

IMPROVED RESULT – DESPITE LOWER SALES

Precise Biometrics AB (publ), Corporate Identity No. 556545-6596
Interim Report for the period January – June 2010

- The group's net sales for the interim period amounted to SEK 26.4 million (21.9) and for the second quarter SEK 7.1 million (9.7).
- The group's income for the interim period amounted to SEK -5.1 million (-11.6) and for the second quarter SEK -4.7 million (-9.0).
- Earnings per share for the interim period amounted to SEK -0.04 (-0.11) and for the second quarter SEK -0.04 (-0.09).
- Liquid assets at the end of the interim period amounted to SEK 34.8 million (1.5).

Important events during the quarter

- Precise Biometrics released the product Precise BioMatch™ ANSI 378, an integration tool for standardized fingerprint recognition for both PC and Mac. The technology uses Precise Biometrics' fingerprint extractor which was top ranked in Ongoing MINEX.
- Precise Biometrics released Precise BioMatch™ Logon for Windows 7, a biometric logon solution for Microsoft's new operating system Windows 7.

For further information

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Precise Biometrics is a market-leading provider of products and solutions for fingerprint recognition. The tech proves people's identities in a fast and secure way, while it reduces costs related to password management, ic theft and fraud.

Precise Biometrics serves business and government organizations throughout the world and its technology is l to close to 100 million users. Precise Biometrics is listed on NASDAQ OMX Stockholm small cap list (PREC).

For more information, please visit www.precisebiometrics.com or view the [Company presentation](#).



Improved result – despite lower sales

- Interview with the President & CEO, Thomas Marschall

What are your comments on the last quarter?

Sales for the quarter were lower than the same period last year. Considering the number of business opportunities we work on, not being able to present a larger number of orders during the quarter is not satisfactory. At the same time, I am pleased with our continuous efforts in cost control. This enables us to present a result that has improved compared to the same period in 2009 despite the lower sales volume.



How would you summarize the first half of 2010?

Sales during the first half of 2010 were at about the same level as the same period last year. The activity level on the market picked up in the spring and we are currently working with several interesting sales projects. We are also in negotiations regarding significant commercial partnerships. Because of turbulence in the capital markets, that has intensified during the second quarter, decision-making on investments has taken more time with effect that resolutions of projects has been shifted into the second half of the year. However, I think the state of the market is becoming increasingly positive and that Precise Biometrics' market is on the rise.

How far have you come with the organizational change?

Our new organization has now been implemented as of July 1st. As part of the change, we are also strengthening our sales organization through new recruitment. The new organization is more customer-oriented than before and focuses on packaging and marketing our world-leading technology in a manner that solves complex problems for our customers.

Do you have any comments on standardization of biometrics?

The standardization process that is underway is based on different elements of the technology and its usage being made uniform in accordance with an international standard. This facilitates interoperability between different suppliers.

Standardization is positive since it shows both that the technology has reached a level of maturity that makes the world ready to use it and that there is an expressed need. With our leading global position, we have the best opportunities in the market to capitalize on this acceptance.

What do you think about the company's financial position?

We have a good financial position with a strong cash balance. An increasing number of running orders from existing customers combined with lower costs gives Precise Biometrics good staying power and allows us to be on the offensive in our marketing activities.

How would you summarize the current situation?

The business plan we adopted for the next 5 years is ambitious and opportunities in all market segments have continued to grow in a positive direction over the last six months. As I indicated previously – most recently in the last quarterly report – we are still dependent on the timing of individual orders. This causes sales figures to fluctuate between different quarters. To make a meaningful assessment of the company's development, it is therefore necessary to look at the full year developments rather than shifts between specific quarters.

Sales and resultInterim period; January to June 2010

Sales for the interim period amounted to SEK 26.4 million (21.9). The gross profit was SEK 16.4 million (14.3). The gross margin amounted to 62 % compared to 65 % the same period the previous year. The group's net loss for the interim period improved to SEK -5.1 million (-11.6). The result has been affected by an exchange rate gain of SEK 1.8 million. Operating expenses (see Key Figures for definition) for the interim period were reduced to SEK 21.4 million (25.6). Losses per share (average number of shares) for the interim period amounted to SEK -0.04 (-0.11).

