

## MAJOR INTEREST IN PRECISE BIOMETRICS' NEW PRODUCTS FOR MOBILE MARKET

PRECISE BIOMETRICS AB (PUBL), CORPORATE IDENTITY NO. 556545-6596  
INTERIM REPORT FOR THE PERIOD JANUARY – MARCH 2012

- The group's net sales for the first quarter was SEK 4.7 million (3.6)
- The groups income for the quarter was SEK -9.8 million (-9.7)
- Earnings per share for the quarter amounted to SEK -0.05 (-0.07)
- Available cash at the end of the first quarter was SEK 7.0 million (11.6).

### IMPORTANT EVENTS DURING THE QUARTER

- Precise Biometrics has developed next generation of mobile security, Tactivo™, for smart devices: smart casings with smart card & fingerprint reader.
- Precise Biometrics announced Thursby Software System's use of smart casing to provide secure browsing on mobile devices.
- Precise Biometrics announced strategic partnership with FedSolve, an American systems integrator and reseller.
- Precise Biometrics obtained a credit facility for a total up to SEK 30 million, which can be utilized when needed.

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### FOR FURTHER INFORMATION, PLEASE CONTACT

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Precise Biometrics is a market-leading provider of solutions for fingerprint recognition to prove people's identities. With top-of-the-line expertise in fingerprint verification, Precise Biometrics offers fast, accurate and secure authentication of a person.

The technology adds value to ID, enterprise and bank cards as well as access to mobile solutions, computers and networks. Precise Biometrics serves business and government organizations throughout the world and its technology is licensed to close to 160 million users.

For more information, please visit [www.precisebiometrics.com](http://www.precisebiometrics.com).

## MAJOR INTEREST IN PRECISE BIOMETRICS' NEW PRODUCTS FOR MOBILE MARKET

INTERVIEW WITH THOMAS MARSCHALL,  
CEO AND PRESIDENT, PRECISE BIOMETRICS

### How have things developed during the first quarter?

We are not pleased with the net result for the first quarter. However we are expecting a successive increase in sales of existing products during the rest of year and in particular the new products now being launched for the mobile market.

In existing markets we are expecting the first orders for Nigeria's national ID card project this spring. We have received several minor orders from US government agencies this quarter, but we are not expecting any larger orders until later on in the year.



### How is the launch of Tactivo™ developing?

The new product Tactivo™ is the first smart casing in the world for iPhones and iPads with embedded smart card readers and fingerprint sensors. These products make it possible to considerably enhance security when using smartphones and tablets, which is especially important for government agencies, healthcare, enterprises and banks. There has been a great deal of interest for these products in the market.

We have been fully focused on three things during the first quarter: building up production, agreements with partners, and preparations for the launch.

The build-up of production has now been completed and we are now ready to deliver Tactivo™. Flextronics in the US has been chosen as the hardware supplier for Tactivo™.

Several applications developers in Europe, the US and Asia have expressed considerable interest. We announced a partnership with Thursby Software during this first quarter, who will be using Precise Biometrics' smart casing together with their product family, PKard™, for iPads and iPhones. We have also announced a partnership with FedSolve, LLC, a US systems integrator and distributor with a special minority status, which puts them in a favorable position for negotiations with government agencies.

Tactivo™ has received extensive publicity and a large number of government agencies, organizations and companies have shown a strong interest in it, which means that we have a very large pipeline of interested customers to process now that the launch is underway and as the production can finally start.

We are expecting the market for mobile security to expand dramatically in 2012 and that Tactivo™ will already account for the main part of our sales this year. We believe that the market is sufficiently expansive for us to achieve our ambitious targets in Plan 2015.

### What does Precise Biometrics' financial position look like?

Net profits in 2011 and the first quarter of 2012 have naturally had a negative effect on our financial position. We believe however that our current cash balance combined with the newly signed credit facility of SEK 30 million is sufficient as we are now implementing our market launch and volume production of Tactivo™. We are expecting that a significant part of the earnings in 2012 will come from Tactivo™. The launch of Tactivo™ is essential for our future performance and development of Precise Biometrics

**What can you say about the future development of Precise Biometrics?**

As I have indicated, we have great expectations of our development in 2012 and the time ahead. Our primary focus will be on sales of the new products in the mobile market, which I am expecting will account for the majority of our sales during the year as a whole.

We will also continue to work actively with products in the business area IAM (Identity and Authentication Mangement) where we are expecting among other things additional orders from US government agencies and from Nigeria. IAM is an integral part of Precise Biometrics' traditional sales channels. It includes solutions for national ID cards, government agencies, banks, and companies. Embedded solutions, where biometrics is integrated in other hardware, are also included in this business area.

