

Q1



PRECISE BIOMETRICS INTERIM REPORT

JANUARY-MARCH 2018

CONTINUED EFFORTS ON NEW SENSOR TECHNOLOGIES

INTERIM REPORT FOR THE PERIOD JANUARY TO MARCH 2018

FIRST QUARTER

- Net sales for the remaining operation totaled SEK 18.2 (16.6) million.
- The operating profit/loss for the remaining operation for the quarter totaled SEK -2.0 (-2.7) million.
- The profit/loss for the period for the remaining operation totaled SEK -2.4 (-3.4) million.
- Earnings per share for the remaining operation totaled SEK -0.01 (-0.01).
- Earnings per share for the total operation totaled SEK -0.01 (-0.01).
- Cash flow from total operating activities totaled SEK -8.2 (17.1) million.
- Cash and cash equivalents were SEK 105.3 (119.2) million at the end of the quarter.

SIGNIFICANT EVENTS DURING THE PERIOD

- Stefan K. Persson was appointed as new CEO. Stefan K. Persson is currently Executive Vice President BO Home in the Bang & Olufsen Group and will take up his new post on August 1, 2018 at the latest.
- Precise BioMatch Embedded was used in the first pilot project in the USA with dual-interface biometric payment cards, which was carried out by Visa and Mountain America Credit Union.
- Signed an extended licensing agreement with Crossmatch, a supplier of biometric ID solutions for government agencies, companies and medical care.
- The disposal of the Mobile Smart Card Solutions business area was completed as planned on January 1, 2018.

SIGNIFICANT EVENTS SINCE THE END OF THE PERIOD

- Huawei Honor 10 was launched, in which Precise BioMatch Mobile has been implemented with a Qualcomm under-glass ultrasound sensor.
- Deepened the collaboration with Kona-i, a leading supplier of for payment card system solutions.

FINANCIAL DATA AND KEY INDICATORS

As a consequence of the fact that the Mobile Smart Card Solutions business area was disposed of as of January 1, 2018, previously reported figures have been converted in order to improve comparability. The business area has been 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 interim report relate to the remaining operation.

KEY INDICATORS

Amounts in SEK thousand unless otherwise stated	2018 Q1	2017 Q1	2017 Full year	Rolling 12 months
Net sales	18,152	16,617	61,039	62,574
Net sales growth, %	9.2%	-19.4%	-26.7%	-21.1%
Gross margin, %	92.1%	94.3%	93.3%	92.7%
Operating profit/loss	-2,033	-2,661	-13,936	-13,308
Operating margin, %	-11.2%	-16.0%	-22.8%	-21.3%
Cash flow from operating activities	-8,226	17,123	22,788	-2,560
Cash and cash equivalents, total operation	105,297	119,249	116,955	105,297

PRESENTATION OF THE INTERIM REPORT

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

THE CHAIRMAN'S COMMENTS

The market for fingerprint technology in mobile phones continues to change at a rapid pace and we continue to follow our strategy focusing on four key areas. We are working with customers and solutions for optical and ultrasound sensors in the high-price segment and for capacitive sensors in the low-price segment, both of which have growth potential. The fact that our software is in the first phone with an under-glass ultrasound sensor is evidence of our successful work in the field of new sensor technologies. In the field of biometric cards, we continue to strengthen our position through new partnership agreements, and we are involved in several exciting projects in new areas of application.

The design trend towards mobile phones with full-screen displays continues in the higher price segments and is driving developments towards optical and ultrasound sensors, in which the sensor is placed beneath the screen or the glass. Fingerprint sensors beneath the display or glass enhance the user experience and reduce the mechanical parts in mobile phones, and we are seeing a constant increase in the market's interest in these solutions.

At present we have ten customers in this area, which gives us good market coverage and improves our chances of winning additional orders. One clear indication of this is our announcement after the end of the quarter that our software has been integrated into an under-glass sensor in the Huawei Honor 10 in collaboration with Qualcomm.

