

## Smartphone with Precise BioMatch Mobile™ launched by leading vendor

PRECISE BIOMETRICS AB (PUBL), CORPORATE IDENTITY NO. 556545-6596  
INTERIM REPORT FOR THE PERIOD JANUARY – SEPTEMBER 2014

- The group's net sales for the period was SEK 21.5 million (32.1), respectively 7.3 million (6.1) for the third quarter.
- The group's operating result for the period was SEK -34.9 million (-22.9), respectively SEK -14.1 million (-10.5) for the third quarter.
- The group's net result for the period was SEK -34.4 million (-24.2), respectively SEK -14.0 million (-10.4) for the third quarter.
- Earnings per share for the period were SEK -0.10 (-0.08), respectively -0.04 (0.03) for the third quarter.
- Available cash at the end of the period amounted to SEK 68.5 million (112.1).

### MAIN EVENTS IN THE THIRD QUARTER

- Smartphone with Precise BioMatch Mobile has been launched by a leading Asian vendor
- Precise Biometrics is focusing the operations in order to reach profitability during 2015 through increased market presence in mainly Asia, and reduction of operating expenses. Reorganizations have been made which will impact the third quarter with SEK 3.2 million in personnel costs.
- Precise Biometrics has initiated the development of Tactivo for iPhone 6. As an effect of Apple's latest releases of new iPhones and iPads, Precise Biometrics has revaluated the balance sheet items for the older Tactivo versions that have led to a write down that impacted the result by SEK 3.3 million during the quarter.
- Bo-Göran Jaxelius assumed the position as CFO in September.

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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 (smart phones and tablets), 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)

**INTERVIEW WITH HÅKAN PERSSON,  
CEO, PRECISE BIOMETRICS**

**How would you summarize the third quarter?**

In September a leading manufacturer launched a smartphone that contained Precise Biometrics' fingerprint algorithm, Precise BioMatch Mobile™. Together with other projects, this led to an increase in license earnings in the third quarter. It shows that we are well-positioned in the mobile sector, which creates excellent prospects for future business.

We are obviously not satisfied with earnings and profits for the quarter, but the percentage of software earnings in total sales has increased and resulted in a stronger gross margin. Sales of the fingerprint reader 200MC to established customers in the Middle East and the US, and access solutions to the gym chain Fitness24Seven, continue to account for the major part of earnings. We have also received supplementary orders for Tactivo™, in particular from the energy company that was presented as a customer in the second quarter.

Important measures were presented and implemented during the quarter in order to focus the Company's activities and achieving profitability in 2015.

**What does the focusing of business that was presented at the end of August actually mean?**

These changes are intended to enable us to achieve profitability in 2015. They involve focusing the Company's activities, partly by increasing our market presence in the business area for fingerprint technology, where we see extensive potential for a powerful expansion of fingerprint technology in mobile units, and partly by utilizing the investments made in the network of partners around Tactivo more effectively for sales and the roll-out in the market. Cooperation with sales partners has been initiated in Korea and in China/Taiwan, which substantially increases our efforts to target the large manufacturers of mobile devices and their eco systems throughout the whole of Asia.

We are also implementing a series of measures to significantly reduce operating costs, from SEK 15 million to SEK 17 million on an annual basis, without losing our overall focus on sales and market presence. A reorganization of our staff was implemented in the third quarter, which will result in fewer employees and even fewer consultants. The reorganization resulted in non-recurring costs for a total of SEK 3.2 million, which was lower than the initial estimations

**What are your prospects in fingerprint technology?**

Fingerprint technology in mobile devices is a market undergoing a powerful expansion and is therefore one of our prime priorities. Our particular solution is competitive, with an excellent combination of performance, security and size. It already exists in products in the market and is being tested and evaluated by several leading operators in the mobile sector.

We are working hard to market and sell Precise BioMatch Mobile, above all in Asia, which will be one of the most important areas for us in the years ahead. We have a local presence and a close dialog with both manufacturers of mobile devices and their suppliers.

