

Q4



PRECISE BIOMETRICS BIOMETRICS YEAR-END REPORT

Continued efforts in new product area, Digital Identity

YEAR-END REPORT FOR THE PERIOD JANUARY TO DECEMBER 2018

FOURTH QUARTER

- Net sales for the remaining operation totaled SEK 13.9 (14.2) million.
- The operating profit/loss for the remaining operation totaled SEK -14.3 (-5.3) million.
- The profit/loss for the remaining operation totaled SEK -15 (-12.0) million.
- Earnings per share for the remaining operation totaled SEK -0.04 (-0.03).
- Earnings per share for the total operation totaled SEK -0.04 (-0.03).
- Cash flow from total operating activities totaled SEK -9.1 (3.1) million.

FULL-YEAR PERIOD, JANUARY-DECEMBER

- Net sales for the remaining operation totaled SEK 67.6 (61.0) million.
- The operating profit/loss for the remaining operation totaled SEK -20.0 (-13.9) million.
- The profit/loss for the period for the remaining operation totaled SEK -22.2 (-22.7) million.
- Earnings per share for the remaining operation totaled SEK -0.06 (-0.06).
- Earnings per share for the total operation totaled SEK -0.06 (-0.05).
- Cash flow from total operating activities totaled SEK -26.1 (22.8) million.
- Cash and cash equivalents were SEK 79.5 (117.0) million at the end of the period.

SIGNIFICANT EVENTS DURING THE QUARTER

- A revised strategy was presented and the company started to develop solutions to secure digital identity.
- A planned reorganization of the business was initiated with the aim of improving customer service and enabling growth in new areas.

SIGNIFICANT EVENTS SINCE THE END OF THE FULL-YEAR PERIOD

- A new office was established in Shanghai.

FINANCIAL DATA AND KEY INDICATORS

As a result of the Mobile Smart Card Solutions business area having been disposed of as of January 1, 2018, previously reported figures have been restated in order to improve comparability. The business area was reported as a business held for sale starting in the interim report for the second quarter of 2017. 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 discontinued operation's impact on the financial position has not been reported separately, as the company does not consider it possible to report the discontinued operation's impact on cash flow. Cash flow is instead reported for the total operation.

Unless otherwise specified, reported figures in the year-end report relate to the remaining operation.

KEY INDICATORS

Amounts in SEK thousand unless otherwise stated	2018 Q4	2017 Q4	2018 Full year	2017 Full year
Net sales	13,948	14,181	67,645	61,039
Net sales growth, %	-1.6%	-31.8%	10.8%	-26.7%
Gross margin, %	80.5%	91.7%	85.2%	93.3%
Operating profit/loss	-14,261	-5,279	-19,958	-13,936
Operating margin, %	-102.2%	-37.2%	-29.5%	-22.8%
Cash flow from operating activities	-9,067	3,093	-26,055	22,788
Cash and cash equivalents, total operation	79,543	116,955	79,543	116,955

PRESENTATION OF THE YEAR-END REPORT

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

THE CEO'S COMMENTS

During the year we have initiated a journey towards moving Precise Biometrics to a position in which we will come closer to the end customer. Precise Biometrics has for a long time been active primarily in the mobile market, where the customer was a long way from the end customer and there was a high degree of volatility. Since we announced the company's updated strategy on October 12, we have made a lot of progress in developing our new product, Precise YOUNiQ, which secures digital identity by combining different kinds of biometrics, such as face, fingerprint, iris and voice together with geodata.

The product simplifies people's everyday lives in a revolutionary way by means of simple onboarding, smooth and secure authentication and unique personalization of digital services. Precise YOUNiQ takes us higher up the value chain, closer to the end customer.

Precise Biometrics currently operates its business in three main business areas: digital identity, smart cards and mobile devices, and it is also engaged in initiatives such as cars and door locks.

During the first half of 2019, pilot tests will be initiated in the field of digital identity, which will involve conducting tests together with customers up to and including the summer, before moving into a commercial phase during the second half of 2019. We do not, however, expect this to generate any significant revenue this year, but the focus during the year will be on preparing the product ahead of next year.

Contactless payments are currently permitted only for amounts up to SEK 200 without verification; for higher amounts a PIN code is required for security reasons. The introduction of contactless payment cards with fingerprint sensors will increase the security of contactless payments and enable bigger purchases without a PIN code, improving convenience and security for both end user and card issuer.

In the field of smart cards we have a number of strong partnerships, including NXP and other partners and sensor suppliers, together we supply a product that both improves convenience for the user while at the same time being the most secure solution for biometric payment cards. We are expecting modest initial volumes in the field of smart cards during the second half of 2019, with volumes increasing during 2020 and 2021.

The mobile devices business area will account for the biggest proportion of revenue in 2019. The journey towards having the fingerprint sensor over the entire display is continuing, and the first phone with this technology will probably be launched during the second half of 2019. This means that the user can be verified regardless of where the finger is placed on the display, which enhances the experience and the security of the phone.

