

INCREASED SALES AND FURTHER FOCUSING OF BUSINESS OPERATION

INTERIM REPORT FOR THE PERIOD JANUARY – JUNE 2017

Sales in the remaining operation, Fingerprint Technology, increased during the quarter. The partnership with Silead has resulted in substantial royalty revenues as Precise BioMatch Mobile has been launched in a number of phone models from one of the world's biggest manufacturers. Precise Biometrics concluded an agreement with IDENTOS to divest the Mobile Smart Card Solutions business area in order to focus its activities on the Fingerprint Technology business area.

SECOND QUARTER

- Net sales for the remaining operation totaled SEK 20.2 (18.9) million.
- The operating profit for the remaining operation totaled SEK 0.5 (5.3) million.
- Profit after tax for the remaining operation totaled SEK 0.2 (5.3) million.
- Earnings per share for the remaining operation totaled SEK 0.00 (0.02).
- Earnings per share for the total operation totaled SEK 0.00 (0.01).
- Cash flow from total operations totaled SEK -1.3 (7.5) million.

INTERIM PERIOD

- Net sales for the remaining operation during the interim period totaled SEK 36.8 (39.6) million.
- The operating profit/loss for the remaining operation during the interim period totaled SEK -2.2 (12.4) million.
- Profit after tax for the remaining operation totaled SEK -3.2 (12.4) million.
- Earnings per share for the remaining operation totaled SEK -0.01 (0.04).
- Earnings per share for the total operation totaled SEK -0.01 (0.03).
- Cash flow from total operations totaled SEK 15.8 (17.5) million. Cash and cash equivalents for the total operation totaled SEK 115.0 (67.4) million at the end of the interim period.

SIGNIFICANT EVENTS

- An agreement was concluded with German company IDENTOS GmbH, which will take over the Mobile Smart Card Solutions business area as of January 1, 2018.
- A new security suite was launched with industry-leading software for fingerprint recognition with spoof and liveness detection, as well as standalone anti-spoof products and services.
- A licensing agreement was signed with Korean sensor manufacturer Melfas. After the end of the quarter, a licensing agreement was signed with module house O-Film.
- Precise BioMatchTM Mobile was integrated into Qualcomm® Fingerprint Sensors, next-generation ultrasound-based fingerprint solutions from Qualcomm.
- Seven mobile phones and two smart cards were launched with the company's fingerprint software.

FINANCIAL DATA AND KEY INDICATORS

As a consequence of the fact that the Mobile Smart Card Solutions business area has been classified as a business held for sale, previously reported figures have been converted in order to improve comparability. In order to obtain comparable historical data, previously reported figures have only

been adjusted for expenses relating directly to the discontinued business area, which will no longer affect the company's remaining operation. The resources that were previously allocated to the Mobile Smart Card Solutions business area will be transferred to the Fingerprint Technology business area before the divestment is completed and have therefore not been included in the divested business. Resources are being reinforced in order to meet the market's demand for increasingly advanced solutions in the field of Fingerprint Technology.

The impact of the discontinued operation on the financial position has not been reported separately, as the company does not believe that it is possible to report the impact of the discontinued operation on cash flow. Cash flow is instead reported from the total operation.

Unless otherwise specified, reported figures in the interim report relate to the remaining operation.

KEY INDICATORS

Amounts in SEK thousand unless otherwise stated	2017	2016	2017	2016	2016	Rolling 12 months
	Q2	Q2	Q1-Q2	Q1-Q2	Full year	
Net sales	20,160	18,936	36,777	39,560	83,299	80,516
Net sales growth, %	6.5%	175.1%	Neg	282.9%	95.7%	12.2%
Gross margin, %	95.0%	97.8%	94.7%	97.9%	98.0%	96.5%
Operating profit/loss	481	5,344	-2,179	12,402	25,407	10,826
Operating margin, %	2.4%	28.2%	-5.9%	31.4%	30.5%	13.4%
Operating cash flow, total operation	-1,314	7,462	15,808	17,497	37,658	35,970
Cash and cash equivalents, total operation	115,006	67,411	115,006	67,411	135,753	115,006

PRESENTATION OF THE INTERIM REPORT

In connection with today's interim report, we issue an invitation to an information event today at 10:00. Please see the last page of the interim report for further information about participation.

CEO COMMENTS

It is gratifying that we have increased sales during the quarter, both sequentially and compared with the corresponding period in the previous year. The partnership with Silead has resulted in substantial royalty revenues as Precise BioMatch Mobile has been launched in a number of phone models from one of the world's biggest manufacturers. We now have royalty revenues from nine customers and continue to broaden the customer base in terms of both different technologies and geographical regions, in order to create good opportunities for growth and to reduce dependence on individual customer partnerships. We are also continuing to invest in development and support resources in Sweden and in the local markets in order to best support our customers.