We have extended collaboration with our customers who focus on capacitive sensors for the low-price segment and have a competitive product. Price pressure remains strong on capacitive sensors, yet at the same time it means that the market for mobile phones in the lower price segments has been opened up to capacitive sensors, as they are now at a price level that enables them to be used in the lower price segment too at high volumes.

The market for biometric cards continues to develop in the right direction. There are more and more actors working actively with biometric cards, which is a precondition for making an impact on a wider scale. Several pilot projects with biometric payment cards were launched during the first few months of the year, and our fingerprint software is being used in the first pilot project in the USA with Visa and Mountain America Credit Union. We have also deepened the collaboration with Kona-i, a leading supplier of payment card system solutions, who delivers the system solution to the pilot project in the USA.

Our vision of convenient and secure identity authentication for everyone, everywhere, is more relevant now than ever. Biometrics will replace passwords and other forms of authentication for cars, locks and wearables, areas in which we are involved in several projects and intend to drive and continue to be part of developments in the future.

The company is in a strong financial position and we are continuing initiatives in the focus areas we have identified in order to further strengthen the company's position. All in all, I have a continued positive view of the company's outlook.

FOCUS AREAS

MOBILE	HIGH-END
	LOW-END
	SMART CARDS
	NEW APPLICATIONS

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 BioLive™, fingerprint software that protects fingerprint sensors against fake fingers.



Market developments

The market for fingerprint technology in mobile devices is expected to grow in 2018 despite smartphone sales in China declining with 27 % in the first quarter compared to the corresponding period previous year according to domestic sales figures, and 3 % globally according to IDC. Growth is being driven by the fact that more and more phones in the lower price segments are being fitted with a capacitive fingerprint sensor, which is currently the dominant sensor technology. Increased competition in the market for capacitive sensors is resulting in pressure on sensor prices, which is allowing the technology to move to low-price phones.

The technological shift in the sensor market from capacitive sensors to optical and ultrasound sensors has started. The trend is being driven by mobile phones with edge-to-edge displays, where the sensor is located beneath the screen or the glass. Optical and ultrasound sensors are the best kinds of sensor for such integrations. These kinds of solutions provide a better user experience and simplify the mobile phone production process. During the first few months of the year, a number of mobile phones featuring these technologies have been launched, and the market is showing an increasing interest. In a recently published report, the research firm IHS Markit believes that more than 200 million under-display sensors will be sold in 2020.

Several pilot projects with biometric payment cards have been launched during the year by banks in Europe, Japan, Middle East and USA. Combined with the fact that more actors are displaying a genuine interest in this area, this is further strengthening the momentum in the market. Overall, statistics from several industry actors reveal that the number of cards and contactless payments is continuing to increase. This underpins the potential for contactless payment cards, which increase user-friendliness for consumers and can reduce cases of fraud by means of improved security.

The EU Commission has presented a proposal in which the security of existing ID cards is to be improved by including information about fingerprints and facial recognition. Similar discussions are being conducted in government agencies in other countries, which may in due course create new areas of application and increase demand for biometric cards for convenient and secure identification.

The increasing use of biometrics is creating greater demand to include fingerprint technology in more areas of application. Wearables, such as watches and rings, are one area where there is a high level of interest in biometric solutions, which can increase convenience and security when authenticating identity.

NET SALES AND OPERATING PROFIT/LOSS IN THE FIRST QUARTER

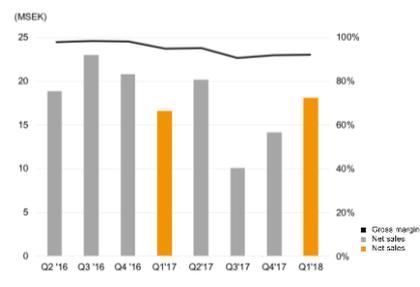
Net sales in the first quarter increased by 9.2% compared with the previous year and totaled SEK 18.2 (16.6) million. Revenues from licenses and services rose, while royalty revenues were slightly lower.

The gross margin for the quarter totaled 92.1% (94.3%). The gross margin was charged with the amortization of capitalized development expenses of SEK 0.7 (0.7) million, as well as the amortization of acquired intangible assets of SEK 0.2 (0.1) million.

