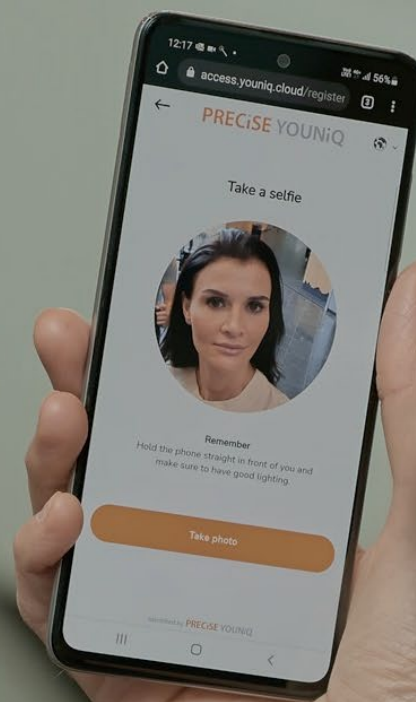


# PRECISE BIOMETRICS ANNUAL REPORT

2022



# CONVENIENT & SECURE IDENTIFICATION FOR EVERYONE, EVERYWHERE

- YOU are the key™

This report contains prospective information based on Precise's current expectations. Even if company management considers expectations based on such prospective information to be reasonable, no guarantee can be given that these expectations will prove to be correct. Consequently, actual future results may vary significantly compared with what is set out in the prospective information, for reasons including changed conditions in respect of the economy, market and competition, changes in legal requirements and other political measures, exchange rate variations and other factors. The Annual Report is published in Swedish and English. The Swedish version is the original version and has been audited by Precise's auditors.

# CONTENTS

The year in brief	4
Significant events 2022	5
Precise in brief	5
CEO comments	6
<b>The Business</b>	<b>8</b>
Vision	8
Business concept	8
Business areas	8
Revenue model	9
Growth strategy	9
What is biometrics?	10
Employee interview	11
Bright outlook for biometrics	12
Market position	15
Partner interview - Bravida Prenad	17
Sustainability	18
Employee interview	21
The Share & Shareholders	22
<b>Administration Report</b>	<b>26</b>
Corporate Governance Report	33
Five-Year Overview (Group)	40
<b>Financial Reports</b>	
Consolidated income Statement & Statement of Comprehensive Income	43
Consolidated Balance Sheet	44
Consolidated Cash Flow Statement	45
Change in Equity (Group)	46
Notes (Group)	47
Parent Company's Income Statement	69
Parent Company's Balance Sheet	70
Parent Company's Cash Flow Statement	71
Change in Equity in the Parent Company	72
Notes (Parent Company)	73
Assurance	86
Auditor's Report	87
Financial Glossary	92
Annual General Meeting	94
Financial Calendar	95

# THE YEAR IN BRIEF

2022 was characterized by a high level of commercial activity for Precise in both the Algo and Digital Identity business areas. Overall, this compensated for the turbulent market for mobile phones during the year, which meant that revenues grew by 9% compared with 2021.

During the year, Precise signed agreements with several new partners, including Infineon for the delivery of fingerprint software for the automotive industry and CanvasBio for the development of fingerprint software for laptops. At the end of the year, the company also signed an agreement with Isorg to supply a totally new fingerprint technology for mobile phones. The directed new share issue to the company's commercial partner Egis Technology and the preferential share issue brought in SEK 41 million to Precise after issue expenses.

In the Digital Identity business area, the company continued to focus on partnerships, and YOUNIQ was integrated into security services from Certego and Genetec. This has created stronger sales channels for the company, including in the North American market, when the company signed an agreement in the USA for St. Lawrence Health in New York State. Overall, the number of installations of both the YOUNIQ access solution and EastCoast visitor management systems grew. The company's recurring revenue (ARR) grew by 25% to SEK 16.2 million in 2022.

## THE YEAR IN FIGURES

**91.0 (83.3) NET SALES**

**71.9 (76.3) GROSS MARGIN, %**

**1.1 (1.9) EBITDA, MSEK**

**46.4 (64.1) CASH AND EQUIVALENTS, MSEK**

**137.9 (111.9) AVERAGE EQUITY, MSEK**

**69.2 (53.1) EQUITY/ASSETS RATIO, %**

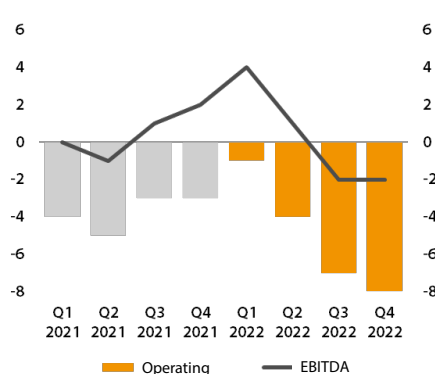
**3.9 (-1.5) CASHFLOW FROM OPERATING ACTIVITIES, MSEK**

**16.2 (13.0) ANNUAL RECURRING REVENUE (ARR)**

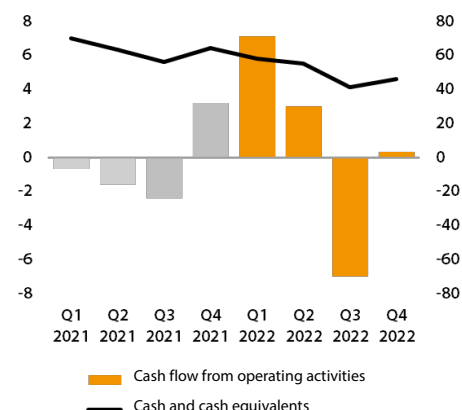
**NET SALES & GROSS MARGIN (MSEK)**



**OPERATING PROFIT/LOSS & EBITDA (MSEK)**



**CASH FLOW (MSEK)**



# SIGNIFICANT EVENTS 2022

**AGREEMENT WITH INFINEON TECHNOLOGIES TO PROVIDE FINGERPRINT TECHNOLOGY TO THE AUTOMOTIVE INDUSTRY**

**PRECISE IMPLEMENTS INSTALLATIONS OF YOUNIQ IN THE USA**

**PATRICK HÖIJER BECOMES NEW CEO OF PRECISE**

**THE FIRST INSTALLATION OF YOUNIQ TO CONTROL ELECTRICITY AND HEATING IS UNDERTAKEN FOR ALGECO IN KIRUNA**

**PRECISE CARRIES OUT DIRECTED NEW SHARE ISSUE TO EGIS TECHNOLOGY AND A PREFERENTIAL SHARE ISSUE THAT CONTRIBUTES SEK 41 MILLION AFTER ISSUE EXPENSES**

**PRECISE ENTERS INTO A PARTNERSHIP WITH CANVASBIO TO DEVELOP SENSORS FOR LAPTOPS**

**ARR GREW BY 25% TO SEK 16.2 MILLION**

**PRECISE ENTERS INTO A LICENSING AGREEMENT WITH ISORG TO PROVIDE NEW TECHNOLOGY FOR FINGERPRINT SENSORS FOR THE MOBILE INDUSTRY**

## PRECISE IN BRIEF

Precise Biometrics is a global supplier of identification software, access solutions and visitor management systems that use leading technologies to enable convenient and secure verification of people's identity. The company is divided into two business areas, Algo and Digital Identity. Through the Algo business area, the company supplies software for fingerprint verification and anti-spoofing. Within Digital Identity, the company offers biometric access solutions through the YOUNIQ brand and visitor management solutions through EastCoast Solutions. The company was founded in 1997 in Lund and operates through offices in Stockholm and Lund in Sweden, Potsdam in the USA and Shanghai in China. The Precise share is listed on Nasdaq Stockholm and traded under the PREC ticker. For more information, visit [www.precisebiometrics.com](http://www.precisebiometrics.com)



# CEO COMMENTS

2022 has been characterized by a clear focus and progress on our long-term growth strategy. In the Algo business area, we continue to focus on our strategic partnerships in the area of mobile telephony. We have also been focusing on gaining ground in new verticals such as laptops, door locks and cars. In the Digital Identity business area, we have refocused from development to commercialization, strengthening our partnerships in Sweden, and initiated our market launch in the USA.

## THE ALGO BUSINESS AREA

### SOLUTIONS FOR FINGERPRINT TECHNOLOGY

Over the past 25 years, Precise has built up world-leading expertise in algorithms for fingerprint recognition through a technology based on advanced image analysis. Our software is used primarily in phones in the medium to premium segment for the more complex sensors under the mobile display, which consist primarily of optical or ultrasound technology. During the year, we conducted several tests on our algorithms, and we can confirm that we have a world-leading expertise and software, especially in the areas of biometric matching and response times. This is an important, strong cornerstone in our continued journey.

The second half of 2022 was characterized by a mobile market with lower end-customer demand and large inventories at mobile phone manufacturers and module houses. This meant that subcontractors to these, such as Precise's customers, sold significantly lower volumes, which affects Precise's income. As soon as mobile phone manufacturers start to reduce their inventories, we expect a gradual recovery and thus an increase in royalty revenues.

Our strategy for long-term growth is clear, as we focus on our existing key customers in order to win new mobile projects together with them, as well as supporting selected new sensor manufacturers. We currently have strong strategic partnerships with leading sensor manufacturers in the mobile market, such as Taiwanese Egis Technology and American Qualcomm, and during the year we initiated new partnerships such as the one with French company Isorg. The fact that Egis came in during the year as a co-owner of Precise is evidence of our strong position in the mobile phone market.

We are also working to broaden our customer base to new verticals, partly through our development partnership with Korean company CanvasBio, where we intend to jointly address the market for laptops and our collaboration with Infineon in the automotive industry.

Going forward, we will continue to explore new adjacent verticals and evaluate new types of sensors that over time can give us a bigger market for our world-leading image processing expertise.

## DIGITAL IDENTITY BUSINESS AREA

### PHYSICAL ACCESS AND VISITOR MANAGEMENT SOLUTIONS

In the area of Digital Identity, we have in recent years built up and acquired leading systems for access and visitor management. We currently have a software system for access management based on facial recognition, YOUNiQ, and a market-leading visitor management system in Sweden, EastCoast. We are now in a phase where we have shifted the focus of YOUNiQ from development to the creation of sales channels.

In terms of both turnover and sales, we can look back on a strong 2022 for Digital Identity, especially for EastCoast, where we saw a strong increase in order value sales, particularly at the end of the year. This has resulted in our annual recurring revenue (ARR) increasing by more than 25% to SEK 16.2 million. Building stable recurring revenues is precisely the strength of our Digital Identity business, and it is therefore gratifying that we are making progress.

The business area's growth strategy is clear. We have increasingly shifted our focus from development to building up sales channels, which is why there is a strong focus on deepening partnerships with companies in the field of access management and the most important installers. We are also focusing on building up sales channels in the large, mature American market, and a clear example of this is our collaboration with Genetec, through which we have established a strong, new sales channel.

## WELL POSITIONED TO CONTINUE COMMERCIALIZING LEADING POSITION

Our firm view is that Precise's two business areas are well positioned in markets with underlying growth. We can see a global trend of increased use of biometrics for access management, but also for visitor management systems.

In summary, 2022 has been a year in which we have taken important steps for long-term growth in times of a very tough macroeconomic climate. During the year, we implemented extensive cost-cutting packages that will have an impact in 2023, which means that our operational costs are estimated to be more in line with 2021 - despite the fact that EastCoast is now part of Precise. But above all, Precise has succeeded in increasing sales during 2022, compared with the previous year, and broadening the business model – at present, just over 25% of revenues come from our new Digital Identity business area, compared with 8% in 2021.

I am proud to be leading a strong Precise team. A Precise that aims to benefit from the global underlying trend of increased use of biometrics. I look forward to continuing to commercialize our position as a leading global supplier of identification software.

**Patrick Højjer**

Chief Executive Officer



**"I am proud to be leading a strong Precise team. A Precise that aims to benefit from the global underlying trend of increased use of biometrics. I look forward to continuing to commercialize our position as a leading global supplier of identification software."**

- Patrick Höijer

# THE BUSINESS

## VISION

Precise's vision is that whoever you are, wherever you are and whatever you are doing, you must always have access to your digital identity in a convenient and secure way – YOU are the key.

## BUSINESS CONCEPT

Precise develops and sells innovative identification solutions to business customers that improve how end users identify and register. The company offers products in various areas of application that make it possible for users – using their own biometrics – to identify themselves in a convenient and secure way. In the Algo business area, revenues are based on license fees, including support and maintenance, royalties and other revenues, and in the Digital Identity business area on recurring revenues, so-called Software as a Service (SaaS), one-time license revenues and other revenues.

## BUSINESS AREAS

Precise focuses its activities in two business areas, Algo and Digital Identity, with the aim of diversifying and taking advantage of underlying growth trends in the market.

## ALGO & DIGITAL IDENTITY

Precise offers products for convenient and secure identification. The company develops products that combine different biometric modalities, which can be adapted to different application areas.

### ALGO

In the Algo product area, Precise licenses its leading fingerprint software, including Image Signal Processor (ISP), biometric matcher and liveness, to selected sensor manufacturers who offer and market products to OEM manufacturers, who in turn sell products to end users. Precise's customers include a majority of the most prominent sensor manufacturers around the world. Examples of areas of application are identification in mobile devices, smart door locks and vehicles.

### DIGITAL IDENTITY

Precise offers products for convenient and secure identification. The company is developing products that combine different biometric modalities and can be adapted to different areas of application. Precise currently has an innovative system in the field of physical access management based on facial recognition and a market-leading visitor system.



### ALGO

Identification - fingerprint



### DIGITAL IDENTITY

Identification – physical access and visitor management



## PRODUCT PORTFOLIO

In the Algo business area, Precise offers the complete software solution required to create fingerprint technology. The company currently offers the following products: BioMatch®, algorithms including AI for fingerprint recognition, for areas of application such as Mobile, Card, Car and Smart Door Locks, BioLive®, liveness software. In the area of Digital Identity, Precise offers access and visitor management systems through YOUNIQ™, systems for physical access management based on facial recognition, as well as EastCoast Visit and EastCoast Visit Online, visitor management systems.

The company works actively and strategically with patents, pattern protection and trademarks in order to guarantee the rights to its own technology, to create commercial value and to increase the company's competitive strength. The company's current products and solutions are protected by a comprehensive portfolio of patents, trademarks, and registered patterns.

## REVENUE MODEL

Precise's revenues are distributed within the main revenue streams: license revenues including support and maintenance, royalties per product sold and recurring revenues, so-called Software as a Service (SaaS).

The company has a number of collaborations with partners that are based on the joint development of products for customers so that there is mutual benefit from technology and product innovations.

## GROWTH STRATEGY

The market for biometric solutions is developing constantly, and Precise is continuously conducting research into new opportunities to grow and create innovative solutions for convenient and secure identification. The objective is that whoever you are, wherever you are and whatever you are doing, you shall always have access to your digital identity in a convenient and secure way.

In Algo, the strategy is based on strengthening the already leading position. This can be achieved through a focus on strategic partners in the mobile segment to win new projects. Precise is also working to broaden its business to new verticals, such as vehicles and laptops, and to build new partnerships with new sensor suppliers. Precise also intends to benefit from its expertise in advanced image analysis in order to explore areas of application even outside fingerprint biometrics.

Precise sees good market potential in Digital Identity, which the company intends to exploit. This is being done by strengthening the sales channels through integration, technically and commercially, with access and installation partners in Sweden. Furthermore, the strategy is based on processing new geographical regions through partnerships.

## PRODUCT DEVELOPMENT

Product development is and always has been the main focus for Precise, and the company strives constantly to improve its offering and drive the market for identification solutions by means of innovations at the absolute forefront of technology. Since its inception, the company has successfully launched innovative products that are user-friendly and secure.

## OPERATIONAL ABILITY

Precise's leading position is based primarily on the competitive advantage that stems from the company's operational excellence in offering products for convenient and secure identification. Biometric identification is very complex and requires effective interaction between people and systems in order to work. In its more than 20 years, Precise has built up a wealth of experience that is unique among actors in the industry and is recognized for high quality, functionality, and security.

## SaaS

Through YOUNIQ and most recently through the acquisition of EastCoast Solutions in 2021, Precise has great opportunities to grow by applying the software distribution model SaaS (Software-as-a-Service).

Precise's identification software, together with the company's ability to integrate biometric technologies in different solutions, is well suited to a SaaS model, which creates new growth opportunities. The company's SaaS revenues increased by more than 25% in 2022.

## ACQUISITIONS

Precise believes that the market for identification is fragmented and that there are thus good opportunities for strategic acquisitions. The company intends to primarily evaluate SaaS companies that can strengthen the company's offering in the Digital Identity business area through technological solutions and human capital. Precise assesses that such acquisitions can be financed with the available liquid funds at any time and through newly issued shares.

# WHAT IS BIOMETRICS?

The word biometrics comes from the Greek words bi'os (life) and me'tron (measure). The Biometrics Research Group defines biometrics as measurable physical and behavioral properties that make it possible to authenticate an individual person's identity. Biometrics is used as a collective term for the technologies used to measure a person's unique characteristics and thus authenticate his or her identity.

## BIOMETRIC TECHNOLOGIES

Biometrics involves measuring either a person's personal attributes (e.g., fingerprint, face, palm, iris) or something they do (e.g., movement patterns, speech). Biometric technologies are automatic systems set up in order to: (1) collect biometric information (e.g., fingerprints) from a person; (2) extract information from the material for a template; (3) compare information from templates saved previously; (4) determine whether the biometric information is identical. Biometric technologies therefore consist of both hardware such as fingerprint sensors or cameras. These can physically read the biometric information. In addition, software is needed that together with the hardware collects the biometric information and then extracts, compares and verifies the information.

## LIVENESS AND ANTISPOOF

In addition to verifying that a certain biometric information comes from a certain person, they often also want to ensure that the biometric information comes from a living, physical person. In order to prevent fraudsters from attempting to fool the systems by collecting e.g. a fingerprint from an object and then creating different impressions of e.g. clay, glue, gelatin, etc., different forms of anti-spoof protection are used. These can be placed directly in the hardware; some sensors can, for example, read whether the material conducts current, like a finger, or illuminate a finger with different lights to see the inner layers of the skin. Other solutions use software optimized to recognize differences in materials. Some systems use a combination of both hardware- and software-based anti-spoof protection.

## USER EXPERIENCE

Central to the user experience of a biometric solution is that it is comfortable for the user and works with the greatest possible security. For a good user experience, the system normally also needs to be quick to process the information in order to verify the individual. For example, you don't want to have to wait for the phone to be unlocked or for you to be let into a property with your fingerprint or face. Ideally, you should be able to use a biometric solution as automatically and easily as possible, while at the same time achieving a high level of built-in security with a biometric system.

## FAR/FRR

The terms FAR (False Acceptance Rate) and FRR (False Rejection Rate) are used to describe the security of a solution. These terms have a symbiotic relationship with one another and are determined by the limits in the software. A low FAR means a more secure solution (no unauthorized persons are allowed in), but it can result in a high FRR (more authorized persons are denied). A high-quality biometric system with a good user experience provides rapid authentication and has a high level of accuracy (low FAR and FRR values). A four-digit PIN code corresponds to a security level of 1/10,000, which means that one person in 10,000 gains unauthorized access. This can be compared with the high level of security commonly used for fingerprint technology in modern mobile phones, where one user in 50,000 gains unauthorized access. This level of security is even higher in certain phones.



# EMPLOYEE INTERVIEW

## Ben Chen

**Watson Bell has been Precise's field office in the Greater China region since 2014. Led by its CEO, Ben Chen, it focuses on sales, B2B marketing and customer support to strengthen our presence and visibility in the region. We spoke to Ben to learn more about the day-to-day operations and opportunities.**

**Tell us a little about your role please and what a typical working day looks like.**

As well as managing the Precise field office for the region, my role includes sales and business development, specifically customer and commercial development where I help our sensor partners to engage with OEMs. The sales process is a complex and lengthy one which includes areas such as Development Agreements right through to signing commercial SLA (software license agreement) with customers. It takes a significant amount of collaborative work and effort from our marketing, sales and paralegal teams to achieve a successful contract signing so this is a key daily focus.

A typical working day consists of liaising with our customers, supporting partner's customers and of course, keeping up to date with industry news and developments. Face to face meetings where possible are also important so travel is a key part of my role. Prior to COVID, I travelled to China about 10 times a year to visit sensor partners, OEMs and industry contacts.

**What benefits have partners and customers seen from Precise being present in Taiwan?**

As well as covering the entire Greater China region we are also able to respond directly to inquiries from South-East Asia. Both our partners and customers acknowledge tremendous benefits of prompt customer support, the smooth bridge we provide to Precise's HQ tech support, and our assistance in marketing and selling products.

**What do you like best about working for Precise?**

Definitely the sense of achievement. I'm genuinely proud of what we've delivered so far, and I know there's even more to come! By working closely together, as a team, as well as with our partners, we have built the Precise name into a splendid brand in China and Korea. It's a real pleasure to work alongside great colleagues and customers who are intelligent and brilliant at what they do. Working with Precise is like performing in an orchestra on a grand stage, with perfect chemistry between the players and everyone performing at their best.

**What are you most proud of achieving while working here?**

There are four main things that stand out for me. Firstly, building the Precise brand from initially zero presence in the Greater China market to what is now a luminous brand in the fingerprint industry. Secondly, building a team with so many brilliant and dedicated colleagues that I enjoy co-working with on a daily basis. Thirdly, the outstanding customer appreciation and recognition we receive – all of the customers have become my good friends. Finally, the respect from industry peers.

**What are your goals for the coming year?**

The coming year is set to be turbulent due to weaker mobile demands. We need to secure our fingerprint business foundation and explore non-fingerprint new business territories so that will be my focus. While uncharted water is always challenging, I believe 2023 will be the year to devise strategy and set out the roadmap for new products and services in the future, there may even be a paradigm shift in businesses.

**How do you like to spend your free time?**

So, during weekdays, customers are my boss. But at the weekend, my wife and kids become my boss and I am my family's exclusive "Uber driver"! Luckily, like me they all love hiking. Then when the kids are doing homework, I steal time to read, exercise and watch Netflix. I love Science Fiction – it's the mirror which reflects our desires, imaginations, and creativities. Sci Fi is like a crystal ball which gives us tantalizing glimpses of the future.

**Ben Chen**

Head of Greater China Market Region



# BRIGHT OUTLOOK FOR BIOMETRICS

The future is bright for biometrics and there are positive signals for growing adoption of fingerprint biometrics in traditional (mobile) and emerging areas such as laptops, door locks and other physical access control (PAC systems), automotive, retail, point-of-sale (POS) devices, and biometric smart cards. Other modalities, including face and palm, are also being deployed in new and exciting scenarios.

## FINGERPRINTS IN MOBILE PHONES

### UNDER-DISPLAY GAINS TRACTION AND ANDROID RETURNS TO FINGERPRINTS

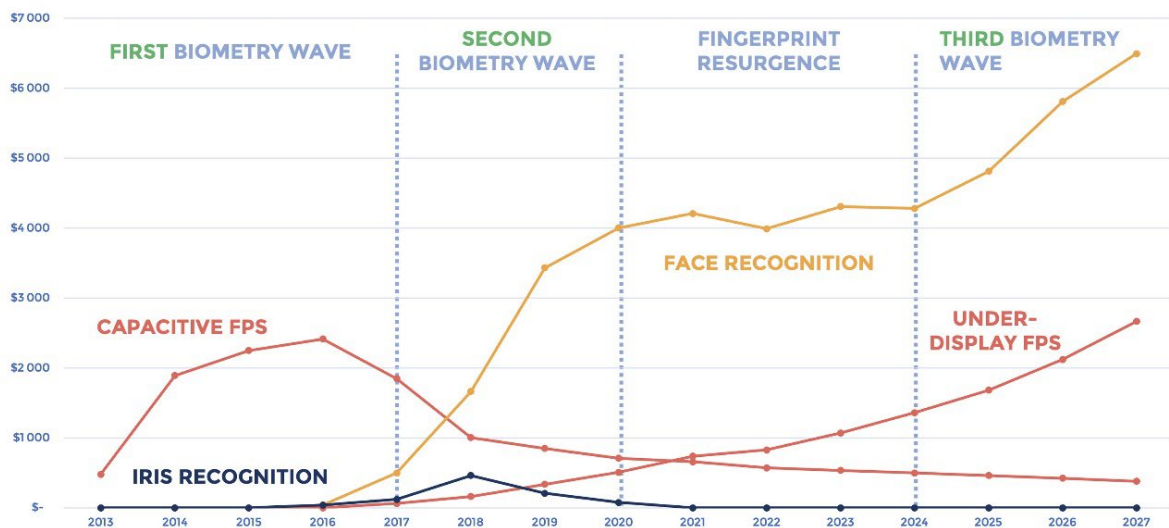
In the second half of 2023, deliveries of mobile phones are expected to recover from the downturn that occurred during the pandemic and in 2022.<sup>1</sup> In parallel with the recovery of mobile phone deliveries, fingerprint sensors are proving to be the leading biometric technology for mobile phones.

Trends that are positive for Precise Biometrics include the increasing demand for under-display fingerprint sensors (optical and ultrasound), with forecasts that the market for under-display fingerprint sensors will grow to a total value of USD 2.5 billion by 2030, which represents an annual growth rate (CAGR) of 21% between 2019 and 2030. The value in the market for under-display fingerprint sensors is significant, especially as these sensors are sold at a higher ASP than their capacitive equivalents.

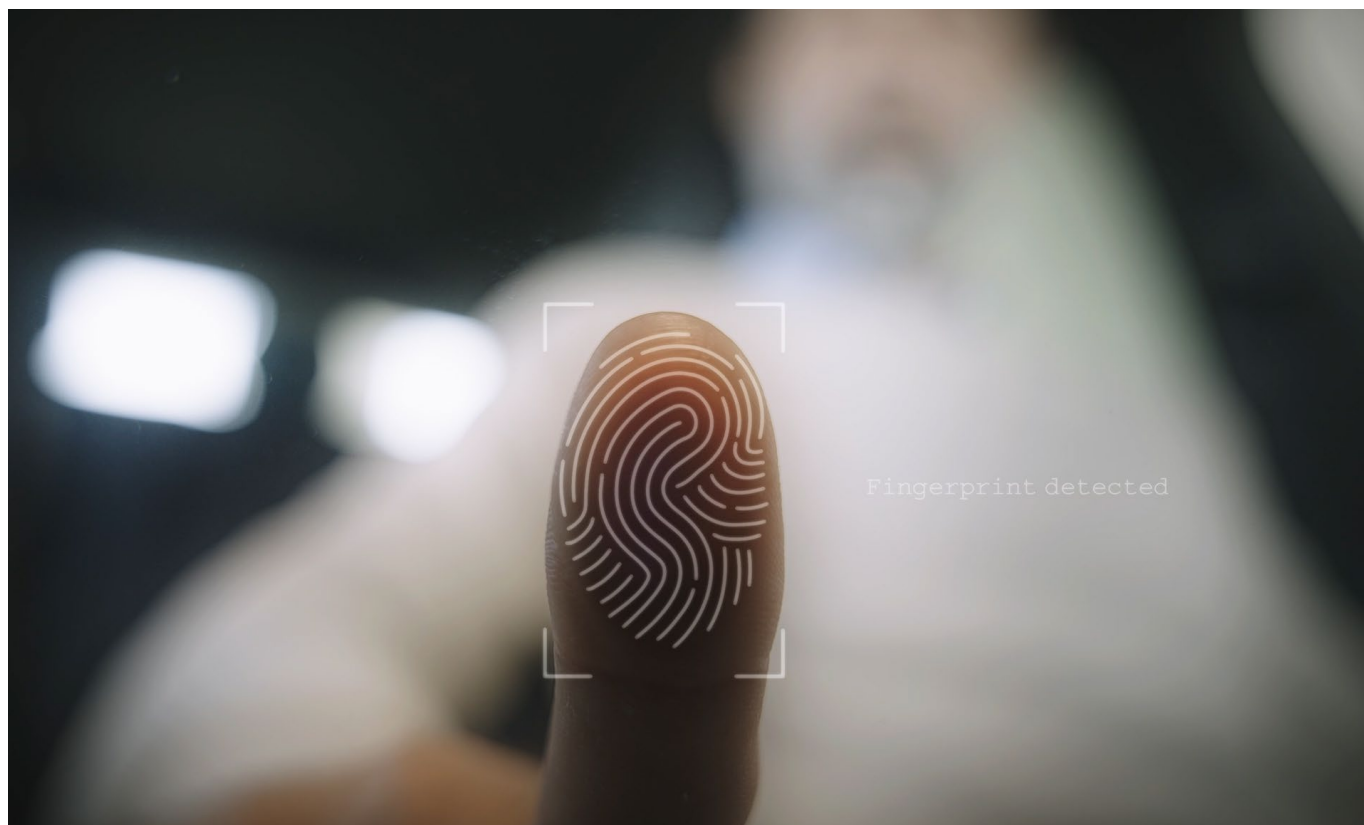
Many mobile phone OEMs are either reverting to fingerprints from facial, including many Google Android OEMs, or integrating facial and fingerprints into the same device to support multibiometric strategies.