During the quarter we made a strategic decision to divest the loss-making Mobile Smart Card Solutions business area to IDENTOS in order to create a greater focus in the business. This divestment means that we can free up resources in both development and sales in order to strengthen our offering and our opportunities for growth in the field of fingerprint technology.

There is currently a surfeit of sensor manufacturers offering capacitive sensors for fingerprint recognition. This has resulted in very tough competition with rapidly increasing demands for smaller sensors, better performance and lower prices, with suppliers that are already established enjoying competitive advantages. This makes it more challenging for many sensor manufacturers to break into the mobile phone manufacturers and capture bigger market shares. It is therefore more difficult to assess the sales volume of our customers during the second half of the year.

At the same time we can see that new sensor technologies such as ultrasound and optical sensors are on the rise, which changes the market dynamics and opens the door for new suppliers. Ultrasound and optical sensors make it possible to integrate fingerprint sensors in and under the display, creating new design possibilities and lower product costs. There is a large interest in these kinds of solutions among mobile phone manufacturers. Many of our customers are offering ultrasound or optical sensors, which means that we are well positioned for the upcoming technology shift. We are working together with customers on several test projects, which we expect to result in product launches starting in the first half of 2018 and provide a further boost to our growth. For example, Qualcomm recently launched a new generation of ultrasound sensors and demonstrated the product in a modified version of VIVO XPlay 6 with our Precise BioMatch Mobile fingerprint software.

We launched a new security suite during the quarter, offering industry-leading software for fingerprint recognition with the latest developments in spoof and liveness detection, as well as standalone anti-spoof products and services. The software is particularly suitable for optical and ultrasound sensors, and enhances security significantly for fingerprint recognition by identifying fake fingers and thereby combating fraud. The new solutions have generated a high level of interest among our customers and give us a unique position, as we are the only supplier that can offer software-based fingerprint software with spoof and liveness detection.

Cards with fingerprint technology are on the rise. We announced two projects during the second quarter. Elan MicroElectronics launched a payment card with fingerprint technology that is to be supplied to premium customers of a South Korean bank. MeReal announced that their V2 biometric smart card will be put into use by Pleinair Casino. It is clear from work with our customers that the card market is developing quickly for both payments and other areas of application. We are involved in a number of card projects and are holding advanced discussions with several players in the card industry.

OUTLOOK

We maintain our view on net sales for the remaining operation during 2017 and estimate that it will be on par with the comparable net sales for 2016 (SEK 83.3 million), even though the volume trend

among our customers is more difficult to estimate than before. The company continues to expect an operating profit for the full year 2017 for the remaining operation.

MARKET AND SALES

Precise Biometrics develops and sells fingerprint software for the convenient, secure authentication of people's identity in mobile phones, smart cards and products with small fingerprint sensors. The company offers the following solutions:

Precise BioMatch™ Mobile, an algorithm solution for mobile phones and tablets.

Precise BioMatch™ Embedded, an algorithm solution for, e.g., smart cards, wearables, locks and cars.

Precise Match-on-Card™, an algorithm solution for national ID cards.

Spoof and Liveness Detection, a security suite with solutions and services that protect fingerprint sensors against spoofing using fake fingers.



Market developments

Seven mobile devices were launched with Precise BioMatch Mobile during the quarter. Two smart cards were launched with Precise BioMatch Embedded. The company increased its revenues in the business area and has now completed the revenue transition from Fingerprint Cards (FPC).

There is a surfeit of sensor manufacturers offering capacitive sensor technology. Mobile phone manufacturers have increased the demands on sensors while at the same time the price level is falling. This favors established market leaders such as FPC and Goodix, but makes it more challenging for other sensor manufacturers to become established in the market, which means it is more difficult to assess the market trend and our royalty revenues. New sensor technologies such as ultrasound and optical sensors are expected to grow strongly. These will change the dynamics of the market. Many of Precise Biometrics' customers have good product offerings with these new technologies. The company is involved in several test projects, which are expected to result in commercial launches in the second half of 2018.

The market for smart cards with fingerprint technology is in an interesting phase. More and more people are demanding different kinds of smart cards. Banks and payment providers are evaluating the possibility of using above all contactless cards with fingerprint technology in order to increase security in connection with payments. There is also tremendous potential in the use of smart cards for convenient and secure physical access. During the quarter, two smart cards were launched with the company's Precise BioMatch Embedded software. One payment card from Elan MicroElectronics that is to be delivered to premium customers of a South Korean bank, and one smart card from MeReal Biometrics that has been put into use by Pleinair Casino to manage their employees' access and time reporting. Precise Biometrics is involved in several card projects that are expected to start generating initial revenues towards the end of 2017.

Precise Biometrics signed one licensing agreement with Melfas during the quarter and another licensing agreement with O-Film after the end of the quarter. Melfas is a South Korean sensor manufacturer and O-Film is one of the leading module houses in the mobile industry, assembling fingerprint modules with sensors from several well-known sensor manufacturers. Precise Biometrics now has licensing agreements with 28 customers, which represents an effective global distribution channel for the company's algorithm solutions. About half of the company's customers have licensing agreements that cover both mobile devices (Precise BioMatch Mobile) and new product areas

(Precise BioMatch Embedded). Demand for the company's fingerprint software remains high and new players want access to our products. Among these, there is particularly high interest from processor manufacturers who want to pre-integrate fingerprint software into processors for specific areas of application such as IoT devices for smart homes, such as door locks.

