

Q2



PRECISE BIOMETRICS INTERIM REPORT JANUARY-JUNE 2022

Precise continues to grow in a turbulent world

INTERIM REPORT FOR THE PERIOD JANUARY TO JUNE 2022

SECOND QUARTER

- Net sales totaled SEK 24.6 (18.7) million.
- EBITDA totaled SEK 0.9 (–0.8) million.
- The operating profit/loss totaled SEK –4.1 (–4.6) million.
- Earnings for the period totaled SEK –4.3 (–4.6) million.
- Earnings per share totaled SEK –0.11 (–0.13).
- Cash flow from operating activities totaled SEK 3.0 (–1.6) million.

INTERIM PERIOD

- Net sales totaled SEK 52.9 (39.0) million.
- EBITDA totaled SEK 5.0 (–0.8) million.
- The operating profit/loss totaled SEK –4.9 (–8.4) million.
- Earnings for the period totaled SEK –5.5 (–8.1) million.
- Earnings per share totaled SEK –0.14 (–0.22).
- Cash flow from operating activities totaled SEK 10.1 (–2.3) million.

SIGNIFICANT EVENTS DURING THE QUARTER

- Patrick Höijer took over as the new CEO of the company on June 1, 2022.
- Precise's shares were consolidated on June 30 (1:10), and the number of shares and votes after the consolidation totaled 39,596,394 shares.

SIGNIFICANT EVENTS AFTER THE END OF THE INTERIM PERIOD

- The Board of Precise Biometrics AB decided on a directed new share issue of a maximum of 3,959,639 ordinary shares, corresponding to 10 per cent of the outstanding shares in the company, to Egis Technology Inc ("Egis"). In addition, subject to the subsequent approval of an extraordinary general meeting, the Board of Directors decided on a preferential issue of a maximum of 6,599,399 ordinary shares, and decided to submit proposals for an authorization of the share issue linked to an enlargement option of a maximum of 2,339,787 ordinary shares. At full subscription of the directed share issue, the preferential share issue and the enlargement option, the company will receive approximately SEK 83 million before issue costs.
- Egis and Precise Biometrics AB have entered into an investment agreement, under which Egis has undertaken to subscribe to the shares in a directed share issue, to guarantee free of charge approximately a quarter of the preferential share issue and to subscribe to shares in the enlargement option to the extent required for Egis' ownership in the company to amount to approximately 12.0% of the shares in the company after the share issues.
- The Board of Directors of Precise convened an extraordinary general meeting on Monday, September 5, 2022.

FINANCIAL DATA AND KEY INDICATORS

Amounts in SEK thousands unless otherwise stated

KEY INDICATORS

Amounts in SEK thousands unless otherwise stated	2022 Q2	2021 Q2	2022 Q1 - Q2	2021 Q1 - Q2	2021 Full-year	Rolling 12 mth
Net sales	24 614	18 668	52 926	38 980	83 319	97 265
Net sales growth, %	31,9%	-20,9%	35,8%	-16,5%	-9,8%	14,9%
EBITDA	942	-814	4 962	-792	1 872	7 626
Gross margin, %	78,0%	73,3%	77,3%	75,4%	76,3%	77,2%
Operating profit/loss	-4 109	-4 596	-4 911	-8 408	-14 073	-10 576
Operating margin, %	-16,7%	-24,6%	-9,3%	-21,6%	-16,9%	-10,9%
Cash flow from the operating activities	592	-1 628	4 263	-2 288	-1 477	5 834
Cash and cash equivalents	54 644	62 466	54 644	62 466	64 102	54 644

See the Financial Glossary for definitions.

INVITATION TO PRESENTATION OF THE INTERIM REPORT

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

The conference call starts at 10:00 AM (CEST) on August 12.

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

<https://financialhearings.com/event/44150>

To take part, click on the link above to listen to and follow the presentation online, or call one of the following numbers to follow by phone (Pin: 7688786#).

SE: +46 8 5051 6386

UK: +44 20 319 84884

US: +1 412 317 6300

Participants will be asked to provide their name when connecting to the conference call, and there will be an opportunity to ask questions in Swedish. The conference call will be held in English.

Participating on behalf of Precise:

Patrick Höjjer, CEO

Annika Freij, CFO

CEO COMMENTS

During my initial period as CEO of Precise, I can confirm that we are standing strong in a turbulent environment. Both our Digital Identity and Algo business segments report a strong Q2 and are growing compared with the same period last year. SaaS revenues increased in Digital Identity, while revenues in Algo grew compared with the same period last year, despite a global decline in demand for mobile phones. In total, revenues grew by 32% to SEK 24.6 million, with an EBITDA of SEK 0.9 million (-0.8). Precise has a strong business model, and we have proven this in the second quarter, and I am now looking forward to being able to accelerate growth in the long term, both within Digital Identity through continued investments and by broadening the profitable business within Algo to new areas of application.

In Algo, we see growth in revenues for the second quarter of SEK 19.1 (17.5) million, with good margins. We are seeing reduced demand for mobile phones due to the macroeconomic situation, although access to components has improved. In addition, new projects won with existing customers contributed to stronger license fees during the quarter. Work to deliver Precise BioMatch to our two customers in the automotive industry is proceeding according to plan.