Second quarter; April to June 2010

Sales for the second quarter was SEK 7.1 million (9.7). The gross margin improved to 69% (60%). The Group's net loss for the second quarter improved to SEK -4.7 million (-9.0). The result has been affected by an exchange rate gain of SEK 1.7 million. Operating costs (see Key Figures for definition) were reduced to SEK 9.6 million (14.8). Losses per share (average number of shares) for the second quarter amounted to SEK -0.04 (-0.09).

Financing and liquidity

Equity amounted as of June 30, 2010 to SEK 39.8 million (4.4) and equity/share to SEK 0.29 (0.04).

Cash flow from current operations amounted to SEK 0.2 million (-8.5). Liquid assets at the end of the interim period amounted to SEK 34.8 million (1.5).

Market and sales – Q2 2010

The majority of sales in Precise Biometrics for the first six months of 2010 were mainly based on a combination of fingerprint readers and sales of licenses to existing customers.

The new sales organization came into force on 1 July and during the remainder of the year the new business areas will be focusing on building up their activities and creating a stable platform for earnings during the latter part of the year and going forward.

During the second quarter Precise Biometrics released several new products for integration of fingerprint recognition. These new products include Precise BioMatch™ ANSI 378, an integration tool for the development of solutions based on standardized fingerprint technology. ANSI 378 has been specified by the US authorities for the PIV card they issue to all their employees. At the end of the quarter Precise Biometrics also released products to integrate ISO-standardized Match-on-Card. In that both these products are based on standards it will be easier for customers and integrators to choose between different suppliers, and therefore achieve greater flexibility and compatibility in their solutions.

In the last few years Precise Biometrics has participated in several EU-financed development projects where there are synergies with the Company's own research ambitions. These projects include MEDEA+ ONOM@TOPIC+. This project won the prestigious EUREKA Innovation Award in June, which confirms the innovative excellence of the project and its tangible applications. The project was led by Gemalto for the objective of creating advanced solutions for eID and contactless mobile applications.

Parent company

Parent company sales for the interim period amounted to SEK 22.5 million (16.8). Operating loss before tax for the interim period amounted to SEK -3.1 million (-9.4).

At the end of the interim period 23 persons were employed in the parent company.

Liquid assets at the end of the second quarter amounted to SEK 32.3 million (1.4). The parent company had no debts to credit institutions at the end of the second quarter.

Organization and staff

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. The subsidiary in Asia, Precise Biometrics Asia Ltd., will close during 2010. The organization also includes the dormant companies Precise Biometrics Services AB and Loqware Sweden AB (in the process of liquidation).

As of June 30, 2010 the group had 33 (35) employees, 32 in Sweden and 1 in the US. Of these employees, 23 (26) were men and 10 (9) were women.

Investments in tangible fixed assets

No investments in tangible fixed assets were made in the first half of the year.

Capitalization and depreciation of development work

Development work costs of SEK 1.5 million (0.6) were capitalized during the interim period.

Depreciation of capitalized costs for development work amounted to SEK 0.8 million (0.7) during the interim period.

During the second quarter development costs of SEK 0.9 million (0.3) were capitalized. Depreciation of capitalized development costs amounted to SEK 0.4 million (0.4) during the quarter.

Patents

The group's long-term patent strategy focuses on establishing a strong protection around Precise Match-on-Card™ as our core technology. The patents portfolio has been successively improved since 2001 and at the end of the second quarter in 2010 included 74 registered patents and 32 applications for patents in 21 different product families. Precise Biometrics has 13 different patent families just for the Match-on-Card technology.

Annual General Meeting

Precise Biometrics Annual General Meeting 2010 was held on April 21 2010 in Precise Biometrics' headquarters in Lund.

In accordance with the recommendations of the board of directors, the stockholder's meeting resolved to authorize a new issue to a maximum of SEK 5.4 million, or 13.5 million shares, with a provision for issue against subscription in kind. The purpose of the authorization was to enable the company to effect payment of company acquisitions by the company's own shares and/or convertibles.

operations, and describes significant risks and uncertainties facing the parent company and other companies in the group.