In connection with the Mobile World Congress in Shanghai, Precise Biometrics launched a new security suite that contains industry-leading software for fingerprint recognition with the latest developments in spoof and liveness detection, as well as standalone anti-spoof products and services. The security suite meets a growing demand for solutions that facilitate secure, reliable mobile payments. There is also growing interest in liveness in new areas of application such as door locks, cars and laptops. Precise Biometrics expects the liveness solution for Precise BioMatch Mobile to generate revenues from the first half of 2018.

The company continues to invest in product development in order to meet customer demands for biometric performance and user-friendliness, demands that are becoming increasingly challenging as sensors become smaller and new sensor technologies reach the market. During the quarter, the company increased its resources for research, development and customer support.

Precise Biometrics divests the Mobile Smart Card Solutions business area to IDENTOS

During the quarter, Precise Biometrics concluded an agreement with German company IDENTOS GmbH to take over the Mobile Smart Card Solutions business area, which includes operations involving smart card readers under the Tactivo™ brand. This entails Precise Biometrics further increasing its focus on the Fingerprint Technology business area and freeing up resources for the development and sale of fingerprint technology.

IDENTOS will take over all operations within the business area as of January 1, 2018, which includes the development of new smart card readers under the Tactivo brand, patents, trademark rights, manufacturing, sales and customer support. IDENTOS will gradually be introduced to existing customers and partners during the second half of 2017. Personnel currently working in the Mobile Smart Card Solutions business area will be transferred to the Fingerprint Technology business area. As compensation for the transferred operation, IDENTOS will pay commission to Precise Biometrics on sales of Tactivo over the period 2018-2020. Precise Biometrics does not believe that the commission will have a significant impact on earnings and will not affect the remaining operation. The Mobile Smart Card Solutions business area will be reported separately as a discontinued operation. Revenues from the Mobile Smart Card Solutions business area totaled SEK 13.9 million for the full year 2016.

NET SALES AND EARNINGS IN THE SECOND QUARTER

Net sales for the second quarter increased by SEK 1.3 million and totaled SEK 20.2 (18.9) million. Net sales were affected in comparison with the previous year by revenues from the company's customer Fingerprint Cards falling by 86%, while revenues from other customers increased. Net sales for the quarter were affected by one-time revenue items totaling SEK 1.2 million.

The gross margin during the quarter totaled 95.0% (97.8%). The gross margin was charged with depreciation of acquired intangible assets attributable to the acquisition of NexID Biometrics of SEK 0.2 (0.0) million, which had a 1.0%-unit impact on the gross margin.

Operating expenses during the quarter increased because of increased personnel resources as well as expenses attributable to the ongoing revenue shift combined with higher sales costs in Asia and the USA, and totaled SEK 18.7 (13.2) million.

The operating profit/loss for the quarter totaled SEK 0.5 (5.3) million as a consequence of increased operating expenses. Earnings for the period totaled SEK 0.2 (5.3) million. The operating profit/loss at EBITDA level totaled SEK 1.2 (5.8) million. Earnings per share (average number of shares) for Q2 totaled SEK 0.00 (0.02).

NET SALES AND OPERATING PROFIT/LOSS FOR THE INTERIM PERIOD

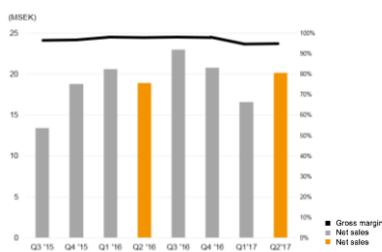
Net sales during the interim period totaled SEK 36.8 (39.6) million. Net sales were affected in comparison with the previous year by revenues from the customer Fingerprint Cards falling by 90%.

The gross margin during the interim period totaled 94.7% (97.9%). The gross margin was charged with depreciation of acquired intangible assets (NexID Biometrics) of SEK 0.3 (0.0) million, which had a 0.9%-unit impact on the gross margin.

Operating expenses during the interim period increased because of increased personnel resources as well as expenses attributable to the ongoing revenue shift combined with higher sales costs in Asia and USA, and totaled SEK 37.0 (26.3) million.

The operating profit/loss for the interim period totaled SEK -2.2 (12.4) million due to the effect of lower net sales and increased operating expenses. Earnings for the period totaled SEK -3.2 (12.4) million. The operating profit/loss at EBITDA level totaled SEK -0.5 (13.4) million. Earnings per share (average number of shares) for the interim period totaled SEK -0.01 (0.04).