The overall objective of Plan 2015 remains in place, whereby Precise Biometrics will qualify for quotation on the Nasdaq OMX Mid Cap list in 2015. This is an ambitious target, but fully realizable considering the major opportunities offered by our new products - being a major commercial milestone in achieving the Plan 2015.

## SALES AND RESULT

### The first quarter 2012

Sales for the first quarter amounted to SEK 4.7 million (3.6). The gross margin was 73% (77).

Operating expenses for the first quarter were SEK 13.3 million (12.4). Operating expenses are higher compared to the corresponding quarter last year due to investments in the organization. The group's net loss for the first quarter amounted to SEK -9.8 Million (-9.7).

Losses per share (average number of shares) for the period amounted to SEK -0.05 (-0.07).

## FINANCING AND LIQUIDITY

As of March 31, 2012 equity amounted to SEK 37.3 million (21.7) and equity/share to SEK 0.20 (0.16).

Cash flow from current operations during the quarter amounted to SEK -19.6 million (-11.2). Available cash at the end of the first quarter amounted to SEK 7.0 million (11.6).

The company has, during the quarter, signed a credit facility with an outside lender Antech Invest A/S. The credit facility is up to SEK 30 million, and will support Precise Biometrics available working capital during the spring and summer of 2012 when Tactivo production ramps up.

## MARKET AND SALES – SUMMARIZING Q1 2012

Sales in the first quarter has primarily consisted of license sales in the ongoing NID project, hardware sales primarily to a government customer in the Middle East and orders to Scandinavia's largest budget gym chain. Since January 1 2012 the former business area Access Solutions is included in the business area IAM. As a consequence the company is now divided into two business areas, IAM and Mobile.

Much of the marketing and sales efforts have continued to focus on the newly launched mobile product line Tactivo™ - the first smart casings in the world for iPhones and iPads with embedded smart card readers and fingerprint sensors - which can also be adapted to most of the other platforms in the Smart device market. The product has a built-in card and fingerprint reader designed to meet the network security and strong demand for authentication of the government and healthcare, corporate and banking sectors.

The company has continued to build relationships with partners as well as building the sales pipeline. This means that the company is well prepared now that Tactivo™ launches. During the quarter the company announced two important partnerships with the following partners:

- Thursby Software, further enhancing Thursby's security initiatives with the integration of a smart casing solution for mobile devices from Precise Biometrics. Thursby will use the solution with its PKard™ suite of iPhone and iPad apps to provide highly secure and convenient access to websites requiring strong authentication on mobile devices for the commercial and government sector.
- FedSolve a systems integrator and reseller. FedSolve's capabilities in the IT Services area and extensive contract vehicle portfolio will greatly expand the ability for Government Agencies to easily acquire and implement strong authentication solutions.

The company estimates that sales of Tactivo™ products will account for the majority of the company's sales in 2012, and be a major building block within the framework of Plan 2015, the strategic platform that the company has for development up to 2015.

#### **PARENT COMPANY**

Parent company sales for the first quarter amounted to SEK 3.5 million (2.7). Operating loss before tax for the first quarter amounted to SEK -10.9 million (-12.0).

At the end of the first quarter 21 persons were employed in the parent company. Available cash at the end of the first quarter amounted to SEK 3.3 million (7.9). Investments in tangible fixed assets have been made to an amount of SEK 0.2 million (0.0).

During the first quarter costs for development work were capitalized to an amount of SEK 2.2 million (1.7) with main impact from new investments within the Mobile segment.

#### **ORGANIZATION AND EMPLOYEES**

The parent company of Precise Biometrics has its head office in Lund, Sweden. The organization also consists of the subsidiaries Precise Biometrics Inc. in Washington DC, USA, and Precise Biometrics Solutions AB with office in Karlstad.

As of March 31, 2012 the group had 36 (34) employees, 30 in Sweden and 6 in the US. Of these employees, 24 (25) were men and 12 (9) were women.

#### **INVESTMENTS IN TANGIBLE FIXED ASSETS**

During the first quarter the group has invested SEK 0.2 million (0.0) in tangible fixed assets.

#### **CAPITALIZATION AND DEPRECIATION OF DEVELOPMENT WORK**

Development work cost of SEK 2.2 million (1.7) were capitalized during the first quarter. Depreciation of capitalized costs for development work amounted to SEK 0.4 million (0.2) during the first quarter

#### **PATENTS**

At the end of the first quarter 2012 the patent portfolio includes 70 registered and 16 applications for patents in 19 different product families. Precise Biometrics has 10 different patent families for the Match-on-Card technology alone.