## SMARTPHONE BIOMETRY WAVES AND ASSOCIATED REVENUES

Source: Biometrics for Consumer report, Yole Intelligence, 2022

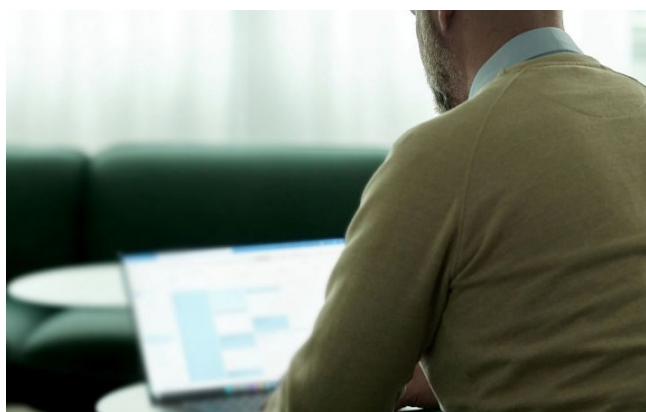


<sup>1</sup> Canalys, 2023



## GROWTH OPPORTUNITIES IN NEW VERTICALS

In addition to the continued success of fingerprint sensors for mobile phones, the other Embedded markets offer significant opportunities for Precise Biometrics.



### LAPTOPS

The market for laptops is expected to grow slightly, following the downturn that occurred during the pandemic.

To improve security and develop a better user experience, OEMs of PCs are increasingly using biometrics. Biometrics is proving to be an integral component of the password-free trend replacing insecure

and inconvenient password-based authentication solutions. A bigger proportion of the computers delivered every year are supporting biometrics, including integrating fingerprint sensors into laptops. As an example, several leading laptop manufacturers are using built-in fingerprint sensors in the latest versions of their laptops. These fingerprint sensors are used as part of the trend towards password-free solutions, supported by standards such as FIDO and Windows Hello match-on-chip standards.

The market is being further driven by FIDO-based hardware authentication keys, many with built-in fingerprint sensors, which support companies with phishing-resistant authentication.

### CARS

To make it possible to offer better personalization and to support a wide range of in-car payment applications, vehicle manufacturers are increasingly integrating biometric sensors into the vehicle interior. This is a young and growing market with support for several biometric technologies, especially fingerprints, face and voice.

According to Goode Intelligence, the market for fingerprint sensors in cars is expected to total 8 million units by 2023 and 16.5 million units by 2024. The corresponding annual growth rate (CAGR) is 12% from 2018 to 2024.<sup>2</sup> This offers the biometrics industry a new market segment, which is expected to reach USD 1 billion by 2024.<sup>3</sup>

<sup>2</sup> Goode Intelligence, 2020

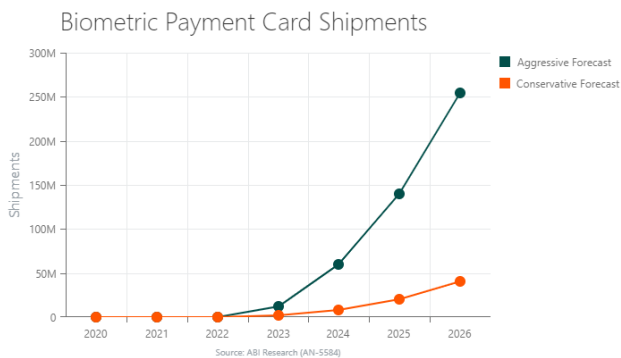
<sup>33</sup> Allied Market Research, 2018



## BIOMETRIC CARDS

Biometric cards offer applications with higher security for a number of different segments including payments, access control, hospitality, national government ID and crypto assets. The initial focus has been on payments with using banks all over the world. 34% of the annual smart card market is dedicated to payments, which is equivalent to 3.4 billion cards delivered every year.<sup>4</sup> ABI predicts that the issuing of biometric cards will increase from 14,000 cards in 2021 to at least 20,000,000 cards by 2025, according to a conservative forecast. If the price level reaches a sufficiently low value (below USD 5), a total of 140 million biometric cards are expected to be distributed in 2025.<sup>5</sup>

*ABI forecasts for delivery of biometric payment cards*



## PALM BIOMETRICS

Biometrics of the palm is one biometric technology that has potential in a number of different segments. The palm is an integrity-conscious alternative to fingerprints and face, and can be used both in mobiles and on a specialized device. Amazon is a market actor that is leading the way by using palm biometrics in its sales units in the retail sector to support the cashless retail experience. Goode Intelligence predicts that biometrics for payments in stores will generate revenue of approximately USD 51 million by 2025.



## INCREASED DEMAND FOR SECURITY AND CONVENIENCE FOR PHYSICAL ACCESS SOLUTIONS

Biometrics for physical access solutions offers a combination of greater security and convenience, and is being used to an increasing extent all around the world.

There are a number of different scenarios in which biometric technology is used, such as fingerprint sensors embedded in smart door locks and facial sensors embedded in access systems. A biometric smart card can also be used.

The market for biometric physical access solutions is expected to grow by USD 3.7 billion up to and including 2026, with an annual growth rate (CAGR) of approximately 8% from 2021-2026.<sup>6</sup> Of the estimated global market of USD 3.7 billion, North America is expected to account for 21%.<sup>7</sup>

The global market for visitor management systems is expected to grow to USD 2 billion by 2026, representing an annual growth rate (CAGR) of 16%.<sup>8</sup> North America is expected to be the single biggest region.

<sup>4</sup> Thales Group, 2022

<sup>5</sup> ABI Research, 2022

<sup>6</sup> Technavio, 2022

<sup>7</sup> FACT MR, 2022

<sup>8</sup> KBV Research, 2020

# MARKET POSITION

## ALGO

Precise has a strong position as a software supplier in the fingerprint sensor segment for mobile phones, in terms of both optical and ultrasound sensors. In 2022, the company continued to strengthen its relationships with partners through better local support and customized solutions for the company's customers in the Asian market. Demand for these types of sensors is expected to continue to increase over the next few years.

At the end of 2022 Precise signed an agreement with French company Isorg to deliver a completely new fingerprint technology for use in mobile phones. Within the framework of this, Precise is delivering a complete software solution, including ISP, matcher and liveness, which indicates the company's competitiveness.

At the end of 2021, Precise entered into two licensing agreements to provide fingerprint technology to the automotive industry. There has long been talk of integrating biometrics in vehicles, and although there are some solutions on the market today, the market is expected to grow over the coming years. The market is still young but is characterized by higher unit prices and long product life cycles of around 7–10 years. The product offered by Precise in this area is not only integrated in the fingerprint module itself, but in a larger module manufactured by so-called Original Design Manufacturers (ODMs), which are companies that build larger panels that are used to control various functions such as driver settings.

In 2022, Precise signed a partnership agreement with Korean company CanvasBio to develop fingerprint sensors for laptops together with them. Laptops constitute a new and closely related vertical for Precise, and this collaboration enables Precise to continue to capitalize on its algorithms for fingerprint recognition.


## DIGITAL IDENTITY

In recent years, Precise has developed the business to meet the demand for biometric solutions that simplify and streamline the identification process. By combining different biometric technologies in order to verify a user's identity, it is possible to create the optimal balance between security and convenience. Precise currently holds a leading position in the Nordic region in the area of visitor management systems and a growing position in solutions for physical biometric access.

There is a large international market potential good market potential for biometric access to buildings through facial recognition, and it is within this area of application that Precise is supplying the YOUNIQ service. Precise currently has partnerships with several system integrators and YOUNIQ is integrated with several access systems, which constitute important sales channels. In 2022, additional integrations of YOUNIQ were carried out with Swedish and foreign security systems, including Genetec in North America. Several new installations were carried out in 2022, as well as in the USA.

Precise has a market-leading position in visitor management and continues to work on the development of integrated solutions between the company's various product areas to manage customers' flows of visits and access, e.g. through an integrated solution for visitor management via facial recognition.



A person with short, dark hair, seen from the back, is looking at a white door. On the door is a circular, white security device with a transparent lens showing internal components. The person is wearing a dark jacket with a grey strap across the back. The background is slightly blurred, showing what appears to be a gym or office setting.

**"YOUNiQ truly represents the next level of security and is a strong component in the smart and customizable solutions we offer."**

- Tony Ståhl

# YOUNIQ – A TRUSTED KEY PLAYER IN BRAVIDA PRENAD'S OFFERING

**Bravida Prenad AB** offers a comprehensive approach to installations and services in Electrical, VS (Heating & Sanitation), Security, Automation, and Appliances, through large total solutions or home installations. They have represented YOUNIQ since 2021, and during the past year, they have successfully installed the solution at Friskis&Svettis in Landskrona, as well as at their own local Prenad offices. They have also integrated YOUNIQ with Integra, which is a solution by SystemHouse Solutions, who are key partners to both Prenad and Precise. Simply put, this is cooperation at its best!

**Tony Ståhl, Sales and Marketing Manager at Bravida Prenad, tell us a little about the company and your role.**

Prenad is a subsidiary of Bravida and has eleven local offices throughout Skåne and in Halmstad. Here, we collaborate with some of the leading suppliers of security equipment and have comprehensive solutions for all needs, including installation, service, preparedness, and maintenance agreements. User-friendliness, sustainability, and safety are consistent requirements.

I am the Sales and Marketing Manager at Prenad and work, among other things, to develop and implement strategies to increase sales and visibility in the market, of course in close collaboration with teams such as product development and customer service. Another important part of my job is the responsibility of managing relationships with customers and suppliers, such as the close collaboration we have with Precise.

**In what way does YOUNIQ fit into your offering?**

Innovation and development are important parts of our strategy. We see that the requirements for security regarding access solutions are constantly increasing and that curiosity concerning biometrics and facial recognition is high. YOUNIQ truly represents the next level of security and is a strong component in the smart and customizable solutions we offer.

**What benefits do you see with this solution?**

YOUNIQ is installed at two of our offices, so the solution is tested daily. Personally, I appreciate the ability to set aside the access tag and instead use my face as the key. Today, most people are accustomed to opening their mobile phones with their faces, so a door feels like a natural next step. The security aspect is of course also important. You know that the right person has the right authorization to enter the premises, something that many industries require from their access solutions.

**How do you see YOUNIQ being adapted to other access systems?**

SystemHouse Solutions is a partner that we share with Precise, and here we have integrated YOUNIQ with their access system - Integra. The smooth integration process opens many opportunities for companies that want to easily add facial recognition to their existing access system.

**What feedback have you received from customers?**

Our joint customer, Friskis&Svettis in Landskrona, is particularly pleased with the ability to offer members training outside of regular office hours. There is no need for staff to be on site 24/7, as members can access the premises easily and securely through facial recognition. This also significantly increases security. Even if cards get lost or "borrowed" by unauthorized persons, it is still the face that is the final key to entry.

**Have there been any challenges and how have you overcome them?**

All new products and solutions have their challenges, especially in the beginning. We find that our installers receive quick and professional help from the customer support team at Precise, as they can handle YOUNIQ remotely and can therefore answer any questions that a customer may have. We also have an ongoing and good relationship with our contact person at Precise, which allows us to identify certain problems before they occur.

**When it comes to secure, comfortable, and sustainable access solutions, what do you think are the future trends for your industry?**

Globally, biometrics in access control is already well-established. We believe that the demand for adding such a solution to an existing system will increase locally, as Sweden usually want to be at forefront of technology and innovation.

**Tony Ståhl**

Sales & Marketing Manager  
Bravida Prenad





# SUSTAINABILITY

Sustainability is an important element of Precise's business and shall promote social and environmentally aware responsibility. The company works actively to minimize its environmental impact and contribute to a more sustainable society. The company focuses on the areas where the business is considered to have the greatest impact:

- **WORKING ENVIRONMENT**
- **EQUAL TREATMENT IN ALL RELATIONSHIPS**
- **BUSINESS ETHICS**
- **ENVIRONMENT**

Precise's activities have a limited environmental impact via their digital and technological nature, for example YOUNiQ offers a fully digital access solution, which in turn minimizes unnecessary travel for the distribution and administration of cards and tags on site. Cards and tags made of plastic can also be completely excluded as it is the user who is the key. This also means that the number of users can grow without a growing climate impact.

Precise has implemented a sustainability policy including several points in accordance with the environmental goals as set out in Agenda 2030. This acts as a guiding principle for the company's actions when more short-term, operational decisions have to be made, and also for long-term, strategic development. Precise evaluates the company's efforts in this area on an ongoing basis in order to further integrate sustainability into the company's development.



## WORKING ENVIRONMENT

Precise is a knowledge-based company that depends on the desire and ambition of our employees to continuously push the limits of technology. The company works actively to create a working environment that gives employees the right conditions in which to develop and to be an attractive employer. Based on Precise's core values and on a basic premise that all employees play an important role in the business, Precise strives to create a working environment in which people want to work, to challenge themselves and to be involved in developing the company.

Creating openness, an understanding of the company's goals, responsibility to the individual, training and salary benefits, and the creation of a stimulating, secure working environment, are all focus areas for the company.

**OPENNESS:** We are open, honest, and responsive.

**INNOVATION:** We seek, strive and work together to create innovative ideas that meet our customers' needs.

**RELIABILITY:** We assume responsibility and keep our promises.

**QUALITY:** Our deliveries are well-considered, carefully designed and of the highest quality.

**ENGAGEMENT:** We always do our best and the work we produce has a direct impact on the success of our customers and our companies.

## EQUAL TREATMENT IN ALL RELATIONSHIPS

Precise is developing to become an increasingly international company with increased diversity. Different backgrounds and experiences are important for the company's development, and Precise does not accept any form of discrimination against employees in connection with employment or duties at work on the basis of gender, religion, age, physical ability, sexual orientation, nationality, political opinion or social or ethnic origin. The company's long-term objective for equality is that there shall be no differences in the company with regard to professional roles and levels of compensation that can be related to gender affiliation. Furthermore, all employees should perceive that they have equal standing regardless of gender in their day-to-day work and in respect of the impact of work on their private and family life. The company also has the ambition to promote a more even gender balance, although without compromising on competence, and to achieve a situation in which the number of company employees is more evenly distributed with respect to gender within all units.

## CODE OF CONDUCT AND BUSINESS ETHICS

The company's Code of Conduct emphasizes the fundamental ethical principles that Precise observes when conducting its business operations and supports the company's employees and consultants in their relations with business partners and other stakeholders.

The Code of Conduct includes, among other things, guidelines, values and rules on ethical business, relationships with employees, customers and suppliers, and information to shareholders. All employees are expected to support and uphold the company's values and responsibilities. The company's employees, business partners and other stakeholders have the opportunity to report any possible serious or sensitive irregularities or improper conduct that could have a detrimental effect on the company's business operations or stakeholders through what is known as a whistleblowing procedure.

## ENVIRONMENTAL IMPACT

Precise strives to select efficient, sustainable alternatives in order to reduce the company's impact on the environment. The company develops and sells biometric authentication products, which in itself has little impact on the environment. Precise strives to choose an environmentally friendly IT infrastructure and deliver software solutions as downloadable files, which involves minimal environmental impact in connection with delivery and distribution. Precise is growing to become an increasingly international company with operations in a number of countries in Europe, North America and Asia. As air travel accounted for a large proportion of the company's climate impact before Covid-19, the use of videoconferencing was always encouraged in order to minimize the number of trips. For example, the office in Shanghai made it possible to offer local support and service to customers, reducing the number of flights from Europe to Asia significantly. In 2022, the company continued to hold a majority of booked meetings virtually, which reduced physical travel.

The company operates in premises with environmental certification in accordance with Miljöbyggnad Guld, LEED Platinum and Green Building. LEED is an international certification system that assesses environmental impact from five aspects: the location of the premises, water-saving, energy consumption, internal environment, and material and resource consumption. Precise evaluates procedures and work methods on an ongoing basis in order to identify more effective methods that reduce the company's environmental impact.



**“I think we’re facing a paradigm shift when it comes to meetings and visits. What’s happening right now is that businesses are changing their behavior at a rapid pace, which requires new, smart technical solutions and innovations.”**

- Teodor Karlstedt



# EMPLOYEE INTERVIEW

## Teodor Karlstedt

### How long have you been working at EastCoast Solutions?

I've been working at EastCoast for more than ten years and am now looking forward to the coming years with Precise in my new role as Head of Sales for our Digital Identity (DI) business area, which includes both EastCoast Visit and YOUNiQ.

### As part of EastCoast's merger with Precise, you recently took on the role of Head of Sales for Digital Identity, congratulations!

Thank you! I am super excited to start this new chapter in an area with huge potential – in both Access and Visitor Management segments. I look forward to exploring all the possibilities together with the team and expanding cross-selling between the two products.

### What advantages have you seen from EastCoast being part of Precise and the Digital Identity product unit?

I'm proud to be working with such a competent team and see good synergy effects from working together; we've already benefited greatly from being part of the DI business area. All teams work together there, so we make use of the skills and experience of all team members. As one business area, we can manage the entire flow of people at a facility, from physical entry (YOUNiQ) to visitor management (EastCoast). Being part of Precise has also given EastCoast the opportunity to expand further in new markets.

### What has the feedback been about adding biometrics as an alternative in EastCoast Visit?

I think we're facing a paradigm shift when it comes to meetings and visits. What's happening right now is that businesses are changing their behavior at a rapid pace, which requires new, smart technical solutions and innovations. Even before the pandemic, we saw a trend in which many businesses scaled down their staffing at entrances and reception areas, which placed new demands on self-service and access for visitors.

Now that society has reopened, we see an even greater need for automated solutions, often with enhanced security as a consequence of an unsettled global situation. This is where our biometric solution with EastCoast Visit and YOUNiQ is so timely, as it provides simple and smooth access for visitors to the business so that more companies can streamline their visitor reception.

During the year, we've noted a great deal of interest in this new technology among both new and existing customers, and feel that the technology is being embraced from both a security perspective and in the desire to be at the forefront of new technology and in the process of digitalization.

### Any exciting projects recently and going forward?

Kicking off 2023 with our new team will naturally be high on the list of exciting projects!

The past year brought many highlights, including SKYDD, the Nordic region's biggest security trade fair, which was a great opportunity to develop and strengthen relationships with both partners and suppliers, as well as an excellent opportunity to show visitors our new services and offerings. We also participated in customer events around the country, where we had the opportunity to showcase EastCoast Visit with YOUNiQ.

Going forward, we look to the USA to continue to focus on sales of YOUNiQ and to explore the market potential for visitor management and our offering in that area. Another exciting project is the launch of the brand new EastCoast Escape app – a digital aid for evacuation and escape at companies, with many new smart functions.

### Our EastCoast/Precise office is located in Gamla stan in Stockholm, the Old Town. What should you not miss if you're in the area?

The Royal Palace and the Royal Armoury are places you must see if you're interested in history. But the best tip is probably to just take a stroll around the narrow streets or join me for a lunchtime run around the Riddarfjärden bay.

### Teodor Karlstedt

Head of Sales  
Digital Identity





# THE SHARE & SHAREHOLDERS

## HISTORY

Precise Biometrics' share was listed on the Stockholm Stock Exchange on October 3, 2000, at a quotation price of SEK 63.19.

As of December 30, 2022, the company had 46,427,597 common shares listed on the Small Cap list of the Nasdaq OMX Nordic. The company also holds 1,085,000 Class C shares as an effect of the long-term incentive plan that was adopted by the 2022 Annual General Meeting. A standard trading unit is one share. The short name is PREC, and the ISIN code is SE0001823303.

## SHARE PRICE DEVELOPMENT

In 2022, there was a total turnover of 40,514,151 PREC shares, representing an average turnover of 163,364 shares. The closing price on December 31, 2022, was SEK 4.05. During the year the share price fluctuated between SEK 3.20 and SEK 15.76.

## OWNERSHIP

The number of shareholders at the end of the year was 17,428 (17,208). Foreign shareholders accounted for 20.25% (10.2). See table for shareholder statistics as of December 31, 2022. Precise has an option program, see Notes 6 and 11 in the notes for the group for further information.

## SHAREHOLDER INFORMATION

Previously published annual reports, interim reports and other information can be found at [www.precisebiometrics.com](http://www.precisebiometrics.com)

Questions can be addressed directly to the company via email to [investor@precisebiometrics.com](mailto:investor@precisebiometrics.com)



# SHARE CAPITAL DEVELOPMENT OVER THE LAST TEN YEARS

	INCREASE IN NUMBER OF SHARES	TOTAL NUMBER OF SHARES	CHANGE IN SHARE CAPITAL, SEK	TOTAL SHARE CAPITAL, SEK	QUOTA VALUE, SEK
2013 – New issue 1)	58,782,926	323,306,094	16,459,219	90,525,706	0.28
2013 – New issue 2)	22,000,000	345,306,094	6,160,000	96,685,706	0.28
2015 – Reduction of share capital 3)	-	345,306,094	-86,326,523	10,359,183	0.03
2016 – New issue 4)	14,925,373	360,231,467	447,761	10,806,944	0.03
2021 – New issue 5)	6,982,473	367,213,940	209,474	11,016,418	0.03
2021 – New issue 6)	28,750,000	395,963,940	862,500	11,878,918	0.03
2022 – Consolidation (1:10) 7)	-	39,596,394	-	11,878,918	0.3
2022 – New issue 8)	2,871,564	42,467,958	861,469	12,740,387	0.3
2022 – New issue 9)	3,959,639	46,427,597	1,187,892	13,928,279	0.3
2022 – New issue of Class C shares LTI program 10)	1,085,000	47,427,597	325,500	14,253,779	0.3

- 1) Issue with preferential rights to existing shareholders. The subscription rate amounted to SEK 0.93 and Precise Biometrics received an issue amount of SEK 54.7 million.
- 2) Directed issue of 22 million shares. The subscription rate amounted to SEK 3.90 and Precise Biometrics received an issue amount of SEK 85.8 million.
- 3) Reduction of share capital. The AGM decided, in accordance with the Board's proposal, that the company's share capital should be reduced from SEK 96.7 million to SEK 10.4 million. The reduction represents a decline in the quota value of the shares of SEK 0.25 from SEK 0.28 to SEK 0.03.
- 4) Directed issue of 14.9 million shares. The subscription rate amounted to SEK 3.35 and Precise Biometrics received an issue amount of SEK 47.2 million.
- 5) Offset issue of 6,982,473 shares. The subscription rate amounted to SEK 1 and Precise Biometrics received an issue amount of SEK 6.5 million.
- 6) Directed issue of 28,750,000 shares. The subscription rate amounted to SEK 0.80 and Precise Biometrics received an issue amount of SEK 23 million.
- 7) Consolidation of shares (1:10). Prior to the consolidation, there were 395,963,940 shares, and after the consolidation, the total number of shares was 39,596,394. The company's share capital remained unchanged at SEK 11,878,918.20 and the quota value of the share changed from SEK 0.03 to approximately SEK 0.3.
- 8) Issue with preferential rights for existing shareholders of 2,871,564 shares in total. The subscription rate amounted to SEK 6.44 and Precise Biometrics received an issue amount of SEK 18,492,872 million.
- 9) Directed issue of 3,959,639 million shares. The subscription rate amounted to SEK 6.44 and Precise Biometrics received an issue amount of SEK 25,500,075 million.
- 10) Issue and buyback of Class C shares for long-term share bonus program for employees (LTI 2022/2028). The total number of shares as of December 31, 2022 therefore amounts to 47,512,597 shares, of which 46,427,597 are common shares and 1,085,000 Class C shares.



# OWNERSHIP STATISTICS

## SHAREHOLDER REGISTER

	PREC	PREC C	% OF CAPITAL	% OF VOTES
Egis Technology Inc.	5,609,488		11.8%	12.1%
Avanza Pension	2,460,820		5.2%	5.3%
Nordnet Pensionsförsäkring	1,292,125		2.7%	2.8%
Precise Biometrics AB	-	1,085,000	2.3%	0.2%
Lars and David Ingvarsson	900,961			
RM International AB	814,620		1.7%	1.8%
Maida Vale Capital AB	734,290		1.5%	1.6%
Henrik Svensson Fastigheter AB	464,100		1.0%	1.0%
Swedbank Försäkring	380,752		0.8%	0.8%
Douglas Storckenfeldt	353,711		0.7%	0.8%
Skandia Fonder	341,067		0.7%	0.7%
Kurt Blixt	340,000		0.7%	0.7%
Nils Arvidsson	260,583		0.5%	0.6%
Christer Jönsson	237,220		0.5%	0.5%
Patrick Höjjer	233,333		0.5%	0.5%
Others	32,004,527		68.0%	69.1%
<b>Total</b>	<b>46,427,597</b>	<b>1,085,000</b>	<b>100.0%</b>	<b>100.0%</b>

## ALLOCATION OF SHAREHOLDERS

	NUMBER OF SHARES	% OF CAPITAL
Foreign owners	9,632,492	20.3%
Swedish owners	37,880,105	79.7%
- of which institutions	1,681,058	3.5%
- of which private individuals	28,882,800	60.8%

## ALLOCATION OF SHARES

	% OF CAPITAL
10 largest shareholders	29.2%
20 largest shareholders	34.4%
30 largest shareholders	37.9%

## SHAREHOLDER STATISTICS (NUMBER OF SHARES OWNED)

	NO. OF SHAREHOLDERS	NO. IN %	NUMBER OF SHARES	% OF VOTES
1 - 2,000	15,255	87.5%	5,102,429	11.0%
2,001 - 10,000	1,601	9.2%	7,200,416	15.5%
10,001 - 1,000,000	568	3.3%	22,526,015	48.4%
1,000,001 -	4	0.0%	10,447,433	20.4%
Unknown ownership	0	0.0%	2,236,304	4.7%
<b>Total</b>	<b>17,428</b>	<b>100.0%</b>	<b>47,512,597</b>	<b>100.0%</b>

## GEOGRAPHIC DISTRIBUTION OF SHAREHOLDINGS IN %

	% OF CAPITAL
Sweden	79.7%
Taiwan	11.8%
Denmark	2.5%
Finland	0.6%
Norway	0.3%
Other countries	0.3%
Anonymous ownership	4.8%
<b>Total</b>	<b>100.0%</b>

Source: Monitor, Modular Finance AB. Compiled and processed data from sources including Euroclear, Morningstar and the Swedish Financial Supervisory Authority

# ADMINISTRATION REPORT

The Board of Directors and the CEO of Precise Biometrics AB (publ), CIN 556545-6596, with headquarters in Lund Municipality, Sweden, hereby submit their Annual Report and consolidated financial statements for the fiscal year 2022.

## THE BUSINESS

Precise is a global supplier of identification software and offers products for the convenient, secure authentication of people's identity. The company offers the following products in each area:

### DIGITAL IDENTITY

**YOUNIQ®** - Secures digital identity in a simple, secure way

**EastCoast Solutions** - Safe and efficient visitor management systems

### ALGO

**Precise BioMatch® Mobile** - Verifies fingerprints in mobile devices

**BioMatch® Car** - Verifies fingerprints in cars

**Precise BioMatch® Card** - Verifies fingerprints in smart cards

**Precise BioLive®** - Anti-spoof and liveness detection

In addition to the areas listed above, Precise is working on selected projects in a number of different areas of application.