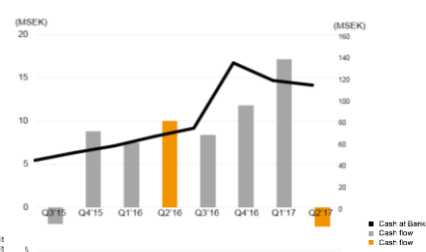
NET SALES & GROSS MARGIN



OPERATING PROFIT/LOSS & EBITDA



OPERATIONAL CASH FLOW



NET FINANCIAL ITEMS AND TAX

Net financial items for the business as a whole during the second quarter were SEK -0.1 (0.0) million and the tax expense for the business as a whole totaled SEK -0.1 (0.0) million.

Net financial items for the business as a whole during the interim period were SEK -0.8 (0.0) million and the tax expense was SEK -0.2 (0.0) million.

CASH FLOW AND INVESTMENTS

Cash flow during the quarter from the company's total operating activities totaled SEK -1.3 (7.5) million. In the second quarter the Group invested SEK 0.3 (0.1) million in plant and equipment. Depreciation of plant and equipment during the quarter totaled SEK 0.3 (0.1) million.

Cash flow during the interim period from the company's total operating activities totaled SEK 15.8 (17.5) million. The Group invested SEK 0.7 (0.2) million in plant and equipment during the interim period. Depreciation of plant and equipment during the interim period totaled SEK 0.5 (0.2) million.

CAPITALIZATION AND AMORTIZATION OF DEVELOPMENT WORK

Development expenses of SEK 2.2 (1.4) million were capitalized during the second quarter. Amortization of capitalized development expenses during the second quarter totaled SEK 0.5 (0.4) million.

Development costs during the interim period were capitalized in the amount of SEK 4.1 (2.4) million. Amortization of capitalized expenses totaled SEK 1.2 (0.8) million during the interim period.

FINANCIAL POSITION

The acquisition of NexID Biometrics was completed during the interim period and the purchase price of SEK 31.4 million was paid. The company's cash and cash equivalents at the end of the interim period totaled SEK 115.0 (67.4) million. Total equity at the end of the interim period totaled SEK 160.8 (94.0) million, and equity per share was SEK 0.45 (0.27).

PARENT COMPANY

The parent company's net sales for the interim period totaled SEK 36.5 (39.6) million. The parent company's earnings were charged with amortization of goodwill totaling SEK 1.0 (0.0) million. Earnings for the period totaled SEK -6.2 (13.4) million.

Cash and cash equivalents at the end of the interim period totaled SEK 112.0 (56.3) million, and equity SEK 154.4 (93.1) million.

ORGANIZATION AND STAFF

The organization consists of a head office in Lund, Sweden and offices in Karlstad, Sweden and Potsdam, USA. To secure local presence in key markets, sales consultants are hired in the US, Taiwan, China and Korea. At the end of the interim period the Group had a workforce of 43 (35) people, including consultants. The number of employees was 33 (26), of which 30 (26) were in Sweden.

REPORTING DATES

Q3 2017 Interim Report	November 14, 2017
Year-end Report 2017	February 13, 2018

RISK FACTORS

The Group's and the 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 2016. NexID Biometrics Inc. was acquired during 2017 and a preliminary acquisition calculation has been prepared. Risk associated with the acquisition is primarily if sales and earnings do not develop as planned, in which case there may be a need to write down intangible assets. The risk associated with the sale of the Mobile Smart Card Solutions business area is if expected commission revenues are not received, in which case there may be a write-down requirement. Otherwise there have been no events of significant importance during the year that would affect or change these descriptions of the Group's or the parent company's risks and how they are managed.

ACCOUNTING POLICIES

This interim report has been prepared in accordance with IAS 34 Interim Reporting. The recognition and measurement policies as well as the bases of estimates applied in the Annual Report for 2016 have been used in this interim report as well. Acquisition costs related to the business combination (see Note 1) were capitalized in the parent company and increased the amount of goodwill. This item was recorded as an expense in the Group.

In accordance with IFRS 5, the Mobile Smart Card Solutions business area is recorded as a business held for sale. As a consequence of the fact that the Mobile Smart Card Solutions business area has been classified as a business held for sale, previously reported figures have been converted in order to improve comparability. In order to obtain comparable historical data, previously reported figures have only been adjusted for the expenses relating directly to the discontinued business area, which will no longer affect the company's remaining operation. The resources that were previously allocated to the Mobile Smart Card Solutions business area have been transferred to the Fingerprint Technology business area and have therefore not been included in the business held for sale. In accordance with IFRS 8, the discontinued business area is not included in segment reporting. As the remaining operation consists exclusively of the Fingerprint Technology business area, there is therefore no longer any segment reporting.

Work by the company to evaluate IFRS 15 Revenue from contracts with customers started in 2016 and proceeded as planned during the interim period. Compared with the current policies, the change is expected to have a limited effect on the Group's revenue recognition. Otherwise, the new standards and interpretations that came into force from fiscal year 2017 did not have any material impact on financial reporting.