In Digital Identity, revenues grew by 358% to SEK 5.5 million. The return of many companies to working from the office has driven demand for visitor management systems, with EastCoast achieving its best SaaS sales in a single quarter. We can also confirm an increased use of biometric access solutions in the gym and construction site segments, which is an acknowledgment of the customer need that exists for our solutions, and during the quarter we implemented new installations of YOUNiQ for Algeco and Iver, for example.

The work we are doing is being noticed in the industry, and it is therefore gratifying that our commercial partner Egis has decided to make a strategic investment in Precise. This gives us a significantly stronger financial position, which, together with Egis as a long-term industrial owner, will contribute positively to our growth strategy. By the investment and the deepened cooperation that it means, we will be able to strengthen our product development and explore opportunities to expand our offering within both Algo and Digital Identity over time. I look forward to welcoming Egis as a new owner in Precise and I am also happy that our existing shareholders get the opportunity to participate in a preferential share issue, to the same terms as Egis.

After my first few months as CEO of Precise, it is clear to me that the company has, over a long period of time, built up global, cutting-edge expertise in the field of biometrics, combined with a good ability to apply it to several different application areas. All in all, this provides a strong platform to continue to commercialize in accordance with our strategy. That work has proceeded during Q2, where we are working close to strategic partners within both product segments. Within Algo, we are continuing to develop our product offering and explore how we over time can enter new verticals. We also continue to drive initiatives within Digital Identity to organically grow the SaaS business and are maintaining close dialogues with customers and partners, not least regarding the integration between YOUNiQ and EastCoast. At the same time, we remain flexible to further acquisitions. I am gratified to, together with the team at Precise, lead the company through this exciting phase and capitalize on the increasing demand for biometric solutions.

Patrick Höjjer, CEO

MARKET AND SALES

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

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

MARKET DEVELOPMENT

Segment – Digital Identity

We increasingly use digital services that require user identification. As the registration process is often complicated and the security of passwords, PINs and similar traditional solutions has limitations, the demand for more convenient and secure ways to ensure convenient access and visitor management solutions is increasing. The increasingly connected world we live in also means that we not only use our digital identity in several different channels, but also on a variety of devices, which further increases the need for a digitalized offering for temporary and permanent visitors.

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

Segment – Algo

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

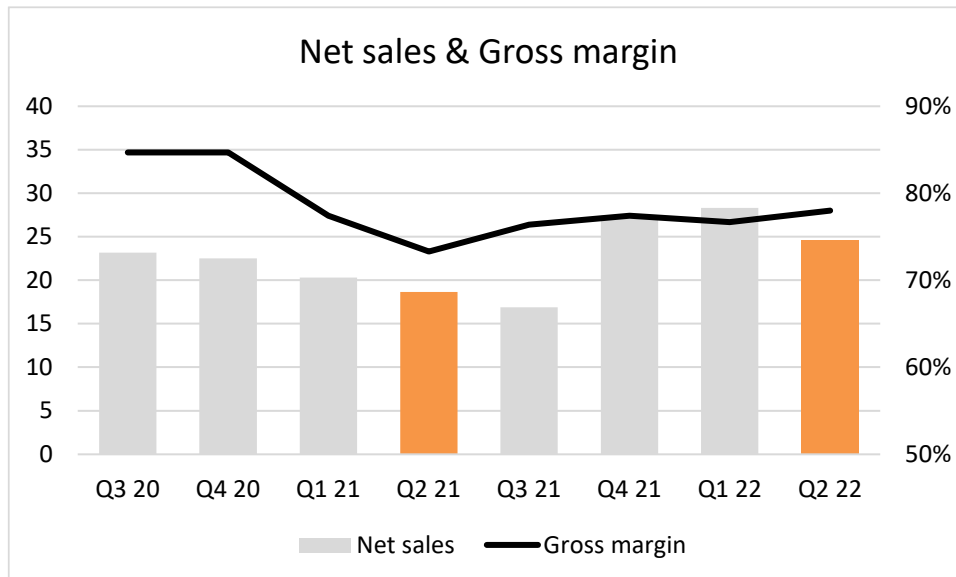
Biometrics for identity verification has become an increasingly important tool in the battle against fraud in virtually all payment channels. Payments have become the main driving force for the development of biometrics at consumer level. Card manufacturers are focusing increasingly on the certification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

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

NET SALES AND OPERATING PROFIT/LOSS IN THE QUARTER

Net sales for the quarter increased to SEK 24.6 (18.7) million. Net sales were split between royalty revenues of SEK 7.1 (7.0) million, license fees (including support and maintenance) of SEK 15.7 (9.2) million and Other of SEK 1.9 (2.4) million. The increase in license fees is primarily due to the acquisition of EastCoast, which was completed on November 30, 2021, as well as our two customers in the automotive industry.

The gross margin during the quarter totaled 78.0% (73.3). The improvement is due to higher sales, while costs are only increasing marginally. Amortization of capitalized development expenses increased to SEK 3.5 (2.9) million, relating primarily to Digital Identity, which includes EastCoast. Amortization of acquired intangible assets totaled SEK 0.3 (0.2) million.