## IMPORTANT EVENTS DURING THE FISCAL YEAR

- Precise entered into a partnership agreement with Infineon Technologies to provide fingerprint technology, Precise BioMatch, to the automotive industry.
- Precise entered into a partnership with Certego regarding the integration of YOUNIQ in their security services.
- The first installation of YOUNIQ to control electricity and heating was undertaken for Algeco in Kiruna.
- Several new installations of YOUNIQ, including installation in the USA.
- Patrick Höjjer took over as CEO of the company on June 1, 2022.
- Precise's shares were consolidated on June 30 (1:10), and the number of shares and votes after consolidation totaled 39,596,394 shares.
- Precise carried out a directed new share issue to Egis Technology and a preferential share issue that contributed SEK 41 million after issue expenses. The preferential share issue took place after authorization by an extraordinary general meeting held on September 5, 2022.
- In connection with the completion of the preferential share issue and the directed new share issue to Egis Technology, the

number of shares and votes in Precise Biometrics increased by 6,831,203. As of October 31, 2022, a total of 46,427,597 shares and votes were held in the company.

- Precise announced a strategic reorganization in Digital Identity. This reorganization allows Precise to merge the functions in sales, customer service, and R&D for EastCoast, visitor management services, with the corresponding functions in YOUNIQ, biometric access services.
- Precise restructured the payment plan for the acquisition of EastCoast that was completed in December 2021. This restructuring means that the remaining payments of SEK 25 million and SEK 30 million, which were previously planned for 2022 and 2023, will instead be made through a payment of SEK 30 million in 2022, SEK 10 million in 2023, and thereafter SEK 5 million each year up to and including 2026.
- The Board of Directors of Precise decided, with the support of authorizations from the Annual General Meeting on 19 May 2022, on the issue and buyback of Class C shares to secure the company's obligations under the incentive plan LTI 2022/2028. As a consequence of this, the total number of shares in Precise as of December 31, 2022, amounted to 47,512,597 shares, of which 46,427,597 were common shares and 1,085,000 were Class C shares, corresponding to a total of 46,536,097 votes.
- Precise entered into a partnership with CanvasBio to develop sensors for laptops.
- Precise entered into a licensing agreement with Isorg to provide new technology for fingerprint sensors for the mobile industry. During the initial term of the agreement up to the end of 2024, Precise will receive a total of at least approximately SEK 11 million in fixed license and support fees.

## IMPORTANT EVENTS SINCE THE END OF THE FISCAL YEAR

- On January 1, 2023, the strategic reorganization of Digital Identity was initiated in order to strengthen sales channels and optimize the organization.
- Precise joined the Genetec Technology Partner Program to strengthen its presence in the US market with its YOUNIQ Access solution.
- The Board of Directors of Precise appointed Joakim Nydemark as Deputy CEO & CCO Algo for Precise.
- The Board of Directors of Precise decided on a rights issue with preferential rights for existing shareholders.
- The nomination committee proposed the election of members to the board of Precise Biometrics.

## NET SALES AND EARNINGS

Net sales during the year increased by 9.2% and totaled SEK 91.0 (83.3) million. Net sales were split between royalty revenues of SEK 21.2 (31.3) million, license fees (including support and maintenance) of SEK 58.0 (46.4) million, and Other of SEK 11.9 (5.6) million. Last year's component shortage was replaced by lower demand for mobile phones, as well as large inventory, which has resulted in continued low production volumes in the mobile market, and consequently low royalty revenues. The increase in license fees is primarily due to the acquisition of EastCoast, which was completed on November 30, 2021. EastCoast contributed net sales of SEK 17.9 million in 2022. In 2021, EastCoast contributed net sales of SEK 2.7 million, which corresponded to sales in December.

The gross margin during the full-year period totaled 71.9% (76.3). The decrease is mainly due to a change in the product mix, as the Algo business area has higher margins than the Digital Identity business area. Amortization of capitalized development expenses increased to SEK 14.9 (12.1) million, relating primarily to Digital Identity and the acquisition of EastCoast. Amortization of acquired intangible assets totaled SEK 2.5 (1.1) million.

### ALGO BUSINESS AREA

Net sales for Algo totaled SEK 67.8 (76.8) million and are reported under royalties at SEK 21.2 (31.3) million, Licenses including support and maintenance at SEK 42.0 (42.9) million, and Other at SEK 4.6 (2.6) million. Last year's component shortage was replaced by declining demand for mobile phones, as well as large inventory, which has resulted in continued low production volumes in the mobile market. License fees fell marginally. The gross margin during the full-year period totaled 87.2%.

### DIGITAL IDENTITY BUSINESS AREA

Net sales for Digital Identity totaled SEK 23.2 (6.6) million and are reported under Licenses at SEK 16.0 (3.5) million, and Other at SEK 7.2 (3.1) million. The increase in revenues in Digital Identity is due primarily to EastCoast, which contributed net sales of SEK 17.9 (2.7) million during the quarter. The gross margin during the year totaled 27.1%. The gross margin in Digital Identity is lower than in the Algo business area, as a large proportion of sales consists of hardware.

Operating expenses for the full-year period increased to SEK 85.5 (77.6) million, primarily due to the addition of expenses corresponding to SEK 14.8 (1.2) million for EastCoast. The profit/loss at EBITDA level fell to SEK 1.1 (1.9) million.

The operating profit/loss for the full-year period totaled SEK -20.0 (-14.1) million. The downturn in operating profit/loss is explained by a lower gross margin and higher expenses, which is partly offset by slightly higher net sales. Earnings for the full-year period totaled SEK -22.2 (-13.4) million. Total depreciation/amortization totaled SEK -21.2 (-15.9) million.

Earnings per share (average number of shares) for the interim period totaled SEK -0.5 (-0.3). The comparative period has been adjusted as a result of the consolidation of shares (1:10).

## INVESTMENTS IN TANGIBLE ASSETS

The group invested SEK 1.0 (3.2) million during the year in tangible assets. Depreciation of tangible assets during the year totaled SEK 1.8 (1.2) million.

## INVESTMENTS IN INTANGIBLE ASSETS

The group invested SEK 0.1 (0.0) million during the year in intangible assets. Amortization of intangible assets amounted to SEK 2.5 (1.1) million. Development expenses of SEK 20.8 (16.6) million were capitalized during the year. Amortization of capitalized development expenses amounted to SEK 14.9 (12.1) million during the year, and this is recorded in the Cost of Goods Sold.

## NET FINANCIAL ITEMS AND TAX

Net financial items for the full-year period totaled SEK -3.5 (0.7) million and the tax expense totaled SEK 1.2 (-0.1) million. Net financial items are attributable to exchange rate differences in cash and cash equivalents, and also interest on the lease liability in accordance with IFRS 16, as well as interest expense on the deferred fixed purchase price related to the acquisition of EastCoast. The repayment plan for the acquisition of EastCoast was renegotiated during the fourth quarter. The effect on profit/loss of the translation of the liability was estimated at SEK 2.1 million and is reported under financial items as Other financial expenses. Precise has the option to pay off the entire remaining purchase price early without incurring any interest expenses (see Note 20 in the notes for the group).

## FINANCIAL POSITION AND LIQUIDITY – TOTAL OPERATION

The cash flow for the full-year period from operating activities totaled SEK 3.9 (-1.5) million, of which SEK 3.1 (-2.6) million is attributable to changes in working capital. The group invested SEK 0.3 (3.1) million in tangible assets during the full-year period. During the full-year period, the group carried out a new share issue of SEK 41.7 million after issue expenses, and also made a payment of SEK 38.3 million for the acquisition of EastCoast. Total cash flow for the full-year period was SEK -17.8 (-12.2) million.

Cash and cash equivalents at the end of the period totaled SEK 46.4 (64.1) million.

On September 28, the company announced its results regarding the outcome of a preferential share issue and a directed new share issue. The company received a total of SEK 41.4 million after issue expenses. The proceeds from the share issues were paid in on October 6. Total equity at the end of the period totaled SEK 146.3 (128.1) million, and equity per share was SEK 3.1 (0.32). The comparative period has been adjusted as a result of the consolidation of shares (1:10).



## FIVE-YEAR SUMMARY

The Five-Year Summary, which is part of the administration report, appears on pages 40–42 in order to better illustrate financial development.

## THE SHARE AND THE SHAREHOLDERS

At the year-end, Precise Biometrics' share capital was SEK 13,928,279, distributed among 46,427,597 shares listed on Nasdaq Stockholm's Small Cap list, Industrial Goods & Services Sector. A standard trading unit is one share. The quota value of the shares was SEK 0.30.

### SHARE PRICE DEVELOPMENT

In 2022 there was a total turnover of 40,514,151 PREC shares, i.e. an average turnover of 163,364 shares per day of trading. The closing price on December 31, 2022, was SEK 4.05. During the year the share price fluctuated between SEK 15.76 and SEK 3.20.

### OWNERSHIP

The number of shareholders at the end of the year was 17,428 (17,208). Foreign shareholders accounted for 20.3% (10.2). See table for shareholder statistics as of December 31, 2021.

### TRANSFERABILITY OF SHARES

There are no limits on the transferability of the shares. Nor are there any agreements known to the company between shareholders that can involve limitations on the right to transfer shares.

### OPTION PROGRAM AND SHARE PROGRAM

The 2022 shareholders' general meeting made a decision to offer an incentive plan for the company's CEO to the effect that a maximum of 100,000 (after consolidation) stock options could be issued, with each stock option providing entitlement to subscribe to one (1) share in the company. Subscription through the exercising of stock options may take place during the period July 1, 2025, until June 30, 2025. The subscription price for the shares is set at SEK 9.24. At the end of the interim period, 100,000 options had been subscribed, corresponding to 100% of total stock options. Assuming that all stock options are exercised to subscribe to new shares, the number of shares in the company will increase by 100,000 shares.

The Annual General Meeting resolved, in accordance with the Board's proposal, to establish a long-term share bonus program (LTI 2022/2028) for all employees in Precise Biometrics. In order to facilitate the implementation of LTI 2022/2028 and to ensure the delivery of shares to the participants, and to cover the company's costs for social security contributions, the meeting also decided to amend the Articles of Association in the form of the introduction of new Class C shares, authorization for the Board of Directors to issue Class C shares, authorization for the Board of Directors to buy back Class C shares, and approval of the transfer of shares to participants in LTI 2022/2028. The implementation of Class C shares took place in Q4 2022. As of December 31, 2022, Precise Biometrics held 1,085,000 Class C shares.

For additional information, please refer to Note 6 and Note 17 in the notes for the group.

## PATENTS

The company's overall patent strategy has the objective of securing the rights to our own technology and products in selected markets, creating value for future business, and enhancing the company's competitiveness. The patent portfolio at the end of 2022 includes 18 (18) registered patents in selected markets and 17 (12) patent applications within 13 (6) different patent families. Precise has refined the patent portfolio during the year by focusing on the geographical regions where the company sees the greatest value in its patent families.

## TRADEMARKS

**YOUNIQ™** - The trademark is registered in the EU.

**Precise BioMatch™** - The trademark is registered in the EU, the US and China, and is used together with Card, Mobile and Embedded.

In addition to the areas listed above, Precise has registered the following trademarks:

**Precise Biometrics™** - Registered as both an image and word mark in several countries.

**Precise Match-on-Card** - The trademark is registered in the EU.

**BioLive™** - Registered as a trademark in the EU.

**YOU are the key™** - Registered trademark in EU and UK.

## RESEARCH AND DEVELOPMENT (R&D)

Development at Precise Biometrics is of fundamental importance for the company and is important in order to maintain competitiveness and new, continuously improved functions in an industry that is continuously developing. The company has a world-leading team in the area of research and development. With more than 20 years' experience of developing algorithm solutions for mobile phones and smart cards, the company has expertise that few can match in the industry. Precise Biometrics' research and development department works with the development of existing products and patents, and to develop new solutions.

## ORGANIZATION AND STAFF

The organization consists of the head office in Lund, Sweden, and offices in Stockholm, Sweden, Potsdam, USA, and Shanghai, China. At the end of the full-year period the group had a workforce of 56 (55) people, including on-site consultants. The number of employees was 30 (31), of which 24 (24) were located in Sweden. Precise works in an agile way together with several partners, creating a fast-moving, scalable organization. The number of employees does not include partners.

For additional information, please refer to Notes 4 and 5 in the notes for the group.

## **GUIDELINES FOR REMUNERATION TO LEADING EXECUTIVES**

A decision was made at the 2020 Annual General Meeting on the adoption of guidelines for remuneration to senior executives as described below. These guidelines were applied in 2022.

### **1. HOW THE GUIDELINES PROMOTE PRECISE BIOMETRICS' BUSINESS STRATEGY, LONG-TERM INTERESTS AND SUSTAINABILITY**

Precise Biometrics simplifies everyday life for people by developing solutions for convenient and secure identification and verification of people's identity. In addition to software for fingerprint recognition in mobile phones and payment cards, the company offers a product for the quick and secure verification of digital identity. Precise Biometrics' vision is to enable convenient and secure identity authentication for everyone, everywhere. A prerequisite for the successful implementation of Precise Biometrics' business strategy and safeguarding of its long-term interests, including its sustainability, is that the company be able to recruit and retain qualified personnel. The objective of Precise Biometrics' guidelines for executive remuneration is therefore to offer competitive remuneration on market terms, so that competent and skillful personnel can be attracted, motivated and retained. These guidelines enable Precise Biometrics to offer senior executives a competitive total remuneration package. Further information about Precise Biometrics' business strategy is available at: [www.precisebiometrics.com](http://www.precisebiometrics.com)

Precise Biometrics has ongoing long-term share-related incentive plans, which have been decided by the general meeting and are therefore excluded from these guidelines. These plans comprise, among others, senior executives and other employees in the company, and aim to offer employees an opportunity to take part in the company's value growth by promoting increased commitment and motivation to strive for long-term favorable financial development in the company. The share-related incentive plans further contribute to strengthening Precise Biometrics' ability to recruit and retain qualified personnel and enable Precise Biometrics to offer a competitive total remuneration package. The incentive plans are conditional upon the participant's own investment and holding periods of several years. The outcome of the incentive plans is currently related to the development of the company's share price on Nasdaq Stockholm. For more information regarding these plans, please see Precise Biometrics' website: [www.precisebiometrics.com](http://www.precisebiometrics.com).

### **2. TYPES OF REMUNERATION, ETC.**

Remuneration to senior executives shall be on market terms and entail both short and long-term incentives. Remuneration shall consist of fixed cash salary, pension benefits and other benefits and may also consist of variable cash remuneration. Additionally, the general meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration.

#### ***Fixed cash salary***

Fixed cash salary shall be on market terms and shall reflect the individual executive's responsibility, authority, competence and experience. Senior executives hired on a consulting basis shall receive remuneration based on market terms taking into account, to the extent possible, the overall purpose of these guidelines.

#### ***Variable cash remuneration***

Variable remuneration shall be based on predetermined, well-defined and measurable financial and non-financial criteria for the group. The variable remuneration for the CEO may amount to no more than 75% of the fixed cash salary, and may amount to no more than 50% of the fixed cash salary for other senior executives. The criteria for the variable cash remuneration shall primarily relate to the result, growth, financial position and operations of the group. In addition, individual criteria may be established.

The criteria for variable cash remuneration shall be designed with the purpose of promoting Precise Biometrics' business strategy and long-term interests, including its sustainability, for example, by being linked to the company's strategic focus areas and financial development. For the purpose of promoting a common endeavor of achieving the company's business strategy, long-term interests and sustainable development of the company, and in the long run increased shareholder value, all senior executives shall have substantially the same criteria for variable remuneration. The measurement period for the criteria for variable cash remuneration shall be one year.

#### ***Pension benefits***

The CEO shall have defined contribution pension benefits. Variable cash remuneration shall not qualify for pension benefits. The pension premiums for a defined contribution pension shall not exceed 25% of the fixed annual cash salary.

Other senior executives shall have defined contribution pension benefits, unless the executive is covered by a defined benefit pension in accordance with the mandatory collective agreement provisions. Variable cash remuneration shall not qualify for pension benefits, unless stipulated in the applicable pension policy or mandatory collective agreement provisions applicable to the executive. The pension premiums for a defined contribution pension shall be paid according to a premium plan that shall take the executive's age and pension-qualifying salary into account. The pension premiums according to such a premium plan shall amount to no more than 25% of the pension-qualifying salary unless other premium levels are stipulated in mandatory collective agreement provisions.

#### ***Other benefits***

Other benefits may include, for example, life insurance, health and medical insurance, occupational health service and company car. Such benefits may amount to no more than 10% of the fixed annual cash salary.

### ***Foreign employment arrangements and expatriated executives***

To the extent that senior executives are covered by employment contracts subject to rules other than in Sweden, these may be duly adjusted to comply with mandatory rules or established local practice. Executives who are expatriated to or from Sweden may receive additional remuneration and other benefits to the extent reasonable in light of the special circumstances associated with the expatriate arrangement. Such benefits may amount to no more than 30 percent of the fixed annual cash salary. Remuneration covered by the guidelines in this part shall be determined with the overall purpose of these guidelines, to the extent possible, taken into account.

### ***Remuneration to Board members***

If a Board member (including a Board member acting through a wholly owned company) performs work for Precise Biometrics in addition to the assignment as a Board member, certain cash remuneration may be paid for such work (consulting fees) provided that such services promote the implementation of the business strategy, long-term interests and sustainability of Precise Biometrics. The annual consulting fee shall be in line with market terms and be related to the benefits for Precise Biometrics and for each Board member not to exceed the annual Board member remuneration. Remuneration to Board members, and other terms and conditions, shall be decided by the Board of Directors.

### **3. THE SATISFACTION OF CRITERIA FOR AWARDING VARIABLE CASH REMUNERATION, ETC.**

The Remuneration Committee shall prepare, monitor and evaluate matters regarding variable cash remuneration on behalf of the Board of Directors. After the measurement period for awarding variable cash remuneration has ended, it shall be determined to what extent the criteria have been satisfied. Evaluations regarding fulfillment of financial criteria shall be based on established financial information for the relevant period. Remuneration to the CEO shall be decided by the Board of Directors based on the recommendations of the Remuneration Committee. Remuneration to other senior executives shall be decided by the CEO after consultation with the Remuneration Committee and the Board of Directors.

Variable cash remuneration can be paid after the measurement period has ended or be subject to deferred payment. Programs and criteria for variable cash remuneration should be designed so that the Board of Directors, if exceptional economic circumstances prevail, has the possibility of limiting or refraining from payment of variable cash remuneration if such a measure is considered reasonable and compatible with the company's responsibilities towards shareholders, employees and other stakeholders. The Board of Directors shall have the possibility under applicable law or contractual provisions to reclaim, in full or in part, variable remuneration paid on incorrect grounds.

### **4. EMPLOYMENT TERM AND TERMINATION OF EMPLOYMENT**

Senior executives shall be employed until further notice or, when applicable, be hired on a consulting basis. A mutual notice period of no more than six months shall apply between Precise Biometrics and the CEO. Fixed cash salary and any severance pay for the CEO during the notice period shall in total not exceed an amount corresponding to twelve months of fixed cash salary. Severance payment shall not be paid if notice is served by the CEO.

A mutual notice period of no more than six months shall apply between Precise Biometrics and other senior executives. Other senior executives are not entitled to severance pay.

Senior executives may be compensated for anti-competitive undertakings after the termination of the employment, however, only to the extent severance pay is not paid during the same period of time. The purpose of such remuneration shall be to compensate the senior executive for the difference between the fixed cash salary at the time of termination of the employment, and the (lower) income which is obtained, or could be obtained, by a new employment contract, assignment or own business. The remuneration may be paid during the period the non-compete undertaking is applicable, and no longer than a period of twelve months after termination of the employment.

### **5. SALARY AND EMPLOYMENT CONDITIONS FOR EMPLOYEES**

In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of Precise Biometrics have been taken into account by including information on the employees' total income, the components of the remuneration, and the increase and growth rate over time, in the Remuneration Committee's and Board of Directors' basis for a decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

### **6. THE DECISION-MAKING PROCESS TO DETERMINE, REVIEW AND IMPLEMENT THE GUIDELINES**

The Board of Directors has established a Remuneration Committee. The committee's tasks include preparing the Board of Directors' decision to propose guidelines for senior executive remuneration. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the AGM. The guidelines shall be in force until new guidelines are adopted by the general meeting. The Remuneration Committee shall also monitor and evaluate programs for variable remuneration for executive management, the application of the guidelines for senior executive remuneration as well as the current remuneration structures and compensation levels in Precise Biometrics. The members of the Remuneration Committee are independent of the company and its executive management. The Board members, the CEO and other members of executive management do not participate in the Remuneration Committee's or the Board of Directors' processing of and resolutions regarding remuneration-related matters insofar as they are affected by such matters.

## 7. DEVIATION FROM THE GUIDELINES

The Board of Directors may temporarily resolve to derogate from the guidelines, in full or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interests, including its sustainability, or to ensure Precise Biometrics' financial viability. As set out above, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

## CHANGE IN CONTROL CLAUSE

There are no agreements between the company and its employees, with the exception of the employment contracts commented on above, under which compensation must be paid to employees if their employment is terminated as a result of a public takeover bid.

## SUSTAINABILITY AND ENVIRONMENT

Sustainability is an important part of Precise Biometrics' business. The company focuses on the areas where our business is considered to have the greatest impact: Working Environment, Equal Treatment in All Relationships, Business Ethics and Environment.

Precise Biometrics works continuously to create a workplace that prevents any unhealthy impact on the health and well-being of employees. Different backgrounds and experiences are important for the company's development, and Precise Biometrics does not accept any form of discrimination against employees in connection with employment or duties at work on the basis of gender, religion, age, physical ability, sexual orientation, nationality, political opinion or social or ethnic origin. The company's Code of Conduct emphasizes the fundamental ethical principles that Precise Biometrics observes when conducting its business operations, and supports the company's employees and consultants in their relations with business partners and other stakeholders. The Code of Conduct includes, among other things, guidelines, values and rules on ethical business, relationships with employees, customers and suppliers, and information to shareholders. Precise Biometrics strives to select efficient, sustainable alternatives in order to reduce the company's impact on the environment. The company develops and sells fingerprint software, which in itself has little impact on the environment. Precise Biometrics strives to choose environmentally friendly IT infrastructure and deliver software solutions as downloadable files, which involves minimal environmental impact in connection with delivery and distribution.

## SIGNIFICANT RISKS AND UNCERTAINTIES

The following specification of risk factors does not claim to be complete, nor are the risks ranked in their order of importance.

### ACQUISITIONS

EastCoast Solutions was acquired in December 2021 and an acquisition calculation was prepared. Risk associated with the acquisition is primarily if sales and earnings in the future do not

develop as planned, in which case there may be a need to write down intangible assets.

### TECHNOLOGICAL DEVELOPMENT

The market in which the company operates is subject to rapid changes. New technology and new players are constantly emerging. The company's technology must therefore to a large extent be accepted by the leading players in the market, both by suppliers and customers. The market must be mature enough to understand and accept the new technology supplied by the company.

### MARKET DEVELOPMENT

As the market in which the company operates grows and the number of players increases, there is a risk that alternative technologies will be developed and that the price of comparable products will thereby be reduced. This can mean that major investments in marketing and sales may be required to achieve the expected sales volumes. There is also competition in the field of biometric authentication solutions, which may affect the company's opportunities to become established in this area.

### STAFF

There are a number of key persons in Precise Biometrics who are important for operations, especially in research and development, where they possess unique skills. If one or more of these key persons should leave the company it could, in the short term, have a negative impact on the business. There is also a risk that the recruitment of new staff for these positions could take time and result in additional costs for the company.

### PARTNERS

The company cooperates with several partners. They include sensor manufacturers, system integrators and suppliers of applications. The company relies on these partnerships so it can offer end customers complete security solutions. There is a risk of closure for one or more of these partnerships, or that they fail to achieve the expected results, which would lead to a loss in expected future revenues.

### PATENTS AND INDUSTRIAL AND INTELLECTUAL PROPERTY RIGHTS

It is important for the company to protect its technology and products through patents or other industrial and intellectual property rights in order to create opportunities for future revenues. The company therefore pursues an active patent strategy, which involves applying for patents for strategically important inventions in selected countries. Nevertheless, it cannot be guaranteed that the company will obtain patents in the countries where it has made applications, or that patents will not be declared invalid. There is also a risk that the company's patents will be circumvented (known as a design around) or that the company's technology will be used in countries where the company has no patent protection. The company cannot guarantee that its products will not be considered to infringe on other granted patents or other intellectual property rights, and if such is the case the company's business, profits, opportunities to deliver products and financial position may be negatively affected.



## COMPETITORS

The company is active in the market for biometrics. The competition in this market is extreme. Competing companies can have substantially larger financial and industrial resources at their disposal than the company, and it cannot be ruled out that competition from players like this will lead to diminished market shares and/or a reduction in Precise Biometrics' profitability.

## SALES

The biometrics market is still at an early stage. Judgments and decisions in a rapidly developing industry are made with reservation for several uncertainty factors. There is a dependency on partners and the development of competitors, as well as the market's acceptance of biometrics. Another important factor is the development rate and penetration of the services in which biometric solutions will be used, which leads to difficulties in predicting the future development of the business. The development of the company depends on the continued expansion of the market for biometrics. A delay in the penetration of more applications and markets will affect sales and profits. Risks inherent in Precise Biometrics' having been dependent on a small number of hardware partners for its sales have been reduced by having more customers and a platform-independent product portfolio.

## FORECASTING UNCERTAINTY

The company operates in a rapidly changing market. The market for biometric products is, in many aspects, in an early stage of development and revenues are to a large extent based on royalties from customers using them. All products are characterized by long selling-in processes. Earlier or later submissions of orders can have a significant effect on sales and profits. These factors make forecasting very difficult.

## COVID-19

In 2022, it was primarily employees in the office in Shanghai that were affected by Covid lockdowns and worked from home for much of the year. Precise was affected at the beginning of the year by the global shortage of components, which is to some extent a consequence of Covid-19. The component shortage among our customers contributed to reduced royalty revenues. The component shortage resulted in Precise's customers, mobile manufacturers and module houses, building up large stocks of components, and the end of 2022 was characterized by low end-customer demand in the mobile market and continued large stocks at mobile manufacturers and module houses, which led to a further reduction in royalty revenues.

## THE WAR BETWEEN RUSSIA AND UKRAINE

The company has no customers or suppliers in Ukraine or Russia, but may feel the effects of the prevailing economic situation and increased costs that affect both Precise and the company's customers and suppliers.

## FINANCIAL RISKS

The company is exposed to various financial risks, which are managed in accordance with policies adopted by the Board. The company is mainly exposed to capital risk, currency risk and credit risk. There is no guarantee that new capital can be acquired if the need should arise, or that such capital can be acquired on favorable terms. The currency risk to which the company is exposed arises primarily from the fact that the company's expenses are primarily in Swedish kronor (SEK), while a significant part of revenues are generated in foreign currency, mainly USD. The company works on the basis of a policy that aims to minimize currency exposure in the business by means of hedging USD. The company has guidelines on issuing credit to its customers. The company works continuously to minimize the period for which the company currently has capital tied up, particularly in accounts receivable.

For additional information, please refer to Note 12 in the notes for the group.

## THE PARENT COMPANY

The parent company's net sales for the year totaled SEK 72.0 (79.0) million. The operating profit/loss totaled SEK –22.7 (–14.7) million and was affected by amortization of goodwill totaling SEK 2.5 (2.5) million.

Cash and cash equivalents at the end of the year totaled SEK 33.1 (52.8) million and equity totaled SEK 137.5 (117.1) million.

## PROPOSED DISTRIBUTION OF EARNINGS

The following assets are at the disposal of the AGM:

Share premium reserve, SEK	138,057,641
Retained earnings, SEK	–23,209,832
Net loss for the year, SEK	–19,844,947
Total non-restricted equity, SEK	95,002,862

The Board proposes that SEK 27,044,289 to be carried forward in a new account. The Board proposes that the AGM should not issue a dividend for the fiscal year 2022.

# CORPORATE GOVERNANCE REPORT

## 2022

The Corporate Governance Report provides a general description of how corporate governance within Precise Biometrics works, how the company's decision-making functions, and how the company applies the Swedish Corporate Governance Code ("the Code"). Certain disclosures in accordance with Chapter 6, Section 6 of the Swedish Annual Accounts Act can be found in the Administration Report on pages 26-32 in the Annual Report.

