUTIVES

### Principles

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

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

Other leading executives are those persons who together with the CeO constitute corporate management. There was an average of 5 (5) leading executives during the year. for the composition of corporate management, see the section entitled 'Management' in the annual report.

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

### REMUNERATION AND OTHER BENEFITS IN 2019

	BASIC SALARY/ BOARD REMUN.	COMMITTEE FEE	FLEXIBLE REMUNERATION	OTHER BENEFITS	PENSION EXPENSES	TOTAL
Torgny Hellström, Chairman of the board	545	60	-	-	-	605
Matts Lilja, board member	87	11	-	-	-	98
Mats Lindoff, board member	190	10	-	-	-	200
Torbjörn Clementz, board member	190	70	-	-	-	260
Synnöve Trygg, board member	190	35	-	-	-	225
Anna Almlöf, board member	87	11	-	-	-	98
Åsa Schwarz, board member	104	14	-	-	-	118
Stefan K Persson, CEO	2 520	-	756	-	630	3 906
Other leading executives, 5 persons	5 891	-	643	11	644	7 189
<b>Total</b>	<b>9 804</b>	<b>211</b>	<b>1 399</b>	<b>11</b>	<b>1 274</b>	<b>12 699</b>

### REMUNERATION AND OTHER BENEFITS IN 2018

	BASIC SALARY/ BOARD REMUN.	COMMITTEE FEE	FLEXIBLE REMUNERATION	OTHER BENEFITS	PENSION EXPENSES	TOTAL
Torgny Hellström, Chairman of the board	545	60	-	-	-	605
Matts Lilja, board member	190	25	-	-	-	215
Mats Lindoff, board member	190	25	-	-	-	215
Torbjörn Clementz, board member	190	70	-	-	-	260
Synnöve Trygg, board member	190	35	-	-	-	225
Anna Almlöf, board member	190	25	-	-	-	215
Göran Thuresson, interims CEO (180116-180731)	655	-	-	-	118	773
Stefan K Persson, CEO (180801-181231)	1 050	-	-	-	260	1 310
Other leading executives, 5 persons	4 482	-	-	48	830	5 360
<b>Summa</b>	<b>7 682</b>	<b>240</b>	<b>-</b>	<b>48</b>	<b>1 208</b>	<b>9 178</b>

The amounts in the table are exclusive of payroll overhead. The above remuneration refers to expenses that have affected net profit/loss for the year. The group only has defined contribution pension plans. Pension expenses refer to the expenses that have affected net profit/loss for the year.

**Flexible remuneration**

Flexible remuneration for the CeO and leading executives is based on group earnings and individual targets. These targets are set by the board for the CeO, and by the board and the CeO for leading executives. The maximum amount for flexible remuneration that may be paid to the CeO is 75% of basic salary. for other leading executives the flexible remuneration can amount to a maximum of 50% of basic salary. In 2019, flexible remuneration to leading executives was between 0 - 30% (0).

**Other benefits**

Other benefits consist of benefits for insurance.

**Share-based compensation**

The 2017 shareholders' general meeting made a decision to offer an incentive plan for the company's employees to the effect that a maximum of five million (5,000,000) stock options can be issued, with each stock option providing entitlement to subscribe to one (1) share in the company. Subscription to the stock options was to take place no later than December 31, 2017, with the board having the right to extend the subscription period. Subscription through the exercising of stock options may take place during the period June 1, 2020 until June 30, 2020. The subscription price for the options has been set at SeK 0.06 and the subscription price for the shares at SeK 5.40. at the end of the fullyear period, 1 230 000 options have been subscribed, corresponding to 25% of total stock options; this was after the options subscribed by employees, including the former CeO, had been bought back. assuming that all stock options are exercised to subscribe to new shares, the number of shares in the company will increase by 1 230 000 shares.

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

increase by 1,300,000 shares.

**Pensions**

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

**Severance pay**

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

**Change in control**

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

**Preparation and decision-making process**

The compensation committee is assigned to consider issues related to salaries, pension conditions, incentive plans and other terms and conditions of employment for the executive. in 2018 the committee focused primarily on remuneration to the CeO and leading executives, including incentive plans. The board makes decisions on remuneration to the CeO, based on the recommendations of the compensation committee within the framework of guidelines decided at the aGM. remuneration to other leading executives has been decided by the CeO following consultation with the compensation committee and the board. At the AGM in 2018 guidelines were adopted for the determination of salaries and other remuneration to the CeO and other leading executives.

**NOTE 6 - AUDITORS' REMUNERATION**

	2019	2018
<b>Ernst &amp; Young</b>		
Audit assignment	561	1 064
Auditing activities in addition to the audit assignment	50	94
Tax consulting	-	271
Other assignments	-	110
<b>Total</b>	<b>611</b>	<b>1 539</b>

## NOTE 7 - OPERATIONAL LEASING AGREEMENTS

### 2019

Method of transition to IFRS 16 descriptions in not 1, section New or changed accounting standards implemented in 2019. The effect of the transition to IFRS 16 is not described further down in this note. The transition method that the group has chosen to apply in the transition to IFRS 16 means that the comparative information is not counted to reflect the new requirements.

The Group primarily leases buildings. No leasing agreements contain covenants or other restrictions beyond the security of the leased access.

<b>Utility rights assets 2019-01-01</b>	9 180
Effect of revaluation of lease debt due to changed assessment during the year with respect to lease term	-6 468
Depreciation during the year	-1 647
<b>Closing book value 2019-12-31</b>	<b>1 065</b>

A commercial decision was made at the end of December, which meant that the current lease agreement regarding the office in Lund was not extended. In the opening balance, there was an assumption of an extension of current leases, which resulted in a higher lease debt. A new lease has been signed with the start date in September 2020. The right of use for rental premises is calculated based on a move to new premises as of September 1, 2020, when the old contract expires and the new one starts to apply. New agreement has a contract period of 5 years, with the possibility of an extension of another 3 years. New agreement is expected to increase the lease debt by SEK 7 million based on utilization of the contract period without extension. The assessment is made on the basis that the company's need for office space is changing.

In 2019, no new utility rights for assets has occur.

<b>Leasing liability</b>	<b>2019-12-31</b>
Short-term	997
Long-term	74
<b>Leasing liability part of the balance sheet</b>	<b>1 071</b>

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

<b>Interest-bearing debt 2018-12-31</b>	-
Leasing liabilities - IFRS 16	9 178
<b>Interest-bearing liabilities 2019-01-01</b>	9 178
Changes in the opening balance regarding lease agreements that are not intended to be extended	-6 159
Cash flow	-1 948
<b>Interest-bearing liabilities 2019-12-31</b>	<b>1 071</b>

<b>Amounts recognized in the consolidated income statement - IFRS 16</b>	<b>2019</b>
Depreciation of rights of use	-1 647
Interest on leasing liabilities	-301
Variable leasing fees that are not included in the valuation of the lease debt	11
Costs of low value leases	-256
Profit on termination of lease that is not intended to be extended	161
<b>Total</b>	<b>-2 032</b>

<b>Amounts reported in the Group's cash flow statement - IFRS 16</b>	<b>2019</b>
Total cash outflows attributable to leasing agreement	<b>2 204</b>

The above cash outflow includes both amounts for leasing contracts that are reported as leasing liabilities, as well as amounts paid for variable leasing fees and leases of low value. The Group did not have any short-term leasing during the year.



Transition effect Group balance sheet	2018-12-31	IFRS 16	2019-01-01
<b>ASSETS</b>			
Tangible fixed assets	918	9 180	10 098
Intangible assets	47 955		47 955
Deferred tax assets	5 213		5 213
<b>Total fixed assets</b>	<b>54 086</b>	<b>9 180</b>	<b>63 266</b>
<b>Current assets</b>	104 701		104 701
<b>TOTAL ASSETS</b>	<b>158 787</b>	<b>9 180</b>	<b>167 967</b>
<b>EQUITY &amp; LIABILITIES</b>			
<b>Equity</b>	125 481	2	125 483
<b>Long-term liabilities</b>	0	7 768	7 768
<b>Current liabilities</b>	33 306	1 410	34 716
<b>SUMMARY EQUITY &amp; LIABILITIES</b>	<b>158 787</b>	<b>9 180</b>	<b>167 967</b>

## 2018

Expected minimum lease fees for operating leases for 2018 amounted to 3,970 and are recognized in the income statement.

