

## CONVENING NOTICE FOR ANNUAL GENERAL MEETING IN PRECISE BIOMETRICS AB (publ)

Welcome to attend the Annual General Meeting of Precise Biometrics AB to be held at 4.00 p.m. on Tuesday April 29, 2014, at Precise Biometrics' principal office, Scheelevägen 30 in Lund, Sweden. Registration for the Meeting will start at 3.00 p.m.

### **A. PARTICIPATION**

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Shareholders who wish to attend the Annual General Meeting must:

- i) be recorded in the share register maintained by Euroclear Sweden AB, as of Wednesday April 23, 2014; and
- ii) notify the company of their intent to attend the Annual General Meeting at the address Precise Biometrics AB (publ), Box 798, SE-220 07 LUND, Sweden, by telephone +46 46 31 11 16, by telefax +46 46 31 11 01 or by e-mail: [investor@precisebiometrics.com](mailto:investor@precisebiometrics.com), no later than Wednesday April 23, 2014, preferably before 4.00 p.m. When giving notice of attendance, the shareholder shall state name, personal identity or corporate registration number, address and telephone number. A proxy form is available on the company website [www.precisebiometrics.com](http://www.precisebiometrics.com) and will be sent by mail to shareholders informing the company of their address. Proxies and representatives of legal entities shall submit papers of authorisation prior to the Meeting.

In order to be able to vote at the Meeting, shareholders with nominee-registered shares must have the shares temporarily owner-registered with Euroclear Sweden. Such registration must be made as of Wednesday April 23, 2014 and should be requested well ahead of time.

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### **FOR FURTHER INFORMATION, PLEASE CONTACT**

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**B. AGENDA**

Proposal for agenda

1. Opening of the Meeting.
2. Election of Chairman of the Meeting.
3. Preparation and approval of the voting list.
4. Approval of the agenda.
5. Election of one or two persons to approve the minutes.
6. Determination whether the Meeting has been duly convened.
7. The managing director's report.
8. Presentation of
  - (a) the Annual Report and the Auditor's Report and the Consolidated Financial Statements and the Group Auditor's Report;
  - (b) the statement by the Auditor on the compliance with the guidelines for remuneration to senior management applicable since the last Annual General Meeting; and
  - (c) the Board's proposals under items 16-18.
9. Resolutions regarding
  - (a) the adoption of the Statement of Income and the Balance Sheet and the Consolidated Statement of Income and the Consolidated Balance Sheet, as per December 31, 2013;
  - (b) the appropriation of the company's loss according to the adopted Balance Sheet; and
  - (c) the discharge from liability of the Board members and the managing director.
10. Determination of the number of members of the Board.
11. Election of members and Chairman of the Board.
12. Election of Auditor.
13. Resolution regarding fees to the members of the Board and the Auditor.
14. Resolution regarding principles for appointing the members of the Nomination Committee.
15. Determination of guidelines for remuneration to senior management.

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16. Resolution regarding authorisation of the Board to resolve on new issue of shares and/or convertible bonds with deviation from the shareholders' preferential right.
17. Resolution regarding an incentive program to the company's employees by the issue of subscription warrants.
18. Resolution regarding amendment of the articles of association.
19. Closing of the Meeting.

### **Proposed resolutions**

#### **Proposal for election of Chairman of the Meeting (item 2)**

According to the principles for appointing the members of the Nomination Committee that were decided upon at the Annual General Meeting in 2013, the Chairman of the Board shall every year in the third quarter convene a Nomination Committee consisting of the Chairman of the Board and one representative from three of the company's major shareholders as per August 31 each year. The Nomination Committee appointed for the Annual General Meeting 2014, consisting of Ole Soeberg (Skagen Fonder), Torgils Knutsson Bonde (own holding), Christer Jönsson (own holding) and the Chairman of the Board Lisa Thorsted (convenor), has proposed Lisa Thorsted as Chairman of the Meeting.

#### **Proposal for appropriation of loss (item 9b)**

The Board proposes that the company's loss for the year, which amounts to SEK 43,092,677, is appropriated through a reduction of the share premium fund and that SEK 63,868,876 is carried forward. The Board proposes that no dividend is declared for the financial year.

#### **Proposal regarding number of members of the Board, election of members and Chairman of the Board and of Auditor, and determination of fees (items 10-13)**

At the time of this notice the Nomination Committee has not yet informed the company about its proposal for Board members, Chairman of the Board and fees for the Board members. The Nomination Committee's proposals in these regards will be published through a separate press release as soon as they have been received by the company.

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The Nomination Committee proposes that the accounting firm Öhrlings PricewaterhouseCoopers AB is re-elected as Auditor of the company for a mandate period of one year and that the Auditor's fees are to be paid as per approved invoice. The authorised public accountant Eva Carlsvi is auditor in charge.

**Proposal for resolution regarding principles for appointing the members of the Nomination Committee (item 14)**

The Nomination Committee proposes the following amended principles for appointment members of the Nomination Committee.