We continue to have strong collaboration within the mobile area with actors such as Qualcomm and a number of sensor partners in China and Korea.

During the quarter a subsidiary of Xiaomi in China released an electronic door lock for domestic use with a fingerprint sensor that uses our algorithm. The launch had a big impact in the media in China, indicating the interest in new biometric solutions for consumers.

The reorganization of the business that was initiated during the quarter continues, and a new office with a handful of employees has been established in Shanghai. The office in Karlstad is closing in the middle of the first quarter, which means that work is proceeding ahead of plan. A total one-off cost of SEK 5.4 million was incurred in 2018 for the internal reorganization.

The new office in Shanghai will play an important role for the business area mobile, as the local presence is being reinforced in a key market.

The journey to move Precise Biometrics to a higher level in the value chain will be our primary focus during 2019. We are convinced that the reorganization of the business, which will soon be completed,

will make a positive contribution to our development and financial results. With continued high volatility in the mobile market, 2019 may be a challenging year from a financial perspective. Precise Biometrics does, however, have a secure financial position, which makes the initiatives we have undertaken possible and which we are convinced will contribute to an improved financial result in future years.

MARKET AND SALES

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

- Precise YOUNIQTM - Secures digital identity in a simple, secure way
- Precise BioMatch[®]Card - Verifies fingerprints in smart cards
- Precise BioMatch[®] Mobile - Verifies fingerprints in mobile phones and tablets

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

Market developments

Digital identity

With the increased use of smart devices, biometric solutions are becoming increasingly available to the public. The next stage in this evolution is solutions that combine different kinds of biometrics and technology to verify a person. These solutions will offer continuous authentication which means the user's identity is verified passively in the background and adapted to the user's behavior in different situations. This both increases security and enhances the experience of digital services.

Biometric systems with fingerprint, facial, voice, behavioral and iris recognition enable a digital identity that makes day-to-day life more convenient and secure. These solutions meet the demand from users for simple, secure authentication while at the same time creating new opportunities to adapt services based on user behavior.

Smart cards

Biometrics is becoming an increasingly important tool in the battle against fraud in all payment channels. Biometric solutions are being used more and more to guarantee convenient and secure authentication, whether it involves cash withdrawn from an ATM, cards or mobile payments. Payments have become a major driving force for the adoption of biometrics at the consumer level. At present around 575 million people are using biometrics for payments on a daily basis, a figure that is expected to rise to 1.2 billion users in 2020, according to Goode Intelligence. Their analysis from October 2018 concludes that there will be 579 million biometric payment cards in use in 2023. Commercial launches of contactless biometric payment cards are expected in small volumes during 2019.

Mobile devices

Demand for user-friendly design and phones with full-screen displays is driving the trend of optical and ultrasound sensors that are integrated beneath, or even integrated into, the mobile's display. The next stage in development is sensors that cover the whole display and read your fingerprint, wherever you place it on the display, which will enhance the user experience and enable continuous authentication.

According to an analysis by IHS Markit, optical and ultrasound sensors for phones in the higher price segment are expected to increase and account for more than 100 million sensors in 2019, as well as a significant element of the value in the market for fingerprint sensors. This is because the average price of these sensors is much higher than for capacitive sensors.

Sales of capacitive sensors for phones in the lower price segment are rising, while unit prices continue to fall, which is also affecting the average price of fingerprint software. In total, the value of the market for capacitive sensors is falling, as prices are falling faster than the volume is rising.

NET SALES AND OPERATING PROFIT/LOSS IN THE FOURTH QUARTER

Net sales in the fourth quarter totaled SEK 13.9 million (14.2).

The gross margin during the quarter totaled 80.5% (95.0). The change in the assessment of the amortization period for capitalized development expenses, which was implemented in 2018, resulted in an increased amortization of SEK 1.0 million compared with last year. This changed assessment had a negative impact on the gross margin of 6.8 percentage points. Total amortization of capitalized development expenses totaled SEK 2.1 (0.7) million, and amortization of acquired intangible assets totaled SEK 0.2 (0.2) million.

Operating expenses for the quarter increased by SEK 7.2 million compared with last year and totaled SEK 25.5 (18.3) million. Operating expenses include provisions for the total reorganization of SEK 5.4 million, which are charged to the line for R&D, and a provision was made for doubtful receivables of SEK 0.9 million. The provisions for the reorganization have no impact on cash flow during 2018. Adjusted for the aforementioned item, the increase is SEK 0.9 million and originates primarily from initiatives in the area of digital identity.