For more information on the accounting policies applied, please refer to the Annual Report for 2016.

CHANGES IN ACCOUNTING POLICIES FOR DEPRECIATION AND IMPAIRMENT OF CAPITALIZED DEVELOPMENT EXPENSES

The depreciation and impairment of capitalized development expenses was previously recorded in the income statement under the item R&D expenses. As from the third quarter of 2016, depreciation and impairment of capitalized development expenses in respect of product development are recorded as Cost of Goods Sold. This reclassification means that recorded R&D expenses decrease and that recorded Cost of Goods Sold increases. The comparative figures in this report have been recalculated in accordance with the reclassification, as shown in the table on page 15.

ALTERNATIVE KEY INDICATORS

New ESMA (European Securities and Markets Authority) guidelines for alternative key indicators apply from July 3, 2016. Precise Biometrics presents financial definitions and reconciliations of alternative key indicators in this quarterly report. Precise Biometrics presents alternative key indicators as these provide valuable supplementary information for investors and company management, making it possible to evaluate the company's performance.

AUDIT

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

Lund, Wednesday, August 16, 2017

Torgny Hellström, Chairman of the Board

Torbjörn Clementz

Mats Lindoff

Matts Lilja

Synnöve Trygg

Anna Almlöf

Håkan Persson, CEO

Consolidated income statement – in summary

(Amounts in SEK thousand)

	2017 Q2	2016 Q2	2017 Q1-Q2	2016 Q1-Q2	2016 Full year	Rolling 12 months
Net sales	20,160	18,936	36,777	39,560	83,299	80,516
Cost of goods sold	-1,004	-421	-1,949	-841	-1,681	-2,789
Gross profit/loss	19,156	18,515	34,828	38,719	81,618	77,727
Selling expenses	-8,140	-3,980	-16,257	-7,467	-18,183	-26,974
Administrative expenses	-3,643	-3,007	-7,627	-7,215	-15,004	-15,416
R&D costs	-6,559	-6,842	-12,181	-12,052	-24,904	-25,034
Other operating income/expenses	-333	658	-942	417	1,881	522
	-18,675	-13,171	-37,007	-26,317	-56,211	-66,901
Operating profit/loss	481	5,344	-2,179	12,402	25,407	10,826
Financial income/expenses	-124	-6	-766	-10	-12	-768
Profit/loss before tax	357	5,338	-2,946	12,392	25,395	10,058
Tax	-135	0	-225	0	13,200	12,975
Profit/loss for the period from remaining operation	222	5,338	-3,170	12,392	38,595	23,033
Profit/loss after tax from discontinued operation	1,269	-890	1,259	-1,685	-7,402	-4,458
Profit/loss for the period, total operation	1,491	4,448	-1,911	10,707	31,193	18,575
Profit/loss for the period from total operation attributable to:						
Parent company shareholders	1,491	4,448	-1,911	10,707	31,193	18,575
Earnings per share, remaining operation, SEK						
- before dilution, SEK	0.00	0.02	-0.01	0.04	0.11	0.05
- after dilution, SEK	0.00	0.02	-0.01	0.04	0.11	0.05
Earnings per share, total operation, SEK						
- before dilution, SEK	0.00	0.01	-0.01	0.03	0.09	0.00
- after dilution, SEK	0.00	0.01	-0.01	0.03	0.09	0.00

Consolidated statement of comprehensive income

(Amounts in SEK thousand)

	2017 Q2	2016 Q2	2017 Q1-Q2	2016 Q1-Q2	2016 Full year	Rolling 12 months
Profit/loss for the period	1,491	4,448	-1,911	10,707	31,193	18,575
Other comprehensive income:						
Items that may be reclassified to profit or loss						
Changes in accumulated exchange rate differences	-187	471	-233	217	1,516	1,066
Other comprehensive income for the period, net of tax	-187	471	-233	217	1,516	1,066
Total comprehensive income for the period	1,303	4,919	-2,145	10,924	32,709	19,640
Profit/loss for the period attributable to holders of participations in the parent company.	1,303	4,919	-2,145	10,924	32,709	19,640

Consolidated balance sheet – in summary

(Amounts in SEK thousand)

		6/30/2017	6/30/2016	12/31/2016
Assets				
Intangible fixed assets	Note 1	42,478	10,501	10,436
Property, plant and equipment		785	1,719	1,285
Financial assets		13,200	-	13,200
Total fixed assets		56,463	12,220	24,921
Inventories		0	8,048	2,190
Trade receivables		18,099	4,157	18,432
Other current receivables		10,044	18,061	14,800
Cash and cash equivalents		115,006	67,411	135,753
Total current assets		143,148	97,677	171,176
Assets held for sale	Note 2	2,462	-	-
Total assets		202,073	109,897	196,096
Equity and liabilities				
Equity		160,793	93,986	163,011
Total equity		160,793	93,986	163,011
Current liabilities		41,281	15,911	33,085
Total liabilities		41,281	15,911	33,085
Total equity and liabilities		202,073	109,897	196,096

