

LUND, MAY 12th, 2015

Growth in the business area Fingerprint Technology

PRECISE BIOMETRICS AB (PUBL), CORPORATE IDENTITY NR 556545-6596 INTERIM REPORT JANUARY-MARCH 2015

- The group's net sales for the quarter was SEK 4.5 million (7.2).
- The group's operating result for the quarter was SEK -8.9 million (-10.9)
- The group's net result for the quarter was SEK -8.8 million (-10.7).
- Earnings per share for the quarter were SEK -0.03 (-0.03).
- Available cash at the end of the period amounted to SEK 50.7 million (85.7).

MAIN EVENTS IN THE FIRST QUARTER

- Precise BioMatchTM Mobile was integrated into two new smartphones through the cooperation with Fingerprint Cards.

MAIN EVENTS AFTER THE FIRST QUARTER

- Precise Biometrics was awarded the 2015 Frost & Sullivan Award for Global Customer Value Leadership in Fingerprint Biometrics for Mobile Devices. The Award is based on a recent market analysis and attributed to the highly efficient fingerprint software, Precise BioMatch Mobile, which in 2014 was integrated into the world's first Android smartphone with a touch fingerprint sensor.
- Precise Biometrics smart card reader TactivoTM was approved for usage with Swedish national healthcare system Pascal, a prescription tool for dose packaged medicals used by nurses, doctors and midwives. The approval is a breakthrough for secure mobile services in Swedish healthcare.
- Precise Biometrics received a follow-up order of 1200 Tactivo from the Defense Logistics Agency (DLA) within the US Department of Defense. The value of the order is 1.1 million SEK and will impact second quarter revenues 2015 with the full amount

FOR FURTHER INFORMATION, PLEASE CONTACT

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ABOUT PRECISE BIOMETRICS

Precise Biometrics is a leading provider of solutions that prove people's identities through smart cards and fingerprint recognition. The company's products can be used for 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 products are licensed to close to 160 million users. For more information, please visit precisebiometrics.com

Interview with Håkan Persson
President and CEO of Precise Biometrics

Growth in the business area Fingerprint Technology

How would you describe the first quarter?

The market for the business area Fingerprint Technology continues to develop well and during this quarter Precise BioMatch Mobile has been integrated in two phones through the cooperation with Fingerprint Cards. After the end of the quarter it was integrated in another two mobile phones from minor vendors. License revenues from Precise BioMatch Mobile are expected to continue to increase. Growth is emerging from low levels because the market is still relatively new, but as a market leader of fingerprint technology for mobile devices we are very well positioned for the future rapid expansion of the market.

Despite the positive developments in Fingerprint Technology, sales in this quarter were weaker than expected following lower sales in the business areas Desktop & Physical Access Solutions and Mobile Smart Card Solutions. On the other hand operating profit improved in comparison with both the previous quarter and the same period in 2014. This improvement is mainly a result of cost reductions and the focusing of our activities we initiated in August, as well as increased software sales.

We expect further improvements of operating results during the year and to reach profitability on EBITDA level in the fourth quarter of 2015.

How is the market developing for fingerprint technology in mobile devices?

The market is now ready and willing to accept fingerprint technology. This technology brings a lot more convenience for the consumers, which means it is rapidly becoming highly appreciated. We are expecting all the major manufacturers of smartphones and tablets to launch one or more models incorporating fingerprint sensors during the year.

We remain focused to our mission to offer the best products available in the market for fingerprint recognition. The award we received from Frost & Sullivan in April for our leadership in fingerprint recognition for mobile devices clearly shows that we are well established as a leading player in the market. The award is based on an in-depth analysis of the market and interviews with leading persons in the industry, and this makes it even more valuable because it reflects what our customers think of us.

Our partnerships with Synaptics and Fingerprint Cards give us very good reason to believe that Precise BioMatch Mobile will be integrated in a large number of mobile phones during the year. During this quarter we have worked with integration of Precise BioMatch Mobile with Synaptic's sensors which makes it possible for royalty revenues during the second half of the year. In addition to this, discussions with other sensor manufacturers on the licensing of Precise BioMatch Mobile are underway. We also have several other interesting projects in progress with our sensor partners, where Precise BioMatch Embedded will be integrated in different types of products, for example, units for time and attendance reporting, and door locks.

Where do you see the greatest demand for Tactivo in the future?