<b>Nominal value of contracted future leasing fees:</b>	<b>2018</b>
Expires within 1 year	1,927
Expires payment later than one year but before five years	1,181
Expires in payment later than five years	-
<b>Total</b>	<b>3 108</b>
Impact of IFRS 16 on opening balance, 2019	
<b>Opening balance 2019</b>	<b>2019</b>
Operational leasing commitment on December 31, 2018	3 108
Discount with application of average borrowing rate of 3%	-1 251
Contracts in respect of leasing of low-value assets recognized as expenses	-220
Adjustment in respect of options to extend or termination clauses	7 196
Variable leasing charges attributable to indexes or tariffs	348
<b>Leasing liability on January 1, 2019</b>	<b>9 180</b>

## NOTE 8 - FINANCIAL INCOME AND EXPENSES

	2019	2018
interest income	38	5
<b>Total</b>	<b>38</b>	<b>5</b>
Interest on leasing debt	301	
Other interest	38	2
Exchange rate losses	202	592
Other	53	18
<b>Total</b>	<b>594</b>	<b>612</b>

## NOTE 9 - INCOME TAX AND DEFERRED TAX ASSETS

<b>Tax expense for the year</b>	<b>2019</b>	<b>2018</b>
Current tax on profit/loss for the year	389	-728
Change in deferred tax	537	-893
<b>Tax expense</b>	<b>926</b>	<b>-1 622</b>

<b>Reconciliation of effective tax</b>	<b>2019</b>	<b>2018</b>
Profit/loss before tax	-332	-18 832
Tax calculated according to current tax rate for the parent company	71	4 143
Tax effect of non-deductible expenses/non-taxable revenues	136	-364
Effect of changed tax rate	-	-354
Changed assessment of deferred tax asset	1 060	-
Tax loss carryforwards for which deferred tax asset not reported	-730	-4 683
Tax relating to previous years	389	-364
<b>Tax expense</b>	<b>926</b>	<b>-1 622</b>

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

The parent company has a deferred tax asset in respect of the future utilization of tax loss carryforwards amounting to SEK 5,750 (6,180).

The company has performed an assessment in respect of the calculation of the deferred tax asset and bases the calculation on a cautious assessment of future foreseeable taxable earnings. Results during the latest years have been negatively impacted by changes in market situation and changes in organization. The companies revised strategy and the assessed market situation points at positive results in coming periods, whereby the company sees convincing reasons for accounting for tax losses carry forward.

<b>Deferred tax assets</b>	<b>2019</b>	<b>2018</b>
Deferred tax assets	5 750	5 213
<b>Reported value</b>	<b>5 750</b>	<b>5 213</b>
<b>Specification of change in deferred tax asset:</b>	<b>2019</b>	<b>2018</b>
Opening reported value	5 213	6 106
Effect of changed tax rate	-	-420
Change in deferred tax	537	-
Change in deferred tax liability	-	-473
<b>Closing reported value of deferred tax asset</b>	<b>5 750</b>	<b>5 213</b>

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

## NOTE 10 - EARNINGS PER SHARE

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

	2019	2018
Profit/loss attributable to parent company shareholders (SeK thousands)	594	-20 454
Weighted average number of outstanding common shares (thousands)	360 231	360 231
Earnings per share before dilution (SeK per share), remaining operation	0,00	-0,06
Earnings per share before dilution (SeK per share), total operation	0,00	-0,06

### *Earnings per share after dilution*

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

Should the two programs be vested in full the maximum dilution would be 6 300 000 shares. The dilution impact is considered as the average rate corresponds to the program decided 2019.

	2019	2018
Earnings attributable to parent company shareholders	594	-20 454
Weighted average number of outstanding common shares (thousands)	360 231	360 231
Weighted average number of common shares for calculation of earnings per share after dilution (thousands) per aktie efter utspädning (tusental)	360 881	360 231
Earnings per share after dilution (SeK per share), remaining operation	0,00	-0,06
Earnings per share after dilution (SeK per share), total operation	0,00	-0,06



## NOTE 11 - RISK FACTORS

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

### **Currency exposure risk**

Precise biometrics' currency exposure includes both transaction and translation exposure. Transaction exposure arises because sales and purchases take place in different currencies. The company is exposed to currency risks through its business, as a significant proportion of revenues are generated in foreign currencies, primarily USD, while the majority of the company's expenses are in Swedish kronor. This means that changes in exchange rates affect the company's earnings and cash flows. In order to reduce exposure, a policy has been adopted that allows hedging in accordance with a predetermined model which involves a hedging of forecast net flow to the order of approximately 50 per cent. before hedging takes place, the costs of this shall also be taken into account. Translation exposure is normally not hedged.

During 2019, no hedge activities were carried out. Contracts are valued at their true value. See note 18 in the group report.

### **Sensitivity analysis**

if SeK had weakened/strengthened by 10% in relation to USD and all other variables had remained constant, earnings for the year for 2019 would have been approximately SEK 7 200 thousand (5 100) higher/lower. The corresponding effect on equity calculated as 10% of Precise biometrics inc.'s equity corresponds to SEK 150 thousand (24).

### **Capital risk**

The company has a capital risk if the company does not generate a profit and an underlying cash flow, but is dependent on new capital from shareholders or taking out loans. This risk is monitored continuously through the company's internal controls and reporting, as well as the limits defined by the board. nor is there any guarantee that new capital can be acquired if the need should arise, or that such capital can be acquired on favorable terms.

### **Credit risk**

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

### **Liquidity risk**

Styrelse och ledning följer noggrant likviditetssituationen för att säkerställa att det finns tillräckligt med likvida medel för att möta behovet i den löpande verksamheten. Delar av bolagets intäkter utgörs av royalty vilka avräknas kvartalsvis och har således en viss påverkan på bolagets kassaflöde.

### **Forecasting problem**

The company operates in a rapidly changing market. revenues have largely consisted of royalties based on customer utilization. The products for smart cards and mobile phones have long sales processes and the advanced issue or postponement of an order can have a significant impact on net sales and earnings, which makes forecasting very difficult.

### **Cash flow**

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

## NOTE 12 - FIXED ASSETS

INVENTARIER OCH UTRUSTNING	12/31/2019	12/31/2018
<b>Opening acquisition value</b>	2 421	5 991
Additions during the year	324	421
Assets sold/retired	-1 023	-3 991
<b>Closing acquisition value</b>	<b>1 722</b>	<b>2 421</b>
<b>Opening accumulated amortization</b>	-1 503	-4 189
Amortization for the year	-422	-452
Assets sold/retired	1 023	3 138
<b>Closing accumulated amortization</b>	<b>-902</b>	<b>-1 503</b>
<b>Opening accumulated write-downs</b>	0	-846
Write-downs for the year		0
assets sold/retired		846
<b>Closing accumulated write-downs</b>	<b>0</b>	<b>0</b>
<b>Book value</b>	<b>820</b>	<b>918</b>

### Comments on the note:

Amortization is included in the items Selling, administration and R&D expenses in the income statement.

## NOTE 13 - INTANGIBLE ASSETS

CAPITALIZED DEVELOPMENT EXPENSES	12/31/2019	12/31/2018
<b>Opening acquisition value</b>	30 887	39 001
Additions during the year	5 364	10 970
Retirements/sales	-11 417	-19 084
Assets sold	-	-
<b>Closing acquisition value</b>	<b>24 834</b>	<b>30 887</b>
<b>Opening accumulated amortization</b>	-11 957	-24 014
Amortization for the year	-10 181	-6 495
Sales/disposals	10 485	18 552
Assets sold	-	-
<b>Closing accumulated amortization</b>	<b>-11 653</b>	<b>-11 957</b>
<b>Opening accumulated write-downs</b>	-932	-531
Write-downs for the year	-	-932
Sales/disposals	932	531
Assets sold	-	-
<b>Closing accumulated write-downs</b>	<b>0</b>	<b>-932</b>
<b>Book value</b>	<b>13 181</b>	<b>17 998</b>
<b>PATENTS</b>	<b>2019-12-31</b>	<b>2018-12-31</b>
<b>Opening acquisition value</b>	1 138	12 701
Sales/disposals	-	-11 563
<b>Closing acquisition value</b>	<b>1 138</b>	<b>1 138</b>

<b>Opening accumulated amortization</b>	-145	-11 633
Amortization for the year	-76	-76
Sales/disposals	-	11 564
<b>Closing accumulated amortization</b>	<b>-221</b>	<b>-145</b>
<b>Book value</b>	<b>917</b>	<b>993</b>
<b>CAPITALIZED DATA EXPENSES</b>	<b>2019-12-31</b>	<b>2018-12-31</b>
<b>Opening acquisition value</b>	396	4 610
Additions during the year	169	0
Sales/disposals	-	-4 214
<b>Closing acquisition value</b>	<b>565</b>	<b>396</b>
<b>Opening accumulated amortization</b>	-79	-4 214
Amortization for the year	-79	-79
Sales/disposals	-	4 214
<b>Closing accumulated amortization</b>	<b>-158</b>	<b>-79</b>
<b>Book value</b>	<b>407</b>	<b>317</b>
<b>GOODWILL</b>	<b>2019-12-31</b>	<b>2018-12-31</b>
<b>Opening acquisition value</b>	23 425	23 425
<b>Closing acquisition value</b>	<b>23 425</b>	<b>23 425</b>
<b>OTHER INTANGIBLE ASSETS (DATABASE AND CUSTOMERS)</b>	<b>2019-12-31</b>	<b>2018-12-31</b>
<b>Opening acquisition value</b>	6 637	6 637
<b>Closing acquisition value</b>	<b>6 637</b>	<b>6 637</b>
<b>Opening accumulated amortization</b>	-1 415	-677
Amortization for the year	-737	-738
<b>Closing accumulated amortization</b>	<b>-2 152</b>	<b>-1 415</b>
<b>Book value</b>	<b>4 485</b>	<b>5 223</b>
<b>TOTAL BOOK VALUE</b>	<b>42 415</b>	<b>47 955</b>

**Comments to the note:**

When calculating useful value, future cash flows were discounted at a rate of 27% before tax. Amortization of capitalized development expenses and acquired intangible assets is included in the item Cost of goods sold.