#### **THE SHARE**

The company's share is listed on the Small Cap list of the Nasdaq OMX Nordic, Sector Industrial Goods & Services.

The total number of registered shares at the end of the first quarter was 188 945 120.

During the first quarter the average turnover per day was SEK 508 thousand and the list price ranged from SEK 1.59 to 1.11.

#### **RISK FACTORS**

Precise Biometrics is exposed to both commercial and financial risks, which to a large extent lie outside the reach and influence of the company. There is no guarantee that the current capital will be sufficient until the Company achieves a positive cash flow. Neither is there any guarantee that new capital can be acquired if the need should arise, or that such capital can be acquired on preferential terms. For a full account of identified risks, please refer to the Annual Report for 2011, which was submitted April 2, 2012. No further essential risks or uncertainties have arisen after the submission of the Annual Report.

#### **FUTURE REPORT DATES**

Interim report Q2	July 17, 2012
Interim report Q3	October 24, 2012
Year-end report	February 5, 2013

**ACCOUNTING PRINCIPLES**

This Interim report has been prepared in accordance with IAS 34, interim reporting and the Swedish Company Accounts Act.

New IFRS, additions to IAS and IFRIC interpretations taking effect January 1, 2012, did not have a material effect on the financial statements.

For information on the applied accounting principles please refer to the Annual Report for 2011. This quarterly report has not been subjected to review by the Company's auditors.

*Lund, April 23, 2012*

Thomas Marschall, President and CEO, Precise Biometrics AB (publ).

*Precise Biometrics AB (publ) may be required to disclose the information provided herein pursuant to the Securities Markets Act. The information was submitted for publication at 13.00 on April 24, 2012.*

## Income statement, Group

(Figures in thousands SEK)

	Q1 2012	Q1 2011	Full year 2011
Net sales	4,716	3,554	21,615
Cost of goods sold	-1,280	-816	-9,548
<b>Gross profit/loss</b>	<b>3,436</b>	<b>2,738</b>	<b>12,067</b>
Selling expenses <sup>1)</sup>	-5,676	-3,586	-18,543
Administrative expenses <sup>1)</sup>	-3,793	-3,133	-11,489
R&D costs	-3,411	-4,380	-15,157
Other operating income and changes in value	-390	-1,345	-290
	-13,270	-12,444	-45,479
<b>Operating result</b>	<b>-9,834</b>	<b>-9,706</b>	<b>-33,412</b>
Financial costs	-15	-23	208
<b>Result after financial items</b>	<b>-9,849</b>	<b>-9,729</b>	<b>-33,204</b>
Tax	-	-	-12
<b>Result for the period</b>	<b>-9,849</b>	<b>-9,729</b>	<b>-33,216</b>
<b>Result attributable to:</b>			
Owners of the parent	-9,849	-9,729	-33,216
<i>Profit/loss per share, SEK (before dilution)</i>	-0.05	-0.07	-0.20
<i>Profit/loss per share, SEK (after dilution)</i>	-0.05	-0.07	-0.20

<sup>1)</sup> Include the effect of the liquidation of the subsidiary Loqware amounting SEK +1,754 thousand in 2011.

## Groups report concerning comprehensive income

(Figures in thousands SEK)	Q1 2012	Q1 2011	Full year 2011
<b>Profit/loss for the period</b>	<b>-9,849</b>	<b>-9,729</b>	<b>-33,216</b>
<b>Comprehensive income:</b>			
Change in accumulated exchange rate differences	139	234	-55
<b>Comprehensive income for the period, net of tax</b>	<b>139</b>	<b>234</b>	<b>-55</b>
<b>Total comprehensive income for the period</b>	<b>-9,710</b>	<b>-9,495</b>	<b>-33,271</b>
<b>Attributable to:</b>			
Owners of the parent	-9,710	-9,495	-33,271
Total comprehensive income for the period	-9,710	-9,495	-33,271

## Balance Sheet, Group

(Figures in thousands SEK)	3/31/2012	3/31/2011	12/31/2011
<b>Assets</b>			
Intangible fixed assets	14,545	8,174	12,778
Tangible fixed assets	1,129	626	1,070
Inventories	17,621	9,005	9,673
Accounts receivable - trade <sup>1)</sup>	4,599	3,357	6,352
Other current receivables	6,308	3,608	5,603
Cash and bank balances	7,002	11,614	28,930
<b>Total assets</b>	<b>51,204</b>	<b>36,384</b>	<b>64,406</b>
<b>Equity and liabilities</b>			
Equity	37,278	21,749	46,988
Current liabilities	13,926	14,635	17,418
<b>Total equity and liabilities</b>	<b>51,204</b>	<b>36,384</b>	<b>64,406</b>
<b>Pledged assets</b>	<b>26,400</b>	<b>26,400</b>	<b>26,400</b>
<b>Contingent liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>1)</sup> Include a receivable concerning contract manufacturer totaling SEK 1.7 million for 2012