Consolidated statement of changes in equity – summary

(Amounts in SEK thousand)

	2017 Q2	2016 Q2	2017 Q1-Q2	2016 Q1-Q2	2016 Full year	Rolling 12 months
Equity at start of period	159,488	89,066	163,011	83,059	83,059	93,986
Profit/loss for the period	1,491	4,448	-1,911	10,707	31,193	18,576
Exchange rate differences	-186	472	-234	220	1,516	1,061
New share issue ¹⁾	0	-	-72	-	47,243	47,171
Equity at end of period	160,793	93,986	160,793	93,986	163,011	160,794

1) Costs of the new share issue total SEK 72 thousand, and for the full year 2016 the costs of the new share issue of SEK 2.8 million are included in the amount recorded.

Consolidated cash flow statement – in summary

(Amounts in SEK thousand)

	2017	2016	2017	2016	2016	Rolling
	Q2	Q2	Q1-Q2	Q1-Q2	Full year	12
						months
Cash flow from operating activities before changes in working capital	2,895	8,158	1,115	14,388	24,824	11,551
Cash flow from changes in working capital	-4,209	-696	14,693	3,108	12,834	24,419
Cash flow from operating activities	-1,314	7,462	15,808	17,497	37,658	35,970
Cash flow from investing activities	-2,621	-1,054	-36,034	-2,616	-5,268	-38,686
Cash flow from financing activities	-	-	-	-	50,000	50,000
Cash flow for the period	-3,936	6,408	-20,226	14,881	82,390	47,284
Cash and cash equivalents at start of period	119,249	52,356	135,753	52,356	52,356	67,411
Translation difference in cash and cash equivalents	-307	-180	-522	174	1,007	311
Cash and cash equivalents at end of period	115,006	58,584	115,006	67,411	135,753	115,006

Consolidated key indicators

(Amounts in SEK thousand unless otherwise stated)

	2017 Q2	2016 Q2	2017 Q1-Q2	2016 Q1-Q2	2016 Full year	Rolling 12 months
Net sales	20,160	18,936	36,777	39,560	83,299	80,516
Net sales growth, %	6.5%	175.1%	Neg	282.9%	95.7%	12.2%
Gross margin, %	95.0%	97.8%	94.7%	97.9%	98.0%	96.5%
Operating profit/loss	481	5,344	-2,179	12,402	25,407	10,826
Operating profit/loss, total operation	1,750	4,454	-921	10,717	18,005	6,368
Working capital, total operation	101,868	81,766	204,628	158,393	138,091	101,868
Quick ratio, total operation, %	347%	563%	347%	563%	511%	347%
Equity/assets ratio, total operation, %	79.6%	86.0%	79.6%	86.0%	83.0%	79.6%
Return on equity, total operation, %	0.9%	4.9%	0.9%	4.9%	25.4%	0.9%
Capital employed, total operation	160,793	93,986	160,793	93,986	163,011	160,793
Earnings per share before dilution, SEK	0.00	0.02	-0.01	0.02	0.11	0.06
Earnings per share before dilution, total operation, SEK	0.00	0.01	0.00	0.01	0.09	0.05
Earnings per share after dilution, SEK	0.00	0.02	0.00	0.02	0.11	0.07
Earnings per share after dilution, total operation, SEK	0.00	0.01	0.00	0.01	0.09	0.05
Equity per share, total operation, SEK	0.45	0.27	0.45	0.27	0.45	0.45
No. of shares (thousands)	360,231	345,306	360,231	345,306	360,231	360,231
Weighted average number of shares, adjusted for dilution effect (thousand)	360,550	345,765	360,550	345,765	346,843	360,550
Number of employees at end of period	33	26	33	26	26	29
Average number of employees during the period	30	25	30	25	26	27

Quarterly summary

(Amounts in SEK thousand unless otherwise stated)

	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2016 Q2	2016 Full year	Rolling 12 months
Net sales	20,160	16,617	20,780	22,959	18,936	83,299	80,516
Net sales growth, %	21.3%	Neg	10.7%	70.6%	175.1%	95.7%	12.2%
Operating profit/loss	481	-2,662	4,429	8,576	5,344	25,407	10,826
Operating profit/loss, total operation	1,750	-2,670	2,694	4,594	4,454	18,005	6,368
EBITDA	1,219	-1,714	4,934	9,084	5,850	27,424	13,523
EBITDA, total operation	3,033	-1,138	3,784	6,654	6,236	24,836	12,333
Cash flow, total operation	-1,314	17,123	11,751	8,411	10,035	37,658	53,093
Capital employed, total operation	160,793	159,488	163,011	112,074	93,986	163,011	160,793

Reconciliation of alternative key indicators

(Amounts in SEK thousand unless otherwise stated)