Operating expenses for the quarter increased to SEK 23.3 (18.3) million, primarily due to the addition of expenses for EastCoast.

The operating profit/loss for the quarter totaled SEK –4.1 (–4.6) million. The slightly improved operating profit can be explained by the higher net sales, although these are offset by the higher cost level. Earnings for the quarter totaled SEK –4.3 (–4.6) million. Total depreciation/amortization totaled SEK 5.0 (3.8) million.

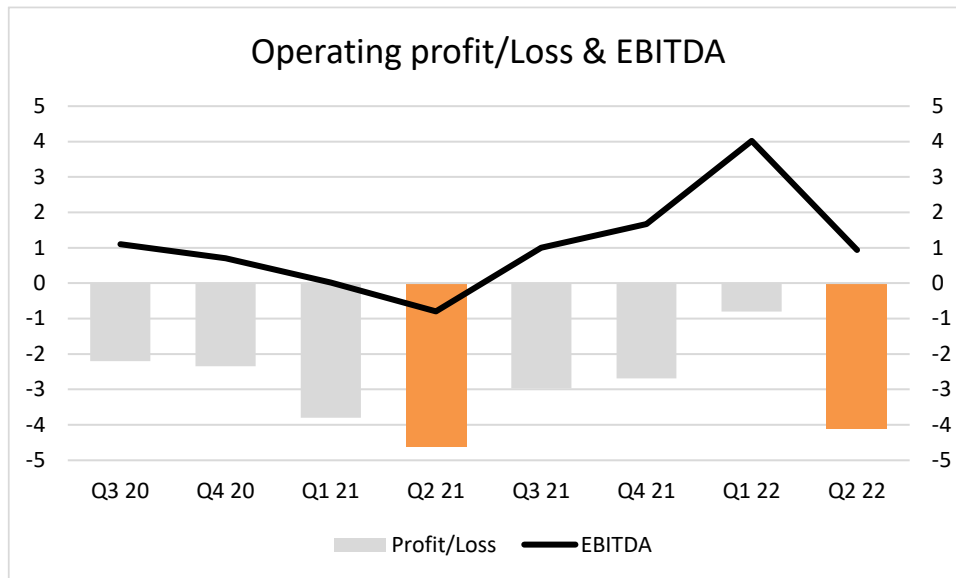
The profit/loss at EBITDA level totaled SEK 0.9 (–0.8) million. Earnings per share (average number of shares) for the quarter totaled SEK –0.11 (–0.13). The comparative period has been adjusted as a result of the consolidation of shares (1:10).

Segment – Digital Identity

Net sales for Digital Identity totaled SEK 5.5 (1.2) million and are reported under licenses at SEK 4.8 (0.2) million and Other at SEK 0.7 (1.0) million. The increase in revenues in Digital Identity is due primarily to EastCoast, which contributed net sales of SEK 4.5 million during the quarter. Precise is working continuously to strengthen the SaaS model and has an ARR (annual recurring revenue) in the order of SEK 13 million. The gross margin during the quarter totaled 43.4%. The gross margin in Digital Identity is lower than in the Algo segment, as a large proportion of sales consists of hardware.

Segment – Algo

Net sales for Algo totaled SEK 19.1 (17.5) million and are reported under royalties at SEK 7.1 (7.0) million, licenses at SEK 10.8 (9.1) million and Other at SEK 1.2 (1.4) million. Last year’s component shortage was replaced by declining demand for mobile phones, which has resulted in continued low production volumes in the mobile market. License fees increased compared with the second quarter of 2021, driven primarily by two new customers in the automotive industry and an increase in customers in the mobile industry. The gross margin during the quarter totaled 87.9%.



NET SALES AND OPERATING PROFIT/LOSS IN THE INTERIM PERIOD

Net sales during the interim period totaled SEK 52.9 (39.0) million. Net sales were split between royalty revenues of SEK 17.3 (17.9) million, license fees (including support and maintenance) of SEK 31.2 (18.0) million and Other of SEK 4.5 (3.1) million. Last year’s component shortage was replaced by lower demand for mobile phones, which has resulted in continued low production volumes in the mobile market. The increase in license fees is primarily due to the acquisition of EastCoast, which was completed on November 30, 2021, as well as our two customers in the automotive industry.

The gross margin during the interim period totaled 77.3% (75.4). The increase relates primarily to higher sales and a higher proportion of software sales compared with hardware. Amortization of capitalized development expenses increased to SEK 8.9 (5.9) million, relating primarily to Digital Identity and the acquisition of EastCoast. Amortization of acquired intangible assets totaled SEK 0.6 (0.4) million.

Operating expenses for the interim period totaled SEK 45.8 (37.8) million, primarily due to the addition of costs for EastCoast and costs relating to the collaboration with Egis.

The operating profit/loss for the interim period totaled SEK –4.9 (–8.4) million. The improved operating profit/loss is primarily attributable to higher sales combined with a higher gross margin, which is partly offset by higher costs. Earnings for the interim period totaled SEK –5.5 (–8.1) million. Total depreciation/amortization totaled SEK 9.9 (7.6) million.

The profit/loss at EBITDA level totaled SEK 5.0 (–0.8) million. Earnings per share (average number of shares) for the interim period totaled SEK –0.14 (–0.22). The comparative period has been adjusted as a result of the consolidation of shares (1:10).