**How do you see Tactivo developing?**

We continue to see a healthy potential for Tactivo and during this quarter we have received further positive signals from the European health care and corporate markets, where the leading energy Company we reported during the second quarter has placed additional orders. In Sweden the first end user applications in the health care sector have landed in place and system suppliers and applications developers such as the county councils and municipalities have high ambitions to get solutions in place as quickly as possible.

A successful pilot project in Västra Götaland for the care for the elderly was also implemented during the quarter. We have previously received orders for Tactivo from a hospital in the UK, and there is also additional potential there. We are also continuing our processing of selected companies in the European energy and finance sectors.

The demand for mobile security solutions in the government agency market in the US is huge, but nevertheless the implementations of systems and end user solutions have taken longer than predicted. Our assessment is that through our partner network and support for Apple's product portfolio we are the operator best positioned to deliver when the government agency market for smart card readers finally takes off.

**What are your future prospects?**

The market for security and biometrics continues to grow. Mobile units are becoming an increasingly important part of people's lives and this also increases demands for mobile security. This opens up great opportunities for us.

By focusing the Company's activities we are consolidating our strength in the business area fingerprint technology, where there is a great potential in mobile devices. We have a competitive offering, both on our own and together with partners like Fingerprint Cards. We are also seeing further interest in mobile smart card readers like Tactivo. By using our partner and distribution network more effectively, we are well-positioned for a breakthrough for these types of products.

From an overall perspective we are convinced that the focusing of the Company, the positioning of the Company in the market, and our competitive range of products, all mean that we have every reason to envisage a very positive future for Precise Biometrics, with the immediate target of achieving profitability in 2015.

**SALES AND RESULT****Third quarter July to September 2014**

Sales for the third quarter amounted to SEK 7.3 million (6.1). The higher sales level is due to higher proportion of sales in the business area Fingerprint Technology. More Tactivo units have also been sold during the quarter compared to the corresponding period last year. The gross margin was 61% (16%). The improved margin is due to higher proportion of license sales, but is also explained by the write-down of the desktop reader Sense that was done in the corresponding period last year, which resulted in higher cost of sales in the third quarter 2013.

As an effect of Apple's latest releases of iPhones and iPads, Precise Biometrics has revaluated the balance sheet items for the older Tactivo versions. In the third quarter, price adjustments have been done for the older Tactivo versions. This has led to a write down that impacted the result by in total SEK 3.3 million. The amount has reduced intangible fixed assets (capitalized development projects) by SEK 1.3 million, tangible fixed assets (tools) by SEK 0.9 million and inventory by SEK 1.1 million.

Operating costs amounted to SEK 18.6 million (11.5). The higher costs compared to the corresponding period last year are explained by reserves of SEK 3.2 million for re-organizational costs and SEK 2.2 million for write-downs of capitalized development projects and tools related to older Tactivo versions. Additional effect comes from higher depreciation level of capitalized development costs for Tactivo of SEK 1.4 million as well as a lower value of capitalized development projects compared to the same period last year of SEK 0.7 million.

The group's net loss amounted to SEK -14.0 Million (-10.4). Losses per share (average number of shares) for the third quarter amounted to SEK -0.04 (-0.03).

**Interim Period January to September 2014**

Sales for the interim period were SEK 21.5 million (32.1). The majority of the sales came from the business area Desktop & Physical Access Solutions with continued deliveries of access solutions to the Scandinavian gym chain Fitness24Seven as well as deliveries of fingerprint readers to customers in the Middle East and U.S. The sales also consisted of deliveries of the Company's fingerprint technology to Fingerprint Cards and license sales to the ongoing NID-project in Portugal. During the period approximately 3,600 Tactivo readers were sold. The lower sales compared to the corresponding period last year is explained by that the company during the first quarter of 2013 received two major orders, one for Tactivo and one for algorithms, totaling SEK 10.0 million. The gross margin amounted to 62% (56%). The improved margin is due to higher proportion of card and license sales compared to the corresponding period last year. As part of a normal valuation of the inventory a write-down of older Tactivo versions, of in total SEK 1.1 million, has been done in the third quarter 2014.