**Impairment test of goodwill**

Every year the group investigates whether there is a need to write down goodwill. Goodwill has been allocated to the cash-generating unit (CGU) that is the company as a whole. The recoverable value for the CGU has been determined by calculating the utility value, which requires certain assumptions to be made with regard to, among other things, sales and gross margin. These calculations are based on cash flow forecasts, which are based on financial forecasts estimated by management for the next five years. A growth rate of 2% is used for subsequent years. The discount rate has been defined based on a calculated "Weighted Average Cost of Capital" (WACC) before tax of 27% and after tax of 25%. The calculation of WACC was affected by the negative cash flow.

**Sensitivity analysis**

a sensitivity analysis was conducted, the result of which is that if the WaCC is 26% instead, the recoverable value will fall by 5%. if ebiTa is assumed to be 5% lower than the company's expectations, the recoverable value would fall by 7%. none of these hypothetical assumptions would result in a need to write down.

## NOTE 14 - ACCOUNTS RECEIVABLE

	12/31/2019	12/31/2018
Accounts receivable - invoiced	9 549	18 691
Accounts receivable - not invoiced	21 344	2 265
Reserve for credit risk	-1 614	-1 289
<b>Total</b>	<b>29 279</b>	<b>19 667</b>

As of December 31, 2019 accounts receivable amounting to SEK 5 814 thousand (11 766) were due. There is a write-down for accounts receivable amounting to SEK 1 614 thousand (1289), but apart from these there are not considered to be any write-down requirements for accounts receivable that are due. These relate to a number of independent customers who have not previously had any payment difficulties.

For Accounts receivable - not invoiced, the company has assessed that there is no need for establishing a credit reserve.

The aging analysis of all accounts receivable is shown below:	12/31/2019	12/31/2018
Not due	25 078	9 190
Less than 3 months	3 238	9 538
Of which written down	-587	0
3 to 6 months	1 106	1 765
Of which written down	0	-826
More than 6 months	1 470	463
Of which written down	-1 026	-463
<b>Total</b>	<b>29 279</b>	<b>19 667</b>

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

	12/31/2019	12/31/2018
Doubtful receivables at beginning of year	-1 289	-412
Bad debt confirmed	287	0
Reversal of reserve for credit risk	56	14
Reserve for credit risk	-587	-879
Currency effect	-80	-12
<b>Total</b>	<b>-1 614</b>	<b>-1 289</b>

The reported amounts for each currency for the group's accounts receivable are as follows:	12/31/2019	12/31/2018
SEK	1 204	904
USD	3 013	2 421
EUR	0	16

## NOTE 15 - PREPAID EXPENSES AND ACCRUED INCOME

	12/31/2019	12/31/2018
Prepaid rent for premises	342	474
Other items	1 533	1 086
<b>Total</b>	<b>1 875</b>	<b>1 560</b>



## NOTE 16 - OTHER PROVISIONS

WARRANTY PROVISIONS	12/31/2019	12/31/2018
Provision at beginning of year	-	198
Change in warranty reserve during the year	-	-198
Provision at end of year	-	-

2018, previous years' provisions for expected guarantee claims in respect of goods sold within the sold Mobile Smart Card Solutions (Tactivo) business area, were reversed and reported in the line profit/loss after tax from discontinued operation.

## NOTE 17 - ACCRUED EXPENSES AND PREPAID INCOME

	12/31/2019	12/31/2018
Prepaid income	13 022	11 736
Accrued vacation pay	1 924	2 620
Accrued salaries and remunerations	3 095	3 396
Payroll overhead and other taxes	1 296	2 568
Other accrued expenses	6 506	6 565
<b>Total</b>	<b>25 843</b>	<b>26 885</b>

## NOTE 18 - FINANCIAL INSTRUMENTS

	12/31/2019 Book value	12/31/2018 Book value
<b>Financial assets</b>		
<i>Financial assets valued at the accrued cost of acquisition</i>		
Accrued income	401	0
Accounts receivable	29 279	19 667
Other receivables	3 594	3 931
Cash & cash equivalents	73 676	79 543
<b>Total</b>	<b>106 950</b>	<b>103 141</b>
<b>Financial liabilities</b>		
<i>Financial liabilities at real value via the income statement</i>		
Derivatives	-	182
<i>Financial liabilities valued at the accrued cost of acquisition</i>		
Accounts payable	4 862	4 589
Leasingskuld	1 071	
Other liabilities	179	1 831
Other accrued expenses	7 142	6 383
<b>Total</b>	<b>13 254</b>	<b>12 986</b>

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

## NOTE 19 - DISCONTINUED OPERATION

On June 21, 2017 Precise biometrics announced that the company had concluded an agreement with iDenTOS GmbH on the takeover of the Mobile Smart Card Solutions business area, which includes the business operation involving smart card readers under the Tactivo brand. The transaction was completed as planned on January 1, 2018 and identos took over the development of new smart card readers under the Tactivo brand, patents, trade mark rights, manufacturing, sales and customer support.

As of June 30, 2017 assets belonging to Mobile Smart Card Solutions (Tactivo) were reclassified and reported as assets held for sale and profit/loss from a discontinued operation.

Precise biometrics will receive commissions from identos GmbH for the years 2018-2020. future commission revenues will be calculated quarterly on the basis of data received from identos GmbH, and as such the trend in commission revenues is an item that must be evaluated by management and can vary over time. Previous provisions for expected guarantee claims in respect of goods sold within the sold Mobile Smart Card Solutions business area (Tactivo) have been reversed and reported in the line for assets sold/reversals in the table below

<b>Income statement (SEK thousands)</b>	<b>2019</b>	<b>2018</b>
Sales	-	-
Variable purchase price	-427	3177
Expenses	-	-
Assets sold/reversals of reserves		-1 444
<b>Profit/loss before tax from discontinued operation</b>	<b>-427</b>	<b>1 733</b>
<b>Balance sheet (SEK thousands)</b>	<b>2019</b>	<b>2018</b>
Capitalized development expenses		
Tools		
Inventories		
<b>Total assets held for sale</b>	<b>-</b>	<b>-</b>

## NOTE 20 - IMPORTANT EVENTS SINCE THE END OF YEAR

Precise enters into agreement with Exeger for biometric access to facilities

The spread of COVID-19 affects communities and companies around the world. Financial effects for Precise are difficult to quantify at this early stage. Precise employs about 50 people where the vast majority currently work from home and the business has so far been run without major disruptions. Due to the digital nature of the company's products, the authorities' restrictions on people's mobility in society do not affect how customers and end users can access the company's products. On the other hand, there is a risk that demand for mobile devices and other products with the company's identification software may decrease as a result of the uncertainty that has arisen and the company expects it to have an effect on order bookings during the first half of 2020. Precise developments in COVID-19 follow closely, and continuously evaluates what effects it may have on operations.





# PARENT COMPANY'S INCOME STATEMENT

Amounts in SEK thousands

	Note	2019	2018
Net sales	2	90 363	66 940
Cost of goods and services sold		-19 944	-12 372
<b>Gross profit</b>		<b>70 419</b>	<b>54 568</b>
Selling expenses		-25 889	-27 593
Administration expenses		-14 784	-15 592
R&D expenses		-32 732	-32 850
Other operating income/expenses		-407	659
	2,3,4,5,6,7,9	<b>-73 812</b>	<b>-75 376</b>
<b>Operating profit/loss</b>		<b>-3 393</b>	<b>-20 808</b>
Profit/loss from participations in group companies	10	-	-1 909
interest income and similar income statement items	11	38	1 905
interest expenses	11	-293	-2
		<b>-255</b>	<b>-6</b>
<b>Profit/loss before tax</b>		<b>-3 648</b>	<b>-20 814</b>
Tax	8	-430	-420
<b>Profit/loss for the year</b>		<b>-4 078</b>	<b>-21 234</b>

# PARENT COMPANY'S STATEMENT OF COMPREHENSIVE INCOME

<b>Profit/loss for the year</b>	<b>-4 078</b>	<b>-21 234</b>
<b>Other comprehensive income for the year</b>	<b>-4 078</b>	<b>-21 234</b>



# PARENT COMPANY'S BALANCE SHEET

Amounts in SEK thousands

ASSETS	Note	12/31/2019	12/31/2018
<b>Fixed asset</b>			
Fixed assets	12	525	647
Intangible assets	13	36 342	44 332
Financial assets	14	7 528	8 949
<b>Total fixed assets</b>		<b>44 395</b>	<b>53 928</b>
<b>Current assets</b>			
Accounts receivable	15,20	28 811	19 276
Other receivables	20	3 595	3 931
Prepaid expenses and accrued income	16	1 557	1 488
Cash/bank	20	70 216	78 016
<b>Total current assets</b>		<b>104 179</b>	<b>102 712</b>
<b>TOTAL ASSETS</b>		<b>148 574</b>	<b>156 640</b>
<b>EQUITY &amp; LIABILITIES</b>			
<b>EQUITY</b>			
Share capital		10 807	10 807
Statutory reserve		1 445	1 445
Reserve for development expenses		13 181	17 246
<b>Total restricted equity</b>		<b>25 433</b>	<b>29 498</b>
Share premium reserve		73 738	73 738
Retained earnings		23 138	39 912
Profit/loss for the year		-4 078	-21 234
<b>Total non-restricted equity</b>		<b>92 798</b>	<b>92 416</b>
<b>Total equity</b>	17	<b>118 231</b>	<b>121 913</b>
<b>Total equity</b>		<b>118 231</b>	<b>121 913</b>
<b>Long term debt</b>			
Long term debt		52	0
<b>Total provisions</b>	18	<b>52</b>	<b>0</b>
<b>Current liabilities</b>			
Accounts payable	20	4 862	4 589
Due to affiliated companies		-	1 871
Other current liabilities	20	379	1 831
Accrued expenses and deferred income	19	25 050	26 436
<b>Total current liabilities</b>		<b>30 291</b>	<b>34 727</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>148 574</b>	<b>156 640</b>