Demand for Tactivo in the healthcare markets in Sweden and the UK is growing. Pascal was approved for mobile use with Tactivo in April, which is a breakthrough for secure mobile

services in Swedish healthcare. Pascal is a Swedish healthcare system for the prescription of medicines. Pascal is used by doctors, nurses and other care staff. The approval enables care providers to spend more time with patients while ensuring instant access to patient information in Pascal. This increases care quality and reduces time spent on administration.

The demand of mobile access to Pascal and other healthcare systems are huge within municipalities and county councils. We are convinced that more healthcare systems will be adapted to allow mobile access. For many organizations the SITHS-card* is a requirement for login to healthcare systems, which creates the market potential for Tactivo. We are seeing a similar trend in the British healthcare sector. Therefore, we will be prioritizing our sales efforts towards the healthcare markets in Sweden and the UK.

The potential for mobile solutions with Tactivo in the US government agency market is still there, even if sales have so far fallen well short of our expectations. The integration of Tactivo with our partners' mobile solutions is in place, and we have an established distribution network in the US. This ensures a good level of preparedness and the capacity to deliver as government agencies start to utilize mobile solutions.

How do you see the business area Desktop & Physical Access Solutions developing?

We are investing in the business areas where we see the highest growth potential for the Company, Fingerprint Technology and Mobile Smart Card Solutions. Because of this we have successively reduced the resources to the business area Desktop & Physical Access Solutions. The development of new products in this business area is only taking place for specific customer requirements and orders.

*The SITHS-Card is a national standard for electronic identification and signature within the Swedish Healthcare sector. The standard ensures high security and efficient healthcare.

MARKET AND SALES – FIRST QUARTER 2015

The company has three business areas; Fingerprint Technology, Mobile Smart Card Solutions and Desktop & Physical Access Solutions.

The business area **Fingerprint Technology** includes products based on Precise Biometrics' core technology, algorithms for fingerprint recognition. The product portfolio consists of three products. Precise BioMatch Mobile, software which is developed and optimized for integration of fingerprint recognition into smartphones and tablets. Precise BioMatch Embedded, software for integration of fingerprint recognition into third-party hardware. Precise Match-on-Card™, software for integration of fingerprint recognition into cards, for example, bank and ID cards.

First quarter sales for the business area amounted to SEK 3.4 million. The partnership with Fingerprint Cards generated license revenues for integration of Precise BioMatch Mobile in four smartphones, whereof two new phones were added during the quarter. All four smartphones comes from major vendors. Additional license revenue comes from the national ID card project in Portugal.

The business area **Mobile Smart Card Solutions** consists of the Company's Tactivo products, which are a product portfolio of smart card and fingerprint readers for smartphones and tablets. Tactivo enables secure and convenient mobile access to systems and applications in organizations that use smart cards as a security solution.

First quarter sales for the business area amounted to SEK 0.7 million. The main part of the revenue comes from second delivery of Tactivo to the South American insurance company that was announced in January.

The interest in Tactivo within the UK healthcare market is growing. Similar to the Swedish market, it takes a long time to get end-user solutions in place. We are working with the most important company's in the market to make sure that solutions come together. To speed up implementation of mobile solutions within UK healthcare, local authorities have introduced beneficial incentives to stimulate care providers to move forward with mobile IT-solutions. This could have a positive effect on the sales of Tactivo going forward.

The business area **Desktop & Physical Access Solutions** includes the Company's traditional product offering, fingerprint readers for desktop workplaces and physical access to premises. It includes, for example, combined fingerprint and smart card readers for secure login to systems and networks, and physical access control.

First quarter sales for the business area amounted to SEK 0.3 million. Revenues are attributable to customers that use Precise Biometrics' fingerprint reader 200MC for secure login.

SALES AND RESULT – FIRST QUARTER 2015

Sales for the first quarter ended at SEK 4.5 million (7.2). The majority of the quarter's sales came from the business area **Fingerprint Technology** which amounted to SEK 3.4 million (0.7). It is an increase which has been generated by license fees from the partner agreement with Fingerprint Cards. The license fees from the National ID-customers have also increased.

Sales from the business area **Mobile Smart Card Solutions** was SEK 0.7 million (0.6) of the total sales. An impairment loss of a component inventory was recognized with SEK -0.3 million in the quarter.

Total sales for the quarter was lower than same period previous year due to that in the first quarter of 2014 the company had significant revenues from the business area **Desktop & Physical Access Solutions** which has decreased to SEK 0.3 million (5.9). We expect only limited future sales from the business area going forward.

Total gross margin amounted to 74% (57%) due to higher level of software sales within Fingerprint Technology compared to last year.

