

LUND, MAY 17th 2016

GROWTH WITH HIGH PROFITABILITY

PRECISE BIOMETRICS AB (PUBL), CORPORATE IDENTITY NO. 556545-6596

INTERIM REPORT FOR THE FIRST QUARTER 2016

- Consolidated net sales increased to SEK 24.2 (4.5) million.
- EBITDA increased to SEK 8.2 (-6.4) million.
- Profit after tax increased to SEK 6.3 (-8.8) million.
- Earnings per share for the period increased to SEK 0.02 (-0.03).
- Cash and cash equivalents were SEK 58.6 (50.7) million.

SIGNIFICANT EVENTS IN THE FIRST QUARTER

- Precise BioMatch Mobile was integrated in over 25 smartphones.
- Licensing agreements were signed with sensor manufacturers Chipone and MStar.
- Gemalto, Fingerprint Cards, Precise Biometrics and STMicroelectronics introduced the first end-to-end security architecture for biometric fingerprint authentication at Mobile World Congress 2016.
- The licensing agreement with Fingerprint Cards was expanded to include Precise BioMatch Embedded for smart cards.
- Follow-on order for Tactivo from the Defense Logistics Agency (DLA), an agency of the U.S. Department of Defense.

SIGNIFICANT EVENTS AFTER THE FIRST QUARTER

- Precise BioMatch Mobile was integrated in over 15 smartphones.
- Licensing agreements were signed with the sensor manufacturer IDEX and the digital security company Oberthur.
- Precise Biometrics, won a framework agreement for Tactivo from the Defense Logistics Agency (DLA) within the US Department of Defense.
- Precise BioMatch Embedded was integrated in Fingerprint Cards (FPC) embedded biometric module solution FPC-BM.

CONFERENCE CALL

On the occasion of today's interim report, we are pleased to invite investors and journalists to a conference call today at 10.00. More information can be found at the last page of the report.

CEO's comments

I am pleased to report another strong quarter, our best financial performance since 2009. Net sales increased with 438% compared with the corresponding quarter in 2015, with a continued high gross margin. We continue to invest in our business to strengthen our market position, while keeping our operating expenses under control.

Sales in the Fingerprint Technology business area continue to grow at a rapid pace with increased royalty revenues. During the quarter, more than 25 mobile phones were launched with Precise BioMatch Mobile, which is currently integrated in more than 90 mobile phones from more than 30 manufacturers. The smartphone market for fingerprint technology continues to grow sharply. Last year, more than 400 million smartphones were sold with fingerprint technology. The number of smartphones with fingerprint technology is expected to reach 750 million units in 2016, and analysts predict that up to three billion mobile devices with biometrics will be sold as early as 2020.

Since the start of the year, we have signed license agreements with sensor manufacturers Chipone, Mstar and IDEX. We now have a total of 13 of the most significant sensor manufacturers as customers. We have also signed a license agreement with the security firm Oberthur. The collaboration is the first of its kind and an important step towards increasing payment security using fingerprint technology. The broad base of customers who market solutions with different technologies and advantages makes us well positioned to capture a significant market share in a fast-growing market that faces stiffer competition between sensor manufacturers. We are also in discussions with several companies that provide additional sensor technologies.

We have received our first royalty revenues from our collaboration with Synaptics, who are making great efforts to gain market share in China, as well as many of our other customers. To help our customers more quickly gain market share, we have expanded our offering with complementary software to our matching algorithms and with integration services in order to facilitate the integration of the fingerprint software in smartphones.

After the end of the quarter, our customer Fingerprint Cards (FPC) announced its intention to incrementally begin to deliver its proprietary matching algorithm to its customers in the smartphone segment, with a complete transition to its proprietary solution in the beginning of 2017. Historically, the mobile industry has used a dual source strategy for manufacturers of key components. The reasons for this include wanting to secure production through several suppliers and to establish competitive pricing. The extent to which mobile phone manufacturers will want a proprietary solution remains to be seen, since it makes it harder for them to have several sensor suppliers. The market is growing rapidly and is facing more and more competition and greater price pressure. Many sensor manufacturers will compete to take part in the tremendous growth. We remain convinced that many of our present and future customers will claim a significant share of the growing market, thus ensuring our ability to grow with high profitability.

I see the market for smart cards as the next promising market for fingerprint sensors, in particular the credit card market, because the costs of card fraud are on the rise. Here, the demand for powerful and effective algorithm solutions is even greater than for the mobile market because the cards have even more limited processing power and memory. There are over 2.5 billion credit cards in circulation that are changed on average every other year, resulting in an addressable market of more than a billion cards per year. We are collaborating with our customers on several projects related to smart cards and other products like wearables and cars. Our integration in Fingerprint Cards embedded biometric module solution FPC-BM is a good example of a product that facilitates integration of fingerprint technology within new product areas. In the longer term, we

assess that this market can be larger than the market for mobile phones.