NET FINANCIAL ITEMS AND TAX

Precise has no interest-bearing liabilities apart from lease liabilities and the discounted deferred fixed purchase price relating to the acquisition of EastCoast.

Net financial items for the quarter totaled SEK –0.3 (0.0) million and the tax expense totaled SEK 0.1 (–0.0) million. Net financial items for the interim period totaled SEK –0.7 (–0.3) million and the tax expense totaled SEK 0.2 (–0.0) million. Net financial items are attributable to exchange rate differences in cash and cash equivalents, and also interest on the lease liability in accordance with IFRS 16, as well as interest expense on the deferred fixed purchase price related to the acquisition of EastCoast.

CASH FLOW AND INVESTMENTS

The cash flow for the quarter from current operations totaled SEK 3.0 (–1.6) million, of which SEK 2.4 (–0.8) million is attributable to changes in working capital. The Group invested SEK 0.3 (1.7) million in property, plant and equipment during the quarter. Total cash flow for the period was SEK –3.3 (–7.9) million.

The cash flow for the interim period from current operations totaled SEK 10.1 (–2.3) million, of which SEK 5.8 (–1.8) million is attributable to changes in working capital. The Group invested SEK 0.3 (2.0) million in property, plant and equipment during the interim period. Total cash flow for the interim period was SEK –9.6 (–13.8) million.

CAPITALIZATION AND AMORTIZATION OF DEVELOPMENT WORK

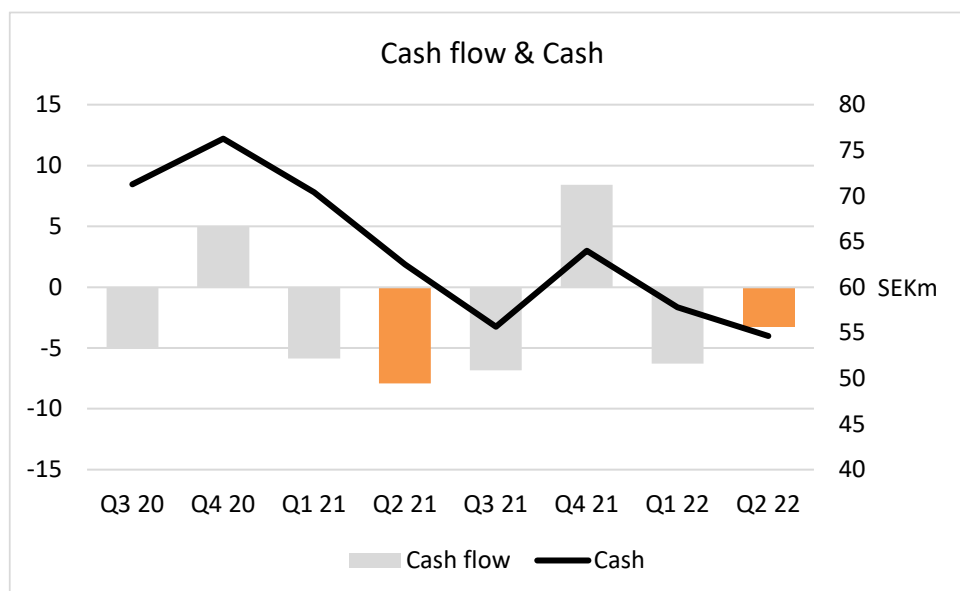
Development expenses of SEK 5.6 (4.2) million were capitalized during the quarter, and amortization of capitalized development expenses in respect of Digital Identity and Algo totaled SEK 3.5 (2.9) million.

Development expenses of SEK 10.4 (8.9) million were capitalized during the interim period, and amortization of capitalized development expenses totaled SEK 6.8 million (5.9).

FINANCIAL POSITION AND LIQUIDITY

Cash and cash equivalents at the end of the period totaled SEK 54.6 (62.5) million.

Total equity at the end of the period totaled SEK 122.7 (105.9) million, and equity per share was SEK 3.10 (3.07). The comparative period has been adjusted as a result of the consolidation of shares (1:10).



THE PARENT COMPANY

The parent company's net sales for the interim period totaled SEK 43.8 (38.1) million. The operating profit/loss totaled SEK –6.8 (–9.8) million and was affected by amortization of goodwill totaling SEK 1.2 (1.2) million.

Cash and cash equivalents at the end of the interim period totaled SEK 41.1 (59.5) million, and equity SEK 109.5 (94.1) million.

ORGANIZATION AND STAFF

The organization consists of the head office in Lund, Sweden, and offices in Stockholm, Sweden, Potsdam, USA, and Shanghai, China. At the end of the interim period, the Group had a workforce of 62 (46) people, including on-site consultants and employees of EastCoast. The number of employees was 31 (23), of which 24 (16) were located in Sweden. Precise works in an agile way together with several partners, creating a fast-moving, scalable organization. The number of employees does not include partners.