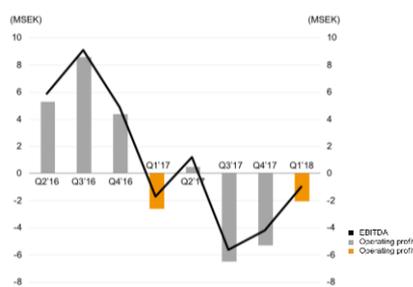
Operating expenses for the quarter increased to SEK 18.8 (18.3) million. The increase is attributed to severance pay and the severance payment to the former CEO, being recorded as expenses in the amount of SEK 1.4 million during the quarter.

The operating profit/loss for the quarter improved somewhat and totaled SEK -2.0 (-2.7) million as a consequence of higher sales counteracted by increased operating expenses. Earnings for the period totaled SEK -2.4 (-3.4) million. The operating profit/loss at EBITDA level totaled SEK -1.0 (-1.7) million. Earnings per share (average number of shares) for the first quarter totaled SEK -0.01 (-0.01).

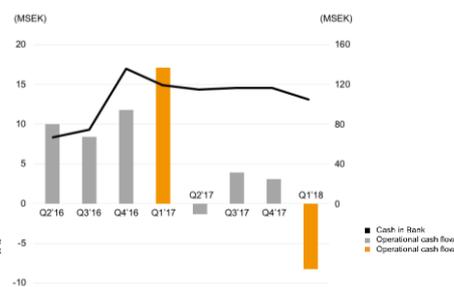
NET SALES & GROSS MARGIN



OPERATING PROFIT



OPERATIONAL CASH FLOW



NET FINANCIAL ITEMS AND TAX

Net financial items for the total operation during the first quarter totaled SEK -0.3 (-0.6) million and the tax expense totaled SEK -0.1 (-0.1) million.

CASH FLOW AND INVESTMENTS

Cash flow during the quarter from the company's total operating activities totaled SEK -8.2 (17.1) million. An advance payment of SEK 17.5 million impacted cash flow in 2017 positive. During the first quarter the Group invested SEK 0.2 (0.3) million in equipment. Depreciation of equipment during the quarter totaled SEK 0.1 (0.1) million and of intangible assets SEK 0.0 (0.0) million.

CAPITALIZATION AND AMORTIZATION OF DEVELOPMENT WORK

Development expenses of SEK 3.2 (1.8) million were capitalized during the first quarter. Amortization of capitalized development expenses totaled SEK 0.7 (0.7) million during the quarter.

FINANCIAL POSITION AND LIQUIDITY

Cash and cash equivalents at the end of the interim period totaled SEK 105.3 (119.2) million.

Total equity at the end of the interim period totaled SEK 143.4 (159.5) million, and equity per share was SEK 0.40 (0.44).

PARENT COMPANY

The parent company's net sales for the first quarter totaled SEK 18.1 (18.5) million. The operating profit/loss was charged with amortization of goodwill totaling SEK 0.6 (0.4) million.

Cash and cash equivalents at the end of the interim period totaled SEK 101.3 (116.8) million, and equity SEK 141.2 (157.5) million.

ORGANIZATION AND STAFF

The organization consists of a head office in Lund, Sweden and offices in Karlstad, Sweden and Potsdam, USA. To secure a local presence in key markets, sales consultants have been hired in Taiwan, China and Korea. At the end of the quarter the Group had a workforce of 47 (42) people, including consultants. The number of employees was 35 (32), of which 30 (28) were in Sweden.

Until Stefan K. Persson takes up the post of CEO on August 1, 2018 at the latest, Göran Thuresson, CFO, is serving as acting CEO and Torgny Hellström as acting Chairman of the Board.

REPORTING DATES

Q2 2018 Interim Report	August 15, 2018
Q3 2018 Interim Report	November 13, 2018
Year-end Report 2018	February 13, 2019

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.

NexID Biometrics Inc. was acquired during 2017. Risk associated with the acquisition is primarily if sales and earnings in the future do not develop as planned, in which case there may be a need to write down intangible assets. The risk associated with the sale of the Mobile Smart Card Solutions business area is if expected commission revenues are not received. 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 RFR2 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 in respect of 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.