# PARENT COMPANY'S CASH FLOW STATEMENT

Amounts in SEK thousands

	Note	2019	2018
<b>Cash flow from operating activities</b>			
Operating profit/loss		-3 393	-20 808
Reversal depreciation and write-downs		13 854	11 132
Net financial items	11	-255	1 903
Adjustments for items not included in cash flow			126
<b>Cash flow from operating activities before change in working capital</b>		<b>10 206</b>	<b>-7 647</b>
<b>Cash flow from changes in working capital</b>			
Change in inventories		-7 857	-8 036
Change in current receivables		52	-103
Change in provisions		-4 436	-10 158
Change in current liabilities		-12 241	-18 297
<b>Cash flow from operating activities</b>		<b>-2 035</b>	<b>-25 944</b>
Investment in fixed assets	12	-208	-257
Investering i immateriella anläggningstillgångar	13	-5 533	-10 970
Investment in intangible assets		-420	
<b>Cash flow from investing activities</b>		<b>-6 161</b>	<b>-11 227</b>
Option program		396	-96
<b>Cash flow from financing activities</b>		<b>396</b>	<b>-96</b>
<b>Net cash flow for the year</b>		<b>-7 800</b>	<b>-37 267</b>
Cash & cash equivalents at beginning of year		78 016	115 283
<b>Cash &amp; cash equivalents at end of year<sup>1)</sup></b>		<b>70 216</b>	<b>78 016</b>

Adjustments for items not included in cash flow consist of depreciation and write-downs.

There are no interest-bearing liabilities in either 2019 or 2018, so there is no need to specify a change between the years.

<sup>1)</sup> The balance sheet item Cash & cash equivalents only includes bank balances at both the beginning and end of the year.

# CHANGE IN EQUITY THE PARENT COMPANY

Amounts in SEK thousands

	RESTRICTED EQUITY			UNRESTRICTED EQUITY		
	Share capital	Statutory reserve	Reserve for development expenses	Premium fund	Retained earnings	Total equity
<b>Opening balance as of January 1, 2018</b>	<b>10 807</b>	<b>1 445</b>	<b>12 022</b>	<b>73 738</b>	<b>45 232</b>	<b>143 243</b>
<b>Comprehensive income</b>						
Profit/loss for the year	-	-	-	-	-21 234	-21 234
Other comprehensive income						
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-21 234</b>	<b>-21 234</b>
<b>Transactions with shareholders</b>						
Capitalized development expenses			10 969		-10 969	-
Release as a consequence of amortization of Development expenses for the year			-5 745		5 745	-
Issue of subscription rights					-96	-96
<b>Total transactions with shareholders</b>	<b>-</b>	<b>-</b>	<b>5 224</b>	<b>-</b>	<b>-5 320</b>	<b>-96</b>
<b>Closing balance as of December 31, 2018</b>	<b>10 807</b>	<b>1 445</b>	<b>17 246</b>	<b>73 738</b>	<b>18 678</b>	<b>121 913</b>
<b>Opening balance as of January 1, 2019</b>	<b>10 807</b>	<b>1 445</b>	<b>17 246</b>	<b>73 738</b>	<b>18 678</b>	<b>121 913</b>
<b>Comprehensive income</b>						
Profit/loss for the year					-4 078	-4 078
Other comprehensive income						
<b>Total comprehensive income</b>					<b>-4 078</b>	<b>-4 078</b>
<b>Transactions with shareholders</b>						
Capitalized development expenses			5 364		-5 364	
Release as a consequence of amortization of Development expenses for the year			-9 429		9 429	
Payment for buy-back of options	-	-	-	-	396	396
<b>Total transactions with shareholders</b>	<b>-</b>	<b>-</b>	<b>-4 065</b>	<b>-</b>	<b>4 460</b>	<b>396</b>
<b>Closing balance as of December 31, 2018</b>	<b>10 807</b>	<b>1 445</b>	<b>13 181</b>	<b>73 738</b>	<b>19 060</b>	<b>118 231</b>

# **NOTER MODERBOLAGET**

- 1 - GENERAL ACCOUNTING POLICIES**
- 2 - REVENUE ALLOCATION**
- 3 - COSTS ALLOCATED PER TYPE**
- 4 - EMPLOYEES AND PERSONNEL EXPENSES**
- 5 - REMUNERATION TO LEADING EXECUTIVES**
- 6 - AUDITORS' REMUNERATION**
- 7 - OPERATIONAL LEASING AGREEMENTS**
- 8 - INCOME TAX AND DEFERRED TAX ASSETS**
- 9 - PURCHASES AND SALES BETWEEN COMPANIES IN THE GROUP**
- 10 - PROFIT/LOSS FROM PARTICIPATIONS IN GROUP COMPANIES**
- 11 - FINANCIAL INCOME AND EXPENSES**
- 12 - TANGIBLE ASSETS**
- 13 - INTANGIBLE ASSETS**
- 14 - FINANCIAL ASSETS**
- 15 - ACCOUNTS RECEIVABLE**
- 16 - PREPAID EXPENSES AND ACCRUED INCOME**
- 17 - EQUITY**
- 18 - OTHER PROVISIONS**
- 19 - ACCRUED EXPENSES AND PREPAID INCOME**
- 20 - FINANCIAL INSTRUMENTS**
- 21 - TRANSACTIONS WITH AFFILIATES**
- 22 - PROPOSED DISTRIBUTION OF EARNINGS**



## NOTE 1 - GENERAL ACCOUNTING POLICIES

### GENERAL

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

### THE PARENT COMPANY'S ACCOUNTING POLICIES

The parent company's financial statements have been prepared in accordance with the Swedish annual accounts act and the Swedish annual reporting board's recommendation RFR 2, accounting for Legal entities. This means that the parent company, in its financial statements, applies all of the EU-approved IFRS and statements as far as is possible within the framework of the Swedish annual accounts act and with due regard to the relationship between accounting and taxation.

The recognition and measurement policies applied in the annual report for 2018 have also been used in this annual report, with the exception of the application of new accounting standards, as described under the general accounting policies for the group. Unless otherwise stated, all amounts are given in SeK thousands, and unless otherwise stated amounts in parentheses refer to the previous fiscal year.

### Leasing

IFRS 16 is not be applied by the parent company. The exception in RFR 2 relating to leasing agreements are applied.

### Financial instruments

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

### Intangible assets

The value of the goodwill arising from the acquisition of nexiD biometrics inc. (acquisition of assets and liabilities) is written off over the estimated useful life, which is ten years.

### Financial assets

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

Acquisition costs related to the acquisition of nexiD biometrics inc., which was completed in 2017, have been capitalized in the parent company and increased the amount of goodwill. This item was recognized as an expense in the group.

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

## NOTE 2 - REVENUE ALLOCATION

The mother company has one (tre) major customer that account for more than 10% of net sales. Revenues from this customer amount to 51% (36) of net sales.

	2019	2018
<b>Revenue type</b>		
Royalties	31 234	18 020
Licenses	45 515	36 952
Support & Maintenance	9 119	9 544
Other	4 495	2 423
<b>Total</b>	<b>90 363</b>	<b>66 940</b>
<b>Region/Country</b>		
Europe	10 942	11 992
- of which Sweden	4 984	6 206
Asia	65 284	40 820
- of which China	6 408	13 202
- of which Taiwan	53 310	9 993
US	14 137	14 128
<b>Total</b>	<b>90 363</b>	<b>66 940</b>
<b>Timing of revenue allocation</b>		
Services transferred over time	54 634	46 496
Performance commitment that is fulfilled at a certain time	35 729	20 443
<b>Total</b>	<b>90 363</b>	<b>66 940</b>

## NOTE 3 - COSTS ALLOCATED PER TYPE

	2019	2018
employee benefit expenses	27 877	40 061
Cost of purchasing and handling commercial goods	21 428	1 681
Depreciation and write-downs	13 854	11 132
Development expenses	8 705	7 551
Consulting costs	18 438	11 169
Other external expenses <sup>1)</sup>	3 454	16 155
<b>Total</b>	<b>93 756</b>	<b>87 748</b>

<sup>1)</sup> This item includes exchange rate gains/losses.