Sales in the Mobile Smart Card Solutions business area were on par with the previous quarter. After the end of the quarter we signed, through a channel partner, a larger framework agreement with the DLA to facilitate a substantial increase in the number of Tactivo users within their organization. Sales in the Swedish and UK healthcare sectors are developing more slowly than expected due to long sales processes with extensive pilot projects. However, interest remains high in this market. In the fall, the City of Gothenburg will begin two pilot projects, with the aim to implement a mobile solution with Tactivo for 10,000 employees during 2017.

Precise Biometrics is well positioned for continued profitable growth with a goal of increasing sales and market share in the mobile devices segment. We are also well positioned to become market leaders in new product areas that require small sensors. The market for fingerprint technology continues to grow at a rapid pace and is dominated today by FPC and Synaptics, both of whom are customers of ours. As more of our customers establish themselves in the market, our earnings capacity will increase due to higher volumes and improved average revenue per sensor.

We expect continued growth over time in the Mobile Smart Card Solutions business area. Sales within the US Department of Defense are proceeding in the right direction. In the healthcare market we expect increasing volumes in the second half of 2016. Interesting pilot projects with Tactivo is underway in the United Kingdom and Swedish healthcare, as well as with German authorities at the departmental level, which can provide substantial volumes in 2017.

In conclusion, I expect continued profitable growth for the company.

Håkan Persson, CEO

MARKET AND SALES

Precise Biometrics has two business areas: Fingerprint Technology and Mobile Smart Card Solutions.

Fingerprint Technology

In this business area, Precise Biometrics develops and sells fingerprint software for convenient and secure authentication of people's identity in mobile phones, smart cards and products with small fingerprint sensors. The company's fingerprint software consists of advanced algorithms that process, analyze and match images of fingerprints and are key to the user experience of fingerprint technology.

The product portfolio consists of three products:

- Precise BioMatchTM Mobile, an algorithm solution for integration into mobile phones and tablets.
- Precise BioMatchTM Embedded, an algorithm solution for integration into products with small sensors and limited platforms, such as smart cards, wearables, locks and cars.
- Precise Match-on-CardTM, an algorithm solution for integration into national ID cards.

The company received its first royalty revenue from Synaptics and continuing royalty revenue from Silead and ELAN. Although volumes so far are low, they are increasing. Royalty revenue from Fingerprint Cards increased, and the national ID card project in Portugal continues to generate royalty revenue from Gemalto. Precise Biometrics is now a supplier to 13 sensor manufacturers and two security companies, which creates good conditions for long-term growth in a fast-growing market. The company expects royalties from most customers during the second half of 2016.

Precise Biometrics has signed new license agreements with Chipone, Mstar, IDEX and Oberthur. Chipone is a young and exciting sensor manufacturer with high ambitions based in Peking. Mstar is a large player in touch panels and is making investments in sensors to extend its offering. IDEX is a promising sensor manufacturer that already has its sensors integrated in products on the market, and we are collaborating with IDEX on several specific market opportunities. Cooperation with Oberthur shows great potential but is at an early stage. Precise Biometrics' algorithm solution has been integrated into a so-called secure element from Oberthur. This solution makes it possible to offer convenient, secure authentication and storage of biometric data and payment through fingerprint technology for all types of products, such as mobile phones, smart cards, houses and cars. Oberthur's secure element is now integrated into more than 180 million mobile phones.

Precise Biometrics continues to invest in research and development to improve the performance, security and functionality of the algorithm solution for small sensors in constrained environments. The company has also expanded its offering with complementary software and services for the integration of fingerprint software in smartphones.

Mobile Smart Card Solutions

This business area consists of Tactivo, a product portfolio of smart card readers for smartphones and tablets. Tactivo enables convenient and secure mobility in organizations that require smart cards to log in to IT systems and thus contributes to a more efficient and better working environment, increased information security and reduced operating costs.