Operating costs amounted to SEK 48.2 million (41.0). The higher costs compared to the corresponding period last year are explained by reserves of SEK 3.2 million for re-organization costs during the third quarter and SEK 2.2 million for write-downs of capitalized development projects and tools related to older Tactivo versions. Additional effect comes from higher depreciation level of capitalized development costs for Tactivo of SEK 3.9 million. This has been balanced by lower operational costs for the interim period compared to previous year.

The Group's net loss for the interim period was SEK -34.4 million (-24.2).

Earnings per share (average number of shares) for the interim period was SEK -0.10 (-0.08).

**INVESTMENTS IN TANGIBLE FIXED ASSETS**

During the interim period the group has invested SEK 1.2 million (2.2) in tangible fixed assets.

During the third quarter the group has invested SEK 0.0 million (0.4) in tangible fixed assets.

**CAPITALIZATION AND DEPRECIATION OF DEVELOPMENT COSTS**

Development work costs of SEK 5.2 million (7.9) were capitalized during the interim period whereof half the amount is related to investments in product development within the business area Fingerprint Technology, and the remaining related to investments in new Tactivo versions. A development project for Tactivo for iPhone 6 has started. In connection with the launch of new generations of iPhone and iPad, Precise Biometrics has revaluated balance sheet items referable to older Tactivo versions which have led to a write down of SEK 1.3 million on previously capitalized development projects. Depreciation of development costs according to plan amounted to SEK 6.4 million (2.5) during the interim period. The reason behind the higher depreciation level compared to the corresponding period last year is that the company has, during the fourth quarter 2013, made a revised assessment of the estimated usage period for the development projects related to Tactivo. The products in the product family Tactivo has a shorter life span than the Company's more traditional products and is thus written off faster.

During the third quarter development work costs of SEK 1.0 million (1.7) were capitalized. Depreciation of capitalized development costs amounted to SEK 2.3 million (0.9) during the quarter.

**FINANCING AND LIQUIDITY**

As of September 30, 2014 equity amounted to SEK 100.7 million (153.7) and equity/share to SEK 0.29 (0.45).

Cash flow from current operations during the interim period amounted to SEK -26.6 million (-25.2). Cash flow from current operations during the third quarter amounted to SEK -6.7 million (-14.3). Available cash as of September 30, 2014 amounted to SEK 68.5 million (112.1). Available cash is lower compared to the corresponding period last year due to that the company carried out a directed share issue in September 2013, which resulted in a capital injection of SEK 81.1 million.

**PARENT COMPANY**

The parent company's sales for the interim period amounted to SEK 19.0 million (24.4). Operating loss before tax for the interim period amounted to SEK -30.0 million (-24.8).

Available cash at the end of the quarter amounted to SEK 64.9 million (107.6).

#### MARKET AND SALES – Q3 2014

Precise Biometrics' operations are divided into three business areas: Fingerprint Technology (licensing of algorithms), Mobile Smart Card Solutions (Tactivo<sup>TM</sup>), and Desktop & Physical Access Solutions (fingerprint readers and access solutions for premises and computers).

The business area **Fingerprint Technology** includes the software based on the Company's algorithms: Precise BioMatch<sup>TM</sup> Embedded, Precise BioMatch<sup>TM</sup> Mobile and Precise Match-on-Card<sup>TM</sup>. Precise BioMatch Mobile, which was launched in 2013, is software developed and optimized for integration of fingerprint recognition in smartphones and tablets. This software was initially adapted for small sensors and is suitable for use in, for example, mobile units.