The Chairman of the Board shall convene a Nomination Committee which, in addition to the Chairman, shall consist of representatives from three of the company's largest shareholders in accordance with Euroclear Sweden AB's list of registered shareholders as of April 30 every year. If any of these shareholders should wish to abstain from the right to appoint a representative, the right shall be transferred to the shareholder who after these shareholders has the largest holding.

Details on the names of the members of the Nomination Committee and the names of the shareholders they represent shall be announced on the company's website at the latest six months before the Annual General Meeting. The commission for the Nomination Committee shall continue until a new committee is appointed.

A member shall retire from the Nomination Committee if the shareholder who appointed this member no longer represents one of the three largest accepting shareholders, whereafter the next shareholder in terms of size of holdings shall be offered to appoint a member. Unless there are any special reasons, no changes shall however be made in the composition of the Nomination Committee if only minor changes in the number of votes take place, or if changes take place later than two months prior to the Annual General Meeting. A member shall be automatically retired, however, if the shareholder who appointed him has sold its' entire holding. If such a change occurs later than two months before the Annual General Meeting, the Nomination Committee may choose to decide that the member shall not be replaced.

The duties of the Nomination Committee shall be, prior to the Annual General Meeting, to prepare proposals for the election of a Chairman at the Annual General Meeting, the election of the

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Chairman and other members of the Board, principles for appointing the members of the Nomination Committee and, as applicable, the election of Auditors and determination of fees, and other related issues.

The Nomination Committee shall have the right to charge the company with costs for recruitment consultants that may be required for the Nomination Committee to fulfil its commission. The members of the Nomination Committee are not entitled to any remuneration.

**Proposal for guidelines for remuneration to senior management (item 15)**

The proposal of the Board principally entails that the Annual General Meeting shall determine guidelines for remuneration to senior management implying that levels of remuneration and other employment terms for group management shall be in accordance with the market. A fixed salary will be paid for sound work. In addition to this, members of the group management may also obtain a variable salary, which shall be based on the group result and on individual goals. The variable part of the salary shall amount to a maximum of 75% of the fixed salary for the managing director and 50% of the fixed salary for the other members of senior management. Remuneration can also be paid by way of stock options or other share-based incentive programs.

At termination of employment, the mutual notice period shall amount to six (6) months for the managing director, and three to six (3-6) months for the other members of group management. The managing director may be entitled to redundancy payment amounting to a maximum of 12 monthly salaries if the employment is terminated by Precise Biometrics. Other members of group management shall not be entitled to redundancy payment.

The retirement age for all members of group management shall be 65 years. The pension premium shall be calculated in accordance with predetermined steps based on age and salary and shall amount to a maximum of 25% of the fixed salary.

The proposal entails a level of remuneration which principally corresponds to that of the previous year, with the adjustment that the maximum amount of the variable remuneration for the managing director is proposed to be raised from 50% to 75% of the fixed salary.

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**Proposal for authorisation of the Board of Directors to resolve on new issue of shares and/or convertible bonds (item 16)**

The Board of Directors proposes the Annual General Meeting to authorise the Board to resolve, on one or several occasions before the next Annual General Meeting, on an issue of shares and/or convertible bonds. Such issue may entail a deviation from the shareholders' preferential right to subscribe for new shares and/or convertible bonds and also entail that payment of the new shares and/or convertible bonds may be made in cash or by consideration in kind or by right of 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 convertible bonds to be converted into a maximum of 34,530,609 shares.

Full exercise of the authorisation, and where applicable full conversion, is equivalent to a dilution of approximately 10% of the current share capital and votes. The Board shall be entitled to establish remaining conditions of the issue, including the issue price, which however shall be established based on prevailing conditions on the market.

The purpose of the authorisation and the reason for the deviation from the shareholders' preferential right is to enable the company to effect payment of company acquisitions by the company's own shares and/or by convertible bonds or through set off and to obtain capital contributions from new owners that are considered strategically important in an operational, financial, structural or other perspective.

**Proposal regarding an incentive program to the company's employees by the issue of subscription warrants (item 17)**

The proposal of the Board of Directors principally entails that the Annual General Meeting shall resolve on an issue of maximum 8,000,000 subscription warrants entitling to subscription for the equivalent number of shares in Precise Biometrics AB. The issue shall be directed to the wholly-owned subsidiary Precise Biometrics Services AB for the subsequent transfers to senior management and other employees within the group. The subscription warrants shall be issued to the subsidiary free of charge. Subscription for the subscription warrants shall be made on December 31, 2014 at the latest.

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The reason for the deviation from the shareholders' preferential right is that the Board of Directors is of the opinion that an incentive program which offers the company's employees the opportunity to take part in the growth in value of the company will increase the commitment and motivation to work for a positive financial development of the company. An incentive program is expected to improve the possibilities to recruit and retain competent employees.

Precise Biometrics Services shall, against payment, on one or several occasions, transfer subscription warrants to senior management and other employees engaged within the group. The transfer of all subscription warrants shall be made at market value at the time of transfer, which shall be established by Öhrlings PricewaterhouseCoopers by application of the Black & Scholes valuation method.