	2017 Q2	2016 Q2	2017 Q1-Q2	2016 Q1-Q2	2016 Full year	Rolling 12 months
EBITDA	1,219	5,850	-495	13,406	27,424	13,523
Depreciation	-738	-506	-1,684	-1,004	-2,017	-2,697
Write-downs	0					
Operating profit/loss	481	5,344	-2,179	12,402	25,407	10,826
EBITDA, total operation	3,033	6,236	1,895	14,398	24,836	12,333
Depreciation, total operation	-1,283	-1,782	-2,816	-3,681	-6,301	-5,436
Write-downs, total operation	0	0	0	0	-529	-529
Operating profit/loss, total operation	1,750	4,454	-921	10,717	18,004	6,368
Operating profit/loss, remaining operation	481	5,344	-2,179	12,402	25,407	10,827
Operating profit/loss, discontinued operation	1,269	-890	1,258	-1,685	-7,402	-4,459
Operating profit/loss, total operation	1,750	4,454	-921	10,717	18,004	6,368
Selling expenses	-8,140	-3,980	-16,258	-7,467	-18,183	-26,974
Administrative expenses	-3,643	-3,007	-7,627	-7,215	-15,004	-15,416
R&D costs	-6,559	-6,842	-12,182	-12,052	-24,904	-25,034
Other operating income/expenses	-333	658	-941	417	1,881	522
Total operating expenses, remaining operation	-18,675	-13,171	-37,007	-26,317	-56,211	-66,901
Capital employed, total operation	160,793	93,986	160,793	93,986	163,011	160,793
Non interest-bearing liabilities, total operation	41,281	15,911	41,281	30,993	33,085	41,281
Balance sheet total, total operation	202,073	109,897	202,073	124,979	196,096	202,073
Equity, total operation	160,793	93,986	160,793	93,986	163,011	160,793
Average equity, total operation	160,140	91,526	160,140	91,526	123,035	160,140
Return on equity, total operation, %	0.9%	4.9%	0.9%	4.9%	25.4%	18.0%
Equity per share, total operation, SEK	0.45	0.05	0.45	0.27	0.45	0.45

Parent company income statement

(Amounts in SEK thousand)

	2017 Q2	2016 Q2	2017 Q1-Q2	2016 Q1-Q2	2016 Full year	Rolling 12 months
Net sales	19,894	18,936	36,504	39,560	83,299	80,243
Cost of goods sold	-2,519	-421	-4,517	-841	-1,681	-5,357
Gross profit/loss	17,375	18,515	31,987	38,719	81,618	74,886
Selling expenses	-7,757	-3,980	-15,479	-7,467	-18,306	-26,318
Administrative expenses	-3,494	-3,008	-7,458	-7,213	-13,902	-14,147
R&D costs	-5,687	-6,717	-10,993	-11,927	-24,904	-23,970
Other operating income/expenses	-2,190	2,436	-3,527	1,151	6,424	1,747
	-19,128	-11,269	-37,457	-25,456	-50,687	-62,688
Operating profit/loss	-1,753	7,246	-5,470	13,263	30,931	12,198
Financial income/expenses	-134	69	-772	115	-5,467	-6,354
Profit/loss before tax	-1,887	7,315	-6,241	13,378	25,463	5,844
Tax	0	0	0	0	13,200	13,200
Profit/loss for the period from remaining operation	-1,887	7,315	-6,241	13,378	38,663	19,044
Profit/loss after tax from discontinued operation	-1,207	-641	-1,358	-1,526	-5,083	-4,915
Profit/loss for the period, total operation	-3,094	6,674	-7,600	11,852	33,580	14,129

Note 2

Parent company balance sheet

(Amounts in SEK thousand)

	6/30/2017	6/30/2016	12/31/2016
Assets			
Intangible fixed assets	42,529	10,501	10,436
Property, plant and equipment	658	1,719	1,285
Financial assets	12,847	15,117	31,789
	56,034	27,337	43,509
Inventories	0	4,851	1,576
Trade receivables	16,433	2,187	16,173
Other current receivables	9,530	17,791	14,170
Cash and cash equivalents	112,012	56,325	120,796
	137,975	81,153	152,715
Assets held for sale	2,336	0	0
Total assets	196,345	108,490	196,225
Equity and liabilities			
Equity	154,409	93,138	162,108
	154,409	93,138	162,108
Provisions	103	78	103
Total provisions	103	78	103
Current liabilities	41,834	15,274	34,014
Total liabilities	41,834	15,274	34,014
Total equity and liabilities	196,345	108,490	196,225

Note 1

Note 2

Changed accounting policies for depreciation and write-downs of capitalized development expenses

(Amounts in SEK thousand)

Q2 income statement	2016	Adjustment	2016*
Cost of goods and services sold	0	-421	-421
Gross profit/loss	18,936	-421	18,515
R&D costs	-7,263	421	-6,842
Q2 accumulated income statement	2016	Adjustment	2016*
Cost of goods and services sold	0	-841	-841
Gross profit/loss	39,560	-841	38,719
R&D costs	-12,893	841	-12,052

* Based on remaining operation and expenses after reclassification.