## Cash Flow Statement, Group

(Figures in thousands SEK)	Q1	Q1	Full year
	2012	2011	2011
Cash flow from operating activities			
before changes in working capital	-9,387	-9,363	-31,851
Cash flow from changes in working capital	-10,196	-1,807	-4,099
Cash flow from operating activities	-19,583	-11,170	-35,950
Cash flow from investing activities	-2,345	-1,760	-8,679
Cash flow from financing activities	-	-	49,015
<b>Cash flow for the period</b>	<b>-21,928</b>	<b>-12,930</b>	<b>4,386</b>
Liquid funds at the beginning of the period	28,930	24,544	24,544
Liquid funds at the end of the period	7,002	11,614	28,930

## Key Figures, Group

	3/31/2011	3/31/2010	12/31/2011
Working capital (thousands SEK)	21,603	12,949	33,140
Liquid ratio	129%	127%	235%
Equity/assets ratio	73%	60%	73%
Return on average equity	-	-	neg
Capital employed (thousands SEK)	38,472	23,134	48,399
Return on capital employed	-	-	neg
Profit/loss per share (SEK)	-0.05	-0.07	-0.20
EBITDA (thousands SEK)	-9,316	-9,378	-31,213
Equity per share (SEK)	0.20	0.16	0.25
Number of shares	188,945,120	134,960,800	188,945,120
Number of employees at the end of the period	36	34	35
Average number of employees during the period	36	34	34

### Definitions - Key Figures

Working capital: Current assets less current liabilities

Liquid ratio: Current assets less inventories divided by current liabilities

Equity/assets ratio: Equity as of the balance sheet date divided by total assets as of the balance sheet date

Return on equity: Profit/loss for the period divided by average equity

Capital employed: Balance sheet total minus non-interest-bearing liabilities and provisions

Return on capital employed: Profit/loss after financial items plus financial expenses divided by the average capital employed

Profit/loss per share: Profit/loss after tax divided by the average number of shares. The options are not included in the calculation due to calculation of potential shares would result in an improvement in loss per share which is not permitted according to IAS 33

EBITDA: Profit/loss before net financial items, depreciations, write-downs and tax

Equity per share: Equity at the end of the period divided by the number of shares at the end of the period

Quarterly earnings ratios are not disclosed

Operating costs (as described in Sales and result): Operating costs excluding costs for products sold, participations in associated companies and goodwill write-down, but including depreciation and write-downs and after capitalization of costs for development work

**Changes in equity, Group**  
(Figures in thousands SEK)

	Capital stock	Other paid in capital	Reserves	Balanced profit/ year's profit	Total equity
<b>Opening balance as at January 1, 2011</b>	<b>53,984</b>	<b>537,214</b>	<b>639</b>	<b>-560,593</b>	<b>31,244</b>
<b>Comprehensive income</b>					
Comprehensive income for the period	-	-	-	-9,729	-9,729
<b>Other comprehensive income</b>					
Exchangerate differences	-	-	234	-	234
Total comprehensive income	0	0	234	0	234
<b>Total comprehensive income</b>			<b>234</b>	<b>-9,729</b>	<b>-9,495</b>
<b>Closing balance as at March 31, 2011</b>	<b>53,984</b>	<b>537,214</b>	<b>873</b>	<b>-570,322</b>	<b>21,749</b>
<b>Opening balance as at January 1, 2012</b>	<b>75,578</b>	<b>564,635</b>	<b>584</b>	<b>-593,809</b>	<b>46,988</b>
<b>Comprehensive income</b>					
Comprehensive income for the period	-	-	-	-9,849	-9,849
<b>Other comprehensive income</b>					
Exchangerate differences	-	-	139	-	139
Total comprehensive income	0	0	139	0	139
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>139</b>	<b>-9,849</b>	<b>-9,710</b>
<b>Closing balance as at March 31, 2012</b>	<b>75,578</b>	<b>564,635</b>	<b>723</b>	<b>-603,658</b>	<b>37,278</b>

**Turnover and profitability by segments Q1 2012<sup>1)</sup>**

(Figures in thousands SEK)	IAM		MOBILE		TOTAL SEGMENTS	
	2011	2010	2011	2010	2011	2010
Net sales	4,716	3,554	-	-	4,716	3,554
Expenses <sup>2)</sup>	<u>7,172</u>	<u>-7,450</u>	<u>-8,695</u>	<u>-5,890</u>	<u>15,867</u>	<u>13,340</u>
Result <sup>3)</sup>	2,456	-3,896	-8,695	-5,890	11,151	-9,786

1) From January 2012 Access Solutions is included in IAM. The 2011 figures are restated accordingly.