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 a software solution 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 for the software solution 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 consequence of the license 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 with 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 will affect the Group's financial reporting, and for this reason more detailed information will be issued.

When calculating future 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 impact on the Group's profit.

Accounting standards applicable after 2018

IFRS 16

IFRS 16 replaces IAS 17 as of January 1, 2019. 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. An analysis was launched in 2017 to investigate how the impact of IFRS 16 Leases will affect the company's financial reporting. This analysis will be completed during 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 figures as these provide valuable

supplementary information for investors and company management, making it possible to evaluate the company's performance.

OWNERSHIP STRUCTURE

Precise Biometrics AB (publ), corporate ID number 556545-6596, is the parent company in the Precise 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 interim period was 23,460 (26,186). During the first quarter, 92,438,017 shares were traded. The closing price on March 30 was SEK 1.36, and during the first quarter the share price fluctuated between SEK 1.36 and SEK 1.76.

SIGNIFICANT EVENTS SINCE THE END OF THE PERIOD

- Huawei Honor 10 was launched, in which Precise BioMatch Mobile has been implemented with a Qualcomm ultrasound sensor beneath the glass.
- Deepened the collaboration with Kona-i, a leading supplier of for payment card system solutions.

AUDIT

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

Lund, May 15, 2018

Torgny Hellström, Chairman of the Board

Torbjörn Clementz,
Board member

Mats Lindoff,
Board member

Matts Lilja,
Board member

Synnöve Trygg,
Board member

Anna Almlöf,
Board member

Göran Thuresson, acting CEO

This information is information that Precise 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 08:00 on May 15, 2018.

Consolidated income statement – in summary

(Amounts in SEK thousand)

		2018 Q1	2017 Q1	2017 Full year	Rolling 12 months
Net sales	Note 1	18,152	16,617	61,039	62,574
Cost of goods sold		-1,427	-945	-4,091	-4,573
Gross profit		16,725	15,672	56,948	58,001
Selling expenses		-7,886	-8,118	-29,735	-29,502
Administrative expenses		-5,177	-3,984	-14,105	-15,298
R&D expenses		-5,823	-5,623	-25,276	-25,476
Other operating income/expenses		127	-608	-1,769	-1,033
		-18,758	-18,333	-70,885	-71,310
Operating profit/loss		-2,033	-2,661	-13,936	-13,309
Financial income/expenses		-277	-642	-1,664	-1,299
Profit/loss before tax		-2,310	-3,303	-15,600	-14,608
Tax		-135	-90	-7,094	-7,139
Profit/loss for the period from remaining operation		-2,445	-3,393	-22,694	-21,747
Profit/loss after tax from discontinued operation	Note 2	70	-9	5,263	5,342
Profit/loss for the period, total operation		-2,376	-3,402	-17,431	-16,405
Profit/loss for the period from total operation attributable to:					
Parent company shareholders		-2,376	-3,402	-17,431	-16,405
Earnings per share, remaining operation, SEK					
- before dilution, SEK		-0.01	-0.01	-0.06	-0.06
- after dilution, SEK		-0.01	-0.01	-0.06	-0.06
Earnings per share, total operation, SEK					
- before dilution, SEK		-0.01	-0.01	-0.05	-0.05
- after dilution, SEK		-0.01	-0.01	-0.05	-0.05

Consolidated statement of comprehensive income

(Amounts in SEK thousand)

	2018 Q1	2017 Q1	2017 Full year	Rolling 12 months
Profit/loss for the period	-2,376	-3,402	-17,431	-16,405
Other comprehensive income:				
Items that may be reclassified to profit or loss	0	0	0	0
Changes in accumulated exchange rate differences	59	-46	104	210
Other comprehensive income for the period, net of tax	59	-46	104	210
Total comprehensive income for the period	-2,316	-3,448	-17,327	-16,195
Profit/loss for the period attributable to holders of participations in the parent company.	-2,316	-3,448	-17,327	-16,195