REPORTING DATES

Q3 Interim Report	November 11, 2022
Year-end Report 2022	February 17, 2023
Q1 Interim report 2023	May 12, 2023

RISK FACTORS

The Group and parent company's business risks and risk management as well as the management of financial risks are described in detail in the Annual Report for 2021, which was issued in March 2022. There have been no incidents of significant importance since then that would affect or change these descriptions of the Group or parent company's risks and how they are managed. Regarding the war in Ukraine, the company has no customers or suppliers in Ukraine or Russia, but may feel the effects of the prevailing economic situation and increased costs that affect both Precise and the company's customers and suppliers. The mobile market experienced a downturn during the second quarter and may continue to have an impact on net sales, partly as a consequence of Covid in Asia and general macroeconomic uncertainty.

OWNERSHIP STRUCTURE

Precise Biometrics AB (publ), corporate ID number 556545-6596, is the parent company of the Precise Biometrics Group. Precise Biometrics AB's shares are listed on the Small Cap list of the Nasdaq OMX Nordic. The number of shareholders at the end of the year was 18,350 (17,728). 4,108,229 PREC shares were traded during the quarter. The closing price on June 30 was SEK 7.28, and during the quarter the share price fluctuated between SEK 6.98 and SEK 10.54.

AUDIT

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

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

Lund, August 12, 2022

Torgny Hellström,

Chairman of the Board

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

Patrick Höjjer,

CEO

For further information, please contact:

Patrick Höjjer, CEO

Email: patrick.hojjer@precisebiometrics.com

This information is information that Precise Biometrics AB is obliged to disclose pursuant to the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was submitted for publication on August 12, 2022 at 08:00 AM (CEST).

CONSOLIDATED INCOME STATEMENT – IN SUMMARY

Amounts in SEK thousand	Note	2022 Q2	2021 Q2	2022 Q1 - Q2	2021 Q1 - Q2	2021 Full-year	Rolling 12 mth
Net sales	2,3	24 614	18 668	52 926	38 980	83 319	97 265
Cost of goods sold		-5 406	-4 984	-12 012	-9 576	-19 776	-22 212
Gross profit		19 208	13 684	40 914	29 404	63 543	75 053
Marketing and sales expenses		-8 980	-7 244	-18 114	-15 973	-31 649	-33 790
Administrative expenses		-6 503	-3 976	-10 950	-7 868	-18 018	-21 100
R&D expenses		-8 876	-6 766	-18 739	-14 057	-28 161	-32 843
Other operating income/expenses		1 041	-294	1 978	86	212	2 104
		-23 318	-18 280	-45 825	-37 812	-77 616	-85 629
Operating profit/loss		-4 109	-4 596	-4 911	-8 408	-14 073	-10 576
Financial income/expenses		-285	-45	-731	310	724	-317
Profit/Loss before tax		-4 394	-4 641	-5 642	-8 098	-13 349	-10 893
Tax		87	-2	173	-3	-97	79
Profit/loss for the period attributable to parent company shareholders		-4 307	-4 643	-5 469	-8 101	-13 446	-10 814
Earnings per share, remaining operations, SEK*							
- before dilution		-0,11	-0,13	-0,14	-0,22	-0,34	-0,27
- after dilution		-0,11	-0,13	-0,14	-0,22	-0,37	-0,28
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME							
Profit/Loss for the period		-4 307	-4 643	-5 469	-8 101	-13 446	-10 814
Other comprehensive income:							
<i>Items that may be reclassified to profit or loss</i>							
Changes in accumulated exchange rate differences		188	-32	235	58	169	346
Other comprehensive income for the period		188	-32	235	58	169	346
Profit/Loss total attributable to holders of		-4 119	-4 675	-5 234	-8 043	-13 277	-10 468

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

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

As a result of the consolidation, the number of shares and votes in Precise Biometrics has decreased by 356,367,546. Prior to the consolidation, there were a total of 395,963,940 shares and votes in Precise Biometrics. As of June 30, 2022 the total number of shares and votes in the company is 39,596,394.

CONSOLIDATED BALANCE SHEET – IN SUMMARY

Amounts in SEK thousand

ASSETS	Note	2022-06-30	2021-06-30	2021-12-31
FIXED ASSETS				
Material assets		11 472	9 718	11 466
Goodwill and immaterial assets		137 792	50 098	135 480
TOTAL FIXED ASSETS		149 264	59 816	146 946
CURRENT ASSETS				
Inventories		311	65	548
Accounts receivable	4	12 836	13 331	24 027
Other current receivables	4	1 547	1 666	1 923
Accruals and deferred income		4 488	4 637	3 506
Cash and cash equivalents	4,6	54 643	62 466	64 102
TOTAL CURRENT ASSETS		73 825	82 165	94 106
TOTAL ASSETS		223 089	141 981	241 052
EQUITY AND LIABILITIES				
EQUITY				
Equity		122 685	105 904	128 053
TOTAL EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS		122 685	105 904	128 053
LONG-TERM DEBT				
Long term debt	6	40 389	5 013	40 463
TOTAL LONG-TERM DEBT		40 389	5 013	40 463
SHORT-TERM LIABILITIES				
Short-term liabilities	4,6	60 015	31 064	72 536
Total Short-term liabilities		60 015	31 064	72 536
TOTAL EQUITY AND LIABILITIES		223 089	141 981	241 052