The operating profit/loss for the quarter totaled SEK -14.3 million (-5.3). Adjusted for provisions of a one-off nature, provisions for doubtful receivables, and a change in the depreciation period, the reduction in the operating profit/loss totals SEK 1.7 million, which is explained primarily by increased operating expenses. The operating profit/loss for the interim period totaled SEK -15.0 (-12.0) million. The profit/loss at EBITDA level totaled SEK -11.8 (-4.2) million. Earnings per share (average number of shares) for the fourth quarter totaled SEK -0.04 (-0.03).

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

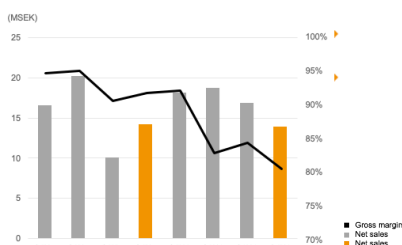
Net sales during the full-year period totaled SEK 67.6 (61.0) million. Adjusted for a reversed reserve of SEK 1.3 (-3.3) million, the comparable increase is SEK 2.0 million. Revenues from royalties, licenses and support & maintenance increased.

The gross margin during the full-year period totaled 85.2% (93.8). The change in the amortization period for capitalized development expenses had a negative impact on the gross margin of 3.9 percentage points. The gross margin is also charged with higher amortization of capitalized development expenses. Total amortization and impairment of capitalized development expenses totaled SEK 7.4 (2.5) million, and amortization of acquired intangible assets totaled SEK 0.7 (0.7) million.

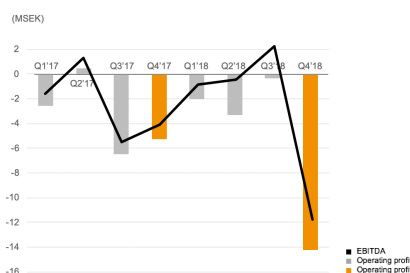
Operating expenses for the full-year period increased and totaled SEK 77.6 (70.9) million. Operating expenses include provisions of SEK 5.4 million relating to the reorganization.

The operating profit/loss for the full-year period totaled SEK -20.0 (-13.9) million. The profit/loss for the period totaled SEK -21.5 (-22.7) million. The profit/loss at EBITDA level totaled SEK -11.2 (-10.4) million. Earnings per share (average number of shares) for the interim period totaled SEK -0.06 (-0.06).

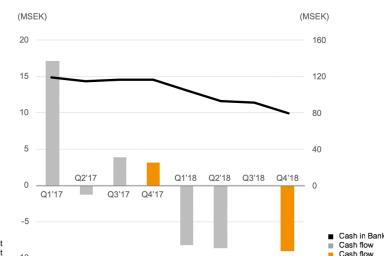
NET SALES & GROSS MARGIN



OPERATING PROFIT



OPERATING CASH FLOW



NET FINANCIAL ITEMS AND TAX

Net financial items for the total operation during the fourth quarter totaled SEK -0.1 (0.0) million and the tax expense totaled SEK -0.9 (-6.7) million. The high tax expense in 2017 relates to the amortization of deferred tax.

Net financial items for the total operation during the full-year period totaled SEK -0.6 (-1.7) million and the tax expense totaled SEK -1.7 (-7.1) million. The difference in the tax expense is attributable to the amortization of deferred tax mentioned above.

CASH FLOW AND INVESTMENTS

Cash flow during the quarter from the company's total operating activities totaled SEK -9.1 (3.1) million. In the fourth quarter the Group invested SEK 0.1 (0.2) million in equipment.

Cash flow during the period from the company's total operating activities totaled SEK -26.1 (22.8) million. An advance payment of SEK 17.5 million had a positive impact on cash flow in 2017. During the full-year period the Group invested SEK 0.3 (0.7) million in equipment and SEK 0.0 (0.4) million in intangible assets. Depreciation for acquired equipment totaled SEK 0.7 (0.7) million.

CAPITALIZATION AND AMORTIZATION OF DEVELOPMENT WORK

Development expenses of SEK 2.5 (2.5) million were capitalized during the fourth quarter. Depreciation of capitalized development expenses totaled SEK 2.1 (0.7) million during the quarter.

Development expenses of SEK 11.0 million (8.5) were capitalized during the full-year period. Amortization of capitalized development expenses totaled SEK 6.5 (2.5) million during the full-year period. The increase in the amortization amount is due to a change in the assessment of the amortization period for capitalized development expenses and higher capitalized development expenses compared with the previous year.

FINANCIAL POSITION AND LIQUIDITY

Cash and cash equivalents at the end of the full-year period totaled SEK 79.5 (117.0) million.

Total equity at the end of the full-year period totaled SEK 125.5 (145.8) million, and equity per share was SEK 0.35 (0.40).

PARENT COMPANY

The parent company's net sales for the full-year period totaled SEK 66.9 (68.7) million. The operating profit/loss was charged with amortization of goodwill totaling SEK 2.5 (2.2) million.