2) The above expenses in the segments include Cost of goods sold as well as direct and share of indirect operation expenses.

3) Group Result (see Income statement) also includes capitalization and depreciation of development work and other operating income and changes in value. This amount totals for Q1 SEK 1,317 thousand (80).

**Income statement, Parent company**

(Figures in thousands SEK)

	Q1 2012	Q1 2011	Full year 2011
Net sales	3,532	2,675	15,507
Cost of goods sold	-4,429	-3,232	-19,846
<b>Gross profit/loss</b>	<b>-897</b>	<b>-557</b>	<b>-4,339</b>
Selling expenses	-3,014	-2,539	-12,274
Administrative expenses	-3,584	-2,914	-11,223
R&D costs	-1,814	-2,709	-8,692
Other operating income and changes in value	-1,715	-3,343	290
	-10,127	-11,505	-31,899
<b>Operating result</b>	<b>-11,024</b>	<b>-12,062</b>	<b>-36,238</b>
Financial costs <sup>1)</sup>	124	103	683
<b>Result after financial items</b>	<b>-10,900</b>	<b>-11,959</b>	<b>-35,555</b>
Tax	-	-	-
<b>Result for the period</b>	<b>-10,900</b>	<b>-11,959</b>	<b>-35,555</b>

**Balance Sheet, Parent company**

(Figures in thousands SEK)

	<u>3/31/2011</u>	<u>3/31/2011</u>	<u>12/31/2011</u>
<b>Assets</b>			
Intangible fixed assets	14,468	8,065	12,692
Tangible fixed assets	1,025	326	943
Participations in group companies	1,058	1,058	1,058
Inventories	17,574	9,005	9,673
Accounts receivable - trade <sup>1)</sup>	2,674	1,863	4,736
Other current receivables	35,677	31,225	38,474
Cash and bank balances	3,309	7,856	21,662
<b>Total assets</b>	<b>75,785</b>	<b>59,398</b>	<b>89,238</b>
<b>Equity and liabilities</b>			
Equity	66,217	51,128	77,117
Other provisions	69	156	76
Current liabilities	9,499	8,114	12,045
<b>Total equity and liabilities</b>	<b>75,785</b>	<b>59,398</b>	<b>89,238</b>
<b>Pledged assets</b>	<b>24,000</b>	<b>24,000</b>	<b>24,000</b>
<b>Contingent liabilities</b>	<b>1,000</b>	<b>2,000</b>	<b>2,000</b>

<sup>1)</sup> Include a receivable concerning contract manufacturer totaling SEK 1.7 million

#### TELEPHONE CONFERENCE

On the occasion of today's Interim Report we have the pleasure to invite investors and journalists to the following informative meeting during the day

- The conference starts at 14:30 (CET)
- To participate, please call + 46 (0)8 505 598 09

An operator will note your name and connect you to the conference. She/he will also provide you with information about what to do if you have any questions.

The presentation will be held in English but afterwards there will be an opportunity to ask questions in Swedish.

Participating on behalf of Precise Biometrics

- Thomas Marschall, President and CEO
- Patrik Norberg, CFO

A recording from the conference will be available for three days after the telephone meeting. To listen to the conference afterwards dial +46 (0)8 506 269 49. When asked to state a reference number please dial 270102 and finish with (#).

Please visit [www.precisebiometrics.com/presentations](http://www.precisebiometrics.com/presentations) where a presentation can be downloaded.

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#### FOR FURTHER INFORMATION

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Precise Biometrics is a market-leading provider of solutions for fingerprint recognition to prove people's identities. With top-of-the-line expertise in fingerprint verification, Precise Biometrics offers fast, accurate and secure authentication of a person.

The technology adds value to ID, enterprise and bank cards as well as access to mobile solutions, computers and networks.

Precise Biometrics serves business and government organizations throughout the world and its technology is licensed to close to 160 million users.

For more information, please visit [www.precisebiometrics.com](http://www.precisebiometrics.com).