The business areas' sales in the third quarter were SEK 1.8 million. The greater part of the quarterly revenues came from Fingerprint Cards, which are related to a number of end customers within the mobile industry. In September, one of the leading smartphone vendors launched the world's first Android smartphone with a touch fingerprint sensor. The smartphone utilizes the fingerprint algorithm, Precise BioMatch Mobile<sup>TM</sup>, which is optimized for small sensors. This is an important milestone for the company's sales to the mobile industry and led to a significant increase in revenues for Precise BioMatch Mobile. Other sales are related to previously signed agreements where the majority came from further roll-out of the ongoing national id-card project in Portugal.

The business area **Mobile Smart Card Solutions** consists of products for mobile security for smartphones and tablets, Tactivo. Tactivo is a smart casing developed for Apple's smartphones and tablets, but it also supports solutions for Android. Precise Biometrics has a complete portfolio of Tactivo products for all the current models of iPhone and iPad. Tactivo protects both the information stored locally in the unit and in communication online, e.g. to servers. Tactivo guarantees a very high level of security for mobile units, while complying with greater demands for network security and verification.

The business area's sales for the quarter were SEK 1.1 million. About 1,200 Tactivo were sold during the quarter to mainly European customers, in particular to the leading energy company that was reported during the second quarter. A strategically important pilot within the Swedish elderly care has been successfully completed and other pilots are running according to plan. The business development within the European enterprise and health care sector continues to generate new use cases and applications through Precise Biometrics partner network, where Tactivo is an important part of mobile smart card solutions. Sales to U.S government continue to develop slowly and only smaller volumes have been sold during the quarter. There are great needs of mobile security solutions in the U.S government, but nevertheless the implementations of systems and end user solutions have taken longer than predicted.

The business area **Desktop & Physical Access Solutions** mainly focuses on sales of the Company's traditional products, which include fingerprint readers for desktop work stations and physical access to premises. The business areas' sales during the quarter totaled SEK 4.5 million. Fitness24Seven, one of Scandinavia's largest gym chains, which uses Precise Biometrics' solution for member access to the gyms continued to generate revenues. Sales were also made to already established customers in the Middle East and USA that use Precise Biometrics fingerprint reader 200MC for secure logon to networks and access to premises.

#### **ORGANIZATION AND EMPLOYEES**

The organization consists of Precise Biometrics AB with the head office in Lund, Sweden and an office in Karlstad, Sweden. The organization also consists of the subsidiary Precise Biometrics Inc. with an office in Virginia, USA.

As of September 30, 2014 the group had 30 (30) employees, 29 in Sweden and 1 in the US.

In the third quarter the company carried out a re-organization with aim to reduce operating costs. In the month of September Bo-Göran Jaxelius assumed the role as new CFO.

#### **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 2013, which was submitted 31 March, 2014. No further essential risks or uncertainties have arisen after the submission of the Annual Report.

#### **FUTURE REPORT DATES**

Year-end report	January 27, 2015
Q1 2015	April 23, 2015



### **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, 2014, did not have a material effect on the financial statements.

For information on the applied accounting principles please refer to the Annual Report for 2013.

*Lund, October 21, 2014*

The Board of Directors and the President certify that the interim report gives a true and fair overview of the parent company's and group's operations, their financial position and results of operations, and describes significant risks and uncertainties facing the parent company and other companies in the group.

### **The board of directors**

Torgny Hellström, chairman

Torbjörn Clementz    Eva Maria Matell    Anders Harrysson    Matts Lilja    Mats Lindoff  
Håkan Persson, 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 08.00 on October 21, 2014.*



**REVIEW REPORT**

**Report of Review of Interim Financial Information**

**Introduction**

We have reviewed this report for the period 1 of January 2013 to 30 September 2014 for Precise Biometrics (publ). The board of directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

**Scope of Review**

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Malmö, 21 October 2014

Öhrling PricewaterhouseCoopers AB

Eva Carlsvi  
Authorized Public Accountant

**Income statement, Group**

(Figures in thousands SEK)