Sales to DLA and the US Navy accounted for the bulk of the revenues, and interest in Tactivo is growing among other branches of the US Department of Defense. Sales in the Swedish and UK healthcare markets are developing more slowly than expected because of long sales processes with extensive pilot projects, but interest remains high. In the United Kingdom a healthcare provider has launched a pilot project that, if successful, could mean implementations at ten healthcare

Trusts that they are cooperating with. This could result in significant sales of Tactivo. In Sweden, several municipalities have implemented Tactivo for a small number of healthcare providers in each municipality, while the majority of pilot projects for larger implementations are in progress. At Vitalis, the largest Nordic trade show in the healthcare sector, the City of Gothenburg presented the results of an initial pilot project for a mobile solution with support for Tactivo, which was very well received. In the fall, two more extensive pilot projects will begin, after which the City of Gothenburg will aim to implement the solution for 10,000 employees during 2017. The company is also involved in several pilot projects in Europe, the Middle East and South America.

SALES AND EARNINGS - FIRST QUARTER 2016

Net sales for the first quarter increased to SEK 24.2 (4.5) million. The majority of Q1 sales came from Business Area **Fingerprint Technology**, which accounted for SEK 20.3 (3.4) million. The increase in sales was mainly generated from Fingerprint Cards. License revenues from national ID cards have also increased.

Revenues from Business Area **Mobile Smart Card Solutions** accounted for SEK 3.9 (0.7) million.

Gross margin increased to 88% (74%) due to a gradually larger share of software sales.

Total operating expenses increased to SEK 15.1 (12.2) million due to higher sales and administration costs.

The result on EBITDA level improved to SEK 8,2 (-6.4) million.

Net operating profit improved to SEK 6.3 (-8.8) million. Earnings per share (average number of shares) for the first quarter amounted to SEK 0.02 (-0.03).

INVESTMENTS IN PROPERTY, PLANT & EQUIPMENT

During the first quarter the group has invested SEK 0.1 (0.1) million in property, plant & equipment. Depreciation of property, plant & equipment amounted for the interim period to SEK 0.3 (0.3) million.

CAPITALIZATION AND AMORTIZATION OF RESEARCH AND DEVELOPMENT

During the first quarter expenses for research and development were capitalized by SEK 0.9 (0.6) million. Depreciation of capitalized research and development expenses amounted for the interim period to SEK 1.6 (2.1) million.

FINANCING AND CASH FLOW

Equity at the end of the quarter totaled SEK 89.1 (83.4) million and equity per share at SEK 0.26 sek (0.24).

Cash flow from current operations for the quarter amounted to SEK 7.5 (- 8.4) million. Cash and cash equivalents at the end of the quarter amounted to SEK 58.6 (50.7) million.

PARENT COMPANY

Parent company sales for the quarter came in at SEK 22.2 (3.8) million. Net operating profit for the period amounted to SEK 5.2 (-4.5) million.

Cash and cash equivalents at the end of the quarter totaled SEK 51.7 (47.0) million.

ORGANIZATION AND STAFF

The organization consists of Precise Biometrics AB, with its head office in Lund and an office in Karlstad, Sweden, and Precise Biometrics Inc. with offices in Virginia, USA. Sales consultants are hired in the U S, Taiwan, China and Korea to secure a local presence on key markets.

At the end of the quarter, the Group had 35 staff members, consultants included. The number of employees were 24 (22) of which 24 (21) were based in Sweden and 0 (1) in the U S.

UPCOMING REPORTING DATES

Q2 2016 Interim Report	August 16, 2016
Q3 2016 Interim Report	November 15, 2016
Q4 2016 Interim Report	February 14, 2017

ANNUAL GENERAL MEETING

The Annual General Meeting for Precise Biometrics AB (publ) will be held at Mobilvägen 10 in Lund, on May 17, 2016, at 4:00 PM CEST. More information about the Annual General Meeting can be found on the homepage via Investors/Corporate Governance.

RISK FACTORS

Precise Biometrics is exposed to business risks and financial risks outside of the reach and control of the Company. There is no guarantee that new capital can be raised if the need should arise, or that such capital can be raised on favorable terms. For a full report on the risks identified, please see the Annual Report for 2015 submitted on April 8, 2016. No new significant risks or uncertainties have arisen since the annual report was submitted.

ACCOUNTING POLICIES

The consolidated financial statements in this interim report have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The parent company financial statements have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities. This interim report has been prepared in compliance with IAS 34 Interim Reporting. The recognition and measurement policies as well as the bases of estimates and judgements applied in the Annual Report for 2015 have been used in this interim report as well. No new or revised IFRS standards that came into force in 2015 have any material impact on the group.

For information on applied accounting principles, please read the Annual Report for 2015.

The 2016 interim report has not been reviewed by the Company's auditors.

Lund May 17 2016

Board

Torgny Hellström, Board Chairman

Torbjörn Clementz Eva Maria Matell Anders Harrysson Matts Lilja Mats Lindoff

President & CEO

Håkan Persson

The information in this report is of such a nature that Precise Biometrics AB (publ) has an obligation to publish it under the Securities Market Act. The information was submitted for publication on May 17, 2016, at 8:00 AM CEST.