CONSOLIDATED CASH FLOW STATEMENT – IN SUMMARY

Amounts in SEK thousand	Note	2022 Q2	2021 Q2	2022 Q1 - Q2	2021 Q1 - Q2	2021 Full-year	Rolling 12 mth
Cash flow from operating activities							
Operating profit/loss		-4 109	-4 596	-4 911	-8 408	-14 073	-10 576
Adjustments for items not included in cash flow		4 992	3 783	9 919	7 617	14 579	16 881
Interest payments, net		-285	-45	-731	310	724	-317
Tax paid		-6	0	-14	0	-141	-155
Cash flow from operating activities before changes in working capital		592	-859	4 263	-482	1 089	5 834
Cash flow from changes in working capital							
Change in inventories		130	613	237	987	504	-246
Change in current receivables		-235	2 984	10 648	-1 680	-6 284	6 044
Change in provisions		0	0	0	0	0	0
Change in current liabilities		2 495	-4 366	-5 063	-1 114	3 198	-751
		2 390	-769	5 822	-1 807	-2 582	5 047
Cash flow from operating activities		2 982	-1 628	10 085	-2 288	-1 493	10 880
Acquisition of subsidiaries		0	0	0	0	-10 676	-10 676
Investment in fixed assets		-255	-1 678	-255	-1 960	-2 823	-1 118
Investment in intangible assets		-5 749	-4 240	-10 664	-8 858	-16 759	-18 565
Cash flow from investing activities		-6 004	-5 918	-10 919	-10 818	-30 258	-30 359
New share issue		0	0	0	0	23 000	23 000
Commission expenses		0	0	-130	0	-2 081	-2 211
Payment for sale/buy-back of options		0	-97	-3	-97	-97	-3
Payment of liability		238	0	-7 669	0	0	-7 669
Payment of lease liability		-480	-294	-927	-610	-1 279	-1 596
Cash flow from financing activities		-242	-391	-8 729	-707	19 543	11 521
Total Cash flow		-3 265	-7 937	-9 563	-13 813	-12 208	-7 958
Cash & cash equivalents at beginning of year		57 815	70 408	64 102	76 258	76 258	64 102
Exchange rate differences in cash & cash equivalents		93	-5	105	21	52	136
Cash & cash equivalents at end of period		54 644	62 466	54 644	62 466	64 102	56 280

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

CONSOLIDATED CHANGE IN EQUITY – IN SUMMARY

Amounts in SEK thousand		2022	2021	2021	Rolling
	Note	Q1 - Q2	Q1 - Q2	Full-year	12 mth
Equity at start of period		128 053	114 044	114 044	105 904
Comprehensive income					
Profit/loss for the period		-5 469	-8 101	-13 446	-10 814
Other comprehensive income					
Exchange differences		235	58	168	345
Total other comprehensive income		235	58	168	345
Total comprehensive income		-5 234	-8 043	-13 278	-10 469
Transactions with shareholders					
Stockoptions	5	-3	-97	-97	-3
Set-off issue	6	0	0	6 466	6 466
New share issue	6	0	0	23 000	23 000
New issue cost	6	-131	0	-2 082	-2 213
Total transactions with shareholders		-134	-97	27 287	27 250
Equity end of period		122 685	105 904	128 053	122 685

NOTE 1 – ACCOUNTING POLICIES

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

NOTE 2 – REVENUE ALLOCATION

Amounts in SEK thousand	2022	2021	2022	2021	2021	Rolling
	Q2	Q2	Q1 - Q2	Q1 - Q2	Full-year	12 m th
Segment						
<i>Algo</i>						
Royalty	7 065	7 049	17 295	17 930	31 300	30 664
Licenses, incl. support & maintenance	10 849	9 073	22 013	17 698	42 901	47 216
Other	1 234	1 390	2 110	1 709	2 561	2 962
<i>Digital Identity</i>						
Royalty	0	0	0	0	0	0
Licenses, incl. support & maintenance	4 814	169	9 155	294	3 477	12 338
Other	652	987	2 352	1 349	3 081	4 085
Total	24 614	18 668	52 926	38 980	83 319	97 265
Region/Country						
Europe	6 171	1 562	13 521	2 283	11 000	22 239
- w hereof Sweden	3 332	1 255	8 717	1 735	6 747	13 729
Asia	14 682	14 201	32 332	31 491	61 613	62 454
- w hereof China	3 870	3 782	7 726	6 991	14 519	15 253
- w hereof Taiwan	8 924	9 154	20 642	22 258	39 421	37 805
USA	3 760	2 906	7 072	5 207	10 706	12 572
Total	24 614	18 668	52 926	38 980	83 319	97 265

NOTE 3 – SEGMENT REPORTING

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

Amounts in SEK thousand	2022 Q2			2022 Q1 - Q2		
	Algo	Digital Identity	Total Segment	Algo	Digital Identity	Total Segment
Net sales	19 148	5 465	24 614	41 419	11 506	52 926
Cost of goods sold	-2 312	-3 094	-5 406	-4 836	-7 176	-12 012
Gross profit	16 836	2 371	19 208	36 583	4 330	40 914