	<b>Q3 2014</b>	<b>Q3 2013</b>	<b>Q1-Q3 2014</b>	<b>Q1-Q3 2013</b>	<b>Full year 2013</b>
Net sales	7 323	6 090	21 535	32 057	34 944
Cost of goods sold <sup>1)</sup>	-2 858	-5 095	-8 227	-13 965	-15 976
<b>Gross profit/loss</b>	<b>4 465</b>	<b>995</b>	<b>13 308</b>	<b>18 092</b>	<b>18 968</b>
Selling expenses <sup>3)</sup>	-6 413	-3 441	-15 753	-17 508	-24 777
Administrative expenses <sup>3)</sup>	-4 039	-3 440	-11 958	-10 156	-14 706
R&D costs <sup>2) 3)</sup>	-8 186	-3 947	-21 204	-12 738	-21 307
Other operating income and changes in value	77	-655	719	-560	-358
	-18 561	-11 483	-48 196	-40 962	-61 148
<b>Operating result</b>	<b>-14 096</b>	<b>-10 488</b>	<b>-34 888</b>	<b>-22 870</b>	<b>-42 180</b>
Financial costs	83	130	461	-1 377	-1 092
<b>Result after financial items</b>	<b>-14 013</b>	<b>-10 358</b>	<b>-34 427</b>	<b>-24 247</b>	<b>-43 272</b>
Tax	-	-	-	-	-
<b>Result for the period</b>	<b>-14 013</b>	<b>-10 358</b>	<b>-34 427</b>	<b>-24 247</b>	<b>-43 272</b>
<b>Result attributable to:</b>					
Owners of the parent	-14 013	-10 358	-34 427	-24 247	-43 272
<i>Result per share (before dilution), SEK</i>	<i>-0,04</i>	<i>-0,03</i>	<i>-0,10</i>	<i>-0,08</i>	<i>-0,14</i>
<i>Result per share (after dilution), SEK</i>	<i>-0,04</i>	<i>-0,03</i>	<i>-0,10</i>	<i>-0,08</i>	<i>-0,14</i>

<sup>1)</sup> Include write-down of inventory totaling SEK -1.1 million (-1.7).

<sup>2)</sup> Include write-down of capitalized development work totaling SEK -1.3 million (-2.1 for full year 2013).

<sup>3)</sup> Include write-down of tools amounting to SEK -0.9 million.

## Groups statement of profit or loss and other comprehensive income

(Figures in thousands SEK)

	<b>Q3</b>	<b>Q3</b>	<b>Q1-Q3</b>	<b>Q1-Q3</b>	<b>Full year</b>
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
<b>Profit/loss for the period</b>	<b>-14 013</b>	<b>-10 358</b>	<b>-34 427</b>	<b>-24 247</b>	<b>-43 272</b>
<b>Other comprehensive income:</b>					
<b>Items that can be reclassified into profit or loss</b>					
Change in accumulated exchange rate differences	483	68	368	22	43
	483	68	368	22	43
<b>Comprehensive income for the period, net of tax</b>	<b>483</b>	<b>68</b>	<b>368</b>	<b>22</b>	<b>43</b>
<b>Total comprehensive income for the period</b>	<b>-13 530</b>	<b>-10 290</b>	<b>-34 059</b>	<b>-24 225</b>	<b>-43 229</b>
<b>Attributable to:</b>					
Owners of the parent	-13 530	-10 290	-34 059	-24 225	-43 229
Total comprehensive income for the period	-13 530	-10 290	-34 059	-24 225	-43 229

## Balance Sheet, Group

(Figures in thousands SEK)