### GOVERNANCE OF PRECISE BIOMETRICS

Corporate governance is the system through which the owners, directly or indirectly, govern and control a company. In a limited liability company like Precise Biometrics, governance, control and management are allocated between the shareholders, auditors, Board of Directors and the CEO in accordance with current legislation, regulations and instructions. The governance of Precise Biometrics is based on the Swedish Companies Act, the company's articles of association, the Nasdaq Stockholm rules for issuers (<https://www.nasdaq.com/solutions/rules-regulations-stockholm>), the Code ([www.bolagsstyrning.se](http://www.bolagsstyrning.se)), and internal policy documents such as the financial policy and the information policy, see website under Investors/Corporate Governance.

The Board of Directors of Precise Biometrics is responsible for implementing appropriate corporate governance and reviews this annually together with senior executives. The Corporate Governance Report describes how Precise Biometrics was governed during 2022. There are no deviations from the Code to report for the fiscal year 2022.

### ARTICLES OF ASSOCIATION

The company's articles of association contain no restrictions on the number of votes that each shareholder may cast at a shareholders' general meeting. The company's articles of association contain no special provisions concerning the appointment or dismissal of Board members, or concerning amendments to the articles of association.

### ANNUAL GENERAL MEETING

The AGM is Precise Biometrics' highest ranking decision-making body and the forum through which shareholders can exercise their influence over the company. Shareholders have the right to participate and to cast votes for all their shares. At the time of publication of the annual report, one shareholder in the company has a holding that represents more than one tenth of the voting rights for all shares in the company: Egis Technology Inc., which holds 12.1% of the votes. At the AGM, shareholders exercise their right to vote by appointing Board members and external auditors, deciding on the

adoption of the income statement and balance sheet, and expressing an opinion on the discharge from liability for Board members and the CEO in relation to the company. Guidelines on remuneration for senior executives are adopted at least every four years.

Precise Biometrics' AGM was held in Lund on Thursday, May 19, 2022. The AGM adopted the accounts for 2021 and granted the Board of Directors and the CEO discharge from liability for the fiscal year 2021. In addition to mandatory matters, as set out in the articles of association, the following decisions were made:

- Torgny Hellström, Torbjörn Clementz, Mats Lindoff, Synnöve Trygg and Åsa Schwarz were re-elected as Board members, and Peter Gullander was elected as new Board member. Torgny Hellström was re-elected as Chairman of the Board.
- The accounting firm Ernst & Young AB was re-elected as the company's auditor for a mandate period of one year, with authorized public accountant Martin Henriksson as lead auditor.
- No dividend was paid for the fiscal year 2022.
- The size of the Board and committee fees was determined.
- The Annual General Meeting resolved to authorize the Board, on one or more occasions until the next Annual General Meeting and with or without preferential rights, to make a decision on the issue of shares and/or convertible debentures corresponding to a maximum of 10% of registered share capital (at the time of the decision on the new share issue).
- The Annual General Meeting resolved, in accordance with the proposal from shareholder Maida Vale Capital AB, to consolidate the company's shares 1:10, whereby ten shares are consolidated into one and the total number of shares in the company is reduced from 395,963,940 to 39,596,394. The meeting also decided to authorize the Board of Directors to make a decision on the record date for the consolidation, and to change the limits of the Articles of Association for the number of shares so that the number of shares shall be at least 30,000,000 and at most 120,000,000.
- The Annual General Meeting resolved to establish a long-term, share-based incentive plan for the company's incoming CEO Patrick Höijer.
- The Annual General Meeting resolved to establish a long-term share bonus program (LTI 2022/2028) for all employees in Precise Biometrics.

For further information on the decisions taken at the AGM 2022, please refer to the company's website under Investors/Corporate Governance/Annual General Meeting.

Precise Biometrics' 2023 Annual General Meeting will be held on May 22, 2023. Shareholders who wish to participate in the meeting must be registered in the company's share register no later than May 11, 2023, and applications to participate in the meeting must be submitted as indicated in the notice.

## EXTRAORDINARY GENERAL MEETING

Precise Biometrics' extraordinary general meeting was held in Lund on Monday, September 5, 2022. The following decisions were made:

- The general meeting resolved to approve the Board's decision on the new issue of common shares with preferential rights for existing shareholders. The Board of Directors resolved, on August 10, 2022, subject to the approval of the general meeting, on a preferential issue of a maximum of 6,599,399 common shares at a subscription price of SEK 6.44 per share.
- The general meeting resolved, in accordance with the Board's proposal, to authorize the Board of Directors to make a decision to increase the company's share capital through the new issue of a maximum of 2,339,787 common shares. The authorization can be used to issue shares to Egis Technology Inc in accordance with the extension option that the company announced on August 10, 2022.
- The general meeting also resolved, in accordance with the Board's proposal, to authorize the Board of Directors to make a decision on the new issue of common shares and/or convertible debentures for a total of no more than 20% of the share capital at the time of the decision on the new share issue.

## NOMINATION COMMITTEE

According to the principles for the organization of the nomination committee adopted at the AGM 2016, the nomination committee shall consist of representatives of two to three of the company's largest shareholders as of August 31 in the year before the year in which the AGM is held, and the Chairman of the Board. If any of these shareholders should forgo the opportunity to appoint a representative, the shareholder with the next largest holding shall be consulted.

The nomination committee prior to the AGM 2022 consisted of chair Anna Sundberg (Handelsbanken Fonder), Robert Vicsai (SEB Investment Management), David Ingvarsson (own and related party holding) and Torgny Hellström (Chairman of the Board). The nomination committee's motivating statement before the AGM 2022 stated that the nomination committee had, in preparing its proposal for the Board, applied rule 4.1 in the Code as a diversity policy. The aim of the policy is that the Board shall have an appropriate composition with due reference to the company's operations, stage of development and situation in general, characterized by versatility and breadth with regard to competence, experience and

background, and that the aim should be to have an even gender balance. The AGM 2022 decided to appoint Board members in accordance with the nomination committee's proposal, which resulted in the current Board, consisting of six members, two of them women and four men, the nomination committee considered to be appropriate as it corresponded to the target level that the Swedish Corporate Governance Board expressed prior to 2022. The nomination committee is of the opinion that work aimed at achieving a gender-equal Board in accordance with the Code should continue.

Prior to the AGM 2023, the nomination committee consists of chair David Ingvarsson, appointed by RM International AB as well as own and related party holdings, Julian Aleksov, appointed by MV Capital AB, Oskar Börjesson, appointed by Skandia Fonder AB and Torgny Hellström, Chairman of the Board.

The nomination committee is assigned to submit proposals at the AGM to the Chairman of the Board and other Board members, including a motivating statement concerning the proposals, propose remuneration for Board members and auditors, and submit a proposal for a person to chair the AGM. In addition the nomination committee shall also express an opinion on the independence of the Board members in relation to the company and major shareholders.

## BOARD OF DIRECTORS

The Board is responsible for the company's organization and the administration of the company's affairs, and is tasked with managing the company's affairs on behalf of the owners in such a way that the owners' interest in a good, long-term return on capital invested is satisfied in the best possible way. The Board is responsible for ensuring that the company's organization is appropriate and that the business is run in accordance with the Swedish Companies Act, the articles of association, the Code, other applicable laws and regulations, and the Board's rules of procedure.

The Board follows written rules of procedure that are adopted every year. The rules of procedure include instructions for the Company's president, the assignments incumbent on the chairman, the agenda of Board meetings, and decision-making procedures. In accordance with the rules of procedure, eight ordinary Board meetings shall be held in addition to the statutory Board meeting. The Board meets according to an annual schedule adopted in advance. In addition to these, the Board convenes whenever necessary. In 2022, the Board held 27 Board meetings at which minutes were taken.

The Chairman organizes and leads the work of the Board. Issues dealt with during the year included strategy and long-term focus, organization, corporate governance, financing, and interim and year-end reports. The Board conducted an evaluation of the Board in which members submitted in writing their views on the Board and the work of the Board. The results were discussed at individual meetings between each Board member and the Chairman of the Board, and jointly with the entire Board. The Chairman of the Board presented the results of the Board evaluation to the nomination committee.

The CEO keeps the Board of Directors up to date at all times on the development of the business. In addition to the ordinary meetings, the Chairman and other directors have been in continuous contact with senior executives in the company, primarily the CEO and the CFO. In addition to meetings where minutes were taken, the Board has received monthly updates on the company's financial results and position.

Precise Biometrics' Board of Directors shall, in accordance with the articles of association, consist of a minimum of three, and a maximum of seven members. Since the AGM 2022 the Board has consisted of six members: Torgny Hellström (Chairman), Torbjörn Clementz, Mats Lindoff, Åsa Schwarz, Synnöve Trygg and Peter Gullander. All Board members are independent in relation to Precise Biometrics and corporate management, and also to larger shareholders. At the time of the submission of the annual report, none of the Board members in the company have a direct or indirect holding in the company that represents at least one tenth of the voting rights for all shares in the company. The table below sets out the age, education and other assignments of Board members, together with their holding of financial instruments in the company. The table below also reports the attendance of members at Board and committee meetings, year elected, etc., as well as their independence.

### AUDIT COMMITTEE

The audit committee's undertaking is to support the Board in its work to fulfill its responsibilities in the areas of auditing, internal control and financial reporting. In addition to this, the work of the audit

committee includes supporting the Board in the preparation of proposals for the choice of auditor and, when applicable, the procurement of audit services, monitoring the auditor's independence and staying informed about the Swedish Supervisory Board of Public Accountants' quality control of the auditor. In 2022, the committee focused primarily on reporting (quarterly reports, annual financial reporting and internal reporting), business-related risks and internal control. The committee holds meetings two to three times a year and in conjunction with the compilation of each interim report. The committee held seven meetings during the year, of which four were in conjunction with the quarterly reports. The audit committee must meet the company's auditor at least twice in every calendar year. Since the AGM 2022 the company's audit committee has consisted of Board members Torbjörn Clementz (committee chairman), Torgny Hellström and Synnöve Trygg.

### COMPENSATION COMMITTEE

The duties of the compensation committee include issues concerning salaries, pension terms and conditions, incentive plans and other terms and conditions for the employment of the CEO and other leading executives. In 2022, the committee focused primarily on remuneration to senior executives, including the issue of incentive plans. The committee has also prepared Board proposals for guidelines for remuneration to senior executives, which can be found in the Administration Report. The committee held one meeting during the year. Since the AGM 2022, the company's compensation committee has consisted of Board members Torbjörn Clementz (committee chairman), Åsa Schwarz and Mats Lindoff.





# BOARD OF DIRECTORS



**Torgny Hellström**  
Chairman

## YEAR OF SELECTION

2013

## YEAR OF BIRTH

1958

## EDUCATION

LL.M., IBM Executive Education at Thunderbird (University of Phoenix).

## OTHER SIGNIFICANT ASSIGNMENTS

Chairman of Starbreeze AB, Drupps AB and Swipp AB. Founder and senior management consultant at Ruddex International AB.

## PREVIOUS ASSIGNMENTS

Chairman of the Board at DDM Holding AG and MagComp AB, Board member at True Heading AB and Board member at Seapilot AB, CEO and other leading positions within Anoto Group, Vice President at Ericsson, leading positions within Ericsson, IBM Europe and IBM Nordic legal dept.

## SHARES IN PRECISE

46,666 (through company and privately)

## ATTENDANCE/NUMBER OF BOARD MEETINGS

27/27

## COMMITTEE WORK

Audit committee & Compensation committee

## ATTENDANCE/NUMBER OF COMMITTEE MEETINGS

7/7 & 1/1

## INDEPENDENT OF THE COMPANY AND ITS MANAGEMENT

Yes

## INDEPENDENT OF THE COMPANY AND ITS MANAGEMENT AND MAJOR SHAREHOLDERS

Yes



**Synnöve Trygg**  
Board member

## YEAR OF SELECTION

2016

## YEAR OF BIRTH

1959

## EDUCATION

BBA Stockholm University and Advanced Management Program – Stockholm School of Economics.

## OTHER SIGNIFICANT ASSIGNMENTS

Board member at Volvo Finans Bank, SBAB Bank and AB Sveriges Säkerställda Obligationer.

## PREVIOUS ASSIGNMENTS

CEO at SEB Kort Bank AB, Board member at companies incl. Intrum AB, Landshypotek Bank AB, Trygg Hansa, MasterCard Europé, DinersClub International, Eurocard AB.

## SHARES IN PRECISE

7,000

## ATTENDANCE/NUMBER OF BOARD MEETINGS

27/27

## COMMITTEE WORK

Audit committee

## ATTENDANCE/NUMBER OF COMMITTEE MEETINGS

7/7

## INDEPENDENT OF THE COMPANY AND ITS MANAGEMENT

Yes

## INDEPENDENT OF THE COMPANY AND ITS MANAGEMENT AND MAJOR SHAREHOLDERS

Yes



**Åsa Schwarz**  
Board member

## YEAR OF SELECTION

2019

## YEAR OF BIRTH

1973

## EDUCATION

Bachelor of Arts with a major in Computer and Systems Science and in Business Administration, from Stockholm University & KTH.

## OTHER SIGNIFICANT ASSIGNMENTS

Responsible for business development and communication at Knowit Cybersecurity & Law. Board member at Enea and author of own company.

## PREVIOUS ASSIGNMENTS

Over twenty years of experience in cyber security and has worked in the industry in many different roles, such as security specialist, marketing manager and founder of companies such as Cybercom, Nexus and Dagaz.

## SHARES IN PRECISE

16,000

## ATTENDANCE/NUMBER OF BOARD MEETINGS

27/27

## COMMITTEE WORK

Compensation committee

## ATTENDANCE/NUMBER OF COMMITTEE MEETINGS

1/1

## INDEPENDENT OF THE COMPANY AND ITS MANAGEMENT

Yes

## INDEPENDENT OF THE COMPANY AND ITS MANAGEMENT AND MAJOR SHAREHOLDERS

Yes



**Torbjörn Clementz**

Board member

**YEAR OF SELECTION**

2009

**YEAR OF BIRTH**

1961

**EDUCATION**

MBA

**OTHER SIGNIFICANT ASSIGNMENTS**

Own consultancy firm and Board member at Sport & Rehabkliniken in Ängelholm.

**PREVIOUS ASSIGNMENTS**

CFO at Kährs Group and One Nordic AB, CFO and Vice President at BE Group, Chairman at Veg of Lund AB.

**SHARES IN PRECISE**

6,948

**ATTENDANCE/NUMBER OF BOARD MEETINGS**

27/27

**COMMITTEE WORK**

Audit committee (chairman)

**ATTENDANCE/NUMBER OF COMMITTEE MEETINGS**

7/7

**INDEPENDENT OF THE COMPANY AND ITS MANAGEMENT**

Yes

**INDEPENDENT OF THE COMPANY AND ITS MANAGEMENT AND MAJOR SHAREHOLDERS**

Yes



**Mats Lindoff**

Board member

**YEAR OF SELECTION**

2014

**YEAR OF BIRTH**

1961

**EDUCATION**

M.Sc.

**OTHER SIGNIFICANT ASSIGNMENTS**

Consultant in own business Lindoff Technology AB and Board member at Enea and Combain.

**PREVIOUS ASSIGNMENTS**

CTO at Sony Ericsson, CEO at C Technologies, Head of Product Development at Ericsson

**SHARES IN PRECISE**

8,666

**ATTENDANCE/NUMBER OF BOARD MEETINGS**

27/27

**COMMITTEE WORK**

Compensation committee

**ATTENDANCE/NUMBER OF COMMITTEE MEETINGS**

1/1

**INDEPENDENT OF THE COMPANY AND ITS MANAGEMENT**

Yes

**INDEPENDENT OF THE COMPANY AND ITS MANAGEMENT AND MAJOR SHAREHOLDERS**

Yes



**Peter Gullander**

Board member

**YEAR OF SELECTION**

2022

**YEAR OF BIRTH**

1968

**EDUCATION**

M.Sc., Linköping University  
MBA, INSEAD

**OTHER SIGNIFICANT ASSIGNMENTS**

CEO & Founder of YellowTree Advisors.  
Co-founder of Gapyel.  
Board assignments at companies incl. Curonova and Guldbrev.

**PREVIOUS ASSIGNMENTS**

Over 20 years' experience in acquisitions and financing of tech companies from companies including Inlandsinnovation, Verdane Capital Advisors and Intel Capital.

**SHARES IN PRECISE**

15,000

**ATTENDANCE/NUMBER OF BOARD MEETINGS**

21/21

**COMMITTEE WORK**

-

**ATTENDANCE/NUMBER OF COMMITTEE MEETINGS**

-

**INDEPENDENT OF THE COMPANY AND ITS MANAGEMENT**

Yes

**INDEPENDENT OF THE COMPANY AND ITS MANAGEMENT AND MAJOR SHAREHOLDERS**

Yes

## GROUP EXECUTIVE TEAM

Precise Biometrics' group executive team is based at the headquarters in Lund, Sweden. At the end of 2022, the group executive team consisted of the CEO & CCO Digital Identity, CFO, EVP & CCO Algo, CEO EastCoast and Head of Marketing & Communications. The composition of the group ensures short decision-making channels. The group held formal weekly meetings during the year and a strategy and budget meeting. The table below provides a more detailed presentation of the executive team.

## AUDITORS

At the AGM 2022, Ernst & Young AB (EY), with Martin Henriksson as lead auditor, was elected to be Precise Biometrics' auditor for the period until the AGM 2023. The auditors undertake assignments for other listed companies, but not to such an extent that the time required is not allocated for Precise Biometrics. The auditors have no assignments that would call into question their independence. As part of the audit assignment, the auditor participated in one Board meeting and three audit committee meetings, and has been in regular contact with the CEO, the CFO and the Chairman of the Board.

Information on remuneration to the auditors, both for the parent company and the group, can be found in Note 6 in the group's notes and in Note 6 in the parent company's notes.

## INTERNAL CONTROL AND RISK MANAGEMENT IN RESPECT OF FINANCIAL REPORTING

In accordance with both the Swedish Companies Act and the Code, the Board is responsible for ensuring that the company maintains a good level of internal control and is regularly informed of and evaluates how the company's system for internal control is working. The report has been limited to include only the internal control of financial reporting.

The company's organization and the way the business is run form an important platform for internal control. All areas of responsibility and employees have clearly defined roles. The most important policy documents are documented in the form of policies and instructions, and have been adopted by the Board and are revised annually. These documents are primarily the economic and financial policy, the Code of Conduct, the communication policy, and the insider policy.

### CONTROL ENVIRONMENT

Operational decisions are made by the group executive, while decisions on strategy, focus, acquisitions and general financial matters are made by the Board. Internal control is designed to work in this organization. The basis of internal control in respect of financial reporting consists of the general control environment comprising an organization, decision-making paths, authorizations and responsibilities that have been documented and communicated.

The company's control environment also consists of collaboration between the group executive, the Board and the compensation and

audit committees. In order to create and maintain a functional control environment the Board has prepared several important documents for the financial reporting. These documents consist of, among other things, the rules of procedure as applied by the Board and instructions for the CEO. The CEO is responsible for ensuring that the guidelines adopted by the Board are followed in daily operational work. The CEO briefs the Board on a fixed regular basis at Board meetings and through monthly reports. The company follows well-defined procedures in relation to annual and monthly financial reporting. The closing financial statements are presented to the Board according to a predetermined template.

The company's auditors report at least once every fiscal year to the Board and at least twice to the audit committee. An examination of internal control was performed within the framework of the external audit. The lead auditor also maintains regular contact with the Chairman of the Board.

### RISK ASSESSMENT

The group executive and the Board perform an assessment on an ongoing basis of the extent of the company's risk management, in particular in respect of financial reporting. The company pays special attention to risks in the financial statements, i.e., whether there are any accounting errors and the way in which assets and liabilities are valued. The management of internal transactions within the group can also be subject to risks. These risks are considered, however, to be of minor importance in that the company has a well-defined monthly financial reporting process and established follow-up procedures and policies.

### CONTROL ACTIVITIES

To guarantee that the financial reporting process at all times presents a fair and true view, a number of control activities have been integrated, and these involve various parts of the organization. The company has a limited number of people who are company signatories, and an appropriate set of attestation rules has been produced and is updated as required. Manual inspections are carried out to prevent errors in financial reporting. These inspections are also integrated into accounting and other IT systems.

### INFORMATION AND COMMUNICATION

Precise Biometrics has defined how information and communication in respect of financial reporting shall take place effectively and correctly. The communication policy drawn up aims to promote the correctness of the company's communication, both externally and internally.

External information and communication take place in accordance with the EU's Market Abuse Regulation, Swedish law, the stock exchange's Rule Book for Issuers and the Code. The company issues interim financial statements for the business three times a year, as of March 31, June 30 and September 30. The company also reports on the year-end financial statements as of December 31 in its year-end report. All documents, press releases and presentations in connection with reports are available on the company's website.

The Board receives monthly reports from the CEO and the CFO about the company's financial position, development and projects in progress. The company continuously informs staff of updates to accounting policies, policies and other changes in reporting requirements.

#### **FOLLOW-UP**

The Board and the audit committee continually assess the information submitted by the group executive. The company's financial situation is reviewed at every Board meeting and through monthly reports. Budget comparisons and forecasts, including analysis of any deviations, are described in the monthly reports. The

Board examines interim and year-end financial statements before they are published. Every year the Board evaluates both its own work and that of the CEO.

#### **INTERNAL AUDITS**

Precise Biometrics has well-prepared governance and internal control systems, compliance with which is followed up regularly at various levels within the company. Precise Biometrics is a relatively small company with a limited number of employees and clients. In view of this, the Board has decided that there is not currently a need to set up a special audit function. This assessment is reviewed annually by the Board.

## MANAGEMENT GROUP



**Patrick Höijer**

CEO & CCO Digital Identity



**Annika Freij**

CFO



**Richard Skalsky**

CEO – EastCoast Solutions (part of Digital Identity)



**Fredrik Sjöholm**

EVP & CCO Algo



**Anna Leo**

Head of Marketing & Communications

#### **EMPLOYED SINCE**

2022

#### **YEAR OF BIRTH**

1975

#### **EDUCATION**

M.Sc. (Econ.), LL.M,  
Stockholm University

#### **PREVIOUS ASSIGNMENTS**

CCO Large & Key Account Nets MS Group, CEO Nets Sweden, as well as many years of experience and several managerial positions within Nets Group, Tele 2 and E.ON Broadband.

#### **HOLDING**

233,33 shares  
100,000 stock options

#### **EMPLOYED SINCE**

2021

#### **YEAR OF BIRTH**

1977

#### **EDUCATION**

MBA

#### **PREVIOUS ASSIGNMENTS**

Many years of experience from leading financial positions at Sony Ericsson and Axis Communications. Most recently a position as Finance Manager Northern Europe at Axis Communications.

#### **HOLDING**

4,070 shares

#### **EMPLOYED SINCE**

1999 (EastCoast Solutions AB – part of Precise since 2021)

#### **YEAR OF BIRTH**

1965

#### **EDUCATION**

Upper secondary education, technical program

#### **PREVIOUS ASSIGNMENTS**

IT coordinator and project manager at Vattenfall Founder and CEO of EastCoast Solutions.

#### **HOLDING**

814,620 shares via RM International AB

#### **EMPLOYED SINCE**

2016

#### **YEAR OF BIRTH**

1970

#### **EDUCATION**

MBA

#### **PREVIOUS ASSIGNMENTS**

Many years of experience from senior positions in sales and business development at technology companies such as Cybercom, ENEA, Sony Ericsson and Telelogic.

#### **HOLDING**

7,500 shares

#### **EMPLOYED SINCE**

2019

#### **YEAR OF BIRTH**

1974

#### **EDUCATION**

Marketing Communication/PR

#### **PREVIOUS ASSIGNMENTS**

Many years of experience in PR, Communication and Marketing in the Lifestyle & Tech segments, most recently as Global PR & Communications Manager, Anima/Kronaby and Nordic PR & Lifestyle Marketing Manager, PUMA Nordic.

#### **HOLDING**

4,000 shares



# FIVE-YEAR OVERVIEW (GROUP)

## INCOME STATEMENT

<i>Amounts in SEK thousands</i>	2022	2021	2020	2019	2018
Net sales	91,018	83,319	92,349	91,927	67,645
Cost of goods and services sold	-25,982	-19,776	-14,581	-12,470	-10,000
<b>Gross profit</b>	<b>63,036</b>	<b>63,543</b>	<b>77,768</b>	<b>79,457</b>	<b>57,645</b>
Selling expenses	-34,796	-31,649	-30,737	-28,220	-27,664
Administrative expenses	-17,613	-18,018	-15,181	-14,811	-15,508
R&D expenses	-34,905	-28,161	-35,941	-35,794	-33,519
Other operating income/expenses	2,262	212	-1,701	19	-912
<b>Operating profit/loss</b>	<b>-20,016</b>	<b>-14,073</b>	<b>-5,792</b>	<b>651</b>	<b>-19,958</b>
Net financial items	-3,453	724	-618	-556	-607
<b>Profit/loss after financial items</b>	<b>-23,470</b>	<b>-13,349</b>	<b>-6,410</b>	<b>95</b>	<b>-20,565</b>
Tax	1,239	-97	-5,754	926	-1,622
<b>Profit/loss for the year</b>	<b>-22,230</b>	<b>-13,446</b>	<b>-12,164</b>	<b>1,021</b>	<b>-22,187</b>

## BALANCE SHEET

<i>Amounts in SEK thousands</i>	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018
<b>Assets</b>					
Tangible assets	3,366	4,196	2,217	820	918
Right of use assets	5,724	7,270	6,705	1,065	-
Goodwill and intangible assets	138,898	135,480	47,664	42,415	47,955
Deferred tax assets	-	-	-	5,750	5,213
Current assets	65,234	94,106	96,367	108,423	104,701
- Of which cash and cash equivalents	46,405	64,102	76,258	73,676	79,543
<b>Total assets</b>	<b>213,222</b>	<b>241,052</b>	<b>152,953</b>	<b>158,473</b>	<b>158,787</b>
<b>Equity and liabilities</b>					
Equity	146,302	128,053	114,044	126,467	125,481
Current liabilities	41,570	72,536	33,241	31,880	33,306
Long-term liabilities	25,350	40,463	5,668	126	-
<b>Total equity and liabilities</b>	<b>213,222</b>	<b>241,052</b>	<b>152,953</b>	<b>158,473</b>	<b>158,787</b>

## CASH FLOW STATEMENT

<i>Amounts in SEK thousands</i>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Cash flow from operating activities before changes in working capital	852	1,089	6,083	11,488	-9,339
Changes in working capital	3,079	-2,582	15,813	-11,965	-16,716
Cash flow from investing activities	-60,008	-30,258	-17,897	-5,843	-11,386
Cash flow from financing activities	38,313	19,543	-1,378	396	-96
<b>Change in cash &amp; cash equivalents</b>	<b>-17,764</b>	<b>-12,208</b>	<b>2,621</b>	<b>-5,924</b>	<b>-37,537</b>

## KEY FIGURES (GROUP)

<i>Amounts in SEK thousands unless otherwise stated</i>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Net sales	91,018	83,319	92,349	91,927	67,645
Net sales growth, %	9.2%	-9.8%	0.5%	35.9%	10.8%
Gross margin, %	71.5%	76.3%	84.2%	86.4%	85.2%
Operating profit/loss	-20,016	-14,073	-5,792	651	-19,958
Operating profit/loss, total operation	-20,016	-14,073	-5,867	224	-18,225
Working capital, total operation	33,498*	54,414*	63,126	76,544	71,395
Capital employed, total operation	146,302	128,053	119,712	126,593	125,481
Liquidity ratio, total operation, %	156%	129%	287%	340%	314%
Equity/assets ratio, total operation, %	68.6%	53.1%	74.6%	79.8%	79.0%
Return on equity, total operation, %	neg	neg	neg	0.5%	neg
Earnings per share before dilution, SEK	-0.47	-0.34	-0.34	0.02	-0.57
Earnings per share before dilution, total operation, SEK	-0.47	-0.34	-0.34	0.02	-0.57
Earnings per share after dilution, SEK	-0.47	-0.34	-0.34	0.02	-0.57
Earnings per share after dilution, total operation, SEK	-0.47	-0.34	-0.34	0.02	-0.57
Equity per share, total operation, SEK	3.08	3.23	3.17	3.51	3.48
No. of shares (thousands)	47,513	39,596	36,023	36,023	36,023
Weighted average number of shares, adjusted for dilution effect (thousands)	41,304	36,224	36,023	36,088	36,023
Number of employees at end of period	30	31	23	22	27
Average number of employees during the period	30	25	24	20	32
Annual Recurring Revenue**	16,190	-	-	-	-

\* The key figure is calculated excluding current liabilities to EastCoast International AB.