Other information

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

Reconciliation profit/Loss	Q2 2022	Q1-Q2 2022
Segment profit/Loss	19 208	40 914
Marketing and sales expenses	-8 980	-18 114
Administrative expenses	-6 503	-10 950
R&D expenses	-8 876	-18 739
Other operating income/expenses	1 041	1 978
Financial income/expenses	-285	-731
Profit/Loss before tax	-4 395	-5 642

NOTE 4 - FINANCIAL INSTRUMENTS

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

NOTE 5 – OPTION PROGRAM

The 2019 shareholders' general meeting made a decision to offer an incentive plan for the company's CEO and CFO to the effect that a maximum of 1,300,000 stock options could be issued, with each stock option providing entitlement to subscribe to one (1) share in the company. Subscription through the exercising of stock options may take place during the period June 1, 2022 until June 30, 2022. The subscription price for the options has been set at SEK 0.32 and the subscription price for the shares at SEK 1.65. 300,000 stock options have been bought back from the former CFO and canceled. During Q1 2022, 1,000,000 stock options were repurchased and canceled from the former CEO, corresponding to 100% of the total remaining stock options.

NOTE 6 – BUSINESS COMBINATIONS

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

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

Remuneration transferred

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

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

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

Acquisition-related expenses

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

Identifiable assets and transferred liabilities

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

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

Revenue and profit from acquired company

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

Goodwill

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

Impact on cash and cash equivalents at the time of acquisition

SEK thousand	
Purchase price for shares	86 203
Purchase price for shares	-86 203
Deducted: Offsetting issue	6 466
Deducted: Deferred fixed purchase price	53 469
Deducted: Deferred cash settlement	8 268
Added: Cash and cash equivalents in acquired companies	
at time of acquisition	<u>7 324</u>
Impact on cash and cash equivalents at the time of acquisition	-10 676

Impact on cash and cash equivalents in Q1-Q2,2022

SEK thousand	
Deferred cash settlement paid	<u>-8 268</u>
Impact on the Group's cash and cash equivalents in Q1-Q2 2022	-8 268

PARENT COMPANY INCOME STATEMENT – IN SUMMARY

Amounts in SEK thousand	Note	2022 Q2	2021 Q2	2022 Q1 - Q2	2021 Q1 - Q2	2021 Full-year	Rolling 12 mth
Net sales	1	19 992	18 024	43 823	38 094	79 048	84 777
Cost of goods sold		-8 149	-8 434	-17 304	-15 488	-29 962	-31 778
Gross profit		11 843	9 589	26 519	22 605	49 086	53 000
							0
Marketing and sales expenses		-7 084	-6 435	-14 296	-14 753	-28 737	-28 280
Administrative expenses		-5 310	-3 946	-8 758	-7 836	-15 290	-16 212
R&D expenses		-5 686	-4 244	-12 272	-9 919	-20 003	-22 356
Other operating income/expenses		1 042	-294	1 971	85	212	2 098
		-17 038	-14 919	-33 355	-32 423	-63 819	-64 751
							0
Operating profit/loss		-5 195	-5 330	-6 836	-9 818	-14 733	-11 751
							0
Financial income/expenses		-211	11	-593	424	947	-70
Profit/loss before tax		-5 406	-5 319	-7 429	-9 394	-13 786	-11 821
							0
Tax		0	0	0	0	0	0
Profit/loss for the period*		-5 406	-5 319	-7 429	-9 394	-13 786	-11 821

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

PARENT COMPANY BALANCE SHEET – IN SUMMARY

Amounts in SEK thousand

ASSETS	Note	2022-06-30	2021-06-30	2021-12-31
Fixed assets				
Fixed assets		3 487	3 296	3 769
Immaterial assets		41 207	40 350	40 154
Deferred tax assets		90 558	1 778	90 558
TOTAL FIXED ASSETS		135 252	45 424	134 481
CURRENT ASSETS				
Inventories		311	65	548
Accounts receivable		10 901	13 003	17 806
Other receivables		1 754	1 903	2 000
Accruals and deferred income		4 250	4 433	3 202
Cash and cash equivalents		41 090	59 543	52 782
TOTAL CURRENT ASSETS		58 306	78 947	76 337
TOTAL ASSETS		193 558	124 371	210 818
EQUITY AND LIABILITIES				
Restricted Equity				
Share capital		11 879	10 807	11 879
Statutory reserve		1 445	1 445	1 445
Reserve for development expenses		26 334	19 228	23 642
Total restricted equity		39 657	31 480	36 965
Unrestricted Equity				
Share premium reserve		99 920	73 738	100 050
Retained earnings		-22 616	-1 721	-6 135
Profit/loss for the year		-7 429	-9 394	-13 786
Total non-restricted equity		69 876	62 623	80 130
Total Equity		109 533	94 103	117 095
LONG-TERM DEBT				
Long term debt		29 119	0	28 922
TOTAL LONG-TERM DEBT		29 119	0	28 922
SHORT-TERM LIABILITIES				
Short-term liabilities		54 906	30 268	64 801
Total Short-term liabilities		54 906	30 268	64 801
TOTAL EQUITY AND LIABILITIES		193 558	124 371	210 818