Note 1 Business combinations

Below is a description of the business combination completed by the Group during the year.

NexID Biometrics Inc.

On February 9, 2017 Precise Biometrics AB acquired the assets and liabilities of NexID Biometrics Inc. With this acquisition, Precise Biometrics is extending its software offering to include liveness detection, which further improves the security of fingerprint recognition. The acquisition reinforces the company's position as the leader in the field of fingerprint software and creates further opportunities for growth in the rapidly expanding market for fingerprint technology.

NexID Biometrics had three employees at the time of the acquisition. NexID's net sales in the fiscal year that ended on December 31, 2016 totaled SEK 2.2 million.

The acquired assets are included in the Group as of February 9, 2017. The acquisition affected the Group's net sales by SEK 1.1 million and the operating profit/loss by SEK -1.6 million. Costs in connection with the acquisition affected the Group's profit/loss in 2016 to the order of SEK -1.1 million.

The purchase price totaled SEK 31,360 thousand and was paid in cash. The goodwill that arose in connection with the acquisition relates to the company's strong position in the field of liveness detection.

Acquisition analysis, provisional	SEK thousand
Impact on cash and cash equivalents	
Purchase price	31,360
Fair value of identifiable assets in NexID on the acquisition date	
Intangible assets	7,776
- of which patents	1,138
- of which software	1,619
- of which database	4,276
- of which customer relations	743
Tangible assets	119
Inventories	40
Total assets	7,935
Goodwill	23,425
Purchase price	31,360

The assets and liabilities from the acquisition are predominantly recorded (98%) in the parent company's balance sheet. Depreciation of identifiable fixed assets takes place on a straight-line basis over between 5 and 15 years. Acquisition costs totaling SEK 1,071 thousand have been capitalized in the parent company, and goodwill in the parent company has therefore increased to SEK 24,496 thousand. Goodwill for the parent company is written off over ten years in accordance with its expected useful life.

Note 2 Assets held for sale

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. Identos will take over the development of new smart card readers under the Tactivo brand, patents, trademark rights, manufacturing, sales and customer support as of January 1, 2018. Identos will be introduced to existing customers and partners during the second half of 2017, before gradually taking over sales.

As of June 30, 2017 assets belonging to Mobile Smart Card Solutions have been reclassified and recorded as assets held for sale and profit/loss from discontinued operation.

Group

Income statement (SEK thousand)

	2017 Q1-Q2	2016 Q1-Q2	2016 Full year
Sales	5,911	6,550	13,924
Expenses	-4,652	-8,235	-21,326
Operating profit/loss	1,259	-1,685	-7,402
Write-down to sales value	0	0	0
Profit/loss before tax from discontinued operation	1,259	-1,685	-7,402
Balance sheet (SEK thousand)	2017 Q2		
Capitalized development expenses	1,301		
Tools	261		
Inventories	900		
Total assets held for sale	2,462		

Parent company

Income statement (SEK thousand)

	2017 Q1-Q2	2016 Q1-Q2	2016 Full year
Sales	3,961	3,416	7,156
Expenses	-5,319	-4,942	-12,239
Operating profit/loss	-1,358	-1,526	-5,083
Write-down to sales value	0	0	0
Profit/loss before tax from discontinued operation	-1,358	-1,526	-5,083
Balance sheet (SEK thousand)	2017 Q2		
Capitalized development expenses	1,301		
Tools	261		
Inventories	774		
Total assets held for sale	2,336		

Note 3 Definitions of key indicators

Net sales growth

Percentage change compared with the previous period.

Gross margin

Gross profit/loss divided by net sales.

Operating profit/loss

Profit/loss before net financial items and tax.

Operating profit/loss, total operation

Operating profit/loss plus profit/loss after tax from discontinued operation

Operating expenses

Operating expenses excluding cost of goods sold.

EBITDA

Profit/loss before net financial items and depreciation.

Cash flow

Cash flow from operating activities after changes in working capital.

Working capital

Current assets excluding cash and cash equivalents minus current liabilities.

Quick ratio

Current assets excluding inventories divided by current liabilities.

Capital employed

Total assets less non-interest bearing liabilities and provisions.

Equity/assets ratio

Equity on the balance sheet date divided by total assets on the balance sheet date.

Equity

Equity at the end of the period. Average equity has been calculated as opening equity plus closing equity divided by two.

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.

Return on equity, total operation

Profit/loss from total operation after tax divided by average equity.

INVITATION TO PRESENTATION OF THE INTERIM REPORT

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

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

Click on the link to follow the presentation on the web <https://tv.streamfabriken.com/precise-biometrics-q2-2017>

To follow the presentation over phone, dial:

- Sweden +46 8 5664 2691
- UK +44 20 3008 9801
- US +1 855 753 2237

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

Participating on behalf of Precise Biometrics:

Håkan Persson, CEO

Göran Thuresson, CFO

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