Consolidated income statement

(Amounts in SEK thousand)

	Q1	Q1	Full year
	2016	2015	2015
Net sales	24,230	4,509	56,337
Cost of goods sold	-2,818	-1,185	-8,415
Gross profit/loss	21,412	3,324	47,922
Selling expenses	-3,674	-2,903	-12,685
Administrative expenses	-4,255	-2,704	-13,587
R&D costs	-6,939	-7,291	-31,275
Other revenue/costs	-281	714	219
	-15,149	-12,184	-57,330
Operating profit/loss	6,263	-8,860	-9,408
Financial income/cost	-4	14	-62
Profit/loss before tax	6,259	-8,846	-9,469
Tax	-	-	-
Profit/loss for the period	6,259	-8,846	-9,469
Profit/loss for the period attributable to:			
Parent company shareholders	6,259	-8,846	-9,469
<i>Basic earnings per share, SEK</i>	<i>0.02</i>	<i>-0.03</i>	<i>-0.03</i>
<i>Diluted earnings per share, SEK</i>	<i>0.02</i>	<i>-0.03</i>	<i>-0.03</i>

Consolidated statement of profit or loss and other comprehensive income

(Amounts in SEK thousand)

	Q1 2016	Q1 2015	Full year 2015
Profit/loss for the period	6,259	-8,846	-9,469
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Changes in accumulated translation difference	-254	229	545
	-254	229	545
Other comprehensive income for the period net of tax	-254	229	545
Total comprehensive income for the period	6,005	-8,617	-8,924
Attributable to:			
Parent company shareholders	6,005	-8,617	-8,924

Consolidated balance sheet

(Amounts in SEK thousand)

	16-03-31	15-03-31	15-12-31
Assets			
Intangible fixed assets	10,513	15,829	11,152
Property, plant & equipment	1,926	2,501	2,132
Total tangible and intangible assets	12,439	18,330	13,284
Inventories	7,492	10,882	8,503
Trade receivables	7,159	5,448	8,831
Other current receivables	18,474	8,936	15,975
Cash and bank balances	58,584	50,684	52,356
Total current assets	91,709	75,950	85,665
Total assets	104,148	94,280	98,949
Equity and liabilities			
Equity	89,066	83,366	83,059
Total equity	89,066	83,366	83,059
Current liabilities	15,082	10,914	15,890
Total current liabilities	15,082	10,914	15,890
Total equity and liabilities	104,148	94,280	98,949
Pledged assets	NONE	NONE	NONE
Contingent liabilities	NONE	NONE	NONE

Consolidated cash flow statement

(Amounts in SEK thousand)

	Q1	Q1	Full year
	2016	2015	2015
Net cash provided by/used in operation activities before changes in working capital	8,158	-6,387	395
Cash flow from changes in working capital	-696	-2,009	-4,854
Net cash provided by/used in operating activities	7,462	-8,395	-4,458
Net cash provided by/used in investing activities	-1,054	-580	-3,005
Net cash provided by/used in financial activities	-	-	-
Net cash flow for the period	6,408	-8,975	-7,463
Cash and cash equivalents at start of period	52,356	59,659	59,659
Exchange differences from liquid assets	-180	-	160
Cash and cash equivalents at end of period	58,584	50,684	52,356

Consolidated statement of changes in equity - in summary
(Amounts in SEK thousand)

	Q1	Q1	Full year
	2016	2015	2015
Equity at start of the period	83,059	91,983	91,983
Comprehensive income for the period	6,259	-8,846	-9,469
Exchangerate differences	-252	229	545
Warrant programs	-	-	-
Equity at the end of period	89,066	83,366	83,059

Business area information
(Amounts in SEK thousand)

Net sales per business area	Q1	Q1	Full year
	2016	2015	2015
Mobile Smart Card Solutions	3,916	723	10,141
Fingerprint Technology	20,314	3,448	42,559
Desktop & Physical Access Solutions	0	338	3,637
Group	24,230	4,509	56,337

Costs per business area¹⁾	Q1	Q1	Full year
	2016	2015	2015
Mobile Smart Card Solutions	-7,861	-4,154	-21,910
Fingerprint Technology	-8,873	-6,490	-30,167
Desktop & Physical Access Solutions	0	-1,605	-6,448
Undistributed ²⁾	-1,233	-1,120	-7,220
Group	-17,967	-13,369	-65,745