## NOTE 4 - EMPLOYEES AND PERSONNEL EXPENSES

Gender balance	2019		2018	
	Men	Women	Men	Women
Precise Biometrics AB, Sverige	12	3	23	4
	12	3	23	4

Gender balance in corporate management	2019	2018
<i>Proportion of women</i>	<b>37%</b>	<b>33%</b>
Board of directors	0%	0%
CEO and other leading executives		
<b>Salaries and remunerations are allocated as follows:</b>	<b>2019</b>	<b>2018</b>
<i>Board and CEO, Sweden</i>		
Salaries and other remuneration	5 071	4 628
Pension expenses	630	388
Payroll overhead, including payroll tax	1 518	1 353
<b>Total</b>	<b>7 219</b>	<b>6 369</b>
Others, Sweden		
Salaries and other remuneration	13 870	22 378
Pension expenses	1 845	4 264
Payroll overhead, including payroll tax	4 950	7 881
<b>Total</b>	<b>20 665</b>	<b>34 523</b>
<b>TOTAL</b>	<b>27 884</b>	<b>40 891</b>

## NOTE 5 - REMUNERATION TO LEADING EXECUTIVES

### Principles

Remuneration is paid to the Chairman of the Board and board members in accordance with the decision of the AGM. Remuneration to the CEO and other leading executives consists of their basic salary, flexible remuneration, pension benefits and other benefits. Other leading executives refers to the people, who together with the CEO, make up group management. There was an average of five (five) leading executives during the year. For the composition of corporate management, see the section entitled 'Management' in the annual report.

The distribution between basic salary and flexible remuneration shall be in proportion to the executive's level of responsibility and authority. For the CEO, flexible remuneration is set at a maximum of 75% of basic salary. For other leading executives, flexible remuneration is a maximum of 50% of basic salary. For additional information, see Note 5 in the notes for the group.

## NOTE 6 - AUDITORS' REMUNERATION

	2019	2018
<b>Ernst &amp; Young</b>		
Audit assignment	561	953
Auditing activities in addition to the audit assignment	50	94
Tax consulting	-	271
Other assignments	-	110
<b>Total</b>	<b>611</b>	<b>1 428</b>

## NOTE 7 - OPERATIONAL LEASING AGREEMENTS

	2019	2018
Leasing costs during the year	2 035	3 815
<b>Total</b>	<b>2 035</b>	<b>3 815</b>
nominal value of agreed future leasing charges:		
Due for payment within 1 year	890	1 561
Due for payment after 1 year, but within 5 years	53	6 408
Due for payment after 5 years	-	2 228
<b>Total</b>	<b>943</b>	<b>10 197</b>

Operational leasing agreements mainly refer to office rent.

## NOTE 8 - INCOME TAX AND DEFERRED TAX ASSETS

<b>Tax expense for the year</b>	<b>2019</b>	<b>2018</b>
Change in deferred tax	-430	-420
<b>Tax expense</b>	<b>-430</b>	<b>-420</b>
<b>Reconciliation of effective tax</b>	<b>2019</b>	<b>2018</b>
Profit/loss before tax	-3 648	-20 814
Tax calculated according to current tax rate	781	4 579
Tax effect of non-deductible expenses/non-taxable revenues	-51	-258
Effect of changed tax rate	-	-420
Changed assessment of deferred tax asset	-430	-
Tax loss carryforwards for which deferred tax asset not reported	-730	-4 321
<b>Tax expense</b>	<b>-430</b>	<b>-420</b>

The parent company has a deferred tax asset in respect of the future utilization of tax loss carryforwards amounting to SEK 5 750 thousand (6 180). The company has performed an assessment in respect of the calculation of the deferred tax asset and bases the calculation on a cautious assessment of future foreseeable taxable earnings. There are no temporary differences to take into consideration in the parent company.

<b>Deferred tax assets</b>	<b>2019</b>	<b>2018</b>
Tax loss carryforwards	5 750	6 180
<b>Reported value</b>	<b>5 750</b>	<b>6 180</b>
<b>Specification of change in deferred tax asset:</b>	<b>2019</b>	<b>2018</b>
Opening reported value	6 180	6 600
Effect of changed tax rate	-	-420
Change in deferred tax asset	-430	-
<b>Closing reported value of deferred tax asset</b>	<b>5 750</b>	<b>6 180</b>

There are tax loss carryforwards for which deferred tax assets have not been reported in the balance sheet amounting to SeK 629 231 thousand (623 735). There is no time limitation for the utilization of tax loss carryforwards.



## NOTE 9 - PURCHASES AND SALES BETWEEN COMPANIES IN THE GROUP

Parent company sales to other group companies amounted to SEK 0.0 million (0.0). Purchases from group companies amounted to SEK 5.7 million (6.2). Internal pricing between the parent company and foreign subsidiaries is based on a cost-plus model.

## NOTE 10 - PROFIT/LOSS FROM PARTICIPATIONS IN GROUP COMPANIES

	2019	2018
Profit/loss from participations in group companies	-	-1 909
<b>Total</b>	<b>-</b>	<b>-1 909</b>

## NOTE 11 - FINANCIAL INCOME AND EXPENSES

	2019	2018
Interest income	38	1
Exchange rate gains		1 904
<b>Total</b>	<b>38</b>	<b>1 905</b>
Interest expenses	38	2
Other financial cost	53	
exchange rate losses	202	-
<b>Total</b>	<b>293</b>	<b>2</b>

## NOTE 12 - TANGIBLE ASSETS

	12/31/2019	12/31/2018
<b>Equipment and tools</b>		
<b>Opening acquisition value</b>	2 012	12 075
Additions during the year	208	257
Sales/disposals		-10 320
<b>Closing acquisition value</b>	<b>2 220</b>	<b>2 012</b>
<b>Opening accumulated depreciation</b>	<b>-1 364</b>	<b>-10 192</b>
Depreciation for the year	-330	-362
Sales/disposals		9 190
<b>Closing accumulated depreciation</b>	<b>-1 694</b>	<b>-1 364</b>
<b>Opening accumulated write-downs</b>	<b>-</b>	<b>-846</b>
Write-downs for the year	-	-
Sales/disposals	-	846
<b>Closing accumulated write-downs</b>	<b>-</b>	<b>-</b>
<b>Book value</b>	<b>525</b>	<b>647</b>

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

## NOTE 13 - INTANGIBLE ASSETS

CAPITALIZED DEVELOPMENT EXPENSES	12/31/2019	12/31/2018
<b>Opening acquisition value</b>	30 887	42 220
Additions during the year	5 364	10 970
Sales/disposals	-11 417	-22 303
<b>Closing acquisition value</b>	<b>24 834</b>	<b>30 887</b>
<b>Opening accumulated amortization</b>	<b>-11 957</b>	<b>-24 215</b>
Amortization for the year	-10 181	-6 495
Sales/disposals	10 485	18 753
<b>Closing accumulated amortization</b>	<b>-11 653</b>	<b>-11 957</b>
<b>Opening accumulated write-downs</b>	<b>-932</b>	<b>-2 248</b>
Write-downs for the year		-932
Sales/disposals	932	2 248
<b>Closing accumulated write-downs</b>	<b>-</b>	<b>-932</b>
<b>Book value</b>	<b>13 181</b>	<b>17 998</b>
PATENTS	12/31/2019	12/31/2018
<b>Opening acquisition value</b>	1 138	9 859
Business combinations	-	
Sales/disposals	-	-8 721
<b>Closing acquisition value</b>	<b>1 138</b>	<b>1 138</b>
<b>Opening accumulated amortization</b>	<b>-145</b>	<b>-8 791</b>
Amortization for the year	-76	-76
Sales/disposals	-	8 722
<b>Closing accumulated amortization</b>	<b>-221</b>	<b>-145</b>
<b>Book value</b>	<b>917</b>	<b>993</b>
CAPITALIZED DATA EXPENSES	12/31/2019	12/31/2018
<b>Opening acquisition value</b>	396	1 368
additions during the year	169	-
Sales/disposals	-	-972
<b>Closing acquisition value</b>	<b>565</b>	<b>396</b>
<b>Opening accumulated amortization</b>	<b>-79</b>	<b>-972</b>
Amortization for the year	-79	-79
Sales/disposals	-	972
<b>Closing accumulated amortization</b>	<b>-158</b>	<b>-79</b>
<b>Book value</b>	<b>407</b>	<b>317</b>
GOODWILL	12/31/2019	12/31/2018
<b>Opening acquisition value</b>	24 496	24 496
Business combinations	-	-
<b>Closing acquisition value</b>	<b>24 496</b>	<b>24 496</b>
<b>Opening accumulated amortization</b>	<b>-4 695</b>	<b>-2 246</b>
Amortization for the year	-2 450	-2 449
<b>Closing accumulated amortization</b>	<b>-7 145</b>	<b>-4 695</b>
<b>Book value</b>	<b>17 351</b>	<b>19 801</b>

<b>OTHER INTANGIBLE ASSETS (DATABASE AND CUSTOMER RELATIONS)</b>	<b>12/31/2019</b>	<b>12/31/2018</b>
<b>Opening acquisition value</b>	6 637	6 637
Business combinations	-	-
<b>Closing acquisition value</b>	<b>6 637</b>	<b>6 637</b>
<b>Opening accumulated amortization</b>	-1 414	-677
Amortization for the year	-738	-737
<b>Closing accumulated amortization</b>	<b>-2 152</b>	<b>-1 414</b>
<b>Book value</b>	<b>4 485</b>	<b>5 223</b>
<b>TOTAL BOOK VALUE</b>	<b>36 342</b>	<b>44 332</b>

Amortization of capitalized development expenses and acquired intangible assets is included in the item Cost of goods sold. for the impairment test of goodwill, see note 13 in the notes for the group.