CONSOLIDATED KEY INDICATORS

Amounts in SEK thousands unless otherwise stated	2022	2021	2022	2021	2021	Rolling
	Q2	Q2	Q1 - Q2	Q1 - Q2	Full-year	12 mth
Net sales	24 614	18 668	52 926	38 980	83 319	97 265
Net sales growth, %	31,9%	-20,9%	35,8%	-16,5%	-9,8%	14,9%
Gross margin, %	78,0%	73,3%	77,3%	75,4%	76,3%	77,2%
Operating profit/loss	-4 109	-4 596	-4 911	-8 408	-14 073	-10 576
Working capital *	38 513	51 101	38 513	51 101	54 414	38 513
Capital employed	122 685	110 917	122 685	110 917	128 053	122 685
Liquidity ratio, %	122,5%	264%	122,5%	264%	129%	122%
Equity/assets ratio, %	55,0%	74,6%	55,0%	74,6%	53,1%	55,0%
Earnings per share before dilution, SEK	-0,11	-0,13	-0,14	-0,22	-0,34	-0,27
Earnings per share after dilution, SEK	-0,11	-0,13	-0,14	-0,22	-0,37	-0,28
Equity per share, SEK	3,10	3,07	3,10	2,94	3,23	3,10
Number of shares (thousands)	39 596	36 023	39 596	36 023	39 596	39 596
Weighted avg. number of shares, adjusted for dilution effect (thousands)	39 596	36 023	39 596	36 023	36 224	38 108
Number of employees at the end of the period	31	23	31	23	31	31
Average number of employees during the period	30	23	30	23	25	26

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

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

As a result of the consolidation, the number of shares and votes in Precise Biometrics has decreased by 356,367,546. Prior to the consolidation, there were a total of 395,963,940 shares and votes in Precise Biometrics. As of June 30, 2022 the total number of shares and votes in the company is 39,596,394.

RECONCILIATION OF CONSOLIDATED ALTERNATIVE KEY INDICATORS

Amounts in SEK thousands unless otherwise stated	2022 Q2	2021 Q2	2022 Q1 - Q2	2021 Q1 - Q2	2021 Full-year	Rolling 12 mth
Net sales	24 614	18 668	52 926	38 980	83 319	97 265
Net sales growth, %	31,9%	-20,9%	35,8%	-16,5%	-9,8%	14,9%
Gross profit	19 208	13 684	40 914	29 404	63 543	75 053
Net sales	24 614	18 668	52 926	38 980	83 319	97 265
Gross margin, %	78,0%	73,3%	77,3%	75,4%	76,3%	77,2%
Operating profit/loss	-4 109	-4 596	-4 911	-8 408	-14 073	-10 576
Net sales	24 614	18 668	52 926	38 980	83 319	97 265
Operating margin, %	-16,7%	-24,6%	-9,3%	-21,6%	-16,9%	-10,9%
EBITDA	942	-814	4 962	-792	1 872	7 626
Depreciation and amortization	-5 052	-3 782	-9 873	-7 617	-15 945	-18 202
Operating profit/loss	-4 109	-4 596	-4 911	-8 408	-14 073	-10 576
Current assets	73 825	82 165	73 825	82 165	94 106	85 766
Current liabilities excl. current liabilities EastCoast International	35 066	31 064	35 066	31 064	39 721	43 723
Working capital *	38 759	51 101	38 759	51 101	54 385	42 043
Sales expenses	-8 980	-7 244	-18 114	-15 973	-31 649	-33 790
Administrative expenses	-6 503	-3 976	-10 950	-7 868	-18 018	-21 100
R&D expenses	-8 876	-6 766	-18 739	-14 057	-28 161	-32 843
Other operating income/expenses	1 041	-294	1 978	86	212	2 104
Total operating expenses	-23 318	-18 280	-45 825	-37 812	-77 616	-85 629
Balance sheet total	223 089	141 981	223 089	141 981	241 052	223 089
Non-interest-bearing liabilities *	100 404	31 064	100 404	31 064	112 999	100 404
Capital employed	122 685	110 917	122 685	110 917	128 053	122 685
Closing equity	122 685	105 904	122 685	105 904	128 053	122 685
Average equity	120 147	122 248	120 147	122 248	111 919	120 147
Current assets minus inventories	73 514	82 100	73 514	82 100	93 558	73 514
Current liabilities	60 015	31 064	60 015	31 064	72 536	60 015
Liquidity ratio, %	122%	264%	122%	264%	129%	122%
Equity	122 685	105 904	122 685	105 904	128 053	122 685
Total assets	223 089	141 981	223 089	141 981	241 052	223 089
Equity/assets ratio, %	55,0%	74,6%	55,0%	74,6%	53,1%	55,0%

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

FINANCIAL GLOSSARY**NET SALES GROWTH**

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

GROSS MARGIN

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

OPERATING PROFIT/LOSS

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

OPERATING EXPENSES

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

EBITDA

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

OPERATING MARGIN

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

CASH FLOW

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

WORKING CAPITAL

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

CAPITAL EMPLOYED

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

EQUITY

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

AVERAGE EQUITY

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

LIQUIDITY RATIO

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

EQUITY/ASSETS RATIO

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

RETURN ON EQUITY

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

EARNINGS PER SHARE BEFORE DILUTION

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

EARNINGS PER SHARE AFTER DILUTION

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

EQUITY PER SHARE

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