The board of directors

Lisa Thorsted, chairman

Marc Chatel

Lena Widin Klasén

Eva Maria Matell Torbjörn Clementz

Thomas Marschall, President and CEO

Income statement, Group

(Figures in thousands SEK)

	Q2 2010	Q2 2009	Q1-Q2 2010	Q1-Q2 2009	Full year 2009
Net sales	7,149	9,747	26,429	21,943	68,655
Cost of goods sold	-2,238	-3,903	-10,005	-7,663	-32,863
Gross profit/loss	4,911	5,844	16,424	14,280	35,792
Selling expenses	-5,050	-7,240	-9,236	-12,567	-30,445
Administrative expenses	-2,266	-3,806	-5,267	-6,800	-12,554
R&D costs	-3,995	-2,988	-8,665	-6,496	-12,092
Other operating income and changes in value	1,668	-724	1,780	266	-977
	-9,643	-14,758	-21,388	-25,597	-56,068
Operating profit/loss	-4,732	-8,914	-4,964	-11,317	-20,276
Financial costs	-16	-131	-114	-309	-1,492
Profit/loss after financial items	-4,748	-9,045	-5,078	-11,626	-21,768
Tax	-	-	-	-	-4
Profit/loss for the period	-4,748	-9,045	-5,078	-11,626	-21,772
Profit/loss attributable to:					
Owners of the parent	-4,748	-9,045	-5,078	-11,626	-21,772
<i>Results per share, SEK</i>	<i>-0.04</i>	<i>-0.09</i>	<i>-0.04</i>	<i>-0.11</i>	<i>-0.19</i>

Comprehensive income, Group
(according to IAS 1)
(Figures in thousands SEK)

	Q2	Q2	Q1-Q2	Q1-Q2	Full year
	2010	2009	2010	2009	2009
Change in accumulated exchange rate differences	-584	660	-580	65	621
Comprehensive income for the period, net of tax	-584	660	-580	65	621
Profit/loss for the period	-4,748	-9,045	-5,078	-11,626	-21,772
Total comprehensive income for the period	-5,332	-8,385	-5,658	-11,561	-21,151
Total comprehensive income attributable to:					
Owners of the parent	-5,332	-8,385	-5,658	-11,561	-21,151

Balance Sheet, Group
(Figures in thousands SEK)

	6/30/2010	6/30/2009	12/31/2009
Assets			
Intangible fixed assets	4,562	9,148	3,802
Tangible fixed assets	701	1,048	868
Inventories	4,578	5,987	6,047
Accounts receivable - trade	6,909	6,996	16,758
Other current receivables	4,699	3,566	4,734
Cash and bank balances	34,780	1,520	40,884
Total assets	56,229	28,265	73,093
Equity and liabilities			
Equity	39,750	4,366	45,408
Current liabilities	16,479	23,899	27,685
Total equity and liabilities	56,229	28,265	73,093
Pledged assets	23,400	17,400	26,400
Contingent liabilities	-	-	-

Cash Flow Statement, Group

(Figures in thousands SEK)	Q2	Q2	Q1-Q2	Q1-Q2	Full year
	2010	2009	2010	2009	2009
Cash flow from operating activities before changes in working capital	-5,026	-7,820	-5,076	-10,520	-14,276
Cash flow from changes in working capital	5,177	-729	528	-4,569	-6,931
Cash flow from operating activities	151	-8,549	-4,548	-15,089	-21,207
Cash flow from investing activities	-868	-379	-1,556	-657	-1,299
Cash flow from financing activities	0	6,000	0	5,923	52,047
Cash flow for the period	-717	-2,928	-6,104	-9,823	29,541
Liquid funds at the beginning of the period	35,497	4,448	40,884	11,343	11,343
Liquid funds at the end of the period	34,780	1,520	34,780	1,520	40,884

Key Figures, Group

	6/30/2010	6/30/2009	12/31/2009
Working capital (thousands SEK)	34,487	-5,830	40,738
Liquid ratio	281%	51%	225%
Equity/assets ratio	71%	15%	62%
Return on average equity	-	-	neg
Capital employed (thousands SEK)	41,149	4,366	46,900
Return on capital employed	-	-	neg
Profit/loss per share (SEK)	-0.04	-0.11	-0.19
EBITDA (thousands SEK)	-4,001	-9,871	-12,662
Equity per share (SEK)	0.29	0.04	0.34
Number of shares	134,960,800	101,220,600	134,960,800
Number of employees at the end of the period	33	35	36
Average number of employees during the period	34	41	38

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 on pg 4): Operating costs excluding costs for products sold and excluding participations in associated companies, but including depreciation and write-downs and 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
Opening balance as at January 1, 2009	40,488	500,155	-466	-524,173	16,004
Comprehensive income for the period	-	-	621	-21,772	-21,151
Transactions with the shareholders					
Stock option program ¹⁾	-	-77	-	-	-77
New share issue ²⁾	13,496	37,136	-	-	50,632
Closing balance as at December 31, 2009	53,984	537,214	155	-545,945	45,408
Comprehensive income for the period	-	-	-580	-5,078	-5,658
Closing balance as at June 30, 2010	53,984	537,214	-425	-551,023	39,750

¹⁾ Repurchase of 450,000 share options.