## NOTE 14 - FINANCIAL ASSETS

PARTICIPATIONS IN SUBSIDIARIES	12/31/2019	12/31/2018
<b>Precise Biometrics Services AB</b>		
Corp. iD no. 556582-9347, reg. office: Lund municipality, County of Skåne.		
Number of shares	1 000	1 000
Share of equity	100%	100%
Equity on balance sheet date	2 446	2 028
Profit/loss for the year	-1	-108
Opening book value	400	400
Shareholder contributions	420	-
<b>Closing book value</b>	<b>820</b>	<b>400</b>
<b>Precise Biometrics Inc</b>		
Potsdam, New York, USA		
Number of shares	10	10
Share of equity	100%	100%
Equity on balance sheet date	1 501	243
Profit/loss for the year	1 263	-606
Opening book value	958	958
Shareholder contribution	-	32 920
Write-down	-	-32 920
<b>Closing book value</b>	<b>958</b>	<b>958</b>
<b>Total</b>	<b>1 778</b>	<b>1 358</b>
<b>LONG-TERM RECEIVABLES FROM GROUP COMPANIES</b>	<b>12/31/2019</b>	<b>12/31/2018</b>
As of January 1	1 411	1 861
Reversal/Write-down	-	31 011
Shareholder contribution	-	-32 920
Net repayment	-1 411	-1 147
Currency effect	-	2 606
<b>Total</b>	<b>-</b>	<b>1 411</b>
<b>Deferred tax asset in accordance with Note 8</b>	<b>5 750</b>	<b>6 180</b>
<b>Total financial assets</b>	<b>7 528</b>	<b>8 949</b>



## NOTE 15 - ACCOUNTS RECEIVABLE

	12/31/2019	12/31/2018
Accounts receivable - invoiced	8 934	18 159
Accounts receivable - not invoiced	21 344	2 265
Reserve for credit risk	-1 467	-1 148
<b>Total</b>	<b>28 811</b>	<b>19 276</b>

As of December 31, 2018 accounts receivable amounting to SEK 8 934 thousand (11 625) were due. There is a write-down for accounts receivable amounting to SEK 1 467 thousand, but apart from these there are not considered to be any write-down requirements for accounts receivable.

<b>The aging analysis of all accounts receivable is shown below:</b>	<b>12/31/2019</b>	<b>12/31/2018</b>
Not due	24 762	8 800
Less than 3 months	3 072	9 538
Of which written down	-587	
3 to 6 months	1 106	1 765
Of which written down	-	-826
More than 6 months	1 338	322
Of which written down	-880	-322
<b>Total</b>	<b>28 811</b>	<b>19 276</b>

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

	12/31/2019	12/31/2018
Doubtful receivable at beginning of year	-1 148	-261
Bad debt confirmed	287	-
Reversal of reserve for credit risks	56	14
Reserve for credit risk	-587	-879
Currency effect	-75	-22
<b>Total</b>	<b>-1 467</b>	<b>-1 148</b>

<b>The reported amounts for each currency for the parent company's accounts receivable are as follows:</b>	<b>12/31/2019</b>	<b>12/31/2018</b>
SEK	1 204	904
USD	2 963	2 030
EUR		16

## NOTE 16 - PREPAID EXPENSES AND ACCRUED INCOME

	12/31/2019	12/31/2018
Prepaid rent	328	463
Other items	1 229	1 025
<b>Total</b>	<b>1 557</b>	<b>1 488</b>

## NOTE 17 - EQUITY

	NUMBER OF SHARES
As of December 31, 2018	360 231 467
As of December 31, 2019	360 231 467

### Warrants to employees

The 2017 shareholders' general meeting made a decision to offer an incentive plan for the company's employees to the effect that a maximum of five million (5,000,000) stock options can be issued, with each stock option providing entitlement to subscribe to one (1) share in the company. Subscription to the stock options was to take place no later than December 31, 2017, with the board having the right to extend the subscription period. Subscription through the exercising of stock options may take place during the period June 1, 2020 until June 30, 2020. The subscription price for the options has been set at SeK 0.06 and the subscription price for the shares at SeK 5.40. At the end of the full-year period, 1 230 000 options have been subscribed, corresponding to 33% of total stock options; this was after the options subscribed by employees, including the former CeO, had been bought back. Assuming that all stock options are exercised to subscribe to new shares, the number of shares in the company will increase by 1 230 000 shares.

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

The dilution impact is considered as the average rate corresponds to the program decided 2019.

## NOTE 18 - OTHER PROVISIONS

Warranty provisions	12/31/2019	12/31/2018
Provision at beginning of year	-	103
Change in warranty reserve during the year	-	-103
Provision at end of year	-	-

2018, previous years' provisions for expected guarantee claims in respect of goods sold within the sold Mobile Smart Card Solutions (Tactivo) business area, were reversed and reported in the line profit/loss after tax from discontinued operation.

## NOTE 19 - ACCRUED EXPENSES AND PREPAID INCOME

	12/31/2019	12/31/2018
Prepaid income	13 022	11 736
Accrued vacation pay	1 924	2 620
Accrued wages and holiday pay	2 326	3 396
Accrued payroll overhead and pensions	1 896	2 423
Other accrued expenses	5 882	6 261
<b>Total</b>	<b>25 050</b>	<b>26 436</b>

## NOTE 20 - FINANCIAL INSTRUMENTS

	12/31/2019	12/31/2018
	Book value	Book value
<b>Financial assets</b>		
<i>Loans receivable and accounts receivable</i>		
Accrued income	1 557	-
Accounts receivable	28 811	19 276
Other receivables	3 595	3 931
Cash & cash equivalents	70 216	78 016
<b>Total financial assets</b>	<b>104 179</b>	<b>101 224</b>
<b>Financial liabilities</b>		
<i>Financial liabilities at real value via the income statement</i>		
Derivatives	-	182
<i>Financial liabilities valued at the accrued cost of acquisition</i>		
Accounts payable	5 063	4 589
Other liabilities	179	1 831
Other accrued expenses	5 882	6 079
<b>Total financial liabilities</b>	<b>11 123</b>	<b>12 681</b>

The balance sheet item Cash & cash equivalents only includes bank balances at both the beginning and end of the year.

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

## NOTE 21 - RELATED PARTY TRANSACTIONS

In 2019, no other related transactions were initiated or completed in addition to business transactions with subsidiaries and salary-related remuneration to senior executives and board members.

The Chairman of the Board had a consulting assignment as acting Chairman of the Board in the company until the new CEO took up his position, which took place on August 1, 2018. The compensation level for the assignment was based on market conditions, and the cost to the company during the full-year period totalled SEK 1,629 thousand (0). Another board member had a consulting assignment, which started and ended during the first quarter of 2018. The compensation level for the assignment was based on market conditions and totalled SEK 42 (0) thousand.

Apart from the above, no related party transactions were started or completed during 2018 apart from business transactions with subsidiaries and wage-related remuneration to leading executives and board members.

## NOT 22 - PROPOSED DISTRIBUTION OF EARNINGS

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

	12/31/2019	12/31/2018
Share premium reserve, SEK thousands	73 738	73 738
Retained earnings, SEK thousands	23 139	39 912
Profit/loss for the year, SEK thousands	-4 078	-21 234
<b>Total non-restricted equity</b>	<b>92 798</b>	<b>92 416</b>
The board proposes that the AGM should not issue a dividend for the fiscal year 2019.		
Total dividend from retained earnings, SEK thousands	-	-
Carried forward to the new accounts, SEK	92 798	92 416
<b>Total non-restricted equity</b>	<b>92 798</b>	<b>92 416</b>



# ASSURANCE

The board of directors and the CEO give their assurance that the consolidated financial statements have been prepared in accordance with international financial reporting Standards (IFRS) as adopted by the EU and give a fair view of the group's financial position and results.

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

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

The income statements and balance sheets, including the consolidated financial statements, will be presented for the approval of the annual General Meeting on May 15, 2020.

Lund, March 26, 2020

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**Torgny Hellström**  
Chairman of the board

**Torbjörn Clementz**  
Board member

**Synnöve Trygg**  
Board member

**Mats Lindoff**  
Board member

**Åsa Schwarz**  
Board member

**Stefan K Persson**  
CEO

Our auditor's report was submitted on March 26, 2020

**Ernst & Young AB**

Johan Thuresson  
Authorized Public accountant

# AUDITOR'S REPORT

*To the general meeting of the shareholders of Precise Biometrics AB (publ), corporate identity number 556545-659*

## REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

### Uttalanden

Vi har utfört en revision av årsredovisningen och koncernredovisningen för Precise Biometrics AB (publ) för år 2019 med undantag för bolagsstyrningsrapporten på sidorna 31–36. Bolagets årsredovisning och koncernredovisning ingår på sidorna 24-81 i detta dokument

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av moderbolagets finansiella ställning per den 31 december 2019 och av dess finansiella resultat och kassaflöde för året enligt årsredovisningslagen. Koncernredovisningen har upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av koncernens finansiella ställning per den 31 december 2019 och av dess finansiella resultat och kassaflöde för året enligt International Financial Reporting Standards (IFRS), så som de antagits av EU, och årsredovisningslagen. Våra uttalanden omfattar inte bolagsstyrningsrapporten på sidorna 31-36. Förvaltningsberättelsen är förenlig med årsredovisningens och koncernredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen för moderbolaget och koncernen.