Operating expenses decreased to SEK 12.1 million (15.0) which is a result of the cost saving activities that was implemented during last year

The group's net loss for the first quarter was SEK -8.8 million (-10.7). Loss per share for the period was SEK -0,03 (-0,03).

INVESTMENTS IN TANGIBLE FIXED ASSETS

During the first quarter the group has invested SEK 0.1 million (0.5) in tangible fixed assets.

CAPITALIZATION AND DEPRECIATION OF DEVELOPMENT WORK

Development work costs of SEK 0.6 million (1.9) were capitalized during the first quarter. Depreciation of capitalized costs for development work amounted to SEK 2.1 million (2.0).

FINANCING AND LIQUIDITY

As of March 31, 2015 the total equity amounted to SEK 83.4 million (123.8) and equity/share to SEK 0,24 (0,36).

Cash flow from current operations amounted to SEK -6.4 million (-8.6). Available cash end of the quarter was SEK 50.7 million (85.7).

PARENT COMPANY

Parent company sales for the first quarter amounted to SEK 3.8 million (6.0). Operating loss before tax for the period amounted to SEK -4.5 million (-10.7). Available cash at the end of the quarter was 47.0 million (81.4).

ORGANIZATION AND EMPLOYEES

The organization consists of Precise Biometrics AB with the head office in Lund, Sweden and one office in Karlstad, Sweden. The organization also consists of the subsidiary Precise Biometrics Inc. with an office in Virginia, USA. During the first quarter decisions have been taken to re-structure the US sales organization for Tactivo. The sales team is centralized to headquarters in Sweden to unify the global partner sales strategy for Tactivo enabling more efficient use of the company's resources

As of March 31, 2015 the group had 22 (27) employees, 21(25) in Sweden and 1(2) in the US.

ANNUAL GENERAL MEETING 2015

At the Annual General Meeting (the "AGM") of Precise Biometrics, which was held on Monday April 27, it was resolved that, according to the Nomination Committee's proposal, the Board of Directors of the company shall consist of six members, with no deputy members, and that all members was re-elected, i.e. Torgny Hellström, Torbjörn Clementz, Eva Maria Matell, Anders Harrysson, Matts Lilja and Mats Lindoff. Torgny Hellström was re-elected as Chairman of the Board.

The accounting firm EY was elected as new auditor of the company for a mandate period of one year, with the authorized public accountant Johan Thuresson as auditor in charge.

According to the Nomination Committee's proposal, The AGM resolved that the fees to the Chairman of the Board shall be SEK 500,000 and each of the other members of the Board shall receive SEK 175,000 and that remuneration for committee work shall amount to SEK 25,000 for each committee assignment a Board member holds. Further, it was resolved that the new fees shall be made retroactively from January 1, 2015.

It was resolved that no dividends should be paid for the financial year of 2014.

In accordance with the proposal of the Board, the AGM resolved to authorize the Board to decide on new issues of shares and/or convertibles. Such issue may entail a deviation from the shareholders' preferential right for payment in cash, in kind and/or through set-off. The issue may result in an aggregate increase in the share capital corresponding to the issue of a maximum of 34,530,609 shares and/or convertibles to be converted into a maximum of 34,530,609 shares. Full exercise of the authorization, and where applicable full conversion, is equivalent to a dilution of approximately 10% of the current share capital and votes. The purpose of the authorization and the reason for the deviation from the shareholders' preferential right is to enable the company, by way of issues of new shares/convertible bonds for payment in cash, in kind or through set-off, to effect company acquisitions, other strategic investments or to obtain capital contributions from new owners that are considered strategically important from an operational, financial, structural or other perspective.

In accordance with the proposal of the Board, the AGM resolved to reduce the share capital of the company for allocation to unrestricted shareholders' equity. The reduction shall be effected without retirement of shares and without repayment to the shareholders. The purpose of the reduction is to better adjust the size of the company's share capital to its business. The reduction represents a decrease in share capital of SEK 86,326,523.56, from SEK 96,685,706.38 to SEK 10,359,182.82, allocated between a total number of 345,306,094 shares. The reduction entails a reduction of the quota value of the shares with SEK 0.25, from SEK 0.28 to SEK 0.03. In connection with the decision on reduction of share capital, the AGM

resolved to amend the limits for share capital in the company's articles of association, so that the share capital shall be no less than SEK 5,000,000 and no more than SEK 20,000,000.