	<b>09/30/2014</b>	<b>09/30/2013</b>	<b>12/31/2013</b>
<b>Assets</b>			
Intangible fixed assets	18 970	23 670	21 574
Tangible fixed assets	2 935	3 492	3 475
Inventories	15 708	10 727	14 228
Accounts receivable - trade <sup>1)</sup>	3 108	8 632	3 997
Other current receivables <sup>2)</sup>	6 425	8 713	8 453
Cash and bank balances	68 468	112 053	101 197
<b>Total assets</b>	<b>115 614</b>	<b>167 287</b>	<b>152 924</b>
<b>Equity and liabilities</b>			
Equity	100 749	153 698	134 547
Current liabilities	14 865	13 589	18 377
<b>Total equity and liabilities</b>	<b>115 614</b>	<b>167 287</b>	<b>152 924</b>
<b>Pledged assets</b>	<b>NONE</b>	<b>24 000</b>	<b>24 000</b>
<b>Contingent liabilities</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>

<sup>1)</sup> Include a receivable concerning contract manufacturer totaling SEK 0 million (1.6).

<sup>2)</sup> Include a receivable concerning contract manufacturer totaling SEK 3.1 million (5.7).

## Cash Flow Statement, Group

(Figures in thousands SEK)	Q3	Q3	Q1-Q3	Q1-Q3	Full year
	2014	2013	2014	2013	2013
Cash flow from operating activities before changes in working capital	-8 894	-9 331	-25 011	-21 607	-36 942
Cash flow from changes in working capital	2 213	-4 953	-1 614	-3 609	2 723
Cash flow from operating activities	-6 681	-14 284	-26 625	-25 216	-34 219
Cash flow from investing activities	-1 061	-2 065	-6 365	-10 043	-11 749
Cash flow from financing activities	-	81 066	261	109 729	109 580
<b>Cash flow for the period</b>	<b>-7 742</b>	<b>64 717</b>	<b>-32 729</b>	<b>74 470</b>	<b>63 612</b>
Liquid funds at the beginning of the period	76 210	47 337	101 197	37 584	37 584
Liquid funds at the end of the period	68 468	112 053	68 468	112 053	101 197

## Key Figures, Group

	09/30/2014	09/30/2013	12/31/2013
Working capital (thousands SEK)	78 844	126 536	109 498
Liquid ratio	525%	952%	618%
Equity/assets ratio	87%	92%	88%
Return on average equity	-	-	neg
Capital employed (thousands SEK)	100 749	153 698	134 547
Return on capital employed	-	-	neg
Profit/loss per share (SEK)	-0,10	-0,08	-0,14
EBITDA (thousands SEK)	-25 380	-19 802	-35 293
Equity per share (SEK)	0,29	0,45	0,39
Number of shares	345 306 094	345 306 094	345 306 094
Number of employees at the end of the period	30	30	29
Average number of employees during the period	29	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 in summary, Group**  
(Figures in thousands SEK)

	<b>2014</b>	<b>2013</b>	<b>2013</b>
	<b>Q1-Q3</b>	<b>Q1-Q3</b>	<b>Full year</b>
<b>Opening balance</b>	<b>134 547</b>	<b>48 195</b>	<b>48 195</b>
Comprehensive income for the period	-34 427	-24 247	-43 272
Exchangerate differences	368	22	43
New share issue	-	48 663	48 663
Directed new share issue	-	81 066	80 918
Options	261	-	-
<b>Closing balance</b>	<b>100 749</b>	<b>153 699</b>	<b>134 547</b>

**Segment information<sup>1)</sup>**  
(Figures in thousands SEK)

<b>Sales per segment</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
	<b>Q3</b>	<b>Q3</b>	<b>Q1-Q3</b>	<b>Q1-Q3</b>	<b>Full year</b>
Mobile Smart Card Solutions	1 072	-615	3 181	6 079	4 325
Fingerprint Technology	1 767	433	4 565	9 448	7 822
Desktop & Physical Access Solutions	4 484	6 272	13 789	16 530	22 797
<b>Group</b>	<b>7 323</b>	<b>6 090</b>	<b>21 535</b>	<b>32 057</b>	<b>34 944</b>