Cash and cash equivalents at the end of the full-year period totaled SEK 78.0 (115.3) million, and equity SEK 121.9 (143.2) million.

ORGANIZATION AND STAFF

The organization consists of a head office in Lund, Sweden and offices in Karlstad, Sweden and Potsdam, USA. Work started during the fourth quarter on the establishment of an office in Shanghai and the closure of the office in Karlstad. At the end of the interim period the Group had a workforce of 38 (47) people, including on-site consultants. The number of employees was 27 (35), of which 22 (30) were in Sweden. Precise Biometrics 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

Q1 Interim Report 2019	May 14, 2019
Q2 Interim Report 2019	August 16, 2019
Q3 Interim Report 2019	November 15, 2019
Year-end Report 2019	February 14, 2020

Annual General Meeting

The Annual General Meeting will be held on May 15, 2019 at 4:00 PM at Mobilvägen 10, Lund, Sweden. The Annual Report for 2018 will be available on Precise Biometrics Biometrics' website and at the head office at the latest on April 24, 2019. Shareholders who wish to participate in the Annual General Meeting must be registered in the share register kept by Euroclear Sweden AB as of May 9, 2019 and register their participation no later than May 9. Shareholders who have had their shares registered through an agent must, in order to participate in the meeting, register their shares in their own name through the agent before May 9, 2019.

The Board of Directors proposes that the profit for the year should be capitalized on a new account and that no dividend will be paid for the financial year 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 2017. 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. During the first quarter of 2018, IFRS 9 and IFRS 15 were implemented, which had no effect on earnings. Otherwise the recognition and measurement policies as well as the bases of estimates applied in the Annual Report for 2017 have been used in this interim report as well.

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 disposal of the Mobile Smart Card Solutions business area was completed as planned as of January 1, 2018. Information about the sale was issued in June 2017 and in accordance with IFRS 5 the business area was reported as a business held for sale for the rest of 2017. In order to obtain comparable historical data, previously reported figures were adjusted with respect to expenses relating directly to the discontinued business area and will therefore no longer affect the company's remaining operation. In accordance with IFRS 8, the discontinued operation is not reported in segment reporting, and as the remaining operation consists exclusively of the Fingerprint Technology business area, there is therefore no longer any segment reporting.

Change in assessment of amortization period for capitalized development expenses

The rate of development and change in the industry where Precise Biometrics operates is becoming ever faster, which caused the company to carry out a review of the current amortization period in accordance with IAS 38 p.104, and in connection with this there was a change in the assessment of the amortization period for existing and future capitalized development expenses. The changed assessment resulted in a change in the amortization period from five to three years. The accumulated

effect on earnings of the changes totals SEK -2.6 million, of which SEK -0.9 million is attributable to the impairment of a project.

New or amended accounting standards implemented in 2018

IFRS 15

IFRS 15 replaces all previously issued standards and interpretations dealing with revenues with one combined model for revenue recognition. IFRS 15 came into force on January 1, 2018. The standard is based on the principle that revenue shall be reported when a promised product or service has been transferred to the customer, i.e., when the customer has acquired control of it, which can take place over time or at one point in time. Revenue shall consist of the amount that the company expects to receive in compensation in exchange for the goods or services supplied.

Work by the Group to evaluate IFRS 15 Revenue from contracts with customers started in 2016 and was completed during 2017. The analysis was performed on the basis of the standard's five-step model and assessed revenue streams based on identified and currently valid agreements with customers.

Revenues in the Fingerprint Technology business area consist of the sale of software for fingerprint identification. Agreements give the customer a license for the software, which is developed and updated on an ongoing basis. The Group has made the assessment that there is a performance commitment to the customer. It has been concluded that the license should be classified as a right to access in accordance with the guidance in IFRS 15 for licenses. Part of the revenue streams consists of usage-based royalties (the royalty is based on the number of end products in which the Group's customers use the license). As a result of the license's having been assessed to be a right to access, revenue from this is reported over time in accordance with IFRS 15, which is in accordance with how the Group previously reported revenues. Usage-based royalties are reported after the customer has used the license in the end product. This accounting practice also corresponds to previous accounting policies.

The Group has chosen to apply the policy with full retroactivity in connection with the transition to the new accounting standard. As explained above, the transition to IFRS 15 does not entail any retrospective adjustment of previously reported figures. The extended disclosure requirements in IFRS 15 have affected the Group's financial reporting, and for this reason more detailed information is being issued.

When calculating future variable remuneration, commission revenues, attributable to the disposal of the Mobile Smart Card Solutions business area, revenues are only included to the extent that the Group avoids a significant reversal of revenues when the uncertainty associated with the variable remuneration ceases. Commission revenues are completely variable and the underlying agreement therefore contains no significant financing component, and for this reason the expected commission revenue received is reported in the Group on the line "Profit/loss from discontinued operation" and in the parent company under "Other revenues/expenses."