Consolidated balance sheet – in summary

(Amounts in SEK thousand)		3/31/2018	3/31/2017	12/31/2017
Assets				
Intangible assets	Note 3	47,575	42,218	45,306
Fixed assets	Note 3	1,057	1,310	956
Financial assets		5,971	13,200	6,106
Total fixed assets		54,603	56,728	52,368
Inventories	Note 2	-	1,950	-
Accounts receivable	Note 4	10,496	14,624	13,106
Other current receivables	Note 4	10,806	11,389	5,628
Cash and cash equivalents	Note 4	105,297	119,249	116,955
Total current assets		126,599	147,211	135,688
Assets held for sale	Note 2	-	-	1,562
Total assets		181,202	203,940	189,618
Equity and liabilities				
Equity		143,429	159,488	145,805
Total equity		143,429	159,488	145,805
Current liabilities	Note 4	37,773	44,452	43,813
Total liabilities		37,773	44,452	43,813
Total equity and liabilities		181,202	203,940	189,618

Consolidated statement of changes in equity – in summary

(Amounts in SEK thousand)		2018 Q1	2017 Q1	2017 Full year	Rolling 12 months
Equity at start of period		145,805	163,009	163,009	159,488
Profit/loss for the period		-2,376	-3,402	-17,431	-16,405
Exchange rate differences		59	-46	104	210
New share issue expenses		0	-72	-72	0
Option program	Note 5	-60	0	194	134
Equity at end of period		143,429	159,488	145,805	143,429

Consolidated cash flow statement – in summary

(Amounts in SEK thousand)

	2018 Q1	2017 Q1	2017 Full year	Rolling 12 months
Cash flow from operating activities before changes in working capital	325	-1,780	-4,670	-2,565
Cash flow from changes in working capital	-8,551	18,903	27,458	4
Cash flow from operating activities	-8,226	17,123	22,788	-2,560
Cash flow from investing activities	-3,446	-33,412	-40,821	-10,855
Cash flow from financing activities	Note 5 -60	-	194	134
Cash flow for the period	-11,732	-16,290	-17,840	-13,282
Cash and cash equivalents at start of period	116,955	135,753	135,753	119,249
Translation difference in cash and cash equivalents	75	-215	-958	-668
Cash and cash equivalents at end of period	105,297	119,249	116,955	105,297

Consolidated key indicators

(Amounts in SEK thousand unless otherwise stated)	2018 Q1	2017 Q1	2017 Full year	Rolling 12 months
Net sales	18,152	16,617	61,039	62,574
Net sales growth, %	9.2%	-19.4%	-26.7%	-21.1%
Gross margin, %	92.1%	94.3%	93.3%	92.7%
Operating profit/loss	-2,033	-2,661	-13,936	-13,308
Operating profit/loss, total operation	-1,964	-2,670	-8,673	-7,968
Working capital, total operation	88,826	102,760	91,875	88,826
Capital employed, total operation	143,429	159,488	145,805	143,429
Liquidity ratio, total operation, %	335%	327%	310%	335%
Equity/assets ratio, total operation, %	79.2%	78.2%	76.9%	79.2%
Return on equity, total operation, %	neg	16.3%	neg	neg
Earnings per share before dilution, SEK	-0.01	-0.01	-0.06	-0.06
Earnings per share before dilution, total operation, SEK	-0.01	-0.01	-0.05	-0.05
Earnings per share after dilution, SEK	-0.01	-0.01	-0.06	-0.06
Earnings per share after dilution, total operation, SEK	-0.01	-0.01	-0.05	-0.05
Equity per share, total operation, SEK	0.40	0.44	0.40	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	360,957	360,231	360,231
Number of employees at end of period	35	31	35	35
Average number of employees during the period	35	29	32	34