Operating profit/loss per business area	2016	2015	2015
	Q1	Q1	Full year
Mobile Smart Card Solutions	-3,945	-3,431	-11,769
Fingerprint Technology	11,441	-3,042	12,392
Desktop & Physical Access Solutions	0	-1,267	-2,811
Undistributed ²⁾	-1,233	-1,120	-7,220
Group	6,263	-8,860	-9,408

1) Cost for the business areas include costs of goods sold as well as direct and the share of indirect costs

2) Undistributed consists of capitalization of research and development costs, depreciation of property, plant & equipment, amortization of intangible assets, and other revenue and fair value changes

Parent company income statement

(Amounts in SEK thousand)

	Q1 2016	Q1 2015	Full year 2015
Net sales	22,209	3,762	49,755
Cost of goods sold ¹⁾	-947	-1,027	-5,500
Gross profit/loss	21,263	2,735	44,256
Selling expenses	-3,544	-2,356	-11,082
Administrative expenses	-4,252	-2,703	-13,586
R&D costs	-6,939	-7,290	-31,275
Other revenues/costs	-1,395	4,929	3,140
	-16,130	-7,420	-52,804
Operating profit/loss	5,132	-4,685	-8,548
Financial income/costs	46	198	-35,341
Profit/loss before tax	5,178	-4,487	-43,889
Tax	-	-	-
Profit/loss for the period	5,178	-4,487	-43,889

Parent company balance Sheet

(Amounts in SEK thousand)

	16-03-31	15-03-31	15-12-31
Assets			
Intangible fixed assets	10,513	15,829	11,152
Property, plant & equipment	1,926	2,501	2,132
Financial assets	9,153	1,058	10,135
Total tangible and intangible assets	21,592	19,388	23,419
Inventories	5,375	6,516	5,746
Trade receivables	3,243	4,479	4,848
Other current receivables ¹⁾	18,152	52,494	15,790
Cash and bank balances	51,726	46,998	46,860
Total current assets	78,496	110,487	73,244
Total assets	100,088	129,875	96,663
Equity and liabilities			
Equity	86,463	120,687	81,285
Total equity	86,463	120,687	81,285
Provisions	78	205	78
Total provisions	78	205	78
Current liabilities	13,547	8,983	15,300
Total liabilities	13,547	8,983	15,300
Total equity and liabilities	100,088	129,875	96,663
Pledged assets	NONE	NONE	NONE
Contingent liabilities	NONE	NONE	NONE

¹⁾ Include inter-company receivables in comparative figures totalling SEK 44,0 million.

Consolidated financial ratios

	Q1 2016	Q1 2015	Full year 2015
Working capital (SEK thousand)	76,627	65,036	69,775
Quick ratio	558%	596%	486%
Equity-asset ratio	86%	88%	84%
Return on equity	1.8%	-	-
Capital employed (SEK thousand)	89,066	83,366	83,059
Earnings per share before tax (SEK)	0.02	-0.03	-0.03
EBITDA (SEK thousand)	8,162	-6,447	457
Equity per share (SEK)	0.26	0.24	0.24
Number of shares	345,306,094	345,306,094	345,306,094
Number of employees at end of the period	24	22	22
Average number of employees during the period	24	27	22

Definitions of financial ratios

Working capital: Current assets minus current liabilities

Quick ratio: Current assets less inventories divided by current liabilities

Equity-assets ratio: Equity on the balance sheet date divided by total assets on the balance sheet date

Return on equity: Profit/loss after tax as a percentage of average equity

Capital employed: Total assets less non-interest-bearing liabilities and provisions

Earnings per share: Profit/loss after tax divided by average number shares

EBITDA: Earnings before interest (financial items), taxes, depreciation and amortization (including impairment losses)

Equity per share: Equity on the balance sheet divided by the number of shares on the balance sheet date

Operating costs (as presented in sales and earnings): Operating costs excluding costs of goods sold, including provisions and depreciation, after capitalization costs for research and development

PRESENTATION OF THE INTERIM REPORT

On the occasion of today's interim report, we invite investors and journalists to an informational conference call today.

The conference call starts at 10:00 AM (CEST)

Click on the link to follow the presentation on the web

http://cloud.magneetto.com/wonderland/2016_0517_Precise_Biometrics_Q1_Report/view,

To follow the presentation over phone, dial:

- Sweden +46 8-5664 2662
- UK +44 20 3008 9801
- US +1 855 753 2235

When connecting to the conference call, please state your name. The conference call will be in English. Participants will also be given the opportunity to ask questions in Swedish.

Participating on behalf of Precise Biometrics:

Håkan Persson, CEO

Tommy Nilsson, CFO

The conference will be made available at <http://precisebiometrics.com/investor/financial-reports/>