IFRS 9

IFRS 9 describes the recognition of financial assets and liabilities and replaces IAS 39 Financial instruments: Recognition and Measurement. The Group evaluated the effects of IFRS 9 in 2017.

The Group has introduced a model for providing for future bad debts based on historical performance combined with predictive analysis. The introduction of the model has not had any significant impact on the Group's profit.

New or amended accounting standards implemented in 2019

IFRS 16

IFRS 16 came into force on January 1, 2019 and replaced IAS 17. According to the new standard,

most leased assets shall be reported in the balance sheet and lessees shall divide the expense into interest payments and depreciation of the asset. The conclusion of the analysis that was started in 2017 and concluded during the fourth quarter of 2018 was that IFRS 16 does not have any material impact on the company's financial information. The company has chosen the simplified transition method in accordance with IFRS 16. The Group's total lease liability as of January 1, 2019 totals SEK 9.2 million; the company has no financial lease agreements. Additional information about the effect on the company's financial reports will be provided in the Annual Report for 2018.

Accounting standards applicable after 2018

For more information about the accounting policies applied, please refer to the Annual Report for 2017.

ALTERNATIVE KEY INDICATORS

Precise Biometrics presents financial definitions and reconciliations of alternative key indicators in this interim 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. The alternative key indicators reported in this report can differ in their calculation method from similar measures used by other companies.

OWNERSHIP STRUCTURE

Precise Biometrics AB (publ), corporate ID number 556545-6596, is the parent company in 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 full-year period was 21,691 (24,268). 55,105,706 shares were traded during the fourth quarter. The closing price on December 28 was SEK 1.24, and during the fourth quarter the share price fluctuated between SEK 1.02 and, SEK 1.64.

AUDIT

This year-end 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's and the Group's operations, financial position and financial results, and describes the significant risks and uncertainty factors faced by the parent company and the companies that belong to the Group.

Lund, February 12, 2019

Torgny Hellström

Chairman of the Board

Torbjörn Clementz,	Mats Lindoff,	Matts Lilja,	Synnöve Trygg,	Anna Almlöf,
Board member	Board member	Board member	Board member	Board member

Stefan K Persson

CEO

This information is information that Precise Biometrics Biometrics AB is obligated to disclose pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 8:00 AM on February 12, 2019.

Consolidated income statement – in summary

(Amounts in SEK thousand)

		2018 Q4	2017 Q4	2018 Full year	2017 Full year
Net sales	Note 1	13,948	14,181	67,645	61,039
Cost of goods sold		-2,721	-1,182	-10,000	-4,091
Gross profit		11,227	12,999	57,645	56,948
Marketing and sales expenses		-6,543	-6,992	-27,664	-29,735
Administrative expenses		-3,707	-3,497	-15,508	-14,105
R&D expenses		-14,780	-6,946	-33,519	-25,276
Other operating income/expenses		-459	-843	-911	-1,769
		-25,489	-18,278	-77,602	-70,885
Operating profit/loss		-14,261	-5,279	-19,958	-13,936
Financial income/expenses		149	-18	-608	-1,664
Profit/loss before tax		-14,112	-5,296	-20,565	-15,600
Tax		-854	-6,735	-1,622	-7,094
Profit/loss for the period from remaining operation		-14,967	-12,031	-22,187	-22,694
Profit/loss after tax from discontinued operation	Note 2	992	2,342	1,733	5,263
Profit/loss for the period, total operation		-13,974	-9,689	-20,454	-17,431
Profit/loss for the period from total operation attributable to:					
Parent company shareholders		-13,974	-9,689	-20,454	-17,431
Earnings per share, remaining operation, SEK					
- before dilution, SEK		-0.04	-0.03	-0.06	-0.06
- after dilution, SEK		-0.04	-0.03	-0.06	-0.06
Earnings per share, total operation, SEK					
- before dilution, SEK		-0.04	-0.03	-0.06	-0.05
- after dilution, SEK		-0.04	-0.03	-0.06	-0.05

Consolidated statement of comprehensive income

(Amounts in SEK thousand)

	2018 Q4	2017 Q4	2018 Full year	2017 Full year
Profit/loss for the period	-13,974	-9,689	-20,454	-17,431
Other comprehensive income:				
Items that may be reclassified to profit or loss	0	0	0	0
Changes in accumulated exchange rate differences	104	294	226	104
Other comprehensive income for the period, net of tax	104	294	226	104
Total comprehensive income for the period	-13,870	-9,394	-20,228	-17,327
Profit/loss for the period attributable to holders of participations in the parent company.	-13,870	-9,394	-20,228	-17,327

Consolidated balance sheet – in summary

(Amounts in SEK thousand)