For more information about the resolutions on the AGM, see

<http://precisebiometrics.com/en/annual-general-meeting/>

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 on preferential terms. For a full account of identified risks, please refer to the Annual Report for 2014, which was submitted March 23, 2015. No further essential risks or uncertainties have arisen after the submission of the Annual Report.

FUTURE REPORT DATES

Interim report first quarter 2015	August 18, 2015
Interim report second quarter 2015	November 10, 2015
Year-end report 2015	February 16, 2016

ACCOUNTING PRINCIPLES

Group reporting in this interim report has been prepared in accordance with International Financial Reporting Standards (IFRS), which have been endorsed by the European Commission for application in the EU. The report for the parent company has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities. The interim report has been prepared in accordance with IAS 34, Interim Reporting. The same accounting and valuation methods have been applied as in the most recent published annual report for 2014. New standards or additions to these, effective for annual periods beginning on January 1, 2015 have not had any significant impact on recognition or measurement for the group.

For more information on the applied accounting principles please refer to the Annual Report for 2014.

This interim report has not been subject to review by the Company's auditors.

Lund,

May 12, 2015

The Board of Directors

Torgny Hellström

Chairman of the Board

Torbjörn Clementz

Member of the Board

Eva Maria Matell

Member of the Board

Anders Harrysson

Member of the Board

Matts Lilja

Member of the Board

Mats Lindoff

Member of the Board

Håkan Persson

CEO

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 08.00 on May 12, 2015.

Income Statement, group

(Figures in Thousands SEK)

	Q1 2015	Q1 2014	Full year 2014
Net sales	4 509	7 184	31 387
Cost of goods sold	-1 185	-3 082	-14 208
Gross profit	3 324	4 102	17 179
Selling expenses	-2 903	-4 465	-19 907
Administrative expenses	-2 704	-3 367	-14 343
R&D costs	-7 291	-7 230	-28 984
Other operating income and changes in value	714	20	1 508
	-12 184	-15 042	-61 726
Operating result	-8 860	-10 940	-44 547
Financial income/expenses	14	210	502
Result after financial items	-8 846	-10 730	-44 045
Tax	-	-	-
Result for the period	-8 846	-10 730	-44 045
Result attributable to:			
Owners of the parent	-8 846	-10 730	-44 045
<i>Result per share (before dilution), SEK</i>	<i>-0,03</i>	<i>-0,03</i>	<i>-0,13</i>
<i>Result per share (after dilution), SEK</i>	<i>-0,03</i>	<i>-0,03</i>	<i>-0,13</i>

Group statement of profit or loss and other comprehensive income

(Figures in thousands SEK)

	Q1 2015	Q1 2014	Full year 2014
Loss for the period	-8 846	-10 730	-44 045
Other comprehensive income:			
Items that can be reclassified into profit or loss			
Change in accumulated exchange rate differences	229	-40	1 220
	229	-40	1 220
Comprehensive income for the period, net of tax	229	-40	1 220
Total comprehensive income for the period	-8 617	-10 770	-42 825
Attributable to:			
Owners of the parent	-8 617	-10 770	-42 825
Total comprehensive income for the period	-8 617	-10 770	-42 825

Balance Sheet, Group

(Figures in thousands SEK)

	03/31/2015	03/31/2014	12/31/2014
Assets			
Intangible fixed assets	15 829	21 321	17 360
Tangible fixed assets	2 501	3 760	2 784
Inventories	10 882	16 555	11 860
Account receivable - trade	5 448	4 846	6 759
Other current receivables ¹	8 936	7 415	7 778
Cash and bank balances	50 684	85 730	59 659
Total assets	94 280	139 627	106 200
Equity and liabilities			
Equity	83 366	123 777	91 983
Current liabilities	10 914	15 850	14 217
Total equity and liabilities	94 280	139 627	106 200
Pledged assets	None	None	None
Contingent liabilities	None	None	None

Cash Flow Statement, Group

(Figures in thousands SEK)	Q1 2015	Q1 2014	Helår 2014
Cash flow from operating activities			
Before changes in working capital	-6 387	-8 561	-30 664
Cash flow from changes in working capital	-2 009	-4 512	-3 264
Cash flow from operating activities	-8 395	-13 073	-33 928
Cash flow from investing activities	-580	-2 394	-7 871
Cash flow from financing activities	-	-	261
Cash flow for the period	-8 975	-15 467	-41 538
Liquid funds at the beginning of the period	59 659	101 197	101 197
Liquid funds at the end of the period	50 684	85 730	59 659