Quarterly summary

(Amounts in SEK thousand unless otherwise stated)	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1
Net sales	18,152	14,181	10,081	20,160	16,617
Net sales growth, %	28.0%	40.7%	-50.0%	21.3%	-20.0%
Operating profit/loss	-2,033	-5,278	-6,479	482	-2,661
Operating profit/loss, total operation	-1,964	-2,935	-4,818	1,750	-2,670
EBITDA	-957	-4,232	-5,621	1,220	-1,714
EBITDA, total operation	-888	-1,890	-3,959	3,033	-1,137
Cash flow from total operating activities	-8,226	3,093	3,887	-1,314	17,123
Capital employed, total operation	143,429	145,805	155,200	160,793	159,488

Reconciliation of alternative key indicators

(Amounts in SEK thousand unless otherwise stated)

	2018 Q1	2017 Q1	2017 Full year	Rolling 12 months
EBITDA	-957	-1,714	-10,350	-9,591
Depreciation & Amortization	-1,076	-947	-3,586	-3,718
Impairments	-	-	-	-
Operating profit/loss	-2,033	-2,661	-13,936	-13,308
EBITDA, total operation	-888	-1,137	-3,953	-3,705
Depreciation & Amortization	-1,076	-1,533	-4,720	-4,263
Impairments	-	-	-	-
Operating profit/loss, total operation	-1,964	-2,670	-8,673	-7,968
Operating profit/loss, remaining operation	-2,033	-2,661	-13,936	-13,308
Operating profit/loss, discontinued operation	70	-9	5,263	5,341
Operating profit/loss, total operation	-1,964	-2,670	-8,673	-7,968
Selling expenses	-7,886	-8,118	-29,735	-29,502
Administrative expenses	-5,177	-3,984	-14,105	-15,298
R&D expenses	-5,823	-5,623	-25,276	-25,476
Other operating income/expenses	127	-608	-1,769	-1,033
Total operating expenses, remaining operation	-18,758	-18,333	-70,885	-71,310
Balance sheet total, total operation	181,202	203,940	189,618	181,202
Non-interest-bearing liabilities, total operation	37,773	44,452	43,813	37,773
Capital employed, total operation	143,429	159,488	145,805	143,429
Closing equity, total operation	143,429	159,488	145,805	143,429
Average equity	151,306	132,139	155,321	151,306
Current assets minus inventories	126,599	145,262	135,688	126,599
Current liabilities	37,773	44,452	43,813	37,773
Liquidity ratio	335%	327%	310%	335%
Equity	143,429	159,488	145,805	143,429
Total assets	181,202	203,940	189,618	181,202
Equity/assets ratio	79.2%	78.2%	76.9%	79.2%
Profit/loss after tax (rolling 12 mon.)	-16,405	21,532	-17,431	-16,405
Average equity	151,306	132,139	155,321	151,306
Return on equity	neg	16.3%	neg	neg

Parent company income statement

(Amounts in SEK thousand)

	2018 Q1	2017 Q1	2017 Full year	Rolling 12 months
Net sales	18,052	18,467	68,735	68,320
Cost of goods sold	-1,577	-3,377	-14,061	-12,262
Gross profit	16,475	15,090	54,674	56,058
Selling expenses	-7,761	-7,779	-30,025	-29,991
Administrative expenses	-5,259	-4,011	-14,140	-15,408
R&D expenses	-5,896	-5,683	-26,398	-26,604
Other operating income/expenses	647	-1,485	-5,487	-3,355
	-18,269	-18,958	-76,049	-75,359
Operating profit/loss	-1,794	-3,868	-21,375	-19,301
Financial income/expenses	-277	-638	8,910	9,270
Profit/loss before tax	-2,072	-4,506	-12,465	-10,031
Tax	-	-	-6,600	-6,600
Profit/loss for the period	-2,072	-4,506	-19,065	-16,631

Parent company balance sheet

(Amounts in SEK thousand)

		3/31/2018	3/31/2017	12/31/2017
Assets				
Intangible assets	Note 1	45,789	42,882	45,433
Fixed assets		750	1,310	1,037
Financial assets		11,584	15,136	9,819
Total fixed assets		58,124	59,328	56,289
Inventories		-	1,839	-
Accounts receivable		10,449	13,848	11,133
Other current receivables		10,457	9,841	5,526
Cash and cash equivalents		101,308	116,753	115,283
Total current assets		122,213	142,281	131,942
Total assets		180,337	201,608	188,231
Equity and liabilities				
Equity		141,236	157,502	143,243
Total equity		141,236	157,502	143,243
Provisions		103	103	103
Total provisions		103	103	103
Current liabilities		38,998	44,004	44,885
Total liabilities		38,998	44,004	44,885
Total equity and liabilities		180,337	201,608	188,231