		12/31/2018	12/31/2017
Assets			
Intangible assets	Note 3	47,955	45,306
Fixed assets	Note 3	918	956
Financial assets		5,213	6,106
Total fixed assets		54,086	52,368
Accounts receivable	Note 4	19,667	13,106
Other current receivables	Note 4	5,491	5,627
Cash and cash equivalents	Note 4	79,543	116,955
Total current assets		104,700	135,688
Assets held for sale	Note 2	0	1,562
Total assets		158,786	189,618
Equity and liabilities			
Equity		125,481	145,805
Total equity		125,481	145,805
Current liabilities	Note 4	33,305	43,813
Total liabilities		33,305	43,813
Total equity and liabilities		158,786	189,618

Consolidated statement of changes in equity – in summary

(Amounts in SEK thousand)

		2018 Full year	2017 Full year
Equity at start of period		145,805	163,009
Profit/loss for the period		-20,454	-17,431
Exchange rate differences		226	104
New share issue expenses		0	-72
Option program	Note 5	-96	194
Equity at end of period		125,481	145,805

Consolidated cash flow statement – in summary

(Amounts in SEK thousand)

	2018 Q4	2017 Q4	2018 Full year	2017 Full year
Cash flow from operating activities before changes in working capital	-11,431	-1,462	-9,339	-4,670
Cash flow from changes in working capital	2,364	4,554	-16,716	27,458
Cash flow from current operations	-9,067	3,093	-26,055	22,788
Cash flow from investment activities	-2,693	-2,773	-11,386	-40,821
Cash flow from financing activities	-36	0	-96	194
	Note 5			
Cash flow for the period	-11,796	320	-37,537	-17,840
Cash and cash equivalents at beginning of the period	91,309	116,722	116,955	135,753
Translation difference in cash and cash equivalents	30	-86	125	-958
Cash and cash equivalents at end of the period	79,543	116,955	79,543	116,955

Consolidated key indicators

(Amounts in SEK thousand unless otherwise stated)

	2018 Q4	2017 Q4	2018 Full year	2017 Full year
Net sales	13,948	14,181	67,645	61,039
Net sales growth, %	-1.6%	-31.8%	10.8%	-26.7%
Gross margin, %	80.5%	91.7%	85.2%	93.3%
Operating profit/loss	-14,261	-5,279	-19,958	-13,936
Operating margin, %	-102.2%	-37.2%	-29.5%	-22.8%
Operating profit/loss, total operation	-13,269	-2,936	-18,225	-8,673
Working capital, total operation	71,395	91,876	71,395	91,876
Capital employed, total operation	125,481	145,805	125,481	145,805
Liquidity ratio, total operation,%	314%	310%	314%	310%
Equity/assets ratio, total operation,%	79%	76.9%	79.0%	76.9%
Return on equity, total operation, %	neg	neg	neg	neg
Earnings per share before dilution, SEK	-0.04	-0.03	-0.06	-0.06
Earnings per share before dilution, total operation, SEK	-0.04	-0.03	-0.06	-0.05
Earnings per share after dilution, SEK	-0.04	-0.03	-0.06	-0.06
Earnings per share after dilution, total operation, SEK	Note 5 -0.04	-0.03	-0.06	-0.05
Equity per share, total operation, SEK	Note 5 0.35	0.40	0.35	0.40
No. of shares (thousands)	360,231	360,231	360,231	360,231
Weighted average number of shares, adjusted for dilution effect	360,231	360,231	360,231	360,231
Number of employees at end of period	27	35	27	35
Average number of employees during the period	30	34	32	31

Quarterly summary

(Amounts in SEK thousand unless otherwise stated)

	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4
Net sales	13,948	16,817	18,728	18,152	14,181
Net sales growth, %	-17.1%	-10.2%	3.2%	28.0%	40.7%
Operating profit/loss	-14,261	-367	-3,296	-2,033	-5,278
Operating profit/loss, total operation	-13,269	-139	-2,853	-1,964	-2,935
EBITDA	-11,817	2,108	-522	-957	-4,232
EBITDA, total operation	-10,825	2,336	-80	-888	-1,890
Cash flow from total operating activities	-9,067	-153	-8,609	-8,226	3,093
Capital employed, total operation	125,481	139,387	139,842	143,429	145,805

Reconciliation of alternative key indicators

(Amounts in SEK thousand unless otherwise stated)

	2018 Q4	2017 Q4	2018 Full year	2017 Full year
Gross profit	11,227	12,999	57,645	56,948
Net sales	13,948	14,181	67,645	61,039
Gross margin, %	80.5%	91.7%	85.2%	93.3%
Operating profit/loss	-14,261	-5,279	-19,958	-13,936
Net sales	13,948	14,181	67,645	61,039
Operating margin, %	-102.2%	-37.2%	-29.5%	-22.8%
EBITDA	-11,817	-4,233	-11,188	-10,350
Depreciation & Amortization	-2,445	-1,046	-7,837	-3,586
Write-downs	0	0	-932	0
Operating profit/loss	-14,261	-5,279	-19,958	-13,936