Våra uttalanden i denna rapport om årsredovisningen och

koncernredovisningen är förenliga med innehållet i den kompletterande rapport som har överlämnats till moderbolagets revisionsutskott i enlighet med Revisorsförordningens (537/2014) artikel 11.

### Grund för uttalanden

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet Revisorns ansvar. Vi är oberoende i förhållande till moderbolaget och koncernen enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav. Detta innefattar att, baserat på vår bästa kunskap och övertygelse, inga förbjudna tjänster som avses i Revisorsförordningens (537/2014) artikel 5.1 har tillhandahållits det granskade bolaget eller, i förekommande fall, dess moderföretag eller dess kontrollerade företag inom EU.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

### Särskilt betydelsefulla områden

Särskilt betydelsefulla områden för revisionen är de områden som enligt vår professionella bedömning var de mest betydelsefulla för revisionen av årsredovisningen och koncernredovisningen för den aktuella perioden. Dessa områden behandlades inom ramen för revisionen av, och i vårt ställningstagande till, årsredovisningen och koncernredovisningen som helhet, men vi gör inga separata uttalanden om dessa områden. Beskrivningen nedan av hur revisionen

genomfördes inom dessa områden ska läsas i detta sammanhang.

Vi har fullgjort de skyldigheter som beskrivs i avsnittet Revisorns ansvar i vår rapport om årsredovisningen också inom dessa områden. Därmed genomfördes revisionsåtgärder som utformats för att beakta vår bedömning av risk för väsentliga fel i årsredovisningen och koncernredovisningen. Utfallet av vår granskning och de granskningsåtgärder som genomförts för att behandla de områden som framgår nedan utgör grunden för vår revisionsberättelse.

### Intäktsredovisning

Försäljningsintäkterna uppgår för år 2019 till 91,9 Mkr i resultaträkningen för koncernen och 90,4 Mkr i resultaträkningen för moderbolaget. Intäkterna består främst av licens och support & underhåll. Intäkter från licenser delas in i två kategorier – royalty och licenser. Intäktsredovisningen kopplat till licenser och royalty kräver att företagsledningen gör bedömningar avseende vilken period intäkten ska redovisas. Detta medför att bolagets redovisning av intäkter innefattar väsentliga inslag av bedömningar varför intäktsredovisningen ansetts vara ett särskilt betydelsefullt område i revisionen.

hur bolagets intäkter fördelar sig mellan respektive intäktslag.

### Hur detta område beaktades i revisionen

I vår revision har vi utvärderat och granskat processen för intäktsredovisning samt gjorda bedömningar. Vi har bland annat utfört analytisk granskning, dataanalys av intäkter, granskat avtal och gjort inbetalningskontroller av intäkter samt granskat periodiseringar mot underliggande dokumentation. I vår granskning har vi också granskat lämnade upplysningar i årsredovisningen.

En beskrivning av redovisningsprinciper framgår av not 1. I not 2 anges

## Uppskjuten skattefordran

### Beskrivning av området

Uppskjuten skattefordran uppgår till 5,8 Mkr i koncernens balansräkning och 5,8 Mkr moderbolagets balansräkning per 31 december 2019 och är hänförlig till de skattemässiga underskott bolaget har. Bolaget redovisar uppskjuten skattefordran avseende underskottsavdrag i den utsträckning bolaget bedömer att det föreligger faktorer som övertygande talar för att avdragen kan avräknas mot överskott vid framtida beskattning. Värderingen av uppskjuten skattefordran baseras på bolagets bedömning av framtida skattemässiga intäkter för bolaget varför redovisningen av uppskjuten skattefordran har ansetts vara ett särskilt betydelsefullt område i revisionen.

En beskrivning av redovisningsprinciper samt viktiga uppskattningar och bedömningar för redovisningsändamål framgår av not 1. I not 9 för koncernen och not 8 för moderbolaget anges bolagets skattemässiga situation.

### Hur detta område beaktades i revisionen

I vår revision har vi granskat bolagets prognoser över framtida skattemässiga intäkter bland annat genom att utmana antaganden i prognosen och genom jämförelse med historiskt utfall. Vi har även granskat storleken på de skattemässiga underskotten mot underlag. Vi har granskat lämnade upplysningar i årsredovisningen.

## Goodwill

### Beskrivning av området

Redovisat värde för goodwill uppgår till 23,4 Mkr i koncernens balansräkning och 17,4 Mkr i moderbolagets balansräkning per 31 december 2019. Bolaget prövar årligen och vid indikation på värdenedgång att redovisade värden inte överstiger beräknat återvinningsvärde. Återvinningsvärdet fastställs för identifierad kassagenererande enhet, vilket är bolaget som helhet, genom en nuvärdeberäkning av framtida kassaflöden. Framtida kassaflöden baseras på ledningens affärsplaner och prognoser och innefattar ett antal antaganden bland annat om resultatutveckling, tillväxt, investeringsbehov och diskonteringsränta (WACC).

Förändringar av antaganden får en stor påverkan på beräkningen av återvinningsvärdet och de antaganden som bolaget tillämpat får därför stor betydelse för bedömningen om nedskrivningsbehov föreligger. Vi har därför bedömt att redovisningen av goodwill är ett särskilt betydelsefullt område i revisionen.

En beskrivning av redovisningsprinciper samt viktiga uppskattningar och bedömningar för redovisningsändamål framgår av not 1. I not 13 för koncernen och not 13 för moderbolaget framgår beskrivning av nedskrivningstestet.

### Hur detta område beaktades i revisionen

I vår revision har vi utvärderat och testat bolagets process för att upprätta nedskrivningstest, bland annat genom att utvärdera tidigare träffsäkerhet i prognoser och antaganden. Vi har också utvärderat rimligheten i framtida kassaflöden och tillväxtantaganden samt med hjälp av våra värderings-specialister prövat vald diskonteringsränta och antaganden om långsiktig tillväxt. Vi har också granskat bolagets modell och metod för att genomföra nedskrivningstest samt utvärderat bolagets känslighetsanalyser. Vi har granskat lämnade upplysningar i årsredovisningen.

## Annan information än årsredovisningen och koncernredovisningen

Detta dokument innehåller även annan information än årsredovisningen och koncernredovisningen och återfinns på sidorna 1-23 och 86-88. Det är styrelsen och verkställande direktören som har ansvaret för denna andra information.

Vårt uttalande avseende årsredovisningen och koncernredovisningen omfattar inte denna information och vi gör inget uttalande med bestyrkande avseende denna andra information.

I samband med vår revision av årsredovisningen och koncernredovisningen är det vårt ansvar att läsa den information som identifieras ovan och överväga om informationen i väsentlig utsträckning är oförenlig med årsredovisningen och koncernredovisningen. Vid denna genomgång beaktar vi även den kunskap vi i övrigt inhämtat under revisionen samt bedömer om informationen i övrigt verkar innehålla väsentliga felaktigheter.

Om vi, baserat på det arbete som har utförts avseende denna information, drar slutsatsen att den andra informationen innehåller en väsentlig felaktighet, är vi skyldiga att rapportera detta. Vi har inget att rapportera i det avseendet.

## Styrelsens och verkställande direktörens ansvar

Det är styrelsen och verkställande direktören som har ansvaret för att årsredovisningen och koncernredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen och, vad gäller koncernredovisningen, enligt IFRS så som de antagits av EU. Styrelsen och verkställande direktören ansvarar även för den interna kontroll som de bedömer är nödvändig för att upprätta en årsredovisning och koncernredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag.

Vid upprättandet av årsredovisningen och koncernredovisningen ansvarar styrelsen och verkställande direktören för bedömningen av bolagets förmåga att fortsätta verksamheten. De upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om styrelsen och verkställande direktören avser att likvidera bolaget, upphöra med verksamheten eller inte har något realistiskt alternativ till att göra något av detta.

Styrelsens revisionsutskott ska, utan att det påverkar styrelsens ansvar och uppgifter i övrigt, bland annat övervaka bolagets finansiella rapportering.

### Revisorns ansvar

Våra mål är att uppnå en rimlig grad av säkerhet om att årsredovisningen och koncernredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag, och att lämna en revisionsberättelse som innehåller våra uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller misstag och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen och koncernredovisningen.