Key Figures, Group

	03/31/2015	03/31/2014	12/31/2014
Working capital (thousands SEK)	65 036	98 696	71 839
Liquid ratio	596%	618%	522%
Equity/assets ratio	88%	89%	87%
Return on average equity	neg	neg	neg
Capital employed (thousands SEK)	83 366	123 777	91 983
Loss per share (SEK)	-0,03	-0,14	-0,13
EBITDA (thousands SEK)	-6 447	-8 579	-31 722
Equity per share (SEK)	0,24	0,36	0,27
Number of shares	345 306 094	345 306 094	345 306 094
Number of employees at the end of the period	22	27	22
Average number of employees during the period	22	32	27

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

Loss per share: 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: Loss before net financial items, depreciations, impairments and tax

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

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 in summary, Group

(Figures in thousands SEK)

	Q1 2015	Q1 2014	Full year 2014
Opening balance	91 983	134 547	134 547
Comprehensive income for the period	-8 846	-10 730	-44 045
Exchange rate differences	229	-40	1 220
Warrants	-	-	261
Closing balance	83 366	123 777	91 983

Segment information

(Figures in thousands SEK)

Sales per segment

	Q1 2015	Q1 2014	Full year 2014
Mobile Smart Card Solutions	723	613	5 147
Fingerprint Technology	3 448	666	8 289
Desktop & Physical Access Solutions	338	5 905	17 951
Group	4 509	7 184	31 387

Costs per segment¹⁾

	Q1 2015	Q1 2014	Full year 2014
Mobile Smart Card Solutions	-4 154	-9 309	-38 959
Fingerprint Technology	-6 490	-4 250	-17 728
Desktop & Physical Access Solutions	-1 605	-4 096	-14 371
Other ²⁾	1 120	-469	-4 876
Group	-11 129	-18 124	-75 934

Operating result per segment

	Q1 2015	Q1 2014	Full year 2014
Mobile Smart Card Solutions	-3 431	-8 696	-33 812
Fingerprint Technology	-3 042	-3 584	-9 439
Desktop & Physical Access Solutions	-1 267	1 809	3 580
Other ²⁾	1 120	-469	-4 876
Group	-6 620	-10 940	-44 547

¹⁾ The above expenses in the segments include cost of goods sold as well as direct and share of indirect operation.

²⁾ "Other" includes capitalization and depreciation of development work, depreciation of tangible fixed assets and other operating income and changes in value. Costs have been taken into account in the period they have occurred.

Income statement, Parent company

(Figures in thousands SEK)	Q1 2015	Q1 2014	Full year 2014
Net sales	3 762	6 040	26 394
Cost of goods sold ¹⁾	-1 027	-3 199	-13 933
Gross profit	2 735	2 841	12 461
Selling expenses	-2 356	-3 277	-15 373
Administrative expenses	-2 703	-3 368	-14 342
F&D costs	-7 290	-7 230	-28 984
Other operating income and changes in value	4 929	-20	8 291
	-7 420	-13 895	-50 408
Operating result	-4 685	-11 054	-37 947
Financial income/expenses	198	359	1 122
Result after financial items	-4 487	-10 695	-36 825
Tax	-	-	-
Loss for the period	-4 487	-10 695	-36 825

¹⁾ In the 2015 costs is an impairment amount of SEK -0,3 million included

Balance Sheet, Parent Company

(Figures in thousands SEK)

03/31/2015 03/31/2014 12/31/2014

Assets

Intangible fixed assets	15 829	21 321	17 360
Tangible fixed assets	2 501	3 760	2 784
Participations in group companies	1 058	1 058	1 058
Inventories	6 516	12 380	7 437
Accounts receivables - trade	4 479	1 777	4 435
Other current receivables ¹⁾	52 494	44 747	47 179
Cash and bank balances	46 998	81 432	56 979
Total assets	129 875	166 475	137 232

Equity and liabilities

Equity	120 687	151 305	125 175
Other provisions	205	107	212
Current liabilities	8 983	15 063	11 845
Total equity and liabilities	129 875	166 475	137 232

Pledged assets

None None None

Contingent liabilities

None None None

¹⁾ Including intercompany receivables totaling SEK 44 million (40).

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 10.00 (CET)
- To participate, please call + 46 (0)8-566 427 01

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:

- Håkan Persson, CEO
- Bo-Göran Jaxelius, CFO

A recording from the conference will be available for three days after the telephone meeting. To listen to the conference afterwards, dial +46 8-505 564 44. When asked to state a reference number please dial 363819 and finish with (#).

Please visit <http://precisebiometrics.com/investor/financial-reports/> where a presentation can be downloaded.