Note 1. Revenue allocation

	2018	2017	2017	Rolling
<u>Revenue type</u>	Q1	Q1	Full year	12 months
Royalties	5,514	6,274	11,320	10,561
Licenses	9,210	7,538	34,014	35,686
Services	3,025	1,919	8,304	9,409
Other	403	886	7,402	6,919
Total	18,152	16,617	61,039	62,574
<u>Country/Region</u>				
Europe	4,320	1,492	4,515	7,343
- of which Sweden	1,423	1,089	974	1,308
- of which France	2,359	115	1,005	3,250
Asia	8,372	10,493	40,931	38,810
- of which China	4,193	7,654	27,533	24,073
- of which Taiwan	2,784	2,492	10,712	11,004
USA	5,460	4,633	15,594	16,422
Total	18,152	16,617	61,039	62,574
<u>Timing of revenue recognition</u>				
Services transferred at a point in time	12,235	9,457	42,317	45,095
Services transferred over time	5,917	7,160	18,722	17,480
Total	18,152	16,617	61,039	62,574

Note 2. Discontinued operation

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

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

Precise Biometrics will receive commission 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 the trend in commission revenues is therefore an item that must be valued by management and can vary over time.

(Amounts in SEK thousand)

<u>Income Statement</u>	2018	2017	2017
	Q1	Q1	Full year
Sales	1,626	-	13,203
Expenses	-1,556	-	-7,940
Profit/loss before tax from discontinued operation	70	-	5,263
<u>Balance sheet</u>	2018	2017	2017
	Q1	Q1	Q4
Capitalized development expenses	-	-	1,301
Tools	-	-	261
Inventories	-	-	-
	-	-	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 AB acquired the assets and liabilities of NexID Biometrics Inc. With this acquisition, Precise 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
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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

	3/31/2018		3/31/2017	
	Fair value	Book value	Fair value	Book value
Financial assets				
<i>Loans receivable and accounts receivable</i>				
Accrued income	4,547	4,547	5,829	5,829
Accounts receivable	10,496	10,496	14,624	14,624
Other receivables	6,259	6,259	5,560	5,560
Cash and cash equivalents	105,297	105,297	119,249	119,249
Total	126,599	126,599	145,262	145,262
Financial liabilities				
<i>Financial liabilities at real value via the income statement</i>				
Derivatives	943	943	-	-
<i>Financial liabilities valued at the accrued cost of acquisition.</i>				
Accounts payable	1,918	1,918	5,808	5,808
Other liabilities	2,238	2,238	690	690
Other accrued expenses	32,674	32,674	37,747	37,747
Total	37,773	37,773	44,245	44,245

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 interim period, 2,230,000 options have been subscribed, corresponding to 45% of total stock options; this was after the options subscribed by 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 5,000,000 shares.

Dilution effects are only considered in the event that the earnings per share become worse. The dilution effects have not been considered, as the average price during the first quarter is below the price in the current option program.

Note 6. Closely-related party transactions

The Chairman of the Board has a consultancy assignment as acting Chairman of the Board in the company until the new CEO takes up his post, which is to take place on August 1, 2018 at the latest. The compensation level for the assignment is based on market conditions and the company's cost totaled SEK 874 thousand during the first quarter. Another Board member had a consultancy 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 thousands.

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 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).

To take part, click on the link below to listen to and follow the presentation online, or call the below number to follow it over the phone:

- UK: +44 2030089804
- US: +1 8558315945
- Sweden: +46 856642662

<https://tv.streamfabriken.com/precise-biometrics-q1-2018>

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 Biometrics:

Torgny Hellström, Chairman of the Board
Göran Thuresson, Acting CEO/CFO

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