²⁾ New share issue totaling 33 740 200 new shares at a rate of SEK 1.60 with deductions for issue costs SEK 3,352 thousand.

Turnover and profitability by Regions Q2 2010

(Figures in thousands SEK)

	North America		Europe		Middle East & Africa		Asia	
	2010	2009	2010	2009	2010	2009	2010	2009
Net sales	3,771	4,075	2,456	2,377	92	3,306	830	-
Expenses ¹⁾	<u>-3,249</u>	<u>-1,995</u>	<u>-1,863</u>	<u>-4,278</u>	<u>-617</u>	<u>-2,307</u>	<u>-370</u>	<u>-457</u>
Operating profit/loss	522	2,080	593	-1,901	-525	999	460	-457
	Latin America		Other		Total			
	2010	2009	2010	2009	2010	2009		
Net sales	-	-	-	-11	7,149	9,747		
Expenses ¹⁾	=	=	<u>-3</u>	=	<u>-6,102</u>	<u>-9,037</u>		
Operating profit/loss	-	-	-3	-11	1,047	710		

Turnover and profitability by Regions Q1-Q2 2010

(Figures in thousands SEK)

	North America		Europe		Middle East & Africa		Asia	
	2010	2009	2010	2009	2010	2009	2010	2009
Net sales	12,780	4,204	6,526	8,664	5,283	5,383	928	517
Expenses ¹⁾	<u>-8,375</u>	<u>-2,574</u>	<u>-3,960</u>	<u>-8,320</u>	<u>-4,098</u>	<u>-3,468</u>	<u>-319</u>	<u>-1,253</u>
Operating profit/loss	4,405	1,630	2,566	344	1,185	1,915	609	-736
	Latin America		Other		Total			
	2010	2009	2010	2009	2010	2009		
Net sales	912	3,175	-	-	26,429	21,943		
Expenses ¹⁾	=	=	<u>231</u>	=	<u>-16,521</u>	<u>-15,615</u>		
Operating profit/loss	912	3,175	231	-	9,908	6,328		

1) The above expenses in Regions include Cost of goods sold as well as operation expenses for each region.

Income statement, Parent company
(Figures in thousands SEK)

	Q1-Q2	Q1-Q2	Full Year
	2010	2009	2009
Net sales	22,544	16,752	57,397
Cost of goods sold	-11,891	-5,355	-28,493
Gross profit/loss	10,653	11,397	28,904
Selling expenses	-7,353	-8,435	-20,562
Administrative expenses	-4,820	-5,753	-10,390
R&D costs	-5,776	-6,496	-12,092
Other operating income and changes in value	4,020	-4	-3,174
	-13,929	-20,688	-46,218
Operating profit/loss	-3,276	-9,291	-17,314
Financial costs ¹⁾	136	-70	-6,507
Profit/loss after financial items	-3,140	-9,361	-23,821
Tax	-	-	-
Profit/loss for the period	-3,140	-9,361	-23,821

¹⁾ Include a write-down of the value in the subsidiary Precise Biometrics Solutions AB amounting SEK 5.5 million in 2009

Balance Sheet, Parent company

(Figures in thousands SEK)

	<u>6/30/2010</u>	<u>6/30/2009</u>	<u>12/31/2009</u>
Assets			
Intangible fixed assets	4,430	4,061	3,655
Tangible fixed assets	355	616	479
Participations in group companies	1,058	6,540	1,058
Inventories	4,578	5,987	6,047
Accounts receivable - trade	1,742	1,520	6,176
Other current receivables	41,857	42,478	54,865
Cash and bank balances	32,331	1,398	28,494
Total assets	86,351	62,600	100,774
Equity and liabilities			
Equity	76,623	45,460	79,763
Other provisions	203	603	284
Current liabilities	9,525	16,537	20,727
Total equity and liabilities	86,351	62,600	100,774
Pledged assets	21,000	15,000	24,000
Contingent liabilities	2,000	2,000	2,000

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 11:00 (CET)
- To participate, please call +46 (0)8 506 269 04

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 245739 and finish with (#).

Please visit www.precisebiometrics.com/presentations where a presentation can be downloaded.

For further information

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