**Costs per segment<sup>2)</sup>**

Mobile Smart Card Solutions	-10 367	-7 370	-29 544	-31 755	-42 249
Fingerprint Technology	-4 356	-3 212	-13 082	-12 441	-17 980
Desktop & Physical Access Solutions	-2 962	-5 918	-10 146	-14 923	-18 974
Other <sup>3)</sup>	-3 734	-78	-3 651	4 192	2 079
<b>Group</b>	<b>-21 419</b>	<b>-16 578</b>	<b>-56 423</b>	<b>-54 927</b>	<b>-77 124</b>

**Operating result per segment**

Mobile Smart Card Solutions	-9 295	-7 985	-26 363	-25 676	-37 924
Fingerprint Technology	-2 589	-2 779	-8 517	-2 993	-10 158
Desktop & Physical Access Solutions	1 522	354	3 643	1 607	3 823
Other <sup>3)</sup>	-3 734	-78	-3 651	4 192	2 079
<b>Group</b>	<b>-14 096</b>	<b>-10 488</b>	<b>-34 888</b>	<b>-22 870</b>	<b>-42 180</b>

1) New segments apply from January 1, 2014 and the 2013 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) "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)

	<b>Q1-Q3 2014</b>	<b>Q1-Q3 2013</b>	<b>Full year 2013</b>
Net sales	18 955	24 381	28 517
Cost of goods sold <sup>1)</sup>	-9 527	-14 473	-18 875
<b>Gross profit/loss</b>	<b>9 428</b>	<b>9 908</b>	<b>9 642</b>
Selling expenses <sup>3)</sup>	-11 995	-9 886	-15 859
Administrative expenses <sup>3)</sup>	-11 957	-10 156	-14 704
R&D costs <sup>2) 3)</sup>	-21 204	-12 738	-21 307
Other operating income and changes in value	4 823	-914	-356
	-40 333	-33 694	-52 226
<b>Operating result</b>	<b>-30 905</b>	<b>-23 786</b>	<b>-42 584</b>
Financial costs	874	-1 058	-508
<b>Result after financial items</b>	<b>-30 031</b>	<b>-24 844</b>	<b>-43 092</b>
Tax	-	-	-
<b>Result for the period</b>	<b>-30 031</b>	<b>-24 844</b>	<b>-43 092</b>

<sup>1)</sup> Include write-down of inventory totaling SEK -1.1 million (-1.7).

<sup>2)</sup> Include write-down of capitalized development work totaling SEK -1.3 million (-2.1 for full year 2013).

<sup>3)</sup> Include write-down of tools amounting to SEK -0.9 million.

**Balance Sheet, Parent company**

(Figures in thousands SEK)

	<u>9/30/2014</u>	<u>9/30/2013</u>	<u>12/31/2013</u>
<b>Assets</b>			
Intangible fixed assets	18 970	23 670	21 574
Tangible fixed assets	2 935	3 492	3 475
Participations in group companies	1 058	1 058	1 058
Inventories	10 704	7 770	10 913
Accounts receivable - trade	1 535	3 255	1 777
Other current receivables <sup>1)</sup>	45 502	44 585	43 702
Cash and bank balances	64 899	107 630	96 976
<b>Total assets</b>	<b>145 603</b>	<b>191 460</b>	<b>179 475</b>
<b>Equity and liabilities</b>			
Equity	131 969	180 395	161 999
Other provisions	210	96	100
Current liabilities	13 424	10 969	17 376
<b>Total equity and liabilities</b>	<b>145 603</b>	<b>191 460</b>	<b>179 475</b>
<b>Pledged assets</b>	<b>NONE</b>	<b>24 000</b>	<b>24 000</b>
<b>Contingent liabilities</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>

<sup>1)</sup> Include inter-company receivables totalling SEK 39 million (36).



#### 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)8 519 993 59

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 (0)8 505 564 73. When asked to state a reference number please dial 354000 and finish with (#).

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

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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 (smart phones and tablets), 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)