EBITDA, total operation	-10,825	-1,891	-9,455	-3,953
Depreciation & Amortization	-2,445	-1,046	-7,837	-4,719
Write-downs	0	0	-932	0
Operating profit/loss, total operation	-13,269	-2,936	-18,225	-8,673
Operating profit/loss, remaining operation	-14,261	-5,279	-19,958	-13,936
Operating profit/loss, discontinued operation	992	2,342	1,733	5,263
Operating profit/loss, total operation	-13,269	-2,936	-18,225	-8,673
Marketing and sales expenses	-6,543	-6,992	-27,664	-29,735
Administrative expenses	-3,707	-3,497	-15,508	-14,105
R&D expenses	-14,780	-6,946	-33,519	-25,276
Other operating income/expenses	-459	-843	-911	-1,769
Total operating expenses	-25,489	-18,278	-77,602	-70,885
Balance sheet total, total operation	158786	189,618	158786	189,618
Non interest-bearing liabilities, total operation	33,305	43,813	33,305	43,813
Capital employed, total operation	125,479	145,805	125,479	145,805
Closing equity, total operation	125479	145,805	125,479	145,805
Average equity, total operation	132434	155,322	137,034	155,322
Current assets minus inventories	104,700	135,688	104,700	135,688
Current liabilities	33,305	43,813	33,305	43,813
Liquidity ratio, total operation	314%	310%	314%	310%
Equity	125,479	145,805	125,479	145,805
Total assets	158786	189,618	158,786	189,618
Equity/assets ratio, total operation	79.0%	76.9%	79.0%	76.9%
Profit/loss after tax (rolling 12 mon.)	-20,454	-17,431	-20,454	-17,431
Average equity, total operation	132434	155,322	137,034	155,322
Return on equity, total operation	neg	neg	neg	neg

Parent company income statement

(Amounts in SEK thousand; Total operation)

	2018 Q4	2017 Q4	2018 Full year	2017 Full year
Net sales	13,620	17,215	66,940	68,735
Cost of goods sold	-3,359	-5,491	-12,372	-14,061
Gross profit	10,261	11,724	54,568	54,674
Marketing and sales expenses	-6,521	-7,223	-27,593	-30,025
Administrative expenses	-3,699	-3,267	-15,592	-14,140
R&D expenses	-14,375	-7,388	-32,850	-26,398
Other operating income/expenses	426	-30	659	-5,487
	-24,169	-17,907	-75,376	-76,049
Operating profit/loss	-13,909	-6,183	-20,808	-21,375
Financial income/expenses	358	10,612	-6	8,910
Profit/loss before tax	-13,550	4,429	-20,814	-12,465
Tax	0	-6,600	-420	-6,600
Profit/loss for the period	-13,550	-2,171	-21,234	-19,065

Parent company balance sheet

(Amounts in SEK thousand)

		12/31/2018	12/31/2017
Assets			
Intangible assets	Note 3	44,332	45,433
Fixed assets		647	1,037
Financial assets		8,949	9,819
Total fixed assets		53,928	56,289
Accounts receivable		19,276	11,133
Other current receivables		5,419	5,526
Cash and cash equivalents		78,016	115,283
Total current assets		102,712	131,942
Total assets		156,640	188,231
Equity and liabilities			
Equity		121,913	143,243
Total equity		121,913	143,243
Provisions		0	103
Total provisions		0	103
Current liabilities		34,727	44,885
Total liabilities		34,727	44,885
Total equity and liabilities		156,640	188,231

Note 1. Revenue allocation

	2018 Q4	2017 Q4	2018 Full year	2017 Full year
<u>Revenue type</u>				
Royalties	2,127	1,473	18,020	11,320
Licenses	8,744	9,399	36,952	34,014
Support & Maintenance	2,282	2,207	9,544	8,304
Other	795	1,102	3,129	7,402
Total	13,948	14,181	67,645	61,039
<u>Country/Region</u>				
Europe	1,974	1,778	11,883	4,515
- of which Sweden	1,054	799	6,115	974
Asia	8,060	8,812	40,820	40,930
- of which China	3,074	2,473	13,202	18,097
- of which Taiwan	1,898	2,975	9,993	10,712
US	3,914	3,591	14,942	15,594
Total	13,948	14,181	67,645	61,039
<u>Timing of revenue allocation</u>				
Services transferred over time	11,026	11,606	46,496	42,317
Performance commitment that is fulfilled at a certain time	2,922	2,575	21,149	18,722
Total	13,948	14,181	67,645	61,039

Note 2. Discontinued operation

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

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

Precise Biometrics Biometrics will receive commissions from Identos GmbH for the years 2018-2020. Future commission revenues will be calculated quarterly on the basis of data received from Identos GmbH, and as such the trend in commission revenues is an item that must be evaluated by management and can vary over time.