\*\* Annual recurring revenue (ARR) has no comparative figures from previous periods.

See the Financial Glossary for definitions and purpose of key figures.

## RECONCILIATION OF ALTERNATIVE KEY FIGURES (GROUP)

Amounts in SEK thousands unless otherwise stated

	2022	2021	2020	2019	2018
Gross profit	63,036	63,543	77,768	79,457	57,645
Net sales	91,018	83,319	92,349	91,927	67,645
<b>Gross margin, %</b>	<b>71.5%</b>	<b>76.3%</b>	<b>84.2%</b>	<b>86.4%</b>	<b>85.2%</b>
Operating profit/loss	-20,016	-14,073	-5,792	651	-19,957
Net sales	91,018	83,319	92,349	91,927	67,645
<b>Operating margin, %</b>	<b>-22.0%</b>	<b>-16.9%</b>	<b>-6.3%</b>	<b>0.7%</b>	<b>-29.5%</b>
EBITDA	1,147	1,872	6,862	13,791	-11,189
Depreciation & amortization	-21,163	-15,945	-12,654	-13,140	-7,837
Write-downs	-	-	-	-	-932
<b>Operating profit/loss</b>	<b>-20,016</b>	<b>-14,073</b>	<b>-5,792</b>	<b>651</b>	<b>-19,958</b>
EBITDA, total operation	1,147	1,872	6,787	13,364	-9,456
Depreciation & amortization, total operation	-21,163	-15,945	-12,654	-13,140	-7,837
Write-downs, total operation	-	-	-	-	-932
<b>Operating profit/loss, total operation</b>	<b>-20,016</b>	<b>-14,073</b>	<b>-5,867</b>	<b>224</b>	<b>-18,225</b>
Current assets	65,234	94,106	96,367	108,423	104,701
Current liabilities excl. current liabilities EastCoast International	31,736	39,691	33,241	31,880	33,306
<b>Working capital, total operation</b>	<b>33,498</b>	<b>54,414</b>	<b>63,126</b>	<b>76,543</b>	<b>71,395</b>
Operating profit/loss, remaining operation	-20,016	-14,073	-5,792	651	-19,958
Operating profit/loss, discontinued operation	-	-	-75	-427	1,733
<b>Operating profit/loss, total operation</b>	<b>-20,016</b>	<b>-14,073</b>	<b>-5,867</b>	<b>224</b>	<b>-18,225</b>
Selling expenses	-34,796	-31,649	-30,737	-28,220	-27,664
Administrative expenses	-17,613	-18,018	-15,181	-14,811	-15,508
R&D expenses	-34,905	-28,161	-35,941	-35,794	-33,519
Other operating income/expenses	2,262	212	-1,701	19	-911
<b>Total operating expenses</b>	<b>-85,052</b>	<b>-77,616</b>	<b>-83,560</b>	<b>-78,806</b>	<b>-77,602</b>
Balance sheet total, total operation	213,222	241,052	152,953	158,473	158,787
Non interest-bearing liabilities, total operation, plus lease liabilities	66,930	112,999	33,241	30,809	33,306
<b>Capital employed, total operation</b>	<b>146,302</b>	<b>128,053</b>	<b>119,712</b>	<b>127,664</b>	<b>125,481</b>
Closing equity, total operation	146,302	128,053	114,044	126,467	125,481
<b>Average equity, total operation</b>	<b>137,909</b>	<b>111,919</b>	<b>122,248</b>	<b>116,941</b>	<b>137,035</b>
Current assets less inventories	64,923	93,558	95,315	108,423	104,701
Current liabilities	41,570	72,536	33,241	31,880	33,306
<b>Liquidity ratio, total operation</b>	<b>156%</b>	<b>129%</b>	<b>287%</b>	<b>340%</b>	<b>314%</b>
Equity	146,302	128,053	114,044	126,467	125,481
Balance sheet total, total operation	213,222	241,052	152,953	158,473	158,787
<b>Equity/assets ratio, total operation</b>	<b>68.6%</b>	<b>53.1%</b>	<b>74.6%</b>	<b>79.8%</b>	<b>79.0%</b>
Profit after taxes	-22,230	-13,446	-12,239	594	-20,454
Average equity	137,909	111,919	122,248	116,941	137,035
<b>Return on equity, total operation</b>	<b>Neg</b>	<b>Neg</b>	<b>Neg</b>	<b>0.5%</b>	<b>Neg</b>

\* The key figure is calculated including long-term and short-term liabilities to EastCoast International. See the Financial Glossary for definitions and purpose of key figures.

# CONSOLIDATED INCOME STATEMENT

Amounts in SEK thousands	Note	2022	2021
Net sales	2	91,018	83,319
Cost of goods and services sold	3	-25,982	-19,776
<b>Gross profit</b>		<b>65,036</b>	<b>63,543</b>
Selling expenses		-34,796	-31,649
Administrative expenses		-17,613	-18,018
R&D expenses		-34,905	-28,161
Other operating income/expenses		2,262	212
	3,4,5,6,7	<b>-85,052</b>	<b>-77,616</b>
<b>Operating profit/loss</b>		<b>-20,016</b>	<b>-14,073</b>
Interest income and similar income statement items	9	439	1,216
Interest expenses and similar income statement items	9	-3,892	-492
		<b>-3,453</b>	<b>724</b>
<b>Profit/loss before tax</b>		<b>-23,469</b>	<b>-13,349</b>
Tax	10	1,239	-97
<b>Profit/loss for the year, operation</b>		<b>-22,230</b>	<b>-13,446</b>
<b>Profit/loss attributable to parent company's shareholders</b>		<b>-22,230</b>	<b>-13,446</b>
Earnings per share, total operation, SEK			
- before dilution, SEK	11	-0.48	-0.34
- after dilution, SEK	11	-0.48	-0.34

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK thousands	2022	2021
<b>Profit/loss for the year</b>	<b>-22,230</b>	<b>-13,446</b>
<b>Other comprehensive income</b>		
Items that may be reclassified to profit or loss		
Translation differences, foreign operations	267	169
<b>Other comprehensive income for the year</b>	<b>267</b>	<b>169</b>
<b>Total comprehensive income</b>	<b>-21,963</b>	<b>-13,277</b>
<b>Comprehensive income for the year attributable to parent company's shareholders</b>	<b>-21,963</b>	<b>-13,277</b>



# CONSOLIDATED BALANCE SHEET

Amounts in SEK thousands

ASSETS	Note	12/31/2022	12/31/2021
<b>Fixed assets</b>			
Tangible assets	13	3,366	4,196
Right of use assets	8	5,724	7,270
Goodwill and intangible assets	14	138,898	135,480
<b>Total fixed assets</b>		<b>147,988</b>	<b>146,946</b>
<b>Current assets</b>			
Inventories		311	548
Accounts receivable	15, 20	11,478	24,027
Other receivables	20	3,643	1,923
Prepaid expenses	16	3,397	3,506
Cash and cash equivalents	20	46,405	64,102
<b>Total current assets</b>		<b>65,234</b>	<b>94,106</b>
<b>TOTAL ASSETS</b>		<b>213,222</b>	<b>241,052</b>
<b>EQUITY &amp; LIABILITIES</b>			
<b>Equity</b>			
Share capital		14,253	11,878
Additional paid-in capital		887,564	849,400
Reserves		4,535	4 268
Retained loss including profit/loss for the year		-760,049	-737 493
<b>Total Equity attributable to the parent company's shareholders</b>		<b>146,302</b>	<b>128,053</b>
<b>Long-term liabilities</b>			
Interest-bearing long-term liabilities	8,18	20,986	5,926
Deferred tax liability	10	4,364	5,615
Other long-term liabilities	18	-	28,922
<b>Total long-term liabilities</b>		<b>25,350</b>	<b>40,463</b>
<b>Current liabilities</b>			
Accounts payable	20	5,952	10,075
Interest-bearing current liabilities	8,18	11,739	1,669
Other current liabilities	18,20	1,732	34,241
Accrued expenses and deferred income	19,20	22,147	26,551
<b>Total current liabilities</b>		<b>41,570</b>	<b>72,536</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>213,222</b>	<b>241,052</b>

# CONSOLIDATED CASH FLOW STATEMENT

Amounts in SEK thousands

	Note	2022	2021
<b>Cash flow from operating activities</b>			
Operating profit/loss		-20,016	-14,073
Adjustments for items not included in cash flow		21,188	14,579
Interest payments, net	9	-299	724
Tax paid		-21	-141
<b>Cash flow from operating activities before changes in working capital</b>		<b>852</b>	<b>1,089</b>
<b>Cash flow from changes in working capital</b>			
Change in inventories		237	504
Change in current receivables		11,075	-6,284
Change in provisions		-	-
Change in current liabilities		-8,233	3,198
		<b>3,079</b>	<b>-2,582</b>
<b>Cash flow from operating activities</b>		<b>3,931</b>	<b>-1,493</b>
Acquisition of subsidiaries	21	-38,268	-10,676
Investment in tangible assets	13	-284	-2,823
Investment in intangible assets	14	-21,456	-16,759
<b>Cash flow from investing activities</b>		<b>-60,008</b>	<b>-30,258</b>
New share issue	17	44,319	23,000
Issue expenses	17	-3,936	-2,081
Buyback of own shares	17	-326	-
Payment for sale/buyback of options	17	156	-97
Payment of lease liability	8	-1,900	-1,279
<b>Cash flow from financing activities</b>		<b>38,313</b>	<b>-19,543</b>
<b>Cash flow for the year</b>		<b>-17,765</b>	<b>-12,208</b>
Cash & cash equivalents at beginning of year		64,102	76,258
Exchange rate differences in cash & cash equivalents		67	52
<b>Cash &amp; cash equivalents at end of year 1)</b>		<b>46,405</b>	<b>64,102</b>

Adjustments for items not included in cash flow consist of depreciation/amortization, write-downs and exchange rate losses. An analysis of changes in lease liabilities is provided in Note 8 in the notes for the group.

1) 1) The balance sheet item Cash & cash equivalents only includes bank balances at both the beginning and end of the year.

# CHANGE IN EQUITY (GROUP)

Amounts in SEK thousands

	ATTRIBUTABLE TO PARENT COMPANY'S OWNERS				
	Share capital	Additional paid-in capital	Reserves and translation differences	Retained loss including profit/loss for the year	Total equity
<b>Opening balance as of January 1, 2021</b>	<b>10,807</b>	<b>823,185</b>	<b>4,099</b>	<b>-724,047</b>	<b>114,044</b>
<b>Comprehensive income</b>					
Profit/loss for the year	-	-	-	-13,446	-13,446
<b>Other comprehensive income</b>					
Exchange rate differences	-	-	169	-	169
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>169</b>	<b>-</b>	<b>169</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>169</b>	<b>-13,446</b>	<b>-13,277</b>
<b>Transactions with shareholders</b>					
Option program	-	-97	-	-	-97
Offset issue1)	209	6,256	-	-	6,465
New share issue1)	862	22,138	-	-	23,000
New share issue expenses	-	1,697	-	-	-2,082
<b>Total transactions with shareholders</b>	<b>1,071</b>	<b>26,215</b>	<b>-</b>	<b>-</b>	<b>27,286</b>
<b>Closing balance as of December 31, 2021</b>	<b>11,878</b>	<b>849,400</b>	<b>4,268</b>	<b>-737,493</b>	<b>128,053</b>
<b>Opening balance as of January 1, 2022</b>	<b>11,878</b>	<b>849,400</b>	<b>4,268</b>	<b>-737,493</b>	<b>128,053</b>
<b>Comprehensive income</b>					
Profit/loss for the year	-	-	-	-22,230	-22,230
<b>Other comprehensive income</b>					
Exchange rate differences	-	-	267	-	267
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>267</b>	<b>-</b>	<b>267</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>267</b>	<b>-22,230</b>	<b>-21,963</b>
<b>Transactions with shareholders</b>					
Option program	-	156	-	-	156
New issue and buyback of own Class C shares for LTI program	326	-	-	-326	0
New share issue	2,049	41,944	-	-	43,993
New share issue expenses	-	-3,936	-	-	-3,936
<b>Total transactions with shareholders</b>	<b>2,375</b>	<b>38,164</b>	<b>-</b>	<b>-326</b>	<b>40,212</b>
<b>Closing balance as of December 31, 2022</b>	<b>14,253</b>	<b>887,564</b>	<b>4,535</b>	<b>-760,049</b>	<b>146,302</b>

1) 1) Attributable to the acquisition of EastCoast Solutions AB and Besökssystem Sverige AB, see also Note 21.

# NOTES (GROUP)

**NOTE 1 - GENERAL ACCOUNTING POLICIES**

**NOTE 2 - REVENUE ALLOCATION**

**NOTE 3 - SEGMENT REPORTING**

**NOTE 4 - COSTS ALLOCATED PER TYPE**

**NOTE 5 - EMPLOYEES AND PERSONNEL EXPENSES**

**NOTE 6 - REMUNERATION TO SENIOR EXECUTIVES**

**NOTE 7- AUDITORS' REMUNERATION**

**NOTE 8 - OPERATING LEASES**

**NOTE 9 - FINANCIAL INCOME AND EXPENSES**

**NOTE 10 - INCOME TAX AND DEFERRED TAX**

**NOTE 11 - EARNINGS PER SHARE**

**NOTE 12 - RISK FACTORS**

**NOTE 13 - TANGIBLE ASSETS**

**NOTE 14 - INTANGIBLE ASSETS**

**NOTE 15 - ACCOUNTS RECEIVABLE**

**NOTE 16 - PREPAID EXPENSES AND ACCRUED INCOME**

**NOTE 17 - EQUITY**

**NOTE 18 - OTHER LIABILITIES**

**NOTE 19 - ACCRUED EXPENSES AND PREPAID INCOME**

**NOTE 20 - FINANCIAL INSTRUMENTS**

**NOTE 21 - RELATED PARTY TRANSACTIONS**

**NOTE 22 - BUSINESS COMBINATIONS**

**NOTE 23 - IMPORTANT EVENTS SINCE THE END OF THE YEAR**



## NOTE 1 - GENERAL ACCOUNTING POLICIES

### GENERAL

The consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act, RFR 1 Supplementary Accounting Regulations for Groups and International Financial Reporting Standards (IFRS) as adopted by the EU.

The recognition and measurement policies applied in the Annual Report for 2021 have also been used in this annual report, with the exception of the application of new accounting standards as described below. Unless otherwise stated, all amounts are given in SEK thousands, and unless otherwise stated amounts in parentheses refer to the previous fiscal year.

### NEW OR AMENDED ACCOUNTING STANDARDS IMPLEMENTED IN 2022

No new or revised IFRS standards that came into force in 2022 have had any material impact on the group's financial statements.

### NEW AND AMENDED IFRS THAT HAVE NOT YET COME INTO FORCE

Other new or amended standards or interpretations published by IASB are not expected to have any impact on the group's or the parent company's financial statements.

**The accounting and valuation principles applied are described below.**

### CONSOLIDATED ACCOUNTS

The consolidated statements are prepared using the acquisition method. This method means that an acquisition of a subsidiary is regarded as a transaction through which the group indirectly acquires the subsidiary's assets and assumes its liabilities. The acquisition analysis determines the fair value on the acquisition date of acquired identifiable assets and assumed liabilities, as well as any holdings of non-controlling interests. Transaction expenses, with the exception of transaction expenses attributable to the issuing of equity instruments or debt instruments, that arise are recognized directly in equity. In business combinations where the consideration transferred exceeds the fair value of the acquired assets and assumed liabilities that are recognized separately, the difference is recognized as goodwill.

Subsidiaries are included in the consolidated financial statements as of the date the controlling influence is transferred to the parent company. Intergroup transactions, balance sheet items, earnings and expenses between group companies are eliminated. Profits and losses resulting from intergroup transactions, which are reported in assets, are also eliminated.

### FUNCTIONAL CURRENCY

Items included in the financial statements for the different units in the group are valued in the currency used in the financial environment where the respective companies are primarily active, the functional currency. Swedish kronor (SEK) is used in the consolidated financial statements, which is the parent company's functional currency and reporting currency.

### TRANSACTIONS AND BALANCE SHEET ITEMS

Transactions in foreign currency are translated into the functional currency according to the exchange rates applicable on the transaction date. Exchange rate gains and losses incurred upon payment of such transactions and during translation of monetary assets or liabilities in foreign currencies at the closing rate are reported in the income statement as other operating income/expenses and as financial income/expenses.

### GROUP COMPANIES

The earnings and financial position for all group companies which have a functional currency other than the group's reporting currency are translated as follows:

Assets and liabilities are translated at the closing rate. Income and expenses are translated at the average exchange rate. Average exchange rate is considered to constitute a good approximation of the exchange rate on the transaction date. All exchange rate differences that arise are reported in other comprehensive income and as a separate part of equity.

### SEGMENT REPORTING

Precise Biometrics' operations are divided into two segments as of 2022: the Algo business area and the Digital Identity business area. The segments have arisen as a result of the acquisition of EastCoast at the end of 2021, as the importance of separate follow-up on the segments has increased.

### REVENUE RECOGNITION

Agreements with customers arise through a combination of a number of written agreements that between them regulate the contract period, pricing, terms of payment, etc. The agreements are combined when they are concluded at the same time with the same customer, are dependent on the terms and conditions between the agreements and as the products and services promised in the agreements often constitute a performance obligation. When part of the customer agreement is amended because of a supplementary agreement or renegotiation, an assessment is performed of whether this results in an amendment to the agreement or whether a new agreement is created.

Revenues are generated in two product segments, Algo and Digital Identity.

### ALGO

The agreements give the customer a license for software that identifies fingerprints.

In the mobile phone industry, product cycles are short and new phone models are continuously being developed. As this software is being developed and updated on an ongoing basis, the license has been classified as a right to gain access and the revenues are recognized on a straight-line basis over the term of the agreement.

The term of the agreement is normally considered to be 12 months, even though framework agreements are normally signed for several years.

In the automotive industry, product cycles are long, and control of the software is transferred and delivered to the customer at a specific time. The license is classified as a right of use and revenue is therefore recognized point-in-time at the beginning of the term of the agreement, when control is transferred to the customer.

Support and maintenance agreements are recognized on a straight-line basis over the term of the agreement. Agreements with customers generate two payment flows: licensing fees and usage-based royalties. Licensing fees are fixed and are invoiced at a one-time amount when the term of the agreement commences. In cases where the licensing fee is recognized over the term of the agreement, this results in a contract liability, which is recognized as prepaid income. For additional information, see Note 19 in the notes for the group.

Usage-based royalties: Royalties are recognized as revenues in the period when the use of the license takes place. Customers report the number of products manufactured using the license on a quarterly basis, and are invoiced in arrears. See Note 15 in the notes for the group regarding non-invoiced accounts receivable. Royalties are variable by their nature, as they depend on the customer's production. There are also volume-based discounts. The group applies the expected value method when defining the transaction price and produces estimates on an ongoing basis if revenues need to be limited in order to avoid a significant reversal of recognized revenues when uncertainty associated with discounts ends.

#### **DIGITAL IDENTITY**

Digital Identity consists of software for facial recognition and software, as well as service and support for visitor management and hardware.

#### **FACIAL RECOGNITION**

The agreements give the customer access to cloud-based facial recognition software, which is used for an access solution. Revenue is recognized on a straight-line basis over the term of the agreement. The term of the agreement is normally considered to be 12 months, even though framework agreements are normally signed for several years.

Agreements with customers give rise to a payment flow and are invoiced at a fixed amount on an ongoing basis over time based on the agreement. This results in a contract liability, which is recognized as prepaid income. For additional information, see Note 19 in the notes for the group.

#### **VISITOR MANAGEMENT**

The agreements give the customer a license for a software solution for registering and managing visitors, either via a cloud-based solution, or via a local installation at the customer's premises. Revenue for the cloud-based solution is recognized on a straight-line basis over the term of the agreement. The term of the agreement is

normally deemed to be 12 months. In the case of local installation at the customer's premises, the license revenue is reported at the time of installation, when the license has been classified as being entitled for use, when the control of the license and goods have been transferred to the customer. Support and maintenance agreements are recognized on a straight-line basis over the term of the agreement.

Agreements with customers can thus give rise to three types of payment flows: the cloud-based solution is invoiced with a one-time amount at the beginning of the period. This results in a contract liability that is recognized as prepaid income, see Note 19 in the notes for the group. The second payment flow relates to local installation at the customer's premises, where invoicing takes place upon delivery. The third payment flow for support and maintenance is invoiced on an ongoing basis over the term of the agreement.

#### **COMMISSION EXPENSES**

Commission expenses arise in connection with a sale when an agent is involved in the sale. Commission is recognized as a selling expense during the term of the agreement.

#### **TANGIBLE ASSETS**

Tangible assets are valued at the acquisition value less accumulated depreciation. The acquisition value includes charges that can be directly attributed to the acquisition of the asset.

Additional expenditures are added to the asset's carrying amount or are reported as a separate asset, depending on which is appropriate, only when it is likely that the future financial benefits associated with the asset will benefit the group and the asset's acquisition value can be reliably measured. All other forms of repairs and maintenance are recognized as expenses in the income statement in the period when they arise.

In order to reduce their acquisition value to the estimated residual value, tangible assets are depreciated on a straight-line basis according to plan over the estimated period of use, which is three years for computers and five years for other equipment.

Depreciation of tangible assets is included in Selling expenses, Administration expenses and R&D expenses in the income statement. The residual values and life of assets are assessed on the balance sheet date, and adjusted when necessary. In the event the carrying amount of an asset is considered to exceed its estimated recovery value, the asset is immediately written down to its recovery value. Gains and losses on disposals are determined through a comparison between the proceeds of sale and the carrying amount, and are reported in the income statement.

#### **INTANGIBLE ASSETS**

##### **RESEARCH AND DEVELOPMENT**

Research expenses are recognized as expenses as they arise. Development expenses consist of expenses for the further development of equipment and software for biometric fingerprint

identification. These are recognized as intangible assets when it is likely that the project will be successful in terms of its commercial and technical potential, and if the costs can be reliably measured. Other development expenses are recognized as expenses as they arise. Development expenses already recognized as expenses are not carried forward to the subsequent period. Development expenses have a limited useful life and are amortized on a straight-line basis from the date when the commercial production of the product can begin. The estimated useful life is three years, based on the rapid pace of development.

#### **SOFTWARE**

Expenses for the maintenance of software are recognized as expenses as they arise. Expenses for the acquisition and development of software are capitalized on the basis of the expenses incurred when the actual software was acquired and deployed. These expenses are written off during the estimated useful life, which extends to five years. Software received in connection with the acquisition of NexID Biometrics Inc. and EastCoast Solutions AB is written off over the estimated useful life, which was confirmed as ten years in the acquisition calculation. The deviation in the amortization period is because of the nature of the software.

#### **PATENTS**

Patents have a limited useful life and are therefore reported at the acquisition value less accumulated amortization. Patents obtained in connection with the acquisition of NexID Biometrics Inc. are written off over the estimated useful life, which is fifteen years.

#### **CUSTOMER RELATIONS**

The database obtained in connection with the acquisition of NexID Biometrics Inc. and EastCoast Solutions AB is written off over the estimated useful life, which is between five and ten years.

#### **DATABASE**

The database obtained in connection with the acquisition of NexID Biometrics Inc. is written off over the estimated useful life, which is ten years.

#### **TRADEMARKS**

The value of the trademark arising from the acquisition of EastCoast Solutions AB is not amortized, but is reviewed annually to determine whether it needs to be written down.

#### **GOODWILL**

The value of the goodwill arising from the acquisition of NexID Biometrics Inc. and EastCoast Solutions AB is not written off, but is reviewed annually to determine whether it needs to be written down.

#### **WRITE-DOWNS**

Tangible and intangible assets that are depreciated are assessed in relation to the reduction in value whenever events or changed conditions indicate that the carrying amount is not recoverable. Write-downs are recorded for the amount by which the asset's carrying amount exceeds its recovery value, which is the higher of the net sales value and the utility value. For an asset, the recovery value is

calculated for the cash-generating unit that the asset belongs to, i.e., the lowest levels where there are identifiable cash flows. A write-down affects the net profit/loss and therefore the group's financial position.

#### **INVENTORIES**

Inventories are valued at the lower of the acquisition value and the net realizable value on the balance sheet date. The acquisition value is defined using the FIFO (first in, first out) method. The net realizable value consists of the sales price less variable selling expenses.

Inventories consist of components included in installations within Digital Identity at the customer's premises, in cases where Precise supplies both hardware and software.

#### **FINANCIAL INSTRUMENTS**

Financial instruments consist of financial assets and liabilities. Below are comments on the balance sheet items considered most relevant for the reader.

#### **ACCOUNTS RECEIVABLE**

Accounts receivable represent the group's unconditional right to compensation from customers. Accounts receivable are reported initially at transaction price and thereafter at the accrued acquisition value less any provision for impairment. The group applies the simplified method to calculate expected credit losses. This method means that expected losses during the entire term of the receivable are used as a basis for accounts receivable. The model for providing for future bad debts is based on historical performance combined with predictive analysis.

#### **CASH AND CASH EQUIVALENTS**

The company's cash and cash equivalents consist solely of funds deposited in bank accounts.

#### **OTHER FINANCIAL LIABILITIES**

A financial asset is recognized in the balance sheet when the company becomes a party to the contractual terms of the instrument. A liability is recognized when the counterparty has delivered and there is a contractual obligation to pay, even if an invoice has not yet been received. Accounts payable are recognized when an invoice has been received. A financial liability is removed from the balance sheet when the obligation specified in the contract is honored or settled in any other way. Other financial liabilities consist primarily of accounts payable that are recognized at accrued acquisition value, and discounted deferred fixed purchase price related to the acquisition of EastCoast, see Note 20 in the notes for the group.

#### **EQUITY**

Common stock is classified as equity. Transaction costs directly attributable to the issuing of new common stock or options are reported in equity as a deduction from issue liquidity.

## INCOME TAXES

Tax expenses for the period include current and deferred taxes. Tax is reported in the income statement, except when the tax relates to items reported in other comprehensive income or directly in equity. In such cases, the tax is also reported in other comprehensive income or equity. The valuation of all tax liabilities/receivables is made at nominal amounts and the actual tax cost is calculated on the basis of the tax regulations decided on the balance sheet date, or decided in practice in the countries where the parent company and its subsidiaries operate and generate taxable income.

Deferred tax is reported, in accordance with the balance sheet method, as all the temporary differences arising between the taxable value of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets are reported only to the extent that there are sufficient taxable temporary differences or other factors that indicate convincingly that the deferred tax asset will be used. Deferred income tax is calculated on application of tax rates (and laws) decided or advised on the balance sheet date and which are expected to apply when the deferred tax receivable is realized, or the deferred tax liability is settled. Deferred tax is reported for tax loss carryforwards and other tax deductions to the extent that it is likely that there will be taxable profits against which the tax loss carryforwards can be used.

## REMUNERATION TO EMPLOYEES

### PENSIONS

The group only has defined contribution pension plans. For defined contribution pension plans, the group pays contributions to privately managed pension insurance plans on a contractual basis. The group has no additional payment obligations after the contributions have been paid.

### SEVERANCE PAY

Compensation upon termination of employment is paid when an employee is given notice prior to the normal retirement date, or when an employee accepts voluntary retirement from employment in exchange for such compensation. The group reports severance pay when it is clearly obligated either to terminate an employee in accordance with a detailed, formal plan without any possibility of recall, or to pay compensation when serving notice as a result of an offer having been made to encourage voluntary layoff. Benefits that fall due more than 12 months after the balance sheet date are discounted to the current value.

### SHARE-BASED COMPENSATION

Precise Biometrics has an outstanding options program for staff employed in Sweden (see Note 6 in the notes for the group - Remuneration to senior executives). Stock options were issued on competitive terms when they were transferred to employees. On acquisition of subscription options by employees, the payments received are reported in other paid-in capital. The capital stock is increased by each newly issued share's nominal value on the utilization of options, and the corresponding share premium is reported in other paid-in capital.