Som del av en revision enligt ISA använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Dessutom:

- identifierar och bedömer vi riskerna för väsentliga felaktigheter i årsredovisningen och koncernredovisningen, vare sig dessa beror på oegentligheter eller misstag, utformar och utför granskningsåtgärder bland annat utifrån dessa risker och inhämtar revisionsbevis som är tillräckliga och ändamålsenliga för att utgöra en grund för våra uttalanden. Risken för att inte upptäcka en väsentlig felaktighet till följd av oegentligheter är högre än för en väsentlig felaktighet som beror på misstag, eftersom oegentligheter kan innefatta agerande i maskopi, förfalskning, avsiktliga utelämnanden, felaktig information eller åsidosättande av intern kontroll.
- skaffar vi oss en förståelse av den del av bolagets interna kontroll som har betydelse för vår revision för att utforma granskningsåtgärder som är lämpliga med hänsyn till omständigheterna, men inte för att uttala oss om effektiviteten i den interna kontrollen.
- utvärderar vi lämpligheten i de redovisningsprinciper som används och rimligheten i styrelsens och verkställande direktörens uppskattningar i redovisningen och tillhörande upplysningar.
- drar vi en slutsats om lämpligheten i att styrelsen och verkställande direktören använder antagandet om fortsatt drift vid upprättandet av årsredovisningen och koncernredovisningen. Vi drar också en slutsats, med grund i de inhämtade revisionsbevisen, om det finns någon väsentlig osäkerhetsfaktor som avser sådana händelser eller förhållanden som kan leda till betydande tvivel om bolagets förmåga att fortsätta verksamheten. Om vi drar slutsatsen att det finns en väsentlig osäkerhetsfaktor, måste vi i revisionsberättelsen fästa uppmärksamheten på upplysningarna i årsredovisningen om den väsentliga osäkerhetsfaktorn eller, om sådana upplysningar är otillräckliga, modifiera uttalandet om årsredovisningen och koncernredovisningen. Våra slutsatser baseras på de revisionsbevis som inhämtas fram till datumet för revisionsberättelsen. Dock kan framtida händelser eller förhållanden göra att ett bolag inte längre kan fortsätta verksamheten.
- utvärderar vi den övergripande presentationen, strukturen och innehållet i årsredovisningen och koncernredovisningen, däribland upplysningarna, och om årsredovisningen och koncernredovisningen återger de underliggande transaktionerna och händelserna på ett sätt som ger en rättvisande bild.
- inhämtar vi tillräckliga och ändamålsenliga revisionsbevis avse-

ende den finansiella informationen för enheterna eller affärsaktiviteterna inom koncernen för att göra ett uttalande avseende koncernredovisningen. Vi ansvarar för styrning, övervakning och utförande av koncernrevisionen. Vi är ensamt ansvariga för våra uttalanden.

Vi måste informera styrelsen om bland annat revisionens planerade omfattning och inriktning samt tidpunkten för den. Vi måste också informera om betydelsefulla iakttagelser under revisionen, däribland de eventuella betydande brister i den interna kontrollen som vi identifierat.

Vi måste också förse styrelsen med ett uttalande om att vi har följt relevanta yrkesetiska krav avseende oberoende, och ta upp alla relationer och andra förhållanden som rimligen kan påverka vårt oberoende, samt i tillämpliga fall tillhörande motåtgärder.

Av de områden som kommuniceras med styrelsen fastställer vi vilka av dessa områden som varit de mest betydelsefulla för revisionen av årsredovisningen och koncernredovisningen, inklusive de viktigaste bedömda riskerna för väsentliga felaktigheter, och som därför utgör de för revisionen särskilt betydelsefulla områdena. Vi beskriver dessa områden i revisionsberättelsen såvida inte lagar eller andra författningar förhindrar upplysning om frågan.

## RAPPORT OM ANDRA KRAV ENLIGT LAGAR OCH ANDRA FÖRFATTNINGAR

### Uttalanden

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens och verkställande direktörens förvaltning av Precise Biometrics AB (publ) för år 2019 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter och verkställande direktören ansvarsfrihet för räkenskapsåret.

### Grund för uttalanden

Vi har utfört revisionen enligt god revisionssed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet Revisorns ansvar. Vi är oberoende i förhållande till moderbolaget och koncernen enligt god revisionssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

### Styrelsens och verkställande direktörens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets och koncernens verksamhetsart, omfattning och risker ställer på storleken av moderbolagets och koncernens egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.



Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets och koncernens ekonomiska situation, och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt. Verkställande direktören ska sköta den löpande förvaltningen enligt styrelsens riktlinjer och anvisningar och bland annat vidta de åtgärder som är nödvändiga för att bolagets bokföring ska fullgöras i överensstämmelse med lag och för att medelsförvaltningen ska skötas på ett betryggande sätt.

### **Revisorns ansvar**

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot eller verkställande direktören i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningsskyldighet mot bolaget.
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionssed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningsskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

Som en del av en revision enligt god revisionssed i Sverige använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Granskningen av förvaltningen och förslaget till dispositioner av bolagets vinst eller förlust grundar sig främst på revisionen av räkenskaper. Vilka tillkommande granskningsåtgärder som utförs baseras på vår professionella bedömning med utgångspunkt i risk och väsentlighet. Det innebär att vi fokuserar granskningen på sådana åtgärder, områden och förhållanden som är väsentliga för verksamheten och där avsteg och överträdelser skulle ha särskild betydelse för bolagets situation. Vi går igenom och prövar fattade beslut, beslutsunderlag, vidtagna åtgärder och andra förhållanden som är relevanta för vårt uttalande om ansvarsfrihet. Som underlag för vårt uttalande om styrelsens förslag till dispositioner beträffande bolagets vinst eller förlust har vi granskat om förslaget är förenligt med aktiebolagslagen.

### **Revisorns granskning av bolagsstyrningsrapporten**

Det är styrelsen som har ansvaret för bolagsstyrningsrapporten på sidorna 31 - 36 och för att den är upprättad i enlighet med årsredovisningslagen.

Vår granskning har skett enligt FARs uttalande RevU 16 Revisorns granskning av bolagsstyrningsrapporten. Detta innebär att vår granskning av bolagsstyrningsrapporten har en annan inriktning och en väsentligt mindre omfattning jämfört med den inriktning och omfattning som en revision enligt International Standards on Auditing och god revisionssed i Sverige har. Vi anser att denna granskning ger oss tillräcklig grund för våra uttalanden.

En bolagsstyrningsrapport har upprättats. Upplysningar i enlighet med 6 kap. 6 § andra stycket punkterna 2-6 årsredovisningslagen samt 7 kap. 31 § andra stycket samma lag är förenliga med årsredovisningens och koncernredovisningens övriga delar samt i överensstämmelse med årsredovisningslagen.

Ernst & Young AB, Box 4279, 203 14 Malmö, utsågs till Precise Biometrics ABs revisor av bolagsstämman den 15 maj 2019 och har varit bolagets revisor sedan 27 april 2015.

Malmö den 26 mars 2020

Ernst & Young AB

Johan Thuresson

Auktoriserad revisor

# FINANCIAL GLOSSARY

## NET SALES GROWTH

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

## GROSS MARGIN

Gross profit/loss divided by net sales. Shows what proportion of sales 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 the 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 are, for example, wages and other personnel expenses, as well as rent of premises.

## EBITDA

Profit/loss before financial net 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 the operation and is thus one component of measuring the return from the operation.

## EQUITY, TOTAL OPERATION

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

## AVERAGE EQUITY, TOTAL OPERATION

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

## LIQUIDITY RATIO, TOTAL OPERATION

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

## EQUITY/ASSETS RATIO, TOTAL OPERATION

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

## RETURN ON EQUITY, TOTAL OPERATION

Profit/loss after tax divided by average equity. This key figure shows the 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, 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 how much equity there is per share, which is used when valuing the share in relation to the share price.

# ANNUAL GENERAL MEETING

## ANNUAL GENERAL MEETING

The Annual General Meeting will be held on May 15, 2020 at 2:00 PM at Mobilvägen 10, Lund, Sweden. The Annual Report for 2019 will be available on Precise Biometrics Biometrics' website and at the head office at the latest on April 24, 2020. Shareholders who wish to participate in the Annual General Meeting must be registered in the share register kept by Euroclear Sweden AB as of May 11, 2020 and register their participation no later than May 8. Shareholders who have had their shares registered through an agent must, in order to participate in the meeting, register their shares in their own name through the agent before May 8, 2020.

## REGISTERING TO ATTEND THE AGM

Shareholders must notify their intention to attend the AGM no later than May 11, 2020. Registration may take place by mail or email:

Email: [arsstamma@precisebiometrics.com](mailto:arsstamma@precisebiometrics.com)

Post: Precise Biometrics AB, "årsstämma", Mobilvägen 10, 223 62 Lund

Applications must include:

Name

Social security number/Corp iD number

Address

Phone number

Assistants, if appropriate

## Representatives

Shareholders who are represented by an agent must issue a power of attorney to the agent. If powers of attorney are issued by legal entities, a copy of the registration certificate (or if such a document does not exist, a similar document) for the legal entity must be enclosed. The document must not be more than one year old. These documents must be in the possession of Precise Biometrics no later than Thursday, May 11, 2020.

## Investor contact

Stefan K Persson, CEO

telefon: +46 46 31 11 05

E-post: [investor@precisebiometrics.com](mailto:investor@precisebiometrics.com)

# FINANCIAL CALENDAR

## INTERIM REPORT, FIRST QUARTER 2020

May 15, 2020 (8:00am)

## ANNUAL GENERAL MEETING 2020

May 15, 2020 (2:00pm)

## INTERIM REPORT, SECOND QUARTER 2020

August 14, 2020 (8:00am)

## INTERIM REPORT, THIRD QUARTER 2020

November 13, 2020 (8:00am)

## YEAR-END REPORT 2020

February 16, 2021 (8:00am)

Financial reports are published in Swedish and english at [precisebiometrics.com](https://precisebiometrics.com)

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