Previous provisions for expected guarantee claims in respect of goods sold within the acquired business area Mobile Smart Card Solutions have been reversed and reported in the line for expenses in the table below.

(Amounts in SEK thousand)

<u>Income Statement</u>	2018 Q4	2017 Q4	2018 Full year	2017 Full year
Sales	-	4,828	-	13,203
Variable purchase price	847	-	3,177	-
Expenses	-	-2,486	-	-7,940
Assets sold/reversals of reserves	145	-	-1,444	-
Profit/loss before tax from discontinued operation	992	2,342	1,733	5,263
<u>Balance sheet</u>	2018 Q4	2017 Q4	2018 Q4	2017 Q4
Capitalized development expenses		1,301		1,301
Tools		261		261
Inventories		-		-
	-	1,562	-	1,562

Note 3. Business combinations

Below is a description of the business combination completed by the Group in 2017.

NexID Biometrics Inc.

On February 9, 2017 Precise Biometrics Biometrics AB acquired the assets and liabilities of NexID Biometrics Inc. With this acquisition, Precise Biometrics Biometrics extended 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.

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	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 therefore increased to SEK 24,496 thousand. Goodwill in the parent company is written off over ten years in accordance with its expected useful life.

Note 4. Financial instruments

	12/31/2018		12/31/2017	
	Fair value	Book value	Fair value	Book value
Financial assets				
<i>Financial assets valued at the accrued cost of acquisition</i>				
Accrued income	0	0	1,413	1,413
Accounts receivable	19,667	19,667	13,106	13,106
Other receivables	3,931	3,931	2,358	2,358
Cash and cash equivalents	79,543	79,543	116,955	116,955
Total	103,141	103,141	133,382	133,382
Financial liabilities				
<i>Financial liabilities at fair value via the income statement</i>				
Derivatives	182	182	620	620
<i>Financial liabilities valued at the accrued cost of acquisition</i>				
Accounts payable	4,589	4,589	3,349	3,349
Other liabilities	1,831	1,831	2,405	2,405
Other accrued expenses	6,383	6,383	10,466	10,466
Total	12,986	12,986	16,840	16,840

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

Note 5. Option program

The 2017 shareholders' general meeting made a decision to offer an incentive plan for the company's employees to the effect that a maximum of five million (5,000,000) stock options can be issued, with each stock option providing entitlement to subscribe to one (1) share in the company. Subscription to the stock options was to take place no later than December 31, 2017, with the Board having the right to extend the subscription period. Subscription through the exercising of stock options may take place during the period June 1, 2020 until June 30, 2020. The subscription price for the options has been set at SEK 0.06 and the subscription price for the shares at SEK 5.40. At the end of the full-year period, 1,630,000 options have been subscribed, corresponding to 33% of total stock options; this was after the options subscribed by employees, including the former CEO, had been bought back. Assuming that all stock options are exercised to subscribe to new shares, the number of shares in the company will increase by 1,630,000 shares.

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 during the full-year period is below the price in the current option program.

5,000,000

1,630,000

33%

Note 6. Closely-related party transactions

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

Financial glossary

Net sales growth

Percentage change compared with the corresponding period in the previous year.

Gross margin

Gross profit/loss divided by net sales.

Operating profit/loss

Profit/loss before financial net 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 financial net and depreciation.

This key figure shows the Group's profit/loss before depreciation/amortization of capitalized assets.

Operating margin

Operating profit/loss divided by net sales.

Cash flow, total operation

Cash flow from operating activities after changes in working capital.

Working capital, total operation

Current assets minus current liabilities.

Capital employed, total operation

Total assets less non-interest-bearing liabilities and provisions.

Equity, total operation

Equity at the end of the period.

Average equity, total operation

Calculated as equity for the last four quarters divided by four.

Liquidity ratio, total operation

Current assets excluding inventories divided by current liabilities.

This key figure shows the Group's ability to pay in the short term.

Equity/assets ratio, total operation

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

Return on equity, total operation

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

Earnings per share, remaining operation, before dilution

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

Earnings per share, remaining operation, after dilution

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

Earnings per share, total operation, before dilution

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

Earnings per share, total operation, after dilution

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

Equity per share, total operation

Equity on the balance sheet date divided by the number of shares on the balance sheet date.

INVITATION TO PRESENTATION OF THE YEAR-END REPORT

On the occasion of today's year-end report, we invite investors and the media to an informational conference call.

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

To take part, click on the link below to listen to and follow the presentation online, or call +46 8 5664 2696 to follow it over the phone.

<https://tv.streamfabriken.com/precise-biometrics-q4-2018>

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

Participating on behalf of Precise:

Stefan K Persson, CEO

Ulrik Nilsson, CFO

The conference call will be made available at <http://precisebiometrics.com/investor/sv/finansiell-information/rapporter/>