Precise Biometrics has a long-term share bonus program (LTI 2022/2028) for personnel employed in Sweden (see Note 6 in the notes for the group). LTI 2022/2028 is a share-based bonus program that provides entitlement to so-called Profit Share rights during a six-year period when the company achieves certain annual net sales targets, provided that it has an operating profit and its own investment in so-called Saving Shares.

## WITHHOLDING TAX

In certain countries, the company's customers are obliged to make a deduction for a local tax (withholding tax) when making payment to the company for goods and services received, and to pay this amount to a local government agency on behalf of the company. The company has made the assessment that revenue from sales shall be reported at the invoiced amount and that withholding tax shall be reported as a selling expense. This assessment is based on a number of circumstances:

- As the tax is not based on a taxable profit, it does not satisfy the definition of an income tax in IAS 12.
- It is not an amount that the company receives on behalf of the tax authority; the amount reduces the remuneration that the company expects to have a right to in exchange for the goods and services delivered.
- For the calculation of Swedish income tax, the invoiced amount is treated as taxable income. The amounts paid for foreign withholding tax may indeed be offset against Swedish income tax, but as the company is not/has not been in a tax-paying position, the company has instead chosen to treat the foreign withholding tax paid as a deductible expense when calculating Swedish income tax.

## LEASES

Leases in which Precise Biometrics is the lessee relate primarily to buildings. Leases are normally drawn up for fixed terms of five years for buildings. The terms are negotiated separately for each lease and contain a large number of different contract terms.

Leases are reported as rights of use and a corresponding liability on the date when the leased asset is available for use by Precise Biometrics. The right of use and the lease liability are reported on the lines Right of use assets, Long-term interest-bearing liabilities and Current interest-bearing liabilities in the balance sheet. Each lease payment is distributed between repayment of the liability and interest expense. The interest expense is distributed over the term of the lease so that each reporting period is charged with an amount corresponding to a fixed interest rate for the liability reported during each period. The right of use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the term of the lease.

Liabilities arising from leases are initially reported at the current value of the following lease payments:

- Fixed charges (including charges that are fixed in substance) minus incentive receivables.
- Variable lease charges that are based on an index or a price, initially valued using the index or price on the starting date.

The lease payments are discounted by the implicit interest rate if that rate can be defined, otherwise the marginal borrowing rate. Rights of use are initially valued at:

- The amount at which the lease liability was initially valued.
- Lease charges that have been paid on or before the starting date, minus any benefits received in connection with signing the lease.
- Initial direct expenses.

Precise Biometrics has chosen to apply exceptions in IFRS 16, which means that payments for short-term contracts and leases of minor value are recognized as expenses on a straight-line basis in the income statement. Short-term contracts are agreements with a lease term of 12 months or less. Options to extend or terminate agreements are included in two of the group's leases in respect of buildings. These terms are used to maximize flexibility in managing agreements. Options that provide an opportunity to extend or terminate agreements can either be exercised solely by the group (and not by the lessors) or by either lessee or lessor. An assessment in respect of exercising options to extend or terminate agreements is

reviewed in the event of a significant event or change in circumstances that affects this assessment and the change is within the lessee's control. For additional information, please refer to Note 8 in the notes for the group.

## **IMPORTANT ESTIMATES AND ASSESSMENTS FOR ACCOUNTING PURPOSES**

In order to prepare the financial statements in accordance with generally accepted accounting principles, it is necessary to make estimates and assumptions that affect the income statement, balance sheet and other disclosures. Actual outcomes may differ from the estimates made.

### **DEFERRED TAX**

The group has tax liabilities in three countries. In view of the historical development of the group's earnings, an assessment has been made that the group's tax expense is limited, at least in the short term. The group makes regular assessments concerning the opportunity to utilize loss deductions in the future.

### **IMPAIRMENT TESTING OF GOODWILL**

Every year the group investigates whether there is a need to write down goodwill, in accordance with the accounting policy described in this note. The recovery value of cash-generating units has been defined by calculating the utility value. Certain estimates must be made for these calculations.

For additional information, please refer to Note 14 in the notes for the group.



## NOTE 2 – REVENUE ALLOCATION

The group has 1 (1) major customer that accounts for more than 10% of net sales. Revenues from this customer amount to 31% (45%) of net sales.

	2022	2021
<b>Segment</b>		
<b>Algo</b>		
Royalties	21,150	31,300
Licenses, including support and maintenance	42,046	42,901
Other	4,634	2,561
<b>Digital Identity</b>		
Licenses, including support and maintenance	15,954	3,477
Other	7,236	3,081
<b>Total</b>	<b>91,018</b>	<b>83,319</b>
<b>Time*</b>		
Point-in-time sales	12,644	-
Sales over time	78,354	-
<b>Total</b>	<b>91,018</b>	<b>-</b>
<b>Region/Country</b>		
Europe	27,218	11,000
- of which Sweden	20,737	6,747
Asia	51,039	61,613
- of which China	15,364	14,519
- of which Taiwan	29,576	39,421
US	12,762	10,706
<b>Total</b>	<b>91,018</b>	<b>83,319</b>

\* Revenue allocation according to date does not have a comparative figure from previous periods.

## NOTE 3 – SEGMENT REPORTING

			2022
	Algo	Digital Identity	Total Segment
Net sales	67,829	23,189	91,018
Cost of goods sold	-9,070	-16,913	-25,982
<b>Gross profit</b>	<b>58,759</b>	<b>6,277</b>	<b>65,036</b>

### OTHER INFORMATION

Only net sales and product costs are allocated to each segment. Other expenses are not allocated at segment level, as these items relate to group operations.

RECONCILIATION OF PROFIT/LOSS	2022
Segment profit/loss	65,036
Selling expenses	-34,796
Administrative expenses	-17,613
R&D expenses	-34,905
Other operating income/expenses	2,262
Financial expenses	-3,453
<b>Profit/loss after financial items</b>	<b>-23,469</b>

## NOTE 4 – COSTS ALLOCATED PER TYPE

	2022	2021
Employee benefit expenses	38,155	31,575
Cost of purchasing and handling commercial goods	17,189	15,478
Depreciation and write-downs	21,152	15,945
Consulting costs	38,234	34,174
Exchange rate gains	-3,413	-2,491
Exchange rate losses	1,563	2,279
Other external expenses	18,940	16,992
Capitalized development expenses	-20,786	-16,561
<b>Total</b>	<b>111,034</b>	<b>97,392</b>

## NOTE 5 – EMPLOYEES AND PERSONNEL EXPENSES

### GENDER BALANCE IN GROUP

	2022		2021	
	Men	Women	Men	Women
Precise Biometrics AB, Sweden	11	4	14	3
Precise Biometrics, Inc., USA	2	1	2	-
Precise Biometrics, China	3	1	3	2
EastCoast Solutions AB, Sweden	8	0	2	-
	<b>24</b>	<b>6</b>	<b>21</b>	<b>5</b>

### GENDER BALANCE IN CORPORATE MANAGEMENT

	2022	2021
<b>Proportion of women</b>		
Board of Directors	33%	40%
CEO and other senior executives	33%	25%
<b>Salaries and remuneration are allocated as follows:</b>	<b>2022</b>	<b>2021</b>
<b>Board and CEO, Sweden</b>		
Salaries and other remuneration	4,439	5,119
Pension expenses	731	825
Payroll overhead, including payroll tax	1,625	1,813
<b>Total</b>	<b>6,795</b>	<b>7,757</b>
<b>Others, Sweden</b>		
Salaries and other remuneration	16,536	11,368
Pension expenses	2,181	2,357
Payroll overhead, including payroll tax	5,257	3,949
<b>Total</b>	<b>23,974</b>	<b>17,674</b>
<b>TOTAL, SWEDEN</b>	<b>30,768</b>	<b>25,431</b>
<b>Others, USA</b>		
Salaries and other remuneration	3,240	3,467
Social security expenses	535	512
<b>Total</b>	<b>3,775</b>	<b>3,979</b>
<b>Others, China</b>		
Salaries and other remuneration	4,345	3,587
Social security expenses	698	579
<b>Total</b>	<b>5,044</b>	<b>4,166</b>
<b>TOTAL</b>	<b>39,587</b>	<b>33,576</b>

## NOTE 6 – REMUNERATION TO SENIOR EXECUTIVES

### PRINCIPLES

Remuneration is paid to the Chairman of the Board and Board members in accordance with the decision of the AGM.

Remuneration to the CEO and other senior executives consists of their basic salary, variable remuneration, pension benefits and other benefits. In addition to the six-month period of notice, severance pay for six months is also paid if notice is served by the company.

Other senior executives are those persons who together with the CEO constitute corporate management. There was an average of 4 (3) senior executives during the year. For the composition of corporate management, see the section entitled 'Management' in the annual report.

The distribution between basic salary and variable remuneration shall be in proportion to the executive's level of responsibility and authority. For the CEO, variable remuneration is set at a maximum of 75% of basic salary. For other senior executives, variable remuneration is a maximum of 50% of basic salary.

### REMUNERATION AND OTHER BENEFITS IN 2022

	BASIC SALARY/BOARD REMUN.	COMMITTEE FEE	VARIABLE REMUNERATION	OTHER BENEFITS	PENSION EXPENSES	TOTAL
Torgny Hellström, Chairman of the Board	545	70	-	-	-	615
Mats Lindoff, Board member	190	25	-	-	-	215
Torbjörn Clementz, Board member	190	90	-	-	-	280
Synnöve Trygg, Board member	190	45	-	-	-	235
Åsa Schwarz, Board member	190	25	-	-	-	215
Peter Gullander, Board member	118	-	-	-	-	118
Stefan K Persson, CEO Jan–Mar 2022	625	-	-	-	206	831
Fredrik Sjöholm, CEO Mar–May 2022	341	-	-	-	87	428
Patrick Höijer, CEO Jun–Dec 2022	1,796	-	-	71	438	2,305
Other senior executives, 4 persons	4,945	-	-	15	668	5,628
<b>Total</b>	<b>9,129</b>	<b>255</b>	<b>-</b>	<b>76</b>	<b>1,399</b>	<b>10,870</b>

### REMUNERATION AND OTHER BENEFITS IN 2021

	BASIC SALARY/BOARD REMUN.	COMMITTEE FEE	VARIABLE REMUNERATION	VARIABLE REMUNERATION	PENSION EXPENSES	TOTAL
Torgny Hellström, Chairman of the Board	545	67	-	-	-	612
Mats Lindoff, Board member	190	25	-	-	-	215
Torbjörn Clementz, Board member	190	83	-	-	-	273
Synnöve Trygg, Board member	190	42	-	-	-	232
Åsa Schwarz, Board member	190	25	-	-	-	215
Stefan K Persson, CEO	3,300	-	99	-	825	4,224
Other senior executives, 3 persons	4,804	-	49	4	553	5,390
<b>Total</b>	<b>9,409</b>	<b>242</b>	<b>148</b>	<b>4</b>	<b>1,358</b>	<b>11,161</b>

### Comments on the table

The amounts in the table are exclusive of payroll overhead. Payments take place via salaries and remuneration. Remuneration paid has been recognized as an expense. The above remuneration refers to expenses that have affected net profit/loss for the year.

## VARIABLE REMUNERATION

Variable remuneration for the CEO and senior executives is based on group earnings and individual targets. These targets are set by the Board for the CEO, and by the Board and the CEO for leading executives. The maximum amount for variable remuneration that may be paid to the CEO is 75% of basic salary. For other senior executives the variable remuneration can amount to a maximum of 50% of basic salary. In 2022, flexible remuneration to senior executives was between totaled 0% (2–3%).

## OTHER BENEFITS

Other benefits consist of insurance benefits.

## SHARE-BASED COMPENSATION

The 2022 shareholders' general meeting made a decision to offer an incentive plan for the company's CEO to the effect that a maximum of 100,000 (after consolidation) stock options could be issued, with each stock option providing entitlement to subscribe to one (1) share in the company. Subscription through the exercising of stock options may take place during the period July 1, 2025 until June 30, 2025. The subscription price for the shares is set at SEK 9.24. At the end of the interim period, 100,000 options had been subscribed, corresponding to 100% of total stock options. Assuming that all stock options are exercised to subscribe to new shares, the number of shares in the company will increase by 100,000 shares.

The Annual General Meeting resolved, in accordance with the Board's proposal, to establish a long-term share bonus program (LTI 2022/2028) for all employees in Precise Biometrics. In order to facilitate the implementation of LTI 2022/2028 and to ensure the delivery of shares to the participants, and to cover the company's costs for social security contributions, the meeting also decided to amend the Articles of Association in the form of the introduction of new Class C shares, authorization for the Board of Directors to issue Class C shares, authorization for the Board of Directors to buy back Class C shares, and approval of the transfer of shares to participants in LTI 2022/2028. The implementation of Class C shares took place in Q4 2022. As of December 31, 2022, Precise Biometrics held 1,085,000 Class C shares.

## PENSIONS

The retirement age for the CEO is 65. Pension premiums shall amount to a maximum of 25% of the fixed salary from the parent company. For other senior executives the retirement age is also 65. According to the pension agreement, the pension premium is calculated in accordance with a scale based on age and salary. For the highest current age interval, the premium totals 6 % of the pension-based salary up to 7.5 base amounts, 39% of the pension-based salary between 7.5 and 20 base amounts and 21% of the pension-based salary for salaries over 20 base amounts.

## SEVERANCE PAY

There is a mutual period of 6 months' notice for the company and the CEO. Severance pay of 6 monthly salaries will also be paid if the CEO is given notice by the company. A period of notice of 3–6 months is applicable between the company and other senior executives. No severance pay is paid for other senior executives.

## CHANGE IN CONTROL

There are no agreements between the company and its employees, with the exception of the employment contracts commented on above, under which compensation must be paid to employees if their employment is terminated as a result of a public takeover bid.

## PREPARATION AND DECISION-MAKING PROCESS

The compensation committee is assigned to consider issues related to salaries, pension conditions, incentive plans and other terms and conditions of employment for the executive. In 2022 the committee focused primarily on remuneration to the CEO and senior executives, including incentive plans. The Board makes decisions on remuneration to the CEO, based on the recommendations of the compensation committee within the framework of guidelines decided at the AGM. Remuneration to other senior executives has been decided by the CEO following consultation with the compensation committee and the Board. At the AGM in 2020, guidelines were adopted for the determination of salaries and other remuneration to the CEO and other senior executives.

## NOTE 7– AUDITORS' REMUNERATION

	2022	2021
<b>Ernst &amp; Young</b>		
Audit assignment	1,137	705
Auditing activities in addition to the audit assignment	160	90
Tax consulting	-	-
Other assignments	103	-
<b>Total</b>	<b>1,400</b>	<b>795</b>



## NOTE 8 – LEASES

The group primarily leases premises. No leases contain covenants or other limitations in addition to the security in the leased asset.

<b>Right of use assets, 01/01/2021</b>	<b>6,706</b>
New rental agreements through business combinations	2,066
Depreciation during the year	-1,502
<b>Closing book value, 12/31/2021</b>	<b>7,270</b>

<b>Right of use assets, 01/01/2022</b>	<b>7,270</b>
New rental agreements	408
Depreciation during the year	-1,953
<b>Closing book value, 12/31/2022</b>	<b>5,724</b>

In 2021, a new rental agreement was added through the acquisition of EastCoast Solutions AB. The new agreement has produced an increase in the lease liability of SEK 2 million, based on use of the lease term with an extension period. In 2022, a new rental agreement was added that resulted in an increase in the lease liability of SEK 408 thousand.

<b>Lease liabilities</b>	<b>12/31/2022</b>	<b>12/31/2021</b>
Short-term	1,905	1,669
Long-term	4,198	5,926
<b>Lease liabilities included in the balance sheet</b>	<b>6,103</b>	<b>7,595</b>

Long-term lease liabilities mature between 1 year and 5 years.

<b>Interest-bearing liabilities, 01/01/2021</b>	<b>6,799</b>
New rental agreement through business combination	2,075
Cash flow	-1,279
<b>Interest-bearing liabilities, 12/31/2021</b>	<b>7,595</b>

<b>Interest-bearing liabilities, 01/01/2022</b>	<b>7,595</b>
New rental agreement	408
Cash flow	-1,900
<b>Interest-bearing liabilities, 12/31/2022</b>	<b>6,103</b>

<b>Amounts recognized in the consolidated income statement - IFRS 16</b>	<b>2022</b>	<b>2021</b>
Depreciation of right of use assets	-1,953	-1,502
Interest on lease liabilities	-256	-223
Costs of low-value leases	-50	-107
<b>Total</b>	<b>-2,260</b>	<b>-1,832</b>

<b>Amounts recognized in the consolidated cash flow statement - IFRS 16</b>	<b>2022</b>	<b>2021</b>
Total cash outflows attributable to leases	2,207	1,609

The above cash flow includes both amounts for leases that are reported as lease liabilities, as well as amounts paid for variable lease charges and low-value leases. The group did not have any short-term leases during the year.

## NOTE 9 – FINANCIAL INCOME AND EXPENSES

	2022	2021
Exchange rate gains	439	1,216
<b>Total</b>	<b>439</b>	<b>1,216</b>
Interest on lease liabilities	256	223
Other interest expenses, 1)	3,157	-
Exchange rate losses	479	269
<b>Total</b>	<b>3,892</b>	<b>492</b>

1) For more information on interest expenses on acquired liabilities, see Note 20 in the notes for the group.

## NOTE 10 – INCOME TAX AND DEFERRED TAX

<b>Tax expense for the year</b>	<b>2022</b>	<b>2021</b>
Current tax on profit/loss for the year	-12	-128
Change in deferred tax	1,251	31
<b>Tax expense</b>	<b>1,239</b>	<b>-97</b>
<b>Reconciliation of effective tax</b>	<b>2022</b>	<b>2021</b>
Profit/loss before tax	-23,470	-13,349
Tax calculated according to current tax rate for the parent company, 20.6%	4,835	2,750
Tax effect on taxable income	72	81
Tax effect of non-deductible expenses	-39	-89
Tax effect of items recognized directly in equity	-	429
Tax effect of foreign tax rates	-12	-11
Tax effect of changes in tax rate	-48	-
Tax effect of change in loss carryforwards for which no deferred tax is recognized	-3,566	-3,256
<b>Tax expense</b>	<b>1,239</b>	<b>-97</b>

Tax on group profit before tax differs from the theoretical amount that would have resulted from a weighted average tax rate in the consolidated companies as above.

<b>Deferred tax liability</b>	<b>2022</b>	<b>2021</b>
Deferred tax liability	-4,364	-5,615
<b>Carrying amount</b>	<b>-4,364</b>	<b>-5,615</b>
<b>Specification of change in deferred tax asset/deferred tax liability:</b>	<b>2022</b>	<b>2021</b>
Opening carrying amount	-5,615	-
Acquisition – deferred tax liability in respect of surplus values in intangible assets	-	-4,757
Acquisitions – deferred tax liability in respect of untaxed reserves	-	-889
Deferred tax recognized in profit or loss	1,251	31
<b>Closing carrying amount of deferred tax asset/deferred tax liability:</b>	<b>-4,364</b>	<b>-5,615</b>

The company's historically reported losses represent significant amounts, as the most recent fiscal years have resulted in a tax loss. Digital Identity is in an early phase, and there is quite naturally uncertainty in the forecasts, so the company's assessment is cautious on the basis that there are compelling factors that suggest future taxable surpluses in the near future.

In 2021, deferred tax liabilities arose through the acquisition of subsidiaries. Changes in 2022 are linked to the dissolution of deferred tax liabilities as a consequence of the amortization of identified surplus values from acquisitions. There are tax loss carryforwards for which no deferred tax assets have been recognized in the balance sheet amounting to SEK 697,790 thousand (SEK 677,807). In connection with the acquisition of EastCoast Solutions AB in November 2021, SEK 662,643 thousand of the deficit in the group was blocked for group contributions until December 31, 2026.

## NOTE 11 - EARNINGS PER SHARE

Earnings per share before dilution is calculated by dividing earnings attributable to parent company shareholders by a weighted average number of outstanding common shares during the period, excluding repurchased shares of the parent company.

	2022	2021
Profit/loss attributable to parent company shareholders (SEK thousands)	-22,230	-13,446
Weighted average number of outstanding common shares (thousands)	41,304	36,224
Earnings per share before dilution (SEK per share), remaining operation	-0.47	-0.34
Earnings per share before dilution (SEK per share), total operation	-0.47	-0.34

### EARNINGS PER SHARE AFTER DILUTION

To calculate profit/loss per share after dilution, the weighted average number of outstanding common shares is adjusted for the dilution effect of all potential common shares. The parent company only has one category of potential common shares with a dilution effect, i.e., share options.

If outstanding stock option programs were redeemed in their entirety, the maximum dilution would amount to 1,300,000 shares. Dilution effects have not been considered, as the average price during the year is below the price in the option program adopted in 2019.

	2022	2021
Earnings attributable to parent company shareholders	-22,230	-13,446
Weighted average number of outstanding common shares (thousands)	41,304	36,224
Weighted average number of common shares for calculation of profit/loss per share after dilution (thousands)	41,304	36,224
Earnings per share after dilution (SEK per share), remaining operation	-0.47	-0.34
Earnings per share after dilution (SEK per share), total operation	-0.47	-0.34

## NOTE 12 – RISK FACTORS

Precise Biometrics is exposed to a number of risks that arise primarily in connection with the company's buying and selling foreign currency, as changes in exchange rates affect the company's earnings and cash flows. The company is also exposed to credit risk, liquidity risk and capital risk. The Board adopts policies for risk management, which are set out in the company's Economic and Finance Policy.

### CURRENCY EXPOSURE RISK

Precise Biometrics' currency exposure includes both transaction and translation exposure. Transaction exposure arises because sales and purchases take place in different currencies. The company is exposed to currency risks through its business, as a significant proportion of revenues are generated in foreign currencies, primarily USD, while the majority of the company's expenses are in Swedish kronor. This means that changes in exchange rates affect the company's earnings and cash flows. In order to reduce exposure, a policy has been adopted that allows hedging in accordance with a predetermined model which enables a hedging of the forecast net flow. The total forecast net flow over the next 12-month period can be hedged at approx. 40%. Translation exposure is not hedged. In 2022, no hedging

activities were carried out via forward contracts. Forward contracts are valued at fair value via the income statement.

### SENSITIVITY ANALYSIS

If SEK had weakened/strengthened by 10% in relation to USD and all other variables had remained constant, earnings for the year for 2022 would have been approximately SEK 4,000 thousand (4,600) higher/lower. The corresponding effect on equity calculated as 10% of Precise Biometrics Inc.'s equity corresponds to SEK 190 thousand (160).

### CAPITAL RISK

The company has a capital risk if the company does not generate a profit and an underlying cash flow, but is dependent on new capital from shareholders or taking out loans. This risk is monitored continuously through the company's internal controls and reporting, as well as the limits defined by the Board. Nor is there any guarantee that new capital can be acquired if the need should arise, or that such capital can be acquired on favorable terms.

**CREDIT RISK**

The risk that the company's customers fail to pay accounts receivable is a customer credit risk. In order to limit this, the company applies a credit policy and outstanding accounts receivable are monitored very closely on an ongoing basis. In the event of uncertainties regarding credit ratings, payment in advance shall be required and no new orders shall be delivered if a customer has significant overdue accounts receivable.

**LIQUIDITY RISK**

The Board and the executive monitor the liquidity situation closely in order to make sure that adequate liquidity is available to meet the needs of operating activities. Some of the company's revenues consist of royalties, which are settled on a quarterly basis and thus have some impact on the company's cash flow.

**FORECASTING UNCERTAINTY**

The company operates in a rapidly changing market. The market for its products is in an early stage of development and revenues are to a large extent based on royalties from use by customers. The company has long sales processes and the advanced issue or postponement of an order can have a significant impact on net sales and earnings, which makes forecasting very difficult.

**CASH FLOW**

The company strives to minimize the time capital is tied up, primarily in accounts receivable. To minimize the possible impact of capital being tied up, the company works actively to follow up on outstanding accounts receivable.

## NOTE 13 – TANGIBLE ASSETS

<b>EQUIPMENT AND TOOLS</b>	<b>12/31/2022</b>	<b>12/31/2021</b>
<b>Opening acquisition value</b>	6,183	2,627
Acquisitions during the year	981	3,173
Business combinations	-	419
Assets sold/retired	-43	-36
<b>Closing acquisition value</b>	<b>7,122</b>	<b>6,183</b>
<b>Opening accumulated depreciation</b>	-1,988	-409
Depreciation for the year	-1,801	-1,225
Business combinations	-	-391
Assets sold/retired	33	36
<b>Closing accumulated depreciation</b>	<b>-3,756</b>	<b>-1,988</b>
<b>Book value</b>	<b>3,366</b>	<b>4,195</b>

**Comments on the note:** Depreciation is included in the items Selling, Administration and R&D expenses in the income statement.

## NOTE 14 – INTANGIBLE ASSETS

CAPITALIZED DEVELOPMENT EXPENSES	12/31/2022	12/31/2021
Opening acquisition value	40,003	34,558
Acquisitions during the year	20,786	16,561
Retirements/sales	-7,833	-11,116
<b>Closing acquisition value</b>	<b>52,956</b>	<b>40,003</b>
Opening accumulated amortization	-16,362	-15,331
Amortization for the year	-14,907	-12,147
Sales/disposals	7,833	11,116
<b>Closing accumulated amortization</b>	<b>-23,436</b>	<b>-16,362</b>
Opening accumulated write-downs	-	-
Sales/disposals	-	-
<b>Closing accumulated write-downs</b>	<b>-</b>	<b>-</b>
<b>Book value</b>	<b>29,520</b>	<b>23,641</b>

PATENTS	12/31/2022	12/31/2021
Opening acquisition value	1,138	1,138
<b>Closing acquisition value</b>	<b>1,138</b>	<b>1,138</b>
Opening accumulated amortization	-373	-297
Depreciation for the year	-76	-76
<b>Closing accumulated amortization</b>	<b>-449</b>	<b>-373</b>
<b>Book value</b>	<b>689</b>	<b>765</b>

CAPITALIZED DATA EXPENSES	12/31/2022	12/31/2021
Opening acquisition value	687	687
Acquisitions during the year	116	-
Business combinations	-	-
<b>Closing acquisition value</b>	<b>803</b>	<b>687</b>
Opening accumulated amortization	-400	-263
Amortization for the year	-119	-137
<b>Closing accumulated amortization</b>	<b>-519</b>	<b>-400</b>
<b>Book value</b>	<b>284</b>	<b>286</b>

GOODWILL	12/31/2022	12/31/2021
Opening acquisition value	84,836	23,425
Business combinations	-	61,411
<b>Closing acquisition value</b>	<b>84,836</b>	<b>84,836</b>
<b>Book value</b>	<b>84,836</b>	<b>84,836</b>



TECHNOLOGY	12/31/2022	12/31/2021
<b>Opening acquisition value</b>	8,077	-
Acquisitions during the year	-	-
Business combinations	-	8,077
<b>Closing acquisition value</b>	<b>8,077</b>	<b>8,077</b>
<b>Opening accumulated amortization</b>	-69	-
Amortization for the year	-828	-69
<b>Closing accumulated amortization</b>	<b>-897</b>	<b>-69</b>
<b>Book value</b>	<b>7,180</b>	<b>8,008</b>

TRADEMARKS	12/31/2022	12/31/2021
<b>Opening acquisition value</b>	<b>5,473</b>	-
Business combinations	-	5,473
<b>Closing acquisition value</b>	<b>5,473</b>	<b>5,473</b>
<b>Book value</b>	<b>5,473</b>	<b>5,473</b>

OTHER INTANGIBLE ASSETS (DATABASE AND CUSTOMER RELATIONS)	12/31/2022	12/31/2021
<b>Opening acquisition value</b>	16,180	6,637
Business combinations	-	9,543
<b>Closing acquisition value</b>	<b>16,180</b>	<b>16,180</b>
<b>Opening accumulated amortization</b>	-3,709	-2,890
Amortization for the year	-1,556	-819
<b>Closing accumulated amortization</b>	<b>-5,265</b>	<b>-3,709</b>
<b>Book value</b>	<b>10,916</b>	<b>12,471</b>
<b>TOTAL BOOK VALUE</b>	<b>138,898</b>	<b>135,480</b>

#### Comments on the note:

Amortization of capitalized development expenses and acquired intangible assets is included in the item Cost of goods sold.