The Board of Directors of Precise Biometrics AB shall be entitled to decide on the allotment of the subscription warrants in accordance with the following guidelines:

<b>Position</b>	<b>Number of subscription warrants</b>
CEO	maximum 1,000,000
Senior management, currently 3 persons	maximum 500,000 per person
Other employees	remaining subscription warrants

The first allotment is scheduled to take place in June 2014. Any subscription warrants remaining after the first allotment may thereafter be allotted to future employees at the market value applicable from time to time according the allotment principles stated above.

Subscription for shares in Precise Biometrics AB by virtue of the subscription warrants may be effected from and including July 1, 2017 up to and including December 31, 2017. The subscription price shall be equivalent to 220% of the average of the calculated mean value of the highest and lowest payment price quoted every trading day from and including May 5, 2014 up to and including May 16, 2014 on the official stock exchange list for the company's share on NASDAQ OMX Stockholm.

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In the US, solely employees that are subject to applicable exemptions from registration requirements under the Securities Act of 1933 will be offered to participate in the program. For those who may be offered participation a partly adjusted structure, to the extent possible corresponding to the terms and conditions of the subscription warrants, will be applied for the purpose of adjusting the program to US regulations.

Assuming that all 8,000,000 subscription warrants are exercised to subscribe for new shares, the company's share capital will increase with a maximum of SEK 2,240,000, which would result in a dilution of approximately 2.3% in relation to the company's current share capital. The company also has an ongoing subscription warrants program, resolved by the 2011 Annual General Meeting, comprising a total of 7,100,000 subscription warrants, of which 4,400,000 warrants were allotted. In aggregate, the ongoing, considering the number of subscription warrants that were allotted, and the proposed subscription warrant programs will, at full exercise, result in a dilution of approximately 3.6% in relation to the company's current share capital.

The incentive program will not entail any considerable costs. Therefore, no measures to secure the program have been taken.

The proposal of the Board of Directors has been prepared by the Board of Directors. Board members will not be allotted subscription warrants.

The proposal of the Board of Directors is subject to the resolution of the Annual General Meeting being supported by shareholders representing at least nine tenths of both the votes cast and the shares represented at the Meeting.

#### **Proposal regarding amendment of the articles of association (item 18)**

The Board of Directors proposes that the Annual General Meeting decides on an amendment to the central securities depository clause of the articles of association to the simplified wording presented below. In addition, the Board of Directors proposes that section 7 of the articles of association stating that the Chairman of the Board of Directors shall be appointed by the General

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Meeting is deleted, as such a requirement already follows from the Swedish Code of Corporate Governance (*Sw. Svensk kod för bolagsstyrning*).

<b>Current wording</b>	<b>Proposed wording</b>
<b>Section 7</b>	<b>Section 7</b>
The general meeting appoints the Chairman of the Board of Directors.	<i>Section is deleted.</i>
<b>Section 14</b>	<b>New Section 13</b>
The shareholder or nominee who on the record date is entered in the share register and entered in a central securities depository register, pursuant to Chapter 4 of the Swedish Financial Instruments Act (1998:1479) or who is entered in a central securities depository register pursuant to Chapter 4, Section 18, first paragraph, points 6 through 8 of said act, shall be assumed to be authorized to exercise the rights under Chapter 4, Section 39 of the Swedish Companies' Act (2005:551).	<i>The shares of the company shall be registered in a central securities depository register pursuant to the Swedish Financial Instruments Act (1998:1479).</i>

The Board of Director's proposal of amendment of the articles of association is subject to the resolution of the Annual General Meeting being supported by shareholders representing at least two thirds of both the votes cast and the shares represented at the Meeting.

### **C. AVAILABLE DOCUMENTS**

The Annual Report and the Auditor's Report, the statement by the Auditor on the compliance with the guidelines for remuneration to senior management applicable since the previous Annual General Meeting and the complete proposals of the Board of Directors according to items 15-18 will be available to the shareholders at the company and on its website [www.precisebiometrics.com](http://www.precisebiometrics.com) as from April 8, 2014. The Nomination Committee's motivated statement regarding its proposal for members of the Board will be announced on the company's website as soon as it has been received

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by the company. Copies of the documents will also be sent to shareholders who so request and state their address, and will be available at the Meeting.

**D. NUMBER OF SHARES AND VOTES IN THE COMPANY**

As per the date of this notice, the total number of shares and votes in the company amounts to 345,306,094. All shares are of the same class.

**C. INFORMATION AT THE ANNUAL GENERAL MEETING**

The Board of Directors and the managing director shall, if any shareholder so requests, and if the Board considers that this can be done without significant harm for the company, give information on circumstances that can affect the judgement of an item on the agenda, circumstances that can affect the assessment of the financial situation of the company or its subsidiaries and the company's relationship with another group company.

Lund in March 2014  
*The Board of Directors*  
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 8.00 am on March 28, 2014.*

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