#### IMPAIRMENT TEST OF GOODWILL

Every year the group investigates whether there is a need to write down goodwill. Goodwill has been allocated to two cash-generating units (CGUs), Precise Biometrics and EastCoast. The recoverable value for the CGU has been determined by calculating the utility value, which requires certain assumptions to be made with regard to, among other things, sales and gross margin.

EastCoast was acquired in November 2021 by Precise Biometrics. A forecast period of ten years was used for the valuation of the acquisition. The acquisition of EastCoast is in a startup phase and has not reached a mature business phase, a so-called "steady state" within five years, and therefore a longer forecast period than five years is used. The valuation at the end of 2022 is based on nine years and the intention is that the calculation will over time go down to a forecast period of five years. EastCoast is a company that historically has experienced stable growth, but the first years after Precise's acquisition are being devoted to preparing for stronger growth in the future. For EastCoast, the discount rate has been determined on the basis of a calculated "Weighted Average Cost of Capital" (WACC) of 13% after tax and 16% before tax. The calculations for East Coast use cash flow forecasts, which are based on financial forecasts estimated by management for the next nine years. A growth rate of 2% is used for subsequent years.

The impairment test for the cash-generating unit Precise Biometrics is based on financial forecasts estimated by management for the next five years. A growth rate of 2% is used for subsequent years. For Precise Biometrics, the discount rate has been defined based on a calculated "Weighted Average Cost of Capital" (WACC) before tax of 27% and after tax of 25%. The difference in the discount rate between EastCoast and Precise is due to EastCoast's stable growth and positive cash flow for many years, while Precise Biometrics has reported a loss.

## SENSITIVITY ANALYSIS

A sensitivity analysis was conducted for EastCoast, the result of which is that if WACC is 14% after tax instead, the recoverable amount will fall by 10% and if EBITDA is assumed to be 3% lower than the company's expectations, the recoverable amount would fall by 8%. None of these hypothetical assumptions would result in a need to write down.

A sensitivity analysis has been conducted for Precise Biometrics, the result of which is that if WACC is 26% after tax instead, the recoverable amount will fall by 6%. if EBITDA is assumed to be 10% lower than the company's expectations, the recoverable amount would fall by 18%. None of these hypothetical assumptions would result in a need to write down.

## NOTE 15 – ACCOUNTS RECEIVABLE

	12/31/2022	12/31/2021
Accounts receivable - invoiced	9,555	17,436
Accounts receivable - not invoiced	1,923	6,591
Reserve for credit risk	-	-
<b>Total</b>	<b>11,478</b>	<b>24,027</b>

As of December 31, 2022, accounts receivable amounting to SEK 4,639 thousand (1,683) were due. There is a write-down for accounts receivable amounting to SEK 0 (0), and there are not considered to be any additional write-down requirements for accounts receivable. These relate to a number of independent customers who have not previously had any payment difficulties. The company does not consider there to be a need for a reserve for credit risk for non-invoiced accounts receivable.

The aging analysis of all accounts receivable is shown below:	12/31/2022	12/31/2021
Not due	6,839	22,344
Less than 3 months	3,291	1,597
Of which written down	-	-
3 to 6 months	1,241	-
Of which written down	-	-
More than 6 months	107	86
Of which written down	-	-
<b>Total</b>	<b>11,478</b>	<b>24,027</b>

The maximum exposure for credit risk on the balance sheet date is the actual value for every category of receivables. The group has no collateral as security.

	12/31/2022	12/31/2021
Reserve for credit risk at beginning of year	-	-4,606
Bad debt confirmed	1	284
Reversal of reserve for credit risk	-	4,323
Reserve for credit risk	-	-
Currency effect	-	-
<b>Total</b>	<b>1</b>	<b>-</b>

The reported amounts for each currency for the group's accounts receivable are as follows:	12/31/2022	12/31/2021
SEK	6,073	5,739
USD	378	970
EUR	148	912
DKK	5	69
NOK	31	78
GBP	1	-

## NOTE 16 – PREPAID EXPENSES

	12/31/2022	12/31/2021
Prepaid rent for premises	717	672
Other items	2,680	2,834
<b>Total</b>	<b>3,397</b>	<b>3,506</b>

## NOTE 17 - EQUITY

	2022	2021
Number of common shares		
Issued as of January 1	39,596,394	36,023,147
Offset issue in connection with acquisition <sup>1)</sup>	-	698,247
New share issue in connection with acquisition <sup>1)</sup>	-	2,875,000
New share issue	6,831,203	
<b>Common shares issued as of December 31</b>	<b>46,427,597</b>	<b>39,596,394</b>
Number of Class C shares		
Issued as of January 1	-	-
Buyback of own shares	1,085,000	-
<b>Class C shares issued as of December 31</b>	<b>1,085,000</b>	-
<b>Total number of shares issued as of December 31</b>	<b>47,512,597</b>	-

1) Concerns acquisition of EastCoast Solutions AB and Besökssystem Sverige AB

Comparative periods have been adjusted as a result of the consolidation (1:10) adopted by the Annual General Meeting on May 19, 2022. As a result of the consolidation, the number of shares and votes in Precise Biometrics has decreased by 356,367,546. Prior to the consolidation, there were a total of 395,963,940 shares and votes in Precise Biometrics, and after the consolidation the number of shares and votes was 39,596,394. As of December 31, 2022, the registered share capital comprised 46,427,597 common shares. Holders of common shares are entitled to dividends that are confirmed retrospectively and the shareholding entitles the holder to voting rights at the Annual General Meeting with one vote per share. The 1,085,000 Class C shares that were bought back in 2022 were held by Precise Biometrics AB as of 31/12/2022.

## NOTE 18 – OTHER LIABILITIES

	12/31/2022	12/31/2021
<b>Long-term liabilities</b>		
Lease liability	4,198	5,926
Long-term liability, acquisition of EastCoast	16,789	28,922
<b>Total long-term liabilities</b>	<b>20,986</b>	<b>34,848</b>
<b>Current liabilities</b>		
Lease liability	1,905	1,669
Current liabilities, acquisition of EastCoast	9,834	32,815
Other current liabilities	1,732	1,427
<b>Total current liabilities</b>	<b>13,471</b>	<b>35,910</b>

For more information on acquired liabilities, see Note 20 in the notes for the group.

## NOTE 19 – ACCRUED EXPENSES AND PREPAID INCOME

	12/31/2022	12/31/2021
Prepaid income	17,072	19,944
Accrued vacation pay	1,948	2,306
Accrued wages and remuneration	60	335
Accrued payroll overhead and pensions	1,199	1,680
Other accrued expenses	1,868	2,472
<b>Total</b>	<b>22,147</b>	<b>26,736</b>

## NOTE 20 – FINANCIAL INSTRUMENTS

	12/31/2022	12/31/2021
	Book value	Book value
<b>Financial assets</b>		
<i>Financial assets valued at the accrued cost of acquisition</i>		
Accounts receivable	11,478	24,027
Other receivables	450	448
Cash and cash equivalents	46,405	64,102
<b>Total</b>	<b>58,333</b>	<b>88,577</b>
<b>Financial liabilities</b>		
<i>Financial liabilities valued at the accrued cost of acquisition</i>		
Accounts payable	5,952	10,075
Lease liability	6,103	7,594
Long-term liabilities	16,789	28,922
Current liabilities	9,910	32,844
Accrued expenses	3,876	4,927
<b>Total</b>	<b>42,630</b>	<b>84,363</b>

The fair value in respect of financial assets and liabilities corresponds in all material respects with the carrying amount in the balance sheet.

### INTEREST-BEARING LIABILITIES

On November 30, 2022, a supplementary agreement was signed that changed the terms and conditions for the remaining liability of SEK 55,000 thousand for the acquisition of EastCoast Solutions AB (see Note 6). SEK 30,000 thousand was paid on December 1, 2022. SEK 10,000 thousand will be paid on November 30, 2023, SEK 5,000 thousand on November 30, 2024, SEK 5,000 thousand on November 30, 2025, and SEK 5,000 thousand on November 30, 2026. Interest will be added to the amounts of SEK 5,000 thousand due on November 30, 2025, and SEK 5,000 thousand due on November 30, 2026. The interest, of 3 months STIBOR + 8%, will be added from November 30 until the amounts have been paid. The liability is recognized as an interest-bearing liability as of December 31, 2022. The liability has been calculated at current value at the original effective interest rate of 1.8% and is recognized as other current liabilities (SEK 9,834 thousand) and other non-current liabilities (SEK 16,789 thousand). The effect on earnings of the translation of the liability was estimated at SEK 2,112 thousand and is reported under financial items as other financial expenses. Precise has the option to pay off the entire remaining purchase price early without incurring any interest expenses.

## NOTE 21 – RELATED PARTY TRANSACTIONS

In 2022, the parent company had transactions as described below with the company RM International AB, of which Richard Skalsky is a co-owner. Richard Skalsky has been part of the group executive team since January 2022. Apart from transactions below, there have only been business transactions with subsidiaries and salary-related remuneration to senior executives and Board members. Information on remuneration and benefits provided to senior executives associated with this company can be found in Note 6 in the notes for the group. For information concerning liabilities to RM International, see Note 20 in the notes for the group.

During 2021, there were no related-party transactions apart from business transactions with subsidiaries and wage-related remuneration to senior executives and Board members.

Parent company transactions with RM International AB	2022
Interest expense	3,154
Liabilities to related parties on balance sheet date	26,623

## NOTE 22 – BUSINESS COMBINATIONS

As of November 30, 2021, the group acquired 100% of the shares in EastCoast Solutions AB and Besökssystem Sverige AB, and the total purchase price transferred totaled SEK 86,203 thousand. The acquisition of Besökssystem Sverige AB is intangible, which is why combined information is provided. The acquisition accelerates Precise Biometrics' SaaS offering (Software as a Service) in Digital Identity, and the acquisition saw the company being supplemented by EastCoast Solutions' leading visitor management system.

The acquisition enhanced Precise's position in the area of physical accessibility and stimulates cross-selling. The purchase price totaled SEK 86,203 thousand, of which SEK 24,466 thousand was paid as at December 31, 2021, partly via a cash payment of SEK 18,000 thousand and partly via the issuing of new shares totaling SEK 6,466 thousand. An additional SEK 8,268 thousand was paid in cash after the end of the year. The remaining SEK 55,000 thousand was originally due to be paid on two occasions, of which SEK 25,000 thousand was due to be paid one (1) year after completion of the acquisition and SEK 30,000 thousand two (2) years after the completion of the acquisition. The amounts were calculated at current value at a rate of 1.8% and recognized as other current and other non-current liabilities respectively. On November 30, 2022, a supplementary agreement was signed that changed the terms and conditions for the remaining liability of SEK 55,000 thousand for the acquisition. See Note 20 for details of the new terms and conditions.

### REMUNERATION TRANSFERRED

The table below summarizes the fair value of the remuneration transferred as of the acquisition date.

<i>SEK thousand</i>	
Cash and cash equivalents	26,268
Newly issued shares, 6,982,473 common shares	6,466
Deferred fixed purchase price	53,469
<b>Total purchase price</b>	<b>86,203</b>

The fair value of transferred common shares in Precise Biometrics AB was based on the share price on the acquisition date, November 30, 2021.

### ACQUISITION-RELATED EXPENSES

Acquisition-related expenses totaling SEK 2,577 thousand were recognized as an expense during the 2021, under Administration expenses in the consolidated income statement.



## IDENTIFIABLE ASSETS AND TRANSFERRED LIABILITIES

The table below summarizes the reported amounts for acquired assets and transferred liabilities as at the acquisition date.

*Amounts in SEK thousands*

Intangible assets	23,093
Financial assets	107
Tangible assets	28
Current assets	2,561
Cash and cash equivalents	7,324
Non-interest-bearing liabilities	-2,676
Deferred tax liability	-5,645
<b>Total acquired identifiable net assets</b>	<b>24,792</b>
Goodwill	61,411
<b>Total</b>	<b>86,203</b>

## REVENUE AND PROFIT FROM ACQUIRED COMPANY

In 2021, the acquisition contributed SEK 2,071 thousand to the group's revenues and SEK 423 thousand to the group's operating profit/loss. If the date of the acquisition had been January 1, 2021, the group's revenues would have totaled SEK 98,246 thousand and the group's operating loss would have been SEK -13,194 thousand for the fiscal year 2021.

## GOODWILL

Goodwill is reported for the acquisitions in 2021 as the purchase prices paid for the business acquisitions including amounts in respect of expected synergies, revenue growth and future market developments in the acquired company. These benefits are not recognized separately from goodwill, as they do not meet the criteria for identifiable intangible assets. No part of the goodwill recognized for the acquisitions is expected to be deductible for tax purposes at present.

## IMPACT ON CASH AND CASH EQUIVALENTS ON THE ACQUISITION DATE

*Amounts in SEK thousands*

<b>Purchase price for shares</b>	<b>86,203</b>
Purchase price for shares	-86,203
Deducted: Offset issue	6,466
Deducted: Deferred fixed purchase price	53,469
Deducted: Deferred cash settlement	8,268
Added: Cash and cash equivalents in acquired companies on the acquisition date	7,324
<b>Impact on cash and cash equivalents on the acquisition date</b>	<b>-10,676</b>

## IMPACT ON CASH AND CASH EQUIVALENTS IN 2022 (REPORTED IN INVESTING ACTIVITIES)

*SEK thousand*

Deferred cash settlement paid	-8,268
First repayment of debt *	-30,000
<b>Impact on the group's cash and cash equivalents in 2022</b>	<b>-38,268</b>

\* For more information on the acquired liability, see Note 20 in the notes for the group.

## NOTE 23 – IMPORTANT EVENTS SINCE THE END OF THE YEAR

- On January 1, 2023, the strategic reorganization of Digital Identity was initiated in order to strengthen sales channels and optimize the organization.
- Precise joined the Genetec Technology Partner Program to strengthen its presence in the US market with its YOUNIQ Access solution.
- The Board of Directors of Precise appointed Joakim Nydemark as Deputy CEO & CCO Algo for Precise.
- The Board of Directors of Precise decided on a rights issue with preferential rights for existing shareholders.

# PARENT COMPANY'S INCOME STATEMENT

Amounts in SEK thousands

	Note	2022	2021
Net sales	2	72,048	79,048
Cost of goods and services sold	3	-33,203	-29,962
<b>Gross profit</b>		<b>38,845</b>	<b>49,086</b>
Selling expenses		-27,356	-28,737
Administrative expenses		-16,567	-15,290
R&D expenses		-19,903	-20,003
Other operating income/expenses		2,287	212
	3,4,5,6,7,9	<b>-61,539</b>	<b>-63,818</b>
<b>Operating profit/loss</b>		<b>-22,694</b>	<b>-14,733</b>
Interest income and similar income statement items	10	437	1,216
Interest expense	10	-3,633	-269
		<b>-3,196</b>	<b>947</b>
Group contributions received	22	6,045	-
<b>Profit/loss before tax</b>		<b>-19,845</b>	<b>-13,786</b>
Tax	8	-	-
<b>Profit/loss for the year</b>		<b>-19,845</b>	<b>-13,786</b>

Other comprehensive income for the parent company corresponds to the profit for the year.

# PARENT COMPANY'S BALANCE SHEET

Amounts in SEK thousands

ASSETS	Note	12/31/2022	12/31/2021
<b>Fixed assets</b>			
Tangible assets	11	2,869	3,769
Goodwill and intangible assets	12	40,009	40,154
Financial assets	13	90,558	90,558
<b>Total fixed assets</b>		<b>133,436</b>	<b>134,481</b>
<b>Current assets</b>			
Inventories		311	548
Accounts receivable	14, 19	6,603	17,806
Receivables from group companies	9	2,161	-
Other receivables	19	8,917	2,000
Prepaid expenses	15	2,971	3,202
Cash and cash equivalents	19	33,140	52,782
<b>Total current assets</b>		<b>54,104</b>	<b>76,338</b>
<b>TOTAL ASSETS</b>		<b>187,540</b>	<b>210,819</b>
<b>EQUITY &amp; LIABILITIES</b>			
<b>Restricted equity</b>			
Share capital		14,254	11,879
Statutory reserve		1,445	1,445
Reserve for development expenses		26,761	23,642
<b>Total restricted equity</b>		<b>42,460</b>	<b>36,966</b>
<b>Non-restricted equity</b>			
Share premium reserve		138,058	100,050
Retained earnings		-23,210	-6,135
Profit/loss for the year		-19,845	-13,786
<b>Total non-restricted equity</b>		<b>95,003</b>	<b>80,129</b>
<b>Total equity</b>	16	<b>137,463</b>	<b>117,095</b>
<b>Long-term liabilities</b>			
Long-term liabilities	17,21	16,789	28,922
<b>Total long-term liabilities</b>		<b>16,789</b>	<b>28,922</b>
<b>Current liabilities</b>			
Accounts payable	19	5,031	10,032
Other current liabilities	17,19,21	10,633	33,649
Accrued expenses and deferred income	18	17,623	21,122
<b>Total current liabilities</b>		<b>33,288</b>	<b>64,802</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>187,540</b>	<b>210,819</b>

# PARENT COMPANY'S CASH FLOW STATEMENT

Amounts in SEK thousands

	Note	2022	2021
<b>Cash flow from operating activities</b>			
Operating profit/loss		-22,694	-14,732
Adjustments for items not included in cash flow		19,385	16,566
Net financial items	10	-42	947
<b>Cash flow from operating activities before changes in working capital</b>		<b>-3,351</b>	<b>2,781</b>
<b>Cash flow from changes in working capital</b>			
Change in inventories		237	504
Change in current receivables		8,400	-5,561
Change in long-term liabilities		-	-
Change in current liabilities		-8,533	-1,552
<b>Changes in working capital</b>		<b>104</b>	<b>-6,609</b>
<b>Cash flow from operating activities</b>		<b>-3,247</b>	<b>-3,828</b>
Acquisition of subsidiaries	21	-38,268	-18,000
Investment in tangible assets	11	-649	-16,561
Investment in intangible assets	12	-17,691	-3,085
Investment in financial assets		-	-
<b>Cash flow from investing activities</b>		<b>-56,608</b>	<b>-37,646</b>
New share issue	16	44,319	23,000
Issue expenses	16	-3,936	-2,081
Buyback of own shares	16	-326	
Payment for sale/buyback of options	16	156	-97
<b>Cash flow from financing activities</b>		<b>40,213</b>	<b>20,822</b>
<b>Cash flow for the year</b>		<b>-19,642</b>	<b>-20,652</b>
Cash & cash equivalents at beginning of year		52,782	73,434
<b>Cash &amp; cash equivalents at end of year 1)</b>		<b>33,140</b>	<b>52,782</b>

Adjustments for items not included in cash flow consist of depreciation and amortization.

1) The balance sheet item Cash & cash equivalents only includes bank balances at both the beginning and end of the year.

# CHANGE IN EQUITY IN THE PARENT COMPANY

Amounts in SEK thousands

	RESTRICTED EQUITY			NON-RESTRICTED EQUITY		Total equity
	Share capital	Statutory reserve	Reserve for development expenses	Share premium reserve	Retained earnings	
<b>Opening balance as of January 1, 2021</b>	<b>10,807</b>	<b>1,445</b>	<b>19,228</b>	<b>73,738</b>	<b>-1,625</b>	<b>103,593</b>
<b>Comprehensive income</b>						
Profit/loss for the year	-	-	-	-	-13,786	-13,786
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-13,786</b>	<b>-13,786</b>
<b>Transactions with shareholders</b>						
Offset issue <sup>1)</sup>	209	-	-	6,256	-	6,465
New share issue <sup>1)</sup>	862	-	-	22,138	-	23,000
Issue expenses <sup>1)</sup>	-	-	-	-2,080	-	-2,080
Capitalized development expenses	-	-	16,561	-	-16,561	-
Release due to amortization of development expenses for the year	-	-	-12,147	-	12,147	-
Option program	-	-	-	-	-97	-97
<b>Total transactions with shareholders</b>	<b>1,071</b>	<b>-</b>	<b>4,414</b>	<b>26,314</b>	<b>-4,511</b>	<b>27,288</b>
<b>Closing balance as of December 31, 2021</b>	<b>11,878</b>	<b>1,445</b>	<b>23,642</b>	<b>100,052</b>	<b>-19,922</b>	<b>117,095</b>
<b>Opening balance as of January 1, 2022</b>	<b>11,878</b>	<b>1,445</b>	<b>23,642</b>	<b>100,052</b>	<b>-19,922</b>	<b>117,095</b>
<b>Comprehensive income</b>						
Profit/loss for the year	-	-	-	-	-19,845	-19,845
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-19,845</b>	<b>-19,845</b>
<b>Transactions with shareholders</b>						
New share issue	2,049	-	-	41,944	-	43,993
Issue expenses	-	-	-	-3,936	-	-3,936
Capitalized development expenses	-	-	17,691	-	-17,691	-
Release due to amortization of development expenses for the year	-	-	-14,571	-	14,571	-
New issue and buyback of own Class C shares for LTI program	326	-	-	-	-326	-
Option program	-	-	-	-	156	156
<b>Total transactions with shareholders</b>	<b>2,375</b>	<b>-</b>	<b>3,120</b>	<b>38,007</b>	<b>-3,289</b>	<b>40,212</b>
<b>Closing balance as of December 31, 2022</b>	<b>14,253</b>	<b>1,445</b>	<b>26,762</b>	<b>138,059</b>	<b>-43,056</b>	<b>137,463</b>

1) Attributable to the acquisition of EastCoast Solutions AB and Besökssystem Sverige AB, see also Note 21.



# **NOTES (PARENT COMPANY)**

**NOTE 1 - GENERAL ACCOUNTING POLICIES**

**NOTE 2 - REVENUE ALLOCATION**

**NOTE 3 - COSTS ALLOCATED PER TYPE**

**NOTE 4 - EMPLOYEES AND PERSONNEL EXPENSES**

**NOTE 5 - REMUNERATION TO LEADING EXECUTIVES**

**NOTE 6 - AUDITORS' REMUNERATION**

**NOTE 7 - OPERATING LEASES**

**NOTE 8 - INCOME TAX AND DEFERRED TAX**

**NOTE 9 - PURCHASES AND SALES BETWEEN COMPANIES IN THE GROUP**

**NOTE 10 - FINANCIAL INCOME AND EXPENSES**

**NOTE 11 - TANGIBLE ASSETS**

**NOTE 12 - INTANGIBLE ASSETS**

**NOTE 13 - FINANCIAL ASSETS**

**NOTE 14 - ACCOUNTS RECEIVABLE**

**NOTE 15 - PREPAID EXPENSES AND ACCRUED INCOME**

**NOTE 16 - EQUITY**

**NOTE 17 - OTHER LIABILITIES**

**NOTE 18 - ACCRUED EXPENSES AND PREPAID INCOME**

**NOTE 19 - FINANCIAL INSTRUMENTS**

**NOTE 20 - ACQUISITION OF SUBSIDIARIES**

**NOTE 21 - APPROPRIATIONS**

**NOTE 22 - PROPOSED DISTRIBUTION OF EARNINGS**

## NOTE 1 – GENERAL ACCOUNTING POLICIES

### GENERAL

The parent company applies the same accounting policies as the group except in the cases specified in the section entitled 'The parent company's accounting policies.'

### THE PARENT COMPANY'S ACCOUNTING POLICIES

The parent company's financial statements have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Annual Reporting Board's recommendation RFR 2, Accounting for Legal Entities. This means that the parent company, in its financial statements, applies all of the EU-approved IFRS and statements as far as is possible within the framework of the Swedish Annual Accounts Act and with due regard to the relationship between accounting and taxation.

The recognition and measurement policies applied in the Annual Report for 2021 have also been used in this annual report, with the exception of the application of new accounting standards, as described under the general accounting policies for the group. Unless otherwise stated, all amounts are given in SEK thousands, and unless otherwise stated amounts in parentheses refer to the previous fiscal year.

### LEASES

IFRS 16 is not applied by the parent company. The exception in RFR2 relating to leases is applied instead.

### FINANCIAL INSTRUMENTS

IFRS 9 is not applied in the parent company. The parent company applies the items described in RFR 2 instead (IFRS 9 Financial Instruments, paras. 3 - 10).

### INTANGIBLE ASSETS

The value of the goodwill arising in connection with the acquisition of NexID Biometrics Inc. (acquisition of assets and liabilities) is written off over the estimated useful life, which is ten years.

### FINANCIAL ASSETS

Shares and participations in subsidiaries are reported at the acquisition value, after deductions for depreciation. The acquisition value is included in acquisition-related costs. Dividends received are reported as financial revenues. Dividends that exceed the subsidiary's comprehensive income for the period, or that result in the book value of the holding's net assets in the consolidated financial statements being less than the book value of the participations, are an indication that there is a write-down requirement.

When there is an indication that shares and participations in a subsidiary have diminished in value, an estimate is made of the recovery value. A write-down is reported if this is lower than the carrying amount. Write-downs are reported in the item Results from participations in group companies.

## NOTE 2 – REVENUE ALLOCATION

The group has three (two) major customers that account for more than 10% of net sales. Revenues from these customers amount to just over 60% (58%) of net sales. The parent company's sales to other group companies amounted to SEK 1.4 (0.0) million. This revenue is not included in the table below.

	2022	2021
<b>Segment</b>		
<b>Algo</b>		
Royalties	21,150	31,300
Licenses, including support and maintenance	42,046	42,901
Other	2,235	1,054
<b>Digital Identity</b>		
Royalties	-	-
Licenses, including support and maintenance	1,411	712
Other	3,843	3,081
<b>Total</b>	<b>70,684</b>	<b>79,048</b>
<b>Time*</b>		
Point-in-time sales	6,078	-
Sales over time	64,606	-
<b>Total</b>	<b>70,684</b>	<b>-</b>
<b>Region/Country</b>		
Europe	7,987	8,266
- of which Sweden	4,614	4,155
Asia	50,606	61,399
- of which China	15,364	14,519
- of which Taiwan	29,143	39,207
US	12,091	9,383
Latin America/MEA	-	-
<b>Total</b>	<b>70,684</b>	<b>79,048</b>

## NOTE 3 – COSTS ALLOCATED PER TYPE

	2022	2021
Employee benefit expenses	21,846	22,940
Cost of purchasing and handling commercial goods	23,102	23,215
Depreciation and write-downs	19,374	16,566
Consulting costs	33,652	33,925
Exchange rate gains	3,379	2,491
Exchange rate losses	-1,513	-2,279
Other external expenses	12,593	13,483
Capitalized development expenses	-17,691	-16,561
<b>Total</b>	<b>94,742</b>	<b>93,780</b>

## NOTE 4 – EMPLOYEES AND PERSONNEL EXPENSES

Gender balance	2022		2021	
	Men	Women	Men	Women
Precise Biometrics AB, Sweden	11	4	14	3
	11	4	14	3

Gender balance in corporate management	2022	2021
<i>Proportion of women</i>		
Board of Directors	33%	40%
CEO and other senior executives	33%	25%

Salaries and remuneration are allocated as follows:	2022	2021
<i>Board and CEO, Sweden</i>		
Salaries and other remuneration	4,439	5,119
Pension expenses	731	825
Payroll overhead, including payroll tax	1,625	1,813
<b>Total</b>	<b>6,795</b>	<b>7,757</b>
<i>Others, Sweden</i>		
Salaries and other remuneration	11,306	10,959
Pension expenses	1,841	2,330
Payroll overhead, including payroll tax	3,493	3,777
<b>Total</b>	<b>16,640</b>	<b>17,066</b>
<b>TOTAL</b>	<b>23,435</b>	<b>24,823</b>

## NOTE 5 – REMUNERATION TO SENIOR EXECUTIVES

### PRINCIPLES

Remuneration is paid to the Chairman of the Board and Board members in accordance with the decision of the AGM.

Remuneration to the CEO and other senior executives consists of their basic salary, variable remuneration, pension benefits and other benefits. In addition to the six-month period of notice, severance pay for six months is also paid if notice is served by the company.

Other senior executives are those persons who together with the CEO constitute corporate management. There was an average of 3 (3) senior executives during the year. For the composition of corporate management, see the section entitled 'Management' in the annual report.

The distribution between basic salary and variable remuneration shall be in proportion to the executive's level of responsibility and authority. For the CEO, variable remuneration is set at a maximum of 75% of basic salary. For other senior executives, variable remuneration is a maximum of 50% of basic salary.

For additional information, see Note 6 in the notes for the group.

## NOTE 6 – AUDITORS' REMUNERATION

	2022	2021
<b>Ernst &amp; Young</b>		
Audit assignment	1,062	705
Auditing activities in addition to the audit assignment	160	90
Tax consulting	-	-
Other assignments	103	-
<b>Total</b>	<b>1,325</b>	<b>795</b>

## NOTE 7 – OPERATING LEASES

	2022	2021
Leasing costs during the year	2,356	2,208
<b>Total</b>	<b>2,356</b>	<b>2,208</b>
Nominal value of agreed future leasing charges:		
Due for payment within 1 year	1,744	1,514
Due for payment after 1 year, but within 5 years	3,058	4,419
Due for payment after 5 years	-	-
<b>Total</b>	<b>4,802</b>	<b>5,933</b>

## NOTE 8 – INCOME TAX AND DEFERRED TAX

<b>Tax expense for the year</b>	<b>2022</b>	<b>2021</b>
Change in deferred tax	-	-
<b>Tax expense</b>	<b>-</b>	<b>-</b>
<b>Reconciliation of effective tax</b>	<b>2022</b>	<b>2021</b>
Profit/loss before tax	-19,845	-13,786
Tax calculated according to current tax rate, 20.6%	4,088	2,840
Tax effect of non-deductible expenses/non-taxable revenues	-30	-145
Changed assessment of deferred tax asset	-	-
Tax loss carryforwards for which deferred tax asset not reported	-4,058	-2,695
<b>Tax expense</b>	<b>-</b>	<b>-</b>
<b>Deferred tax assets</b>	<b>2022</b>	<b>2021</b>
Tax loss carryforwards	-	-
<b>Carrying amount</b>	<b>-</b>	<b>-</b>
<b>Specification of change in deferred tax asset:</b>	<b>2022</b>	<b>2021</b>
Opening carrying amount	-	-
Change in deferred tax asset	-	-
<b>Closing carrying amount of deferred tax asset</b>	<b>-</b>	<b>-</b>



The company's historically reported losses represent significant amounts, as the most recent fiscal years have resulted in a tax loss. Digital Identity is in an early phase, and there is quite naturally uncertainty in the forecasts, so the company's assessment is cautious on the basis that there are compelling factors that suggest future taxable surpluses in the near future.

No deferred tax asset is reported in respect of future utilization of tax deficits 0 (0) in 2022 and 2021. There are tax loss carryforwards in the parent company for which deferred tax assets have not been reported in the balance sheet amounting to SEK 697,790 thousand (677,807). There is no time limitation for the utilization of tax loss carryforwards. In connection with the acquisition of EastCoast Solutions AB in November 2021, SEK 662,643 thousand of the deficit in the parent company was blocked for group contributions until December 31, 2026.

## NOTE 9 – PURCHASES AND SALES BETWEEN COMPANIES IN THE GROUP

Parent company sales to other group companies amounted to SEK 1.4 (0.0) million. Purchases from group companies amounted to SEK 9.9 (9.5) million. Internal pricing between the parent company and foreign subsidiaries takes place on the basis of the Transactional Net Margin Method and the profit level is determined in accordance with the Return on Sales, which was approximately 2-5% (2-5%) for 2022.

## NOTE 10 – FINANCIAL INCOME AND EXPENSES

	2022	2021
Exchange rate gains	437	1,216
<b>Total</b>	<b>437</b>	<b>1,216</b>
Interest expense	3,154	-
Exchange rate losses	479	269
<b>Total</b>	<b>3,633</b>	<b>269</b>

## NOTE 11 – TANGIBLE ASSETS

Equipment and tools	12/31/2022	12/31/2021
<b>Opening acquisition value</b>	5,851	2,802
Acquisitions during the year	649	3,085
Sales/disposals	-43	-36
<b>Closing acquisition value</b>	<b>6,456</b>	<b>5,851</b>
<b>Opening accumulated depreciation</b>	<b>-2,082</b>	<b>-1,105</b>
Depreciation for the year	-1,537	-1,013
Sales/disposals	32	36
<b>Closing accumulated depreciation</b>	<b>-3,587</b>	<b>-2,082</b>
<b>Book value</b>	<b>2,869</b>	<b>3,769</b>

Depreciation is included in the items Selling expenses, Administration expenses and R&D expenses in the income statement.

## NOTE 12 – INTANGIBLE ASSETS

CAPITALIZED DEVELOPMENT EXPENSES	12/31/2022	12/31/2021
<b>Opening acquisition value</b>	<b>40,003</b>	<b>34,558</b>
Acquisitions during the year	17,691	16,561
Sales/disposals	-7,833	-11,116
<b>Closing acquisition value</b>	<b>49,861</b>	<b>40,003</b>
<b>Opening accumulated amortization</b>	<b>-16,362</b>	<b>-15,331</b>
Amortization for the year	-14,571	-12,147
Sales/disposals	7,833	11,116
<b>Closing accumulated amortization</b>	<b>-23,101</b>	<b>-16,362</b>
<b>Opening accumulated write-downs</b>	<b>-</b>	<b>-</b>
Sales/disposals	-	-
<b>Closing accumulated write-downs</b>	<b>-</b>	<b>-</b>
<b>Book value</b>	<b>26,760</b>	<b>23,641</b>
<b>PATENTS</b>	<b>12/31/2022</b>	<b>12/31/2021</b>
<b>Opening acquisition value</b>	<b>1,138</b>	<b>1,138</b>
<b>Closing acquisition value</b>	<b>1,138</b>	<b>1,138</b>
<b>Opening accumulated amortization</b>	<b>-373</b>	<b>-297</b>
Amortization for the year	-76	-76
<b>Closing accumulated amortization</b>	<b>-449</b>	<b>-373</b>
<b>Book value</b>	<b>689</b>	<b>765</b>
<b>CAPITALIZED DATA EXPENSES</b>	<b>12/31/2022</b>	<b>12/31/2022</b>
<b>Opening acquisition value</b>	<b>687</b>	<b>687</b>
Acquisitions during the year	-	-
<b>Closing acquisition value</b>	<b>687</b>	<b>687</b>
<b>Opening accumulated amortization</b>	<b>-401</b>	<b>-263</b>
Amortization for the year	-137	-137
<b>Closing accumulated amortization</b>	<b>-538</b>	<b>-401</b>
<b>Book value</b>	<b>149</b>	<b>286</b>
<b>GOODWILL</b>	<b>12/31/2022</b>	<b>12/31/2021</b>
<b>Opening acquisition value</b>	<b>24,496</b>	<b>24,496</b>
<b>Closing acquisition value</b>	<b>24,496</b>	<b>24,496</b>
<b>Opening accumulated amortization</b>	<b>-12,004</b>	<b>-9,594</b>
Depreciation for the year	-2,450	-2,450
Closing accumulated amortization	-14,493	-12,004
<b>Book value</b>	<b>10,004</b>	<b>12,453</b>

OTHER INTANGIBLE ASSETS (DATABASE AND CUSTOMER RELATIONS)	12/31/2022	12/31/2021
Opening acquisition value	6,637	6,637
Closing acquisition value	6,637	6,637
Opening accumulated amortization	-3,628	-2,890
Depreciation for the year	-602	-738
Closing accumulated amortization	-4,230	-3,629
Book value	2,407	3,009
<b>TOTAL BOOK VALUE</b>	<b>40,009</b>	<b>40,153</b>

"Amortization of capitalized development expenses and acquired intangible assets is included in the item Cost of goods sold. For the impairment test of goodwill, see Note 14 in the notes for the group."

## NOTE 13 – FINANCIAL ASSETS

PARTICIPATIONS IN SUBSIDIARIES	12/31/2022	12/31/2021
<b>Precise Biometrics Services AB</b>		
Corp. ID no. 556582-9347, reg. office: Lund municipality, County of Skåne.		
Number of shares	1,000	1,000
Share of equity	100%	100%
Equity on balance sheet date	2,442	2,443
Profit/loss for the year	-2	-2
Opening book value	820	820
Acquisition/procurement	-	-
<b>Closing book value</b>	<b>820</b>	<b>820</b>
<b>Precise Biometrics Inc.</b>		
Potsdam, New York, USA	-	-
Number of shares	10	10
Share of equity	100%	100%
Equity on balance sheet date	1,911	1,602
Profit/loss for the year	60	144
Opening book value	958	958
<b>Closing book value</b>	<b>958</b>	<b>958</b>
<b>Precise Biometrics, China</b>		
Shanghai, China	-	-
Number of shares	-	-
Share of equity	100%	100%
Equity on balance sheet date	571	286
Profit/loss for the year	267	222
Opening book value	-	-
Acquisition/procurement	-	-
Write-down	-	-
<b>Closing book value</b>	<b>-</b>	<b>-</b>
<b>EastCoast Solutions AB</b>		
Stockholm	-	-
Number of shares	-	-
Share of equity	100%	100%
Equity on balance sheet date	3,391	3,391
Profit/loss for the year	-279	452
Opening book value	88,689	-
Acquisition/procurement	-	88,689
Write-down	-	-
<b>Closing book value</b>	<b>88,689</b>	<b>88,689</b>

Besökssystem Sverige AB	12/31/2022	12/31/2021
Stockholm		
Number of shares		
Share of equity	100%	100%
Equity on balance sheet date	89	91
Profit/loss for the year	-	-
Opening book value	91	-
Acquisition/procurement	-	91
Write-down	-	-
<b>Closing book value</b>	<b>91</b>	<b>91</b>
<b>Total</b>	<b>90,558</b>	<b>90,558</b>
<b>Total financial assets</b>	<b>90,558</b>	<b>90,558</b>

## NOTE 14 – ACCOUNTS RECEIVABLE

	12/31/2022	12/31/2021
Accounts receivable - invoiced	4,680	11,215
Accounts receivable - not invoiced	1,923	6,591
Reserve for credit risk	-	-
<b>Total</b>	<b>6,603</b>	<b>17,806</b>

As of December 31, 2022 accounts receivable amounting to SEK 11,625 thousand (5,628) were due. There is a write-down for accounts receivable amounting to SEK 0 thousand (0), but apart from these there are not considered to be any write-down requirements for accounts receivable.

The aging analysis of all accounts receivable is shown below:	12/31/2022	12/31/2021
Not due	3,802	16,383
Less than 3 months	1,601	1,423
Of which written down	-	-
3 to 6 months	1,200	-
Of which written down	-	-
More than 6 months	-	-
Of which written down	-	-
<b>Total</b>	<b>6,603</b>	<b>17,806</b>

The maximum exposure for credit risk on the balance sheet date is the actual value for every category of receivables. The parent company has no collateral as security.

	12/31/2022	12/31/2021
Reserve for credit risk at beginning of year	-	-4,477
Bad debt confirmed	-	284
Reversal of reserve for credit risk	-	4,193
Reserve for credit risk	-	-
Currency effect	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>The reported amounts for each currency for the parent company's accounts receivable are as follows:</b>	<b>12/31/2022</b>	<b>12/31/2021</b>
SEK	2,986	312
USD	236	916
EUR	125	900

## NOTE 15 – PREPAID EXPENSES

	12/31/2022	12/31/2021
Prepaid rent for premises	536	456
Other items	2,435	2,746
<b>Total</b>	<b>2,971</b>	<b>3,202</b>

## NOTE 16 - EQUITY

	Number of shares
<b>As of December 31, 2021</b>	39,596,394
New share issue	6,831,203
New issue and buyback of own Class C shares for LTI program	1,085,000
<b>As of December 31, 2022</b>	<b>47,512,597</b>

### OPTION PROGRAM AND LTI PROGRAM

The 2022 shareholders' general meeting made a decision to offer an incentive plan for the company's CEO to the effect that a maximum of 100,000 (after consolidation) stock options could be issued, with each stock option providing entitlement to subscribe to one (1) share in the company. Subscription through the exercising of stock options may take place during the period July 1, 2025, until June 30, 2025. The subscription price for the shares is set at SEK 9.24. At the end of the interim period, 100,000 options had been subscribed, corresponding to 100% of total stock options. Assuming that all stock options are exercised to subscribe to new shares, the number of shares in the company will increase by 100,000 shares.

The Annual General Meeting resolved, in accordance with the Board's proposal, to establish a long-term share bonus program (LTI 2022/2028) for all employees in Precise Biometrics. In order to facilitate the implementation of LTI 2022/2028 and to ensure the delivery of shares to the participants, and to cover the company's costs for social security contributions, the meeting also decided to amend the Articles of Association in the form of the introduction of new Class C shares, authorization for the Board of Directors to issue Class C shares, authorization for the Board of Directors to buy back Class C shares, and approval of the transfer of shares to participants in LTI 2022/2028. The implementation of Class C shares took place in Q4 2022. As of December 31, 2022, Precise Biometrics held 1,085,000 Class C shares.

## NOTE 17 – OTHER LIABILITIES

	12/31/2022	12/31/2021
<b>Long-term liabilities</b>		
Long-term liability, acquisition of EastCoast	16,789	28,922
<b>Total long-term liabilities</b>	<b>16,789</b>	<b>28,922</b>
<b>Current liabilities</b>		
Current liabilities, acquisition of EastCoast	9,834	32,815
Other current liabilities	5,584	10,036
<b>Total current liabilities</b>	<b>15,417</b>	<b>42,851</b>



## NOTE 18 – ACCRUED EXPENSES AND PREPAID INCOME

	12/31/2022	12/31/2021
Prepaid income	13,063	16,202
Accrued vacation pay	1,705	2,074
Accrued wages and remuneration	590	281
Accrued payroll overhead and pensions	1,250	1,485
Other accrued expenses	1,016	2,236
<b>Total</b>	<b>17,623</b>	<b>22,278</b>

## NOTE 19 – FINANCIAL INSTRUMENTS

	12/31/2022 Book value	12/31/2021 Book value
<b>Financial assets</b>		
<i>Loans receivable and accounts receivable</i>		
Accounts receivable	6,603	17,806
Other receivables	8,519	527
Cash and cash equivalents	33,140	52,782
<b>Total financial assets</b>	<b>48,263</b>	<b>71,115</b>
<b>Financial liabilities</b>		
<i>Financial liabilities valued at the accrued cost of acquisition</i>		
Accounts payable	5,031	10,032
Long-term liabilities	16,789	28,922
Current liabilities	10,633	33,649
Other accrued expenses	3,310	4,591
<b>Total financial liabilities</b>	<b>35,764</b>	<b>77,193</b>

The balance sheet item Cash & cash equivalents only includes bank balances at both the beginning and end of the year.

## NOTE 20 – ACQUISITION OF SUBSIDIARIES

As of November 30, 2021, the shares in EastCoast Solution AB and Visitor System Sverige AB were acquired. The acquisition price amounts to SEK 86,203 thousand. The parent company's acquisition value of the shares includes acquisition costs of SEK 2,577 thousand.

For further information about the acquisition, see Note 21 in the notes for the group.

## NOTE 21 – APPROPRIATIONS

	12/31/2022	12/31/2021
Group contributions received	6,045	-
<b>Total</b>	<b>6,045</b>	<b>-</b>

## NOTE 22 – PROPOSED DISTRIBUTION OF EARNINGS

The following non-restricted funds in the parent company are at the disposal of the AGM:

	12/31/2022	12/31/2021
Share premium reserve, SEK thousands	138,058	100,050
Retained earnings, SEK thousands	-23,210	-6,135
Profit/loss for the year, SEK thousands	-19,845	-13,785
<b>Total non-restricted equity</b>	<b>95,003</b>	<b>80,130</b>
The board proposes that the AGM should not issue a dividend for the fiscal year 2022.		
Carried forward to the new accounts, SEK thousands	95,003	80,130
<b>Total non-restricted equity</b>	<b>95,003</b>	<b>80,130</b>

# ASSURANCE

The Board of Directors and the CEO give their assurance that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and give a fair view of the group's financial position and results.

The Annual Report has been prepared in accordance with generally accepted accounting principles and gives a fair view of the parent company's financial position and results.

The Administration Report for the group and the parent company gives a fair view of the group's and the parent company's activities, financial position and results, and describes the essential risks and uncertainty factors faced by the parent company and the companies in the group.

The income statements and balance sheets, including the consolidated financial statements, will be presented for the approval of the Annual General Meeting on May 19, 2022.

Lund, April 4, 2023



**Torgny Hellström**  
Chairman of the Board

**Torbjörn Clementz**  
Board member

**Synnöve Trygg**  
Board member

**Mats Lindoff**  
Board member

**Åsa Schwarz**  
Board member

**Peter Gullander**  
Board member

**Patrick Höijer**  
CEO

Our auditor's report has been submitted April 4, 2023  
**Ernst & Young AB**

**Martin Henriksson**  
Authorized Public Accountant

# AUDITOR'S REPORT

To the general meeting of the shareholders of Precise Biometrics AB AB (publ), corporate identity number 556545-6596

## REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

### OPINIONS

We have audited the annual accounts and consolidated accounts of Precise Biometrics AB (publ) except for the corporate governance statement on pages 33-39 for the year 2022. The annual accounts and consolidated accounts of the company are included on pages 26-85 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 33-39. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

### BASIS FOR OPINIONS

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### KEY AUDIT MATTERS

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statement.

### REVENUE RECOGNITION

#### Description

Net sales for the year 2022 amount to SEK 91.0 million in the income statement for the group and SEK 72.0 million in the income statement for the parent company. Revenue mainly consists of license revenue. License revenue falls into two categories – license fees and usage-based royalty payments. Revenue recognition related to license fees requires that management make assessments regarding the period in which the revenue should be recognized. This means that the company's revenue recognition involves significant elements of assessment, and for this reason revenue recognition is considered to be a key audit matter in the audit. A description of the accounting principles is included in note 1 "General accounting policies" section "Revenue recognition". In note 2 "Revenue allocation" there is a breakdown of the company's revenue into different categories.

#### How our audit addressed this key audit matter

In our audit, we evaluated and examined the process for revenue recognition and assessments made. Among other things, we have performed analytical review, data analysis of revenue, examined agreements and carried out checks on payments received, and also examined accruals against supporting documentation. Our examination also included review of disclosures provided in the annual report.

## GOODWILL

### Description

The carrying value of goodwill amounts to SEK 84.8 million in the group's balance sheet and SEK 10.0 million in the parent company's balance sheet as of December 31, 2022. The company tests annually and in the event of an indication of impairment that the carrying value does not exceed the estimated recoverable amount. The recoverable amount is determined per identified cash-generating unit by calculating the present value of future cash flows. Future cash flows are based on management's business plans and forecasts and include a number of assumptions about earnings development, growth, investment needs and discount rate (WACC).

Changes in assumptions have a major impact on the calculation of the recoverable amount, and the assumptions applied by the company are therefore of great importance for the assessment of whether an impairment requirement exists. We have therefore assessed that the accounting of goodwill is a key audit matter in the audit.

A description of accounting principles as well as important estimates and judgments for accounting purposes is included in note 1 "General accounting policies". A description of the impairment test can be found in note 14 "Intangible assets" for the group and note 12 "Intangible assets" for the parent company.

### How our audit addressed this key audit matter

In our audit, we evaluated and tested the company's process for setting up impairment tests, including by evaluating previous accuracy in forecasts and assumptions. We also evaluated the reasonableness of future cash flows and growth assumptions and, with the help of our valuation specialists, tested the chosen discount rate and assumptions about long-term growth. We have also reviewed the company's model and method for carrying out impairment tests and evaluated the company's sensitivity analyses. We have reviewed the disclosures provided in the annual report.

## OTHER INFORMATION THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-25, 92-96. The other information also includes the remuneration report and were obtained before the date of this auditor's report. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of

the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

## AUDITOR'S RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or related safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### REPORT ON THE AUDIT OF THE ADMINISTRATION AND THE PROPOSED APPROPRIATIONS OF THE COMPANY'S PROFIT OR LOSS

#### OPINIONS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Precise Biometrics AB (publ) for the year 2022 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated (loss be dealt with) in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

#### BASIS FOR OPINIONS

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. We believe that the

audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

#### RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

#### AUDITOR'S RESPONSIBILITY

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:



- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

## **THE AUDITOR'S EXAMINATION OF THE ESEF REPORT**

### **OPINION**

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Precise Biometrics AB (publ) for the financial year 2022.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

### **BASIS FOR OPINION**

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the ESEF report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Precise Biometrics AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR**

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

### **AUDITOR'S RESPONSIBILITY**

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHTML format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

## **THE AUDITOR'S EXAMINATION OF THE CORPORATE GOVERNANCE STATEMENT**

The Board of Directors is responsible for that the corporate governance statement on pages 32-39 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Ernst & Young AB, Box 4279, 203 14 Malmö, was appointed auditor of Precise Biometrics AB (publ) by the general meeting of the shareholders on the 19<sup>th</sup> May 2022 and has been the company's auditor since the 27<sup>th</sup> April 2015.

Malmö 4<sup>th</sup> April, 2023

Ernst & Young AB

Martin Henriksson

Authorized Public Accountant

# FINANCIAL GLOSSARY

## NET SALES GROWTH

Percentage change compared with the corresponding period in the previous year. A measure of whether a company's net sales are increasing.

## GROSS MARGIN

Gross profit/loss divided by net sales. Indicates the proportion of sales that is left over to cover wages, other operating expenses, interest and profit.

## OPERATING PROFIT/LOSS

Profit/loss before financial net and tax. A measure of a company's profit before interest and taxes, i.e., the difference between operating income and operating expenses. This figure does not include the discontinued operation.

## OPERATING PROFIT/LOSS, TOTAL OPERATION

Operating profit/loss plus profit/loss after tax from discontinued operation. A measure of the company's profit before interest and taxes, i.e., the difference between operating income and operating expenses. The total operation also includes the discontinued operation.

## OPERATING EXPENSES

Operating expenses excluding cost of goods sold. Operating expenses are expenses that do not belong directly to a particular product or product group. Common operating expenses include, for example, wages and other personnel expenses, as well as rental of premises.

## EBITDA

Profit/loss before financial items and depreciation. This key figure shows the group's profit/loss before depreciation/amortization of capitalized assets. This measure makes it possible to make comparisons with other companies, regardless of whether the operation is based on acquisitions or through organic growth.

## OPERATING MARGIN

Operating profit/loss divided by net sales. Defines what proportion of each Swedish krona of sales is left over to cover interest, taxes and any possible profit.

## CASH FLOW, TOTAL OPERATION

Cash flow from operating activities after changes in working capital. This indicates whether a company can generate a sufficiently positive cash flow to maintain and expand its operation, or whether it needs external financing.

## WORKING CAPITAL, TOTAL OPERATION

Current assets less current liabilities. This measure shows the capital a company needs to finance operating activities.

## CAPITAL EMPLOYED, TOTAL OPERATION

Total assets less non-interest-bearing liabilities and provisions. This measure shows how much capital is used in operations and is thus one component of measuring the return from operations.

## EQUITY, TOTAL OPERATION

Equity at the end of the period. Equity is the difference between the group's assets and liabilities, which corresponds to the group's equity that has been contributed by shareholders and the group's accumulated profit.

## AVERAGE EQUITY, TOTAL OPERATION

The average equity was calculated as equity for the last four quarters divided by four.

**LIQUIDITY RATIO, TOTAL OPERATION**

Current assets excluding inventories divided by current liabilities. This key figure shows the group's ability to pay in the short term.

**EQUITY/ASSETS RATIO, TOTAL OPERATION**

Equity divided by total assets on the balance sheet date. This key figure shows what proportion of assets is funded by equity. This measure can be of interest when assessing the group's ability to pay in the long term.

**RETURN ON EQUITY, TOTAL OPERATION**

Profit/loss after tax divided by average equity. This key figure shows the operation's return on shareholders' capital invested and is thus a measure of how profitable the group is. Investors can compare this measure with the current bank interest rate or return from alternative investments. The measure can also be used to compare profitability between companies in the same industry.

**EARNINGS PER SHARE, REMAINING OPERATION, BEFORE DILUTION**

Profit/loss for the period from the remaining operation divided by average number of shares.

**EARNINGS PER SHARE, REMAINING OPERATION, AFTER DILUTION**

Profit/loss for the period from remaining operation divided by weighted average number of shares.

**EARNINGS PER SHARE, TOTAL OPERATION, BEFORE DILUTION**

Profit/loss for the period from total operations divided by average number of shares.

**EARNINGS PER SHARE, TOTAL OPERATION, AFTER DILUTION**

Profit/loss for the period from total operations divided by weighted average number of shares.

**EQUITY PER SHARE, TOTAL OPERATION**

Equity on the balance sheet date divided by the number of shares on the balance sheet date. A measure of the value of equity per share, which is used when valuing the share in relation to the share price.

**ANNUAL RECURRING REVENUE (ARR)**

ARR is defined as repeat revenues at the end of the quarter for Digital Identity, converted to a 12-month period. Consequently, there is no direct link between the ARR figure and future software revenues for Digital Identity. The ARR metric is used for contractual recurring revenues for the Digital Identity segment, as Digital Identity has a large customer base based on SaaS revenues. There are a small number of large customers in Algo, and therefore license fees are not followed up using the definition of ARR in this segment.

# ANNUAL GENERAL MEETING

## ANNUAL GENERAL MEETING

The Annual General Meeting will be held on May 22, 2023. The Annual Report for 2022 will be available on Precise Biometrics' website and at the head office at the latest on April 5, 2023. Shareholders who wish to participate in the Annual General Meeting must be included in the share register kept by Euroclear Sweden AB as of May 11, 2023, and register their participation as indicated in the notice of the meeting. Shareholders who have had their shares registered through an agent must, in order to be entitled to participate in the meeting, register their shares in their own name so that the shareholder is included in the production of the share register as of May 11, 2023. Such registration may be temporary ("registration of voting rights") and is requested from the agent in accordance with the agent's procedures with a period of advance notice as determined by the agent. Registrations of voting rights that have been completed by the agent no later than May 13, 2022, will be included in the production of the share register. Further instructions will be provided in the notice of the Annual General Meeting.

## REGISTERING TO ATTEND THE AGM

Shareholders must register their intention to attend the AGM no later than May 15, 2023. Registration may take place by mail or email:

[arsstamma@precisebiometrics.com](mailto:arsstamma@precisebiometrics.com)

Mail: Precise Biometrics AB, "Ärsstamma", Scheelevägen 27, SE-223 63 Lund

### Applications must include:

Name  
Social security number/Corp ID number  
Address  
Phone number  
Attendees, if appropriate

## Representatives

Shareholders who are represented by an agent must issue a power of attorney to the agent. If powers of attorney are issued by legal entities, a copy of the registration certificate (or if such a document does not exist, a similar document) for the legal entity must be enclosed. The document must not be more than one year old.

These documents must be in the possession of Precise Biometrics no later than Monday, May 15, 2023.

## Investor contact

Patrick Höjjer, CEO, phone: +46-70 960 36 79

Email: [investor@precisebiometrics.com](mailto:investor@precisebiometrics.com)

# FINANCIAL CALENDAR

## **INTERIM REPORT, FIRST QUARTER 2023**

May 12, 2023 (8:00am)

## **ANNUAL GENERAL MEETING 2023**

May 22, 2023 (2:00pm)

## **INTERIM REPORT, SECOND QUARTER 2023**

August 15, 2023 (8:00am)

## **INTERIM REPORT, THIRD QUARTER 2023**

November 10, 2023 (8:00am)

## **YEAR-END REPORT 2023**

February 16, 2024 (8:00am)

Financial reports are published in Swedish and English at [www.precisebiometrics.com](http://www.precisebiometrics.com)

## **CONTACT**

Precise Biometrics AB  
Scheelevägen 27  
223 63 Lund Sweden  
+ 46 46 31 11 00

## **SHAREHOLDER CONTACT**

Patrick Höjjer, CEO  
phone: +46 70 960 36 79  
Email [investor@precisebiometrics.com](mailto:investor@precisebiometrics.com)



**PRECiSE**  
BIOMETRICS

[precisebiometrics.com](https